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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 and sound financial management (application EGF/2013/009 PL/Zachem from Poland)

EXPLANATORY MEMORANDUM

Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020¹ allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) within the annual ceiling of EUR 150 million (2011 prices) over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF for applications submitted until 31 December 2013 are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund².

On 9 October 2013, Poland submitted application EGF/2013/009 PL/Zachem for a financial contribution from the EGF, following redundancies in Zachem and 2 suppliers in Poland.

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.

SUMMARY OF THE APPLICATION AND ANALYSIS

Key data:	
EGF Reference no.	EGF/2013/009
Member State	Poland
Article 2	(a)
Primary enterprise	Zakladi Chemizne Zachem
Suppliers and downstream producers	2
Reference period	31.3.2013-31.7.2013
Starting date for the personalised services	4.3.2013
Application date	9.10.2013
Redundancies during the reference period	615
Redundancies before and after the reference period	0
Total eligible redundancies	615
Redundant workers expected to participate in the measures	50
Expenditure for personalised services (EUR)	220 410
Expenditure for implementing EGF ³ (EUR)	10 000
Expenditure for implementing EGF (%)	4.34%
Total budget (EUR)	230 410
EGF contribution (50 %) (EUR)	115 205

1. The application was presented to the Commission on 9 October 2013 and supplemented by additional information up to 16 June 2014.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

Link between the redundancies and major structural changes in world trade patterns due to globalisation

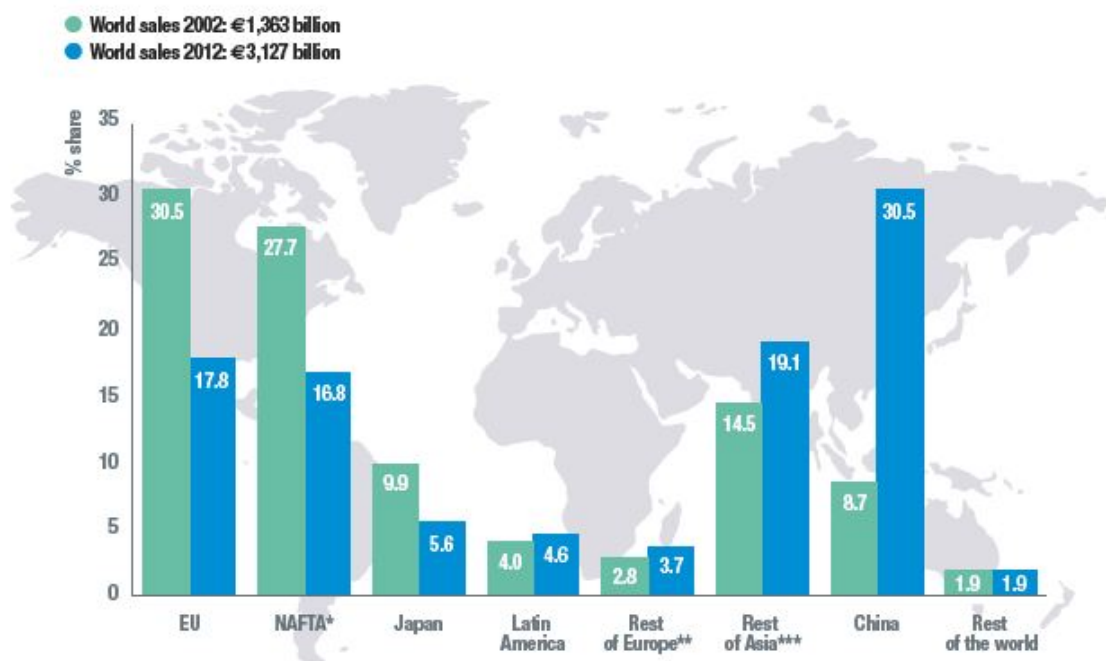
3. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Poland argues that the EU has undergone a significant loss of market share in the chemical industry, losing its top position in

¹ OJ L 347, 20.12.2013, p. 884.

² OJ L 406, 30.12.2006, p. 1.

³ In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

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 2012⁴. The trend in recent years has evidenced the migration of chemical manufacturing towards Asia, and China in 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. According to the report "Chemical industry vision 2030"⁵, by 2030 some 66% of global chemical sales and 5 to 8 of the global top 10 chemical companies will come from Asia. China in particular is highly attractive for its economic potential and growth rates, but the rest of Asia, including countries such as India, Singapore or South Korea, should not be underestimated.



