Basic information

2012/2278(BUD) BUD - Budgetary procedure	Procedure completed
Mobilisation of the European Globalisation Adjustment Fund: redundancies in electronics manufacturing services in Denmark **Subject** 3.40.06 Electronics, electrotechnical industries, ICT, robotics 4.15.05 Industrial restructuring, job losses, redundancies, relocations, Globalisation Adjustment Fund (EGF) 8.70.60 Previous annual budgets **Geographical area** Denmark	

Key players

European Parliament

Committee responsible	Rapporteur	Appointed
BUDG Budgets	KOZŁOWSKI Jan (PPE)	24/10/2012
	Shadow rapporteur PICKART ALVARO Alexander Nuno (ALDE)	

Committee for opinion	Rapporteur for opinion	Appointed
EMPL Employment and Social Affairs	The committee decided not to give an opinion.	
REGI Regional Development	The committee decided not to give an opinion.	

Council of the European Union

Council configuration	Meetings	Date
General Affairs	3207	2012-12-06

European Commission

Commission DG	Commissioner
Budget	LEWANDOWSKI Janusz

Key events

Date	Event	Reference	Summary
19/10/2012	Non-legislative basic document published	COM(2012)0623	Summary
19/11/2012	Committee referral announced in Parliament		
06/12/2012	Draft budget approved by Council		
10/12/2012	Vote in committee		
11/12/2012	Budgetary report tabled for plenary	A7-0417/2012	Summary
12/12/2012	Decision by Parliament	T7-0490/2012	Summary
12/12/2012	Results of vote in Parliament		
12/12/2012	End of procedure in Parliament		
12/01/2013	Final act published in Official Journal		

Technical information

Procedure reference	2012/2278(BUD)
Procedure type	BUD - Budgetary procedure
Procedure subtype	Mobilisation of funds
Other legal basis	Rules of Procedure EP 165
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/7/11077

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE498.127	29/10/2012	
Amendments tabled in committee		PE500.376	08/11/2012	
Budgetary report tabled for plenary, 1st reading		A7-0417/2012	11/12/2012	Summary
Budgetary text adopted by Parliament		T7-0490/2012	12/12/2012	Summary

European Commission

Document type	Reference	Date	Summary
Non-legislative basic document	COM(2012)0623	19/10/2012	Summary

Additional information

Source	Document	Date

Final act

Decision 2013/0014
OJ L 008 12.01.2013, p. 0013 Summary

Mobilisation of the European Globalisation Adjustment Fund: redundancies in electronics manufacturing services in Denmark

2012/2278(BUD) - 19/10/2012 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in electronics manufacturing services in Denmark.

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

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The Commission services have carried out a thorough examination of the application submitted by Denmark to mobilise the EGF. The main elements of the assessment are as follows:

Denmark: EGF/2011/013 DK/Flextronics: on 21 December 2011, Denmark submitted application EGF/2011/013 DK/Flextronics for a financial contribution from the EGF, following redundancies in *Flextronics International Denmark A/S* (hereinafter called '*Flextronics Denmark*') in Denmark. The application was supplemented by additional information up to 23 August 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Denmark submits that the redundancies at *Flextronics Denmark* are a direct consequence of the major structural changes in world trade patterns in the area of services provided by *Flextronics Denmark*, i.e. design and electronics manufacturing services to original electronic equipment manufacturers. *Flextronics* in 2011 was ranked as the second global Electronics Manufacturing Services (EMS) company by revenue. It was an important producer of printed circuit boards (PCBs) which are ubiquitous components of any electronic equipment such as smart cards, electronic gaming, digital cameras, mobile phones, personal computer electronics, etc.

The recent trend in electronic equipment production of moving facilities to Asia was also followed by *Flextronics*, as the Singapore headquarters decided to close the Danish enterprise while at the same time expanding outside Europe. With the company outsourcing its production to a daughter company *Multek*, one of the best-known PCB suppliers in the world, there was no further need for the production of *Flextronics Denmark* and relevant European PCBs market.

Japan and the Asia-Pacific region collectively account for a major share of the worldwide PCBs market as do India and China. A key reason for the growing significance of these countries is the rapid expansion of electronic manufacturing there, not least due to the cost of labour and manufacturing cost advantages.

Under these circumstances, and with shrinking markets in Europe for the production of electronics in general and PCBs in particular, the decision to close *Flextronics Denmark* was taken by the headquarters of the company in August 2011.

