REPORT


Committee on Budgets

Rapporteur: Jan Olbrycht
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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the proposal for a decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund, in accordance with point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (application EGF/2013/009 PL/Zachem, from Poland)

The European Parliament,


– having regard to Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020², and in particular Article 12 thereof,

– having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management³ (IIA of 2 December 2013), and in particular point 13 thereof,

– having regard to the trilogue procedure provided for in point 13 of the IIA of 2 December 2013,

– having regard to the letter of the Committee on Employment and Social Affairs,

– having regard to the letter of the Committee on Regional Development,

– having regard to the report of the Committee on Budgets (A8-0036/2015),

A. whereas the Union has set up 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,

B. whereas the Union’s financial assistance to workers made redundant should be dynamic and made available as quickly and efficiently as possible, in accordance with the Joint Declaration of the European Parliament, the Council and the Commission adopted during the conciliation meeting on 17 July 2008, and having due regard to the IIA of 2 December 2013 in respect of the adoption of decisions to mobilise the European Globalisation

Adjustment Fund (EGF),

C. whereas this application is among the last two to be treated under the 2006 EGF Regulation and the adoption of Regulation (EU) No 1309/2013\(^1\) reflects the agreement reached between the Parliament and the Council to reintroduce the crisis mobilisation criterion, to increase the Union financial contribution to 60 \% of the total estimated cost of proposed measures, to increase efficiency for the treatment of EGF applications in the Commission and by the Parliament and the Council by shortening the time for assessment and approval, to widen eligible actions and beneficiaries by introducing self-employed persons and young people and to finance incentives for setting up own businesses;

D. whereas Poland submitted application EGF/2013/009 PL/Zachem for a financial contribution from the EGF following 615 redundancies in Zaklady Chemiczne Zachem and 2 suppliers, linked to the discontinuation of production and corporate reorganisation of Zachem, operating in the NACE 2 Division 20 'Manufacture of chemicals and chemical products', located in the NUTS 2 Kujawsko-Pomorskie Province; whereas 404 persons out of the 615 redundant workers have registered as unemployed in the district employment office in Bydgoszcz; whereas the redundancies took place during the reference period from 31 March 2013 to 31 July 2013 and are linked to a decline in the Union's market share of the chemical industry,

E. whereas the financial contribution requested from the EGF amounts to EUR 115 205 (50 \% of the total budget)

F. whereas the application fulfils the eligibility criteria laid down in the EGF Regulation,

1. Notes that the conditions set out in Article 2(a) of the EGF Regulation are met, therefore agrees with the Commission that Poland is entitled to a financial contribution under that Regulation;

2. Notes that the Polish authorities submitted the application for EGF financial contribution on 9 October 2013 under the EGF Regulation, which does not cap the time for instruction, and that its assessment was made available by the Commission on 21 January 2015;

3. Expresses concerns about the length of the procedure from the date of the first redundancies until the assessment of the application; recalls that the goal of the EGF is to offer help to redundant workers as quickly as possible;

4. Welcomes the fact that, in order to provide workers with speedy assistance, the Polish authorities decided to initiate the implementation of the personalised services to the affected workers on 4 March 2013, well ahead of the decision and even the application on granting the EGF support for the proposed coordinated package;

5. Notes that the Union’s share in the world market of chemicals drastically declined from 1992 to 2012, starting from 35.2 \% in 1992 and reducing to 17.8 \% in 2012\(^2\); observes

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\(^2\) The European chemical industry. Facts & Figures 2013, CEFIC (http://www.cefic.org/Facts-and-
that the trend in recent years has evidenced the migration of chemical manufacturing towards Asia, and China in particular, where the manufacture of chemicals increased from an 8.7% share in 2002 to a 30.5% share in 2012, due to rising sales in the emerging markets and lower labour costs, access to markets, subsidies, taxes and regulation; consequently considers that the redundancies in Zachem and its 2 suppliers are linked to major structural changes in world trade patterns due to globalisation;

6. Underlines that Zachem was the biggest employer in the region and that in the given reference period, the workers dismissed directly or indirectly from Zachem amounted to 60% of all newly registered unemployed persons in the district employment office in Bydgoszcz;

7. Notes that the redundancies at Zachem and its suppliers are expected to have a negative impact on the Kujawsko-Pomorskie Province, which had the highest unemployment rate in the country, amounting to 17.4% in July 2013, despite the economic expansion the region has benefited from;

8. Notes that the measures supported by the EGF are targeted at the 50 workers in the most disadvantaged situation and includes the following 2 measures: hiring incentives and intervention works;

