Mobilisation of the European Globalisation Adjustment Fund: redundancies in the call center sector in Italy

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Italy facing redundancies in the call centre sector.

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

CONTENT: 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.

Italy:EGF/2017/004 IT/Almaviva: on 9 May 2017, Italy submitted an application EGF/2017/004 IT /Almaviva for a financial contribution from the EGF, following **redundancies in Almaviva Contact SpA in Italy**. The events giving rise to these redundancies are revenue decline, which fell by more than 45 % in Almaviva's work centre in Rome in 2015 compared to 2011.

Italy submitted its application within 12 weeks of the date on which the intervention criteria had to be met. 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 26 September 2017.

In order to establish the **link between the redundancies and the global financial and economic crisis**, Italy argued that the effects of the economic and financial crisis do not seem to have lowered the demand for marketing services and assistance to buyers of goods and services, but it has significantly affected the remuneration offered for such services (pressure on prices), with evident negative effects on the margins of profitability of the services providers.

The awarding of contracts on the basis of maximum price reductions had a **direct impact on the turnover of the service providers which has been declining** over the period 2011-2016. The call centre sector saw a falling gross operating margin (from 5.7 % in 2013 to 3.8% in 2014). Over the same period its return on equity also worsened, from 9.4 % to -6.3 %.

In a context of **adverse conditions** (such as tendering by pulling prices down, declining sales and profitability, price of services plummeting, and the need of reducing the weight of staff costs in the total of production costs) the solution frequently adopted by the enterprises operating in the call centre sector have been either **relocation** to countries with cheaper labour costs, interventions on the cost of labour or closure.

During the period 2009-2014, a **third of the enterprises in the sector ceased activity**, a large majority of these through insolvency proceedings.

Basis of the application: Italy 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 and downstream producers and / or self-employed persons whose activity has ceased.

The reference period of four months for the application runs from 30 December 2016 to 30 April 2017. The redundancies during the reference period are **1 610 workers made redundant in Almaviva**. The total number of eligible beneficiaries is therefore **1 646**.

BUDGETARY IMPLICATION: the estimated total costs are EUR 5 578 950, comprising expenditure for personalised services of EUR 5 355 950 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 223 000.

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 3 347 370**, 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 target amount.