Denmark submitted this application under the intervention criteria of Article 2(c) of Regulation (EC) No 1927/2006, which permits Member States, in **exceptional circumstances**, duly substantiated by the Member State concerned, to submit an application for a contribution from the EGF even if the intervention criteria laid down by point (a) or (b) are not entirely met, when redundancies have a serious impact on employment and the local economy. The application cites 216 redundancies in *Flextronics Denmark* during the four-month reference period from 1 July 2011 to 31 October 2011 and a further 87 outside the reference period but related to the same collective redundancies procedure.

Exceptional circumstances: Denmark argues that the application is made in exceptional circumstances and justifies the request for EGF support by the importance of the employer in the local labour market, the overall labour market situation in the municipality of Skive. Skive is part of the region of Midtjylland which was affected negatively by globalisation in the last couple of years and for which EGF support was sought both in 2010 and 2012 (see EGF/2010/017 and EGF/2012/003) – further limiting the possibility of finding alternative employment for workers made redundant by *Flextronics.*

Apart from the limited labour market opportunities in the municipality of Skive, there has been a more clearly expressed negative trend on unemployment rates in comparison to the region of Midtjylland and the Vestjylland area as a whole. The Danish authorities also refer to the

considerable deterioration in the demographic structure observed since 2006, when the decline in jobs in manufacturing started, as both younger and better educated workers were leaving the municipality, opting for new employment elsewhere.

Given the circumstances described, the Danish authorities assess the future development of the labour market as exceptionally threatened and therefore want to upskill the redundant workers from *Flextronics* to provide relevant job opportunities for them within the Skive municipality. In such circumstances the redundancies can be seen to have a serious negative effect on the regional and local economy described.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

On the basis of the application from Denmark, the proposed contribution from the EGF is **EUR 1 370 910**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount of EUR 1 370 910, to be allocated under heading 1a of the financial framework.

The proposed amount of financial contribution will leave more than 25% of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trilogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal trilogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations: the amount of payment appropriations initially entered on the budget line 04 05 01 in 2012 will be fully consumed after the adoption by the two arms of the budgetary authority of the proposals submitted to date for mobilising the EGF and therefore insufficient to cover the amount needed for Denmark's application. **An increase in the payment appropriations of the EGF budget line will be requested** either through a transfer, in case a source of available appropriations can be identified, or an Amending budget. Appropriations from this budget line will be used to cover the amount of EUR 1 370 910 needed for the present application.

Mobilisation of the European Globalisation Adjustment Fund: redundancies in electronics manufacturing services in Denmark

2012/2278(BUD) - 11/12/2012 - Budgetary report tabled for plenary, 1st reading

The Committee on Budgets adopted the report drafted by Jan KOZŁOWSKI (EPP, AT) on the proposal for a decision on the mobilisation of the European Globalisation Adjustment Fund for an amount of **EUR 1 370 910** in commitment and payment appropriations to assist Denmark in respect of redundancies in the electronics manufacturing sector.

Members recall that the European Union has set up the appropriate legislative and budgetary instruments to provide additional support to workers who are suffering from the consequences of major structural changes in world trade patterns and to assist their reintegration into the labour market. Given that Denmark has requested assistance for 303 redundancies 153 of which are targeted for assistance, in Flextronics International Denmark A/S during the reference period from 1 July 2011 to 31 October 2011 (including 87 redundancies outside the reference period, but related to the same collective redundancy procedure), Members request the institutions involved to make the necessary efforts to accelerate the mobilisation of the EGF for the requested amount. Moreover, they agree with the Commission that the conditions set out in Article 2(c) of the EGF Regulation are met and that, therefore, **Denmark is therefore entitled to a financial contribution under this Regulation**.

Members consider it is of concern that Denmark is applying for the mobilisation of the EGF fund on behalf of Flextronics International Denmark, established by the Singapore-registered Flextronics International Ltd, which is moving its facilities to Asia. They note that the region of Midtjylland, where the municipality of Skive is located, has already benefited from the EGF support by means of two applications, namely EGF/2010/017 Midtjylland Machinery and EGF/2012/003 Vestas.

While they welcome the Danish application, they deplore, however, the fact that, despite several successful Danish mobilisations of the EGF under both the trade-related criteria and the crisis-related criteria, **Denmark is among the countries undermining the future of the EGF after 2013** and is blocking the extension of the crisis derogation.

Members note the fact that, in order to provide workers with immediate assistance, the Danish authorities decided to start the implementation of the measures on 21 March 2012, ahead of the final decision about granting EGF support for the proposed coordinated package.

They emphasise the key importance of adapted training and recognition of skills and competences gained throughout the professional career. They stress that it is essential that the training on offer in the coordinated package is adapted and is adequate to the needs and level of the dismissed workers, taking into account their social and economic background.