9. Notes that the largest proportion of the costs for personalised services will be spent on hiring incentives targeted at 45 workers, which aim to provide an incentive to employers who decided to hire these workers for at least 24 months;

10. Notes that a smaller-scale support is provided to 5 redundant workers over 50 years of age to cover their social security contributions; notes that this age group is at a higher risk of prolonged unemployment and exclusion from the labour market;

11. Welcomes the complementarity of the EGF measures with the actions funded by Structural Funds; notes in particular that the coordinated package of personalised services is aimed at complementing the numerous ongoing measures available for the redundant workers in the framework of the Human Capital Operational Programme co-financed by the European Social Fund and the other measures undertaken by the employment offices in the region; points out the importance of ensuring that double financing in cases of such complementary actions is prevented;

12. Notes that the personalised services are scheduled to be implemented until 30 September 2015 and that, according to the provisional data, 36 persons have found new employment due to participation in the services provided in the package so far; notes that the implementation of the planned budget amounted to 59% at the end of the year 2014;

13. Welcomes the fact that the Social Dialogue committee in the province discussed the possibilities of assistance to workers made redundant by Zachem S.A. and its suppliers
and that the proposed package of personalised measures was discussed at a meeting of the Employment Council in Bydgoszcz, including trade unions, business and local and regional government representatives;

14. Recalls the importance of improving the employability of all workers by means of adapted training and the recognition of skills and competences gained throughout a worker's professional career;

15. Welcomes the fact that the principle of equality between women and men as well as of non-discrimination has been, and will continue to be, applied during the various stages of implementation of and access to the EGF measures;

16. Stresses that EGF assistance can co-finance only active labour market measures which lead to durable, long-term employment; reiterates that 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;

17. Approves the decision annexed to this resolution;

18. Instructs its President to sign the decision with the President of the Council and arrange for its publication in the Official Journal of the European Union;

19. Instructs its President to forward this resolution, including its annex, to the Council and the Commission.
ANNEX: DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund, in accordance with Point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management (application EGF/2013/009 PL/Zachem from Poland)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund¹, and in particular Article 12(3) thereof,

Having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management², and in particular point 13 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.


(3) Poland submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Zachem and 2 suppliers and downstream producers, on 9 October 2013 and supplemented it by additional information up to 16 June 2014. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 115 205.

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(4) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Poland,

HAVE ADOPTED THIS DECISION:

\textit{Article 1}

For the general budget of the European Union for the financial year 2015, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of EUR 115 205 in commitment and payment appropriations.

\textit{Article 2}

This Decision shall be published in the \textit{Official Journal of the European Union}. 

Done at Brussels,

\textit{For the European Parliament} \hspace{1cm} \textit{For the Council}

\textit{The President} \hspace{1cm} \textit{The President}
EXPLANATORY STATEMENT

I. Background

The European Globalisation Adjustment Fund has been created in order to provide additional assistance to workers suffering from the consequences of major structural changes in world trade patterns.

According to the provisions of Article 12 of Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020\(^{1}\) and of the Article 12 of Regulation (EC) No 1927/2006\(^{2}\), the Fund may not exceed a maximum annual amount of EUR 150 million (2011 prices). The appropriate amounts are entered into the general budget of the Union as a provision.

As concerns the procedure, according to point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management\(^{3}\), in order to activate the Fund the Commission, in case of a positive assessment of an application, presents to the budgetary authority a proposal for mobilisation of the Fund and, at the same time, a corresponding request for transfer. In the event of disagreement, a trilogue shall be initiated.

II. The Zachem, Poland application and the Commission's proposal

On 21 January 2015, the Commission adopted a proposal for a decision on the mobilisation of the EGF in favour of Poland to support the reintegration in the labour market of workers made redundant, due to major structural changes in world trade patterns due to globalisation.

This is the fifth application to be examined under the 2015 budget and refers to the mobilisation of a total amount of EUR 115 205 from the EGF for Poland. It concerns 615 redundancies in the reference period from 31 March 2013 to 31 July 2013. The application is based on the intervention criteria of Article 2(a) of the 2006 EGF Regulation, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers or downstream producers.