Source: CEFIC

4. The OECD⁶ also highlighted in a 2012 report that the transfer of several industrial sectors into non-OECD countries, up to that moment specialised in the production of low value added basic chemicals, was raising their interest in producing high value added chemicals in proximity to the manufacturing centres. Toluene⁷, which is a complex compound, was affected by these market trends. Thus, the market for toluene, which production declined in Western Europe and North Africa by between 8 and 17% and increased in other parts of the world, in particular in the Middle East, Northeast Asia and Southeast Asia is changing.
5. Zakłady Chemiczne Zachem (hereinafter called 'Zachem'), was a Polish manufacturer of chemical products based in Bydgoszcz, and one of the subsidiary

⁴ The European chemical industry. Facts & Figures 2013, CEFIC (<http://www.cefic.org/Facts-and-Figures>)

⁵ Chemical Industry Vision 2030 : A European Perspective

⁶ OECD Environmental Outlook to 2050 – the consequences of inaction, 2012, p. 304

⁷ Toluene is an aromatic compound used in the manufacture of benzene, p-xylene for polyethylene terephthalate (PET) solid-state resins, and toluene diisocyanates (TDI) for polyurethane applications, and it is widely used as a solvent.

units of Ciech. Zachem was responsible for the production of semi-finished and finished and organic and non-organic chemical products for the automotive, chemical, furniture, construction, textile, paper, leather, and related industries as well as for the energy sector and for the manufacturers of cables. The flagship product was TDI (toluene di-isocyanate), which main component is toluene, until the shutdown of the line in December 2012. The enterprise also produced ECH (epichlorohydrin), an activity which was shut down some months later.

Demonstration of the number of redundancies and compliance with the criteria of Article 2(a)

6. Poland submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, 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.
7. The application cites 615 redundancies in 3 enterprises operating 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. All of these redundancies were calculated in accordance with the third indent of the second paragraph of Article 2 (2) of Regulation (EC) No 1927/2006.

Explanation of the unforeseen nature of those redundancies

8. The redundancies in Zachem were unforeseen because of the suddenness of the increase in market supply of TDI. 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) from the raw material propylene, while ECH prices remained stable, the prices of propylene increased by around 160% in Europe. Considering the surplus supply of ECH and Zachem's low operating scale, sales of ECH became unprofitable for the group and the situation was not expected to improve with the increase of ECH global capacity in Asia in the future, and even now, the average use rate of facilities is projected to decrease.
9. These circumstances brought on the decision to discontinue Zachem's production operations, engage in corporate reorganisation and eventually decide on redundancies. This had a sudden negative impact on the economic situation of suppliers. ZACHEM UCR Sp. Z o.o. relied for 92% of its revenue on services to Zachem. Metalko, a spin-off of Zachem, which also provided machinery repair and maintenance services to the primary enterprise, incurred serious losses.

Identification of the dismissing enterprises and workers targeted for assistance

10. The application relates to 615 redundancies in Zachem and its suppliers, ZACHEM UCR Sp. z.o.o and Metalko Sp z.o.o.

Suppliers of Zachem and number of dismissals			
ZACHEM UCR Sp. z.o.o	53	Metalko Sp z.o.o.	6
Total supplier enterprises: 2		Total dismissals: 59	

11. The break-down of the redundant workers is as follows:

Category	Number	Percent
Men	484	78.7
Women	131	21.3
EU citizens	615	100.0
Non EU citizens	0	0.0
15-24 years old	3	0.5
25-54 years old	460	74.8
55-64 years old	152	24.7
> 64 years old	0	0

12. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
Representatives of public authorities, senior officials and managers	10	1.6
Professionals	57	9.3
Technicians and associate professionals	68	11.1
Clerical support workers	102	16.6
Craft and related trades workers	54	8.8
Plant and machine operators and assemblers	324	52.7

13. In accordance with Article 7 of Regulation (EC) No 1927/2006, Poland has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

Description of the territory concerned and its authorities and stakeholders

14. The territory concerned is the NUTS 2 voivodeship (region) Kujawsko-Pomorskie (PL61), located in the central part of Poland. Its area extends along 18,000 km² and the population stands at around 2.1 million inhabitants. The voivodeship contains 52 cities and towns, of which the two capital cities, Bydgoszcz and Toruń. The cities most affected by the redundancies are Bydgoszcz (367,000 inhabitants), Toruń (200,000) and Włocławek (120,000).

The main stakeholders include the municipal authorities of Bydgoszcz, the regional government authorities of Kujawsko-Pomorskie, the local representative of the central government administration, the employment offices of Toruń, Bydgoszcz (where the largest number of redundancies were registered), Nakło and Żnin.

The social partners include:

NSZZ ‘Solidarność’ (Executive Board of the Bydgoski Region)

All-Poland Alliance of Trade Unions (OPZZ) of the Kujawsko-Pomorskie Province

Trade Unions Forum (Executive Board of the Kujawsko-Pomorskie Province)

Business Centre Club Convent

Kujawy and Pomorze Chamber of Craft and Enterprise

Kujawy and Pomorze Association of Employers and Entrepreneurs

Expected impact of the redundancies as regards local, regional or national employment

15. The Kujawsko-Pomorskie region (PL61), located in the central part of Poland, has benefited from industrial expansion in a wide range of sectors; agri-business, chemicals, waste management, construction and mechanical industry.
16. Bydgoszcz, which counted 361 254 inhabitants in December 2012, is the biggest city in the region, and had an unemployment rate of 9.1% in June 2013. It is connected through the main national roads and railway networks to the rest of the country. Torun, second biggest city, had a population of 204 299 in December 2012 and an unemployment rate of 10.2% in June 2013⁸.
17. Despite the economic expansion the region has benefited from, by the end of July 2013, the region had the highest unemployment rate in the country, amounting to 17.4%. During the reference period, the district employment office of Bydgoszcz registered 722 unemployed people, of whom 426 were directly or indirectly dismissed from Zachem, which used to be the biggest employer in the area, with up to 7 000 workers.

Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

18. All the following measures combine to form a co-ordinated package of personalised services which aims at re-integrating the redundant workers into employment. Out of the 615 workers dismissed, the measures described below will be aimed at the 50 most disadvantaged persons and will go beyond what the ESF and national measures combined can do for the affected group.

– Hiring incentives: This measure is targeted at 45 redundant workers from Zachem and will provide incentives to employers who decide to hire these workers. The redundant workers will be registered in the Unemployment Services, and the District Employment Office will monitor all newly created jobs on an ongoing basis, focusing specifically on the new jobs created for the unemployed persons benefiting from the hiring incentive. The potential employer will require specific qualifications, skills and professional experience for a certain position. The employer who will employ an unemployed worker from Zachem for at least 24 months will be granted a hiring incentive. The costs of this form of support, which is to be provided by the District Employment Office in Bydgoszcz to 45 redundant workers of ZACHEM S.A. and the two supplier enterprises, are estimated at ca. EUR 213 300 (ca. PLN 900 000).

- Intervention works: This measure aims to cover pay and social security contributions for 5 people by the District Employment Office in Bydgoszcz, which are estimated at ca. EUR 7 110. The potential employer concludes an agreement with the Labour Office. The measure is normally targeted to help long-term unemployed, unemployed aged 50 and above, unemployed people with low qualifications, unemployed people without work experience, young people up to 25 years old, single mothers, disabled people, social work clients and former inmates. In the context of this application, Poland wishes to use this measure specifically for redundant workers over 50 years of age.

19. The expenditure for implementing the EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory

⁸ <http://wbj.pl/wp-content/uploads/2014/09/IiP2014.pdf>

activities, management and implementation, information and publicity and control activities.

20. The personalised services presented by the Polish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Polish authorities estimate the total costs at EUR 230 410, of which the expenditure for personalised services at EUR 220 410 and the expenditure for implementing the EGF at EUR 10 000 (4.34% of the total amount). The total contribution requested from the EGF is EUR 115 205 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Hiring incentives	45	4 740	213 300
Intervention works	5	1 422	7 110
Sub total personalised services			220 410
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			2 000
Management			2 000
Information and publicity			3 000
Control activities			3 000
Sub total expenditure for implementing EGF			10 000
Total estimated costs			230 410
EGF contribution (50 % of total costs)			115 205

21. Poland confirms that the measures described above are complementary with actions funded by the Structural Funds and that all double financing will be prevented.
22. The actions proposed for EGF co-funding are complementary with ongoing measures co-funded by the European Social Fund, particularly under the Human Capital Operational Programme, Priority VIII 'Regional human resources for the economy', Sub-measure 8.1.2 'Support to adaptation and modernisation processes in the region'. Some of the workers made redundant by Zachem have already participated in the project "Return to the labour market III – a new career path". This project was opened to workers who had been made redundant as a result of a restructuring process.
23. The participants in the project benefited from training and guidance and financial support to start self-employment activities, through grants of up to EUR 10 000 per person and bridging support of up to EUR 250 per person per month for 6 months. Those

interested in self-employment were offered the opportunity to participate in specific training, workshops and counselling sessions on how to prepare a business plan. Some 60 workers made redundant by Zachem and its suppliers have already participated in the project.

24. Another project in which 190 current and former workers of Zachem participated is called "The next step", which is an occupational activation programme for the workers of ZACHEM S.A. to increase their chances of finding new employment by providing vocational and psychological counselling, vocational training, business training, job placement as well as one-off investment grants and bridging support.

Date(s) on which the personalised services to the affected workers were started or are planned to start

25. Poland started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 4 March 2013. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

Procedures for consulting the social partners

26. The Social Dialogue committee in the province discussed the possibilities of assistance to workers made redundant by Zachem S.A. and its suppliers. The proposed package of personalised measures was discussed at the meeting of the Employment Council in Bydgoszcz, including trade unions, business and local and regional government representatives.
27. The Polish authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

Information on actions that are mandatory by virtue of national law or pursuant to collective agreements

28. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Polish authorities in their application:
- 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.

Management and control systems

29. Poland has notified the Commission that the financial contribution will be managed and controlled by the same bodies as the European Social Fund. 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.
30. The Paying Authority will be the Department of Payment Authority of the Ministry of Finance.

31. The Certifying Authority will be set up at the Department of Certification and Designation in the Ministry of Infrastructure and Development, in a different department from the Managing Authority.
32. The Department for the ESF and the Department of Certification and Designation are supervised by two independent members of the Ministry's management. The EGF contribution will be credited to a separate account of the Ministry of Finance which will transfer the funds