Lessons learnt from the implementation of the EGF: Members highlight the fact that lessons should be learned from the implementation of the EGF and request the institutions involved to make the necessary efforts to improve procedural and budgetary arrangements to **accelerate the mobilisation of the EGF**. They also appreciate the improved procedure put in place by the Commission, following Parliament's request for accelerating the release of grants, aimed at presenting to the budgetary authority the Commission's assessment on the eligibility of an EGF application, together with the proposal to mobilise the EGF. They hope that **further improvements in the procedure will be integrated in the new Regulation on the European Globalisation Adjustment Fund (2014–2020)** and that the EGF's effectiveness, transparency and visibility will be strengthened as a result.

Members call for reciprocity in trade between the EU and third countries as an essential condition for EU companies to gain access to new non European markets.

Members reiterate their usual position in respect of a dossier of this type:

- the need to ensure a smooth and rapid procedure for the adoption of the decisions on the mobilisation of the EGF;
- assistance from the EGF must not replace actions which are the responsibility of companies by virtue of national law or collective agreements, nor measures restructuring companies or sectors and it should co-finance only **active labour market measures which lead to durable, long-term employment**;
- the fact that the information provided on the coordinated package of personalised services to be funded from the EGF includes information on the complementarity with actions funded by the Structural Funds;
- the need for a comparative evaluation of those data in the annual report on the Funds;
- the need to ensure that no duplication of Union-funded services can occur.

The question of training and reskilling of workers: Members note that the Danish authorities propose a expensive coordinated package of personalised services (EUR 12 891 per worker) but welcome the fact that the package consists of measures that are additional and innovative compared to those offered generally. They consider, however, the subsistence allowance of EUR 4 439 per worker for the participation in the measures as too high. They recall that the EGF should in the future be primarily allocated to training and job search, as well as occupational orientation programmes, and its financial contribution to allowances should always be of additional nature and in parallel to what is available to dismissed workers by virtue of national law or collective agreements.

Financing of the EGF: Members also welcome the fact that following their requests, the 2012 budget shows payment appropriations of EUR 50 000 000 on the EGF budget line 04 05 01. They recall that the EGF was created as a separate specific instrument, with its own objectives and deadlines, and therefore deserves a dedicated allocation, which will avoid transfers to the extent possible from other budget lines, as has happened in the past.

Lastly, Members deplore the decision of the Council to block the extension of the "crisis derogation", which allows for the provision of financial assistance to workers made redundant as a result of the current financial and economic crisis in addition to those losing their job because of changes in global trade patterns, and allows for an increase in the rate of Union co-financing to 65% of the programme costs, for applications submitted after the 31 December 2011 deadline. They call on the Council to reintroduce this measure without delay.

Mobilisation of the European Globalisation Adjustment Fund: redundancies in electronics manufacturing services in Denmark

2012/2278(BUD) - 12/12/2012 - Budgetary text adopted by Parliament

The European Parliament adopted by 589 votes to 68, with 18 abstentions, a resolution approving the proposal for a decision on the mobilisation of the European Globalisation Adjustment Fund for an amount of **EUR 1 370 910** in commitment and payment appropriations to assist Denmark in respect of redundancies in the electronics manufacturing sector.

Members recall that the European Union has set up the appropriate legislative and budgetary instruments to provide additional support to workers who are suffering from the consequences of major structural changes in world trade patterns and to assist their reintegration into the labour market. Given that Denmark has requested assistance for 303 redundancies 153 of which are targeted for assistance, in *Flextronics International Denmark A/S* during the reference period from 1 July 2011 to 31 October 2011 (including 87 redundancies outside the reference period, but related to the same collective redundancy procedure), Members request the institutions involved to make the necessary efforts to accelerate the mobilisation of the EGF for the requested amount. Moreover, they agree with the Commission that the conditions set out in Article 2(c) of the EGF Regulation are met and that, therefore, **Denmark is therefore entitled to a financial contribution under this Regulation**.

Denmarkand the EGF: while it welcomes the Danish application, Parliament regrets, however, the fact that, despite several successful Danish mobilisations of the EGF under both the trade-related criteria and the crisis-related criteria, **Denmark is among the countries undermining the future of the EGF after 2013** and is blocking the extension of the crisis derogation. Parliament considers it is of concern that Denmark is applying for the mobilisation of the EGF fund on behalf of *Flextronics International Denmark*, established by the Singapore-registered Flextronics International Ltd, which is moving its facilities to Asia. They note that the region of Midtjylland, where the municipality of Skive is located, has already benefited from the EGF support by means of two applications, namely EGF/2010/017 Midtjylland Machinery and EGF/2012/003 *Vestas*.

