Mobilisation of the European Globalisation Adjustment Fund: redundancies in the metal sector in Germany

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to support Germany in the face of redundancies in the metal manufacturing sector.

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

CONTENT: on 15 November 2023, Germany submitted an application for a financial contribution from the EGF, following displacements in Vallourec (Vallourec Deutschland GmbH (VAD)) in Germany.

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

Grounds for the application

Germany submitted the application under the intervention criteria of Article 4(2), point (a), of EGF Regulation, which requires the cessation of activity of at least 200 displaced workers over a reference period of four months in an enterprise in a Member State.

The application relates to 1 518 displaced workers whose activity has ceased in Vallourec (Vallourec Deutschland GmbH (VAD)). This enterprise operates in the economic sector classified under the NACE Revision 2 division 24 (Manufacture of basic metals). The reference period of four months for the application runs from 26 April 2023 to 26 August 2023.

Events leading to the displacements and cessation of operations

The enterprise, Vallourec Deutschland GmbH (VAD), is the German subsidiary of Vallourec S.A, France. The enterprise manufactured seamless hot-rolled steel tubes at its two steel mills in Germany, namely in the neighbouring cities of Düsseldorf and Mülheim an der Ruhr. The steel mills, previously known as Mannesmannröhren-Werke AG, were founded in 1899 and 1966, respectively.

The enterprise had been reporting losses since 2014, and, as a consequence, responded by several restructuring and downsizing measures. In 2018, the VAD Recovery Plan was launched, with the aim of leading to substantial savings by 2020. Despite some success, the economic situation following the Covid-19 pandemic resulted in further difficulties for the German tube mills. Since 2015, more than 1 400 jobs were already lost due to restructuring.

On 17 November 2021, the supervisory board of Vallourec S.A. decided to sell the German tube mills, and to offshore production to Brazil.

Even though Vallourec S.A. received offers from potential buyers, none of the offers proved viable. On 18 May 2022, the supervisory board declared that all attempts to sell the production sites had failed. This meant the definitive closure of the sites, as no successor to operate the facilities could be found.

Production will continue until the offshoring process is completed. Therefore, it has been decided to close the sites in three phases. A first batch of workers has left the company by 1 January 2024, a second batch will leave by 1 July 2024, and the third batch by 1 January 2025.

The enterprise will continue activities in Germany, but only as a sales company.

Beneficiaries

An estimated 835 redundant workers are expected to participate in the following measures.

The personalised services to be provided to the redundant workers include the following actions: (i) upskilling measures; (ii) guidance counselling and vocational orientation/activation measures; (iii) business start-up advisory services; (iv) business start-up grants; (iv) job search assistance; (v) upskilling incentives; (vi) training allowance; (vii) digital basic skills.

Germany has informed about activities already undertaken for the assistance of the displaced workers.

The estimated total costs are EUR 4 974 379, comprising expenditure for personalised services of EUR 4 783 057 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 191 322.

Budgetary proposal

The EGF should not exceed a maximum annual amount of EUR 186 million (in 2018 prices), as laid down in Council Regulation (EU, Euratom) No 2020/2093 laying down the multiannual financial framework for the years 2021 to 2027.

Having examined the application, the Commission proposes to mobilise the EGF for the amount of EUR 2 984 627, representing 60 % of the total costs of the proposed measures, in order to provide a financial contribution for the application.