

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the air transport sector in the Netherlands

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to help the Netherlands facing redundancies in the air transport sector.

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

CONTENT: on 22 December 2020, the Netherlands submitted an application for a financial contribution from the EGF, following redundancies in KLM Royal Dutch Airlines in the Netherlands.

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

The Netherlands submitted the application under the intervention criterion of Article 4(1)(a) of the EGF Regulation, which requires at least 500 redundancies over a reference period of four months in an enterprise in a Member State, including employees and self-employed persons made redundant or made redundant in its suppliers and downstream producers.

The application concerns 1851 workers made redundant at KLM Royal Dutch Airlines. The redundancies took place in the NUTS 2 region of Noord-Holland. KLM made 650 workers redundant during the four-month reference period from 15 August 2020 to 15 December 2020.

Link between redundancies and a global financial and economic crisis

The Netherlands reports that KLM has been hit hard by the effects of the COVID-19 pandemic. Before the pandemic, KLM's financial results increased steadily between 2015 and 2019. However, the crisis has undermined KLM's good results in recent years. By mid-March 2020, KLM's operations were largely crippled, while their operating costs remained at the same level.

KLM carried 11.2 million passengers in 2020, a massive 68% drop from the previous year. The passenger load factor fell to 52.2%, compared to 89.4% in 2019. In 2020, KLM's revenues fell by 53.8% year-on-year to EUR 5 120 million. As a result of the sharp decline in revenues, KLM accumulated an operating loss of EUR 1 154 million in 2020, compared to a profit of EUR 714 million in 2019.

On 31 July 2020, KLM management announced a restructuring plan to reduce costs. This resulted in a reduction of the workforce by approximately 5 000 full-time equivalents (from 33 000 to 28 000 full-time equivalents).

The redundancies have a serious impact on the national economy. KLM is the second largest private employer in the Netherlands. The unemployment rate in the province of Noord-Holland increased by 1.5 percentage points to 4.8% in the fourth quarter of 2020 compared to the same quarter of 2019.

KLM management expects a return to pre-crisis flight movements by 2024.

Beneficiaries

Of the 1851 eligible persons, an estimated 1201 redundant workers and self-employed persons are expected to participate in EGF measures.

The personalised services to be provided to the redundant workers include the following actions: (i) career guidance; (ii) professional assistance to move to sectors with labour shortages such as education, health care, logistics, technology and information management; (iii) training, coaching and/or education; and (iv) financial advice for the affected employees.

The proposed actions constitute active labour market measures and do substitute for passive social protection measures.

The total cost is estimated at EUR 8 365 364, corresponding to the expenditure for personalised services (EUR 8 030 750) and the financing of preparation, management, information and publicity, monitoring and reporting activities (EUR 334 614).

Budget proposal

The annual allocation to the EGF does not exceed EUR 186 million (in 2018 prices), as foreseen in the 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 5 019 218, representing 60% of the total cost of the proposed actions, in order to provide a financial contribution for the application.