Parliament notes the fact that, in order to provide workers with immediate assistance, the Danish authorities decided to start the implementation of the measures on 21 March 2012, ahead of the final decision about granting EGF support for the proposed coordinated package. It emphasises the key importance of adapted training and recognition of skills and competences gained throughout the professional career. It stresses that it is essential that the training on offer in the coordinated package is adapted and is adequate to the needs and level of the dismissed workers, taking into account their social and economic background.

Lessons learnt from the implementation of the EGF: Parliament highlights the fact that lessons should be learned from the implementation of the EGF and requests the institutions involved to make the necessary efforts to improve procedural and budgetary arrangements to **accelerate the mobilisation of the EGF**. It also appreciates the improved procedure put in place by the Commission, following Parliament's request for accelerating the release of grants, aimed at presenting to the budgetary authority the Commission's assessment on the eligibility of an EGF application, together with the proposal to mobilise the EGF. It hopes that **further improvements in the procedure will be integrated in the new Regulation on the European Globalisation Adjustment Fund (2014–2020)** and that the EGF's effectiveness, transparency and visibility will be strengthened as a result.

Parliament calls for reciprocity in trade between the EU and third countries as an essential condition for EU companies to gain access to new non European markets.

Parliament reiterates its usual position in respect of a dossier of this type:

- the need to ensure a smooth and rapid procedure for the adoption of the decisions on the mobilisation of the EGF;
- assistance from the EGF must not replace actions which are the responsibility of companies by virtue of national law or collective agreements, nor measures restructuring companies or sectors and it should co-finance only active labour market measures which lead to **durable, long-term employment**;
- the fact that the information provided on the coordinated package of personalised services to be funded from the EGF includes information on the complementarity with actions funded by the Structural Funds;
- the need for a comparative evaluation of those data in the annual report on the Funds;
- the need to ensure that no duplication of Union-funded services can occur.

The question of training and reskilling of workers: Parliament notes that the Danish authorities propose a expensive coordinated package of personalised services (EUR 12 891 per worker) but welcomes the fact that the package consists of measures that are additional and innovative compared to those offered generally. It considers, however, the subsistence allowance of EUR 4 439 per worker for the participation in the measures as too high. It also recalls that the EGF should in the future be primarily allocated to training and job search, as well as occupational orientation programmes, and its financial contribution to allowances should always be **of an additional nature** and in parallel to what is available to dismissed workers by virtue of national law or collective agreements. Parliament observes that only 153 of the 303 workers made redundant are targeted for the measures in question.

EGF financing: Parliament also welcomes the fact that following its requests, the 2012 budget shows payment appropriations of EUR 50 000 000 on the EGF budget line 04 05 01. It recalls that the EGF was created as a separate specific instrument, with its own objectives and deadlines, and therefore deserves a dedicated allocation, which will avoid transfers to the extent possible from other budget lines, as has happened in the past.

Lastly, Parliament deplores the decision of the Council to block the extension of the "crisis derogation", which allows for the provision of financial assistance to workers made redundant as a result of the current financial and economic crisis in addition to those losing their job because of changes in global trade patterns, and allows for an increase in the rate of Union co-financing to 65% of the programme costs, for applications submitted after the 31 December 2011 deadline. It calls on the Council to reintroduce this measure without delay.

Mobilisation of the European Globalisation Adjustment Fund: redundancies in electronics manufacturing services in Denmark

2012/2278(BUD) - 12/12/2012 - Final act

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in electronics manufacturing services in Denmark.

NON-LEGISLATIVE ACT: Decision 2013/14/EU of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund, in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2011/013 DK/Flextronics from Denmark).

CONTENT: with this Decision, the European Parliament and the Council have decided to mobilise the amount of **EUR 1 370 910** in commitment and payment appropriations from the European Globalisation Adjustment Fund in the framework of the 2012 budget.

This amount will assist Denmark hit by redundancies in Flextronics International Denmark A/S.

Given that this application complies with the requirements for determining the financial contributions as laid down in Regulation (EC) No 1927/2006 (EGF), the abovementioned amount has been granted to Denmark to meet its request.

To recall, the European Globalisation Adjustment Fund (EGF) aims to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market. The Interinstitutional Agreement of 17 May 2006 allows for the mobilisation of the Fund through a flexibility mechanism, within the annual ceiling of EUR 500 million.