The application was sent to the Commission on 9 October 2013. The Commission has concluded that the application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006\(^{4}\) (EGF Regulation),

According to data referred to by the Polish authorities, the EU has undergone a significant loss of market share in the chemical industry, losing its top position in the world for sales of chemicals. From 1992 to 2012, the EU share in the world market of chemicals drastically declined, from 35.2% in 1992 to 30.5% in 2002 and to 17.8% in 2012\(^{5}\). The trend in recent years has evidenced the migration of chemical manufacturing towards Asia, and China in

\(^{5}\) The European chemical industry. Facts & Figures 2013, CEFIC (http://www.cefic.org/Facts-and-Figures)
particular. China witnessed a spectacular increase in the manufacture of chemicals from a 8.7% share in 2002 to 30.5% in 2012, due to rising sales in the emerging markets. The level of production in the Asian economies is also driven by lower labour costs, access to markets, subsidies, taxes and regulation.

The redundancies in Zachem were unforeseen because of the suddenness of the increase in market supply of its flagship product TDI (toluene di-isocyanate). The surplus supply of 30%, as a result of investments undertaken in other parts of the world to benefit from economies of scale and to further integrate the supply chain, enabled these producers to manufacture at a lower average cost. This together with low transport costs resulted in Zachem's inability to compete in this environment. As far as the second source of revenue is concerned, the manufacture of ECH (Epichlorohydrin), its sale became unprofitable for the group due to the increase by around 160% of the prices of its raw material propylene.

The coordinated package of personalised services to be co-funded will be aimed at the 50 most disadvantaged persons and will include the following 2 measures: hiring incentives and intervention works.

According to the Polish authorities, the measures initiated on 4 March 2013 combine to form a co-ordinated package of personalised services and represent active labour market measures with the aim of re-integrating the workers into the labour market.

The Polish authorities have:

- confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;

- demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;

- confirmed that the eligible actions referred to above do not receive assistance from other EU financial instruments.

Concerning management and control systems, Poland has notified that the financial contribution from the EGF will be managed and controlled by the same bodies as for the ESF. The Managing Authority, responsible for the implementation of the EGF, will be the Ministry of Infrastructure and Development, and specifically the Department for the European Social Fund. The Managing Authority will transfer some tasks to the Intermediate Body, the Provincial Employment Office in Torun.

**III. Procedure**

In order to mobilise the Fund, the Commission has submitted to the Budget Authority a transfer request for a global amount of EUR 115 205.

This is the fifth transfer proposal for the mobilisation of the Fund transmitted to the Budgetary Authority to date during 2015.
The trilogue on the Commission's proposal for a Decision on the mobilisation of the EGF could take a simplified form, as provided for in Article 12(5) of the legal base, unless there is no agreement between the Parliament and the Council.

According to an internal agreement, the Employment and Social Affairs Committee will be associated to the process, in order to provide constructive support and contribution to the assessment of the applications from the Fund.
Subject: Opinion on the mobilisation of the European Globalisation Adjustment Fund (EGF) for the case EGF/2013/009 PL/Zachem

Dear Chair,

The Committee on Employment and Social Affairs (EMPL) as well as its Working Group on the EGF examined the mobilisation of the EGF for the case EGF/2013/009 PL/Zachem and adopted the following opinion.

The EMPL committee and the Working Group on the EGF are in favour of the mobilisation of the Fund concerning this request. In this respect, the EMPL committee presents some remarks without, however, putting into question the transfer of the payments.

The deliberations of the EMPL committee are based on the following considerations:

A) Whereas this application is based on Article 2(a) of Regulation (EC) No 1927/2006 (EGF Regulation) and relates to 615 workers dismissed in Zakladi Chemizne Zachem and its two suppliers Zachem UCR and Metalko Sp in the NACE Revision 2 Division 20 (Manufacture of chemicals and chemical products) in the NUTS 2 Kujawsko-Pomorskie Province (PL61) during the four-month reference period from 31 March 2013 to 31 July 2013;

B) Whereas in order to establish link between the redundancies and major structural changes in the world pattern the Polish authorities argue that the EU has undergone a significant loss of market share in the chemical industry, losing its top position in the world for sales of chemicals;

C) Whereas the EU share in the world market of chemicals drastically declined, from 35.2% in 1992 to 30.5% in 2002 and to 17.8% in 2012;

D) Whereas the trend in recent years has evidenced the migration of chemical manufacturing towards Asia, and China in particular; whereas China witnessed a spectacular increase in the manufacture of chemicals from a 8.7% share in 2002 to 30.5% in 2012, due to rising
sales in the emerging markets; the level of production in the Asian economies is also driven by lower labour costs, access to markets, subsidies, taxes and regulation;

E) Whereas the majority (78.7%) of the workers targeted by the measures are men and 21.3% are women; whereas the majority (74.8%) of the workers are between 25 and 54 years old and 24.7% are between 55-64 years old;

