

# **Mobilisation of the European Globalisation Adjustment Fund: redundancies in the metal manufacturing industry in Germany**

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**PURPOSE:** to mobilise the European Globalisation Adjustment Fund (EGF) to help Germany facing redundancies in the metal sector.

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

**CONTENT:** on 15 December 2020, Germany submitted an application for a financial contribution from the EGF, in respect of redundancies in the company GMH Guss GmbH in Germany.

Following the examination of this application, the Commission concluded, in accordance with all relevant provisions of the EGF Regulation, that the conditions for a financial contribution from the EGF have been met.

## ***Grounds for the application***

Germany submitted the application under the intervention criterion of Article 4(1)(a) of the EGF Regulation, which requires at least 500 workers to be made redundant over a reference period of four months in an enterprise in a Member State.

The application concerns 585 workers made redundant by four subsidiaries of GMH Guss GmbH. This enterprise operates in the manufacture of basic metals sector. The redundancies occurred in the NUTS 2 regions of Düsseldorf and Arnsberg. These sites are located in the Ruhr area, the traditional industrial region of North Rhine-Westphalia.

The four-month reference period runs from 31 July 2020 to 30 November 2020.

## ***Link between the redundancies and a global financial and economic crisis***

Germany argues that the German foundry industry is facing profound challenges such as changes in international trade in goods and services, as well as the relocation of activities to third countries.

While in 2019 it was the largest producer of foundry products in the EU, producing more than twice as much as Italy and three times as much as France, Germany had only a 5% share of global production, behind China (45.5%), India (11%) and the US (8.8%).

In the automotive industry, which is one of the main customers of German metal foundries, Asia is now largely dominant, with a 54% market share of global car production in 2019. For the first time in their history, German car manufacturers produced more cars in China than in Germany. Overall, car production in 2019 fell to its lowest level since 1996.

In addition, in the European market, the entire car industry is tending to relocate production or parts of the supply chain to Eastern Europe, including to non-EU countries.

As far as truck manufacturers are concerned, production of vehicles over 3.5 tonnes in Germany has roughly halved from 256 131 vehicles in 2008 to 133 997 in 2019. China now dominates the world market, with a 40% market share of global production.

Lastly, in the shipbuilding industry, annual production in Europe has halved in the period 2011-2019 compared to the period 2002-2010.

These globalisation-related challenges have put the metal casting industry under severe pressure and led to an 8.9% decline in the total production of foundry products in Germany between 2018 and 2019.

The facts behind the redundancies are the insolvency proceedings against GMH Guss. While one subsidiary, Dieckerhoff Guss GmbH, has been fully closed, the others have been partially closed and are currently subject to insolvency proceedings.

The redundancies are expected to have a significant negative effect on the local economy. Between September 2019 and September 2020, the unemployment rate in North Rhine-Westphalia rose from 6.5% to 7.9% and from 9% to 10.7% in the Ruhr region. The Covid-19 pandemic has further aggravated the consequences for the labour market.

### ***Beneficiaries***

Of the 585 eligible persons, an estimated 476 redundant workers are expected to participate in the measures.

The personalised services to be provided to the redundant workers include the following actions: (i) upskilling measures, including German language courses which can be provided to participants with a migratory background; (ii) peer groups and discussion workshops; (iii) business start-up assistance; (iv) job search assistance; (v) guidance counselling and vocational orientation; (vi) international job counselling; (vi) follow-up mentoring; and (vii) training allowance.

The proposed actions are active labour market measures and do not substitute for passive social protection measures.

The total estimated cost amounts to EUR 1 802 845, including EUR 1 730 731 for personalised services and EUR 72 114 for preparation, management, information and publicity, monitoring and reporting.

### ***Budget proposal***

The annual allocation to the EGF does not exceed EUR 186 million (in 2018 prices), as foreseen in Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021-2027.

Following the assessment of the application, the Commission proposes to mobilise the EGF for an amount of EUR 1 081 706, representing 60% of the total cost of the proposed actions, in order to provide a financial contribution for the application.