Mobilisation of the European Globalisation Adjustment Fund: redundancies in telecom hardware production in Sweden

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Sweden in respect of redundancies in telecommunications 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 Sweden and expressed its position as follows:

Sweden: EGF/2016/002 SE/Ericsson: on 31 March 2016, Sweden submitted an application EGF/2016 /002 SE/Ericsson for a financial contribution from the EGF, following redundancies in Ericsson in Sweden.

Sweden submitted application EGF/2016/002 SE/Ericsson within **12 weeks** of the date on which the intervention criteria set out the EGF Regulation. This deadline expires on 5 September 2016.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Sweden argues that the redundancies occurred in the telecom hardware production business line of Ericsson.

In the past years, Ericsson has concentrated most of its hardware production and development facilities in Asia, where not only the strongest growth markets are located, but also equivalent quality can be delivered at lower costs.

According to data published by Ericsson, the company has gradually been cutting staff in Sweden (from 21 178 in 2005 to 17 858 in 2014), but in the meantime been growing tremendously worldwide (from 56 055 in 2005 to 118 055 in 2014), India currently being the country with the largest number of employees.

The events giving rise to these redundancies are the partial or entire closure of wireless telecom hardware production lines at various Ericsson sites (Borås, Karlskrona, Kista/Stockholm, Kumla, Linköping and Gothenburg) in Sweden, and the closure of an entire plant in the city of Katrineholm.

Facing stagnating growth and simultaneously facing harder competition with Asian producers, Ericsson has been scaling down telecom hardware production, a process that started almost two decades ago. The company sold its entire mobile phone development and production line to competitor Sony in February 2012. Ericsson is concentrating its remaining hardware production lines at production sites in Asia.

To date, the NACE 2 Division 26 sector has been the subject of another 14 EGF applications, 11 of which based on trade related globalisation and 3 on the global financial and economic crisis.

The application relates to 1 556 workers made redundant in Ericsson (Telefonaktiebolaget LM Ericsson). Ericsson operates primarily in the economic sectors classified under the NACE Revision 2 Division 26 (Manufacture of computer, electronic and optical products) and 62 (Computer programming, consultancy and related activities). The redundancies made by Ericsson are mainly located in the NUTS level 2 regions of Stockholm (SE11) and Östra Mellansverige (SE12), but also in Sydsverige (SE22) and Västsverige (SE23).

Basis of the Swedish application: Sweden 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. The reference period of four months for the application runs from 11 September 2015 to 11 January 2016.

The redundancies concern 1 244 workers made redundant in Ericsson. In addition to the workers already referred to, the eligible beneficiaries include 312 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 11 September 2015.

The Swedish authorities declared that these redundancies were all part of the same redundancy procedure, but some redundancies were only announced after the end of the reference period. The total number of eligible beneficiaries is therefore **1 556**.

The Commission proposes to mobilise the EGF for the amount of **EUR 3 957 918**.

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 3 957 918, 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 Interinstitutional 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.