Mobilisation of the European Globalisation Adjustment Fund: redundancies in the ICT sector in Finland

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Finland in respect of redundancies in the information and communications technology sector (in particular, the mobile phone sector).

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF is not to exceed a maximum annual amount of **EUR 150 million** (2011 prices).

The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006.

Against this backdrop, the Commission examined the application to mobilise the EGF to assist Finland and expressed its position as follows:

Finland: **EGF/2016/001 FI/Microsoft**: on 11 March 2016, Finland submitted an application EGF/2016/001 FI/Microsoft for a financial contribution from the EGF, following redundancies in Microsoft (Microsoft Mobile Oy) and 8 suppliers and downstream producers in Finland.

Finland submitted its application within the **12 week deadline** set out in the EGF Regulation. The deadline of 12 weeks of the receipt of the complete application within which the Commission should finalise its assessment of the application's compliance with the conditions for providing a financial contribution expires on 29 July 2016.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Finland argues that in recent years the distribution of ICT sector employment between the EU and other economies has developed to the detriment of the EU share. These effects were particularly felt in Finland, where the ICT sector plays a key role in the economy.

In 2014, the number of people employed by technology businesses in Finland decreased by 2 %, i.e. by over 5 000 employees. During the same period, the share of China and the United States in the ICT sector personnel of the developed countries increased, while the share of Europe decreased.

The mobile phone markets have developed under constant competition between different operating systems. During the first decade of the 2000s Nokia dominated the markets. Since then the Android operating system rapidly achieved a strong market position, while Microsoft failed to achieve a significant market share. This has led to growing imports into the Union.

Thus, the main reason behind the workforce reductions at Microsoft is the declining market share of its phones (Lumia) with the Microsoft Windows operating system. Android and iOS, the two US-designed operating systems used by various Asian based manufacturers, have risen to dominate the market in recent years.

The current application is the continuation of a series of previous applications from Finland, all revolving around the decline of Nokia in its country of origin.

To date, the NACE Divison 62 sector has been the subject of two previous EGF applications, both based on trade related globalisation (EGF/2013/001 FI/Nokia and EGF/2015/005 FI/Computer programming).

Basis of the Finnish request: Finland submitted the application under the intervention criteria of Article 4 (1) (a) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of four months in an enterprise in a Member State, including workers made redundant by suppliers.

The reference period of four months for the application runs from 11 September 2015 to 11 January 2016. There were 2 035 redundancies within this reference period.

The redundancies during the reference period are as follows:

1 889 workers made redundant by Microsoft,

146 workers made redundant by eight suppliers and downstream producers.

In addition to the 2 035 workers already referred to, the eligible beneficiaries include 126 workers made redundant before or after the reference period of four months. These workers were all made redundant after the general announcement of the projected redundancies on 8 July 2015.

The total number of eligible beneficiaries is therefore **2 161**.

The Commission proposes to mobilise the EGF for the amount of **EUR 5 364 000**.

FINANCIAL IMPLICATIONS: having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 5 364 000, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Inter-institutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the requested amount.

At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.