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

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

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

CONTENT: on 30 December 2020, Finland submitted an application for a financial contribution from the EGF, following redundancies in the company Finnair Oyj and a subcontractor in Finland.

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 are met.

Grounds for the application

Finland 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 the suppliers and downstream producers of that enterprise.

The application concerns 508 workers made redundant in Finnair Oyj and a subcontractor. The redundancies in the companies took place in the NUTS level 2 region of Helsinki-Uusimaa.

The four-month reference period is from 25 August 2020 to 25 December 2020.

Link between redundancies and a global financial and economic crisis

Finland reports that Finnair has been hit hard by the effects of the pandemic. Before the COVID-19 outbreak, Finnair had a strong financial position. Over the past decade, passenger numbers at Helsinki-Vantaa Airport have increased by 58%, from 12.6 million to 21.9 million. In January 2020, passenger volume to China increased by 58% compared to January 2019.

At the beginning of 2020, passenger traffic at Helsinki-Vantaa Airport continued to increase. However, in February 2020, the passenger volume decreased sharply, by 73%, due to the epidemic situation. Finnair had to cancel all flights to mainland China and to the US.

Restrictions in Finland and other destination countries have had a significant impact on Finnair's operations, especially on international and intercontinental flights. Finnair's 2020 annual report shows a sharp drop in revenue of 73.2% (from EUR 3097.7 million to EUR 829.2 million), in the number of passengers of 76.2% (from EUR 14.7 million to EUR 3.5 million) and the company accumulated an operating loss of EUR 464.5 million.

Finnair had to cut costs to cope with the crisis, which resulted in a reduction of the workforce by 1000 jobs. The redundancies at Finnair are having a serious impact on the national economy. On an annual basis, the unemployment rate in the Helsinki-Uusimaa region, where Finnair has its operating centre, has increased by 0.8 percentage points, from 6.4% in 2019 to 7.2% in 2020.

Beneficiaries

Of the 508 eligible persons, an estimated 500 redundant workers are expected to participate in the EGF measures.

The personalised services to be provided to the redundant workers include the following actions: (i) coaching and preparatory measures to help participants find a job; (ii) employment and business services; (iii) vocational qualification training; (iv) a pay subsidy of 30-50% of the payroll costs to encourage recruitment into a new job; (v) a start-up grant to promote business creation and recruitment of staff; (vi) travel, accommodation and relocation allowances to cover expenses incurred in the search for a job.

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

The total estimated cost amounts to EUR 2 920 600, corresponding to expenditure on personalised services of EUR 2 730 600 and expenditure on preparation, management, information and publicity, monitoring and reporting activities of EUR 190 000.

Budget proposal

The annual allocation to the EGF does not exceed EUR 186 million (in 2018 prices), as provided for 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 1 752 360, representing 60% of the total cost of the proposed actions, in order to provide a financial contribution for the application.