F) Whereas the region had the highest unemployment rate in the country and Zachem used to be the biggest employer in the area;

Therefore, the Committee on Employment and Social Affairs calls on the Committee on Budgets, as the committee responsible, to integrate the following suggestions in its motion for a resolution concerning the Polish application:

1. Agrees with the Commission that the intervention criteria set out in Article 2(a) of the Regulation (EC) No 1927/2006 are met and that, therefore, Poland is entitled to a financial contribution under this Regulation;

2. Notes that requested amount is the lowest in the EGF history;

3. Notes that the measures supported by EGF are targeted at the 50 workers in the most disadvantages situation; majority of the workers dismissed by Zachem and its suppliers benefit from complementary measures funded by other ESF measures; points out the importance of ensuring that double financing in cases of such complementary actions is prevented;

4. Welcomes the synergy of management of the different measures funded by EGF, ESF and national funds;

5. Notes that the largest proportion of the costs for personalised services will be spent on hiring incentives targeted at 45 workers, which aim to provide incentive to employers who decided to hire these workers for at least 24 months;

6. Notes that a smaller-scale support is provided to 5 redundant workers over 50 years of age to cover their social security contributions; notes that this age group is at a higher risk of prolonged unemployment and exclusion from the labour market.

Yours sincerely,

Marita ULVSKOG,

Acting Chair, 1st Vice-Chair
ANNEX: LETTER OF THE COMMITTEE ON REGIONAL DEVELOPMENT

Mr Jean ARTHUIS
Chairman
Committee on Budgets
European Parliament
ASP 09 G 205
B 1047 Brussels

Dear Mr. Arthuis,

Subject: Mobilisations of the European Globalisation Adjustment Fund

Six separate Commission proposals for decisions to mobilise the European Globalisation Adjustment Fund (EGF) have been referred for opinion to the Committee on Regional Development. I understand that it is intended that reports on each of these will be adopted in the Committee on Budgets on 26 February:

- COM(2014)0725 proposes an EGF contribution of EUR 981 956 for active labour market measures in order to facilitate the re-integration of 708 workers made redundant following both the closure of Duferco Belgium SA and staff reductions at NLMK La Louvière SA, operating in the sector of the manufacture of basic metals in Hainaut Province, Belgium.

- COM(2014)0726 is a proposal for an EGF contribution of EUR 1 094 760 for active labour market measures in order to facilitate the re-integration of 657 workers made redundant in aleo solar AG and its two subsidiaries, aleo solar Dritte Produktion GmbH (Prenzlau) and aleo solar Deutschland GmbH (Oldenburg), operating in the sector of the manufacture of computer, electronic and optical products in the regions of Brandenburg and Weser-Ems, Germany.

- COM(2014)0734 proposes an EGF contribution of EUR 1 591 486 for active labour market measures in order to facilitate the re-integration of 1285 workers made redundant following redundancies in ArcelorMittal Liège S.A., operating in the sector of the manufacture of basic metals in Liège Region, Belgium.

- COM(2014)0735 is a proposal for an EGF contribution of EUR 1 222 854 for active labour market measures in order to facilitate the re-integration of 1030 workers made redundant in Caterpillar Belgium S.A, operating in the sector of the manufacture of machinery and equipment redundant, in Hainaut Province, Belgium.

- COM(2015)0009 proposes an EGF contribution of EUR 1 339 928 for active labour market measures in order to facilitate the re-integration of 257 workers made redundant following redundancies in Mecachrome SA, operating in the sector of the manufacture of machinery and equipment redundant, in Hainaut Province, Belgium.
redundant following the closure of the automotive safety glass production plant of Saint-Gobain Sécurit Benelux in Auvelais, Belgium.

- **COM(2015)0013** proposes an EGF contribution of EUR 115 205 for active labour market measures in order to facilitate the re-integration of 615 workers made redundant in the manufacturer of chemical products Zaklady Chemiczne Zachem in Poland.

The Committee coordinators have assessed these proposals, and asked me to write to you stating that the majority of this Committee has no objection to these mobilisations of the European Globalisation Adjustment Fund to allocate the above-mentioned amounts as proposed by the Commission.

Yours sincerely,

Iskra MIHAYLOVA
# RESULT OF FINAL VOTE IN COMMITTEE

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| Substitutes present for the final vote | Janusz Lewandowski, Andrey Novakov, Tomáš Zdechovský |

| Substitutes under Rule 200(2) present for the final vote | Paulo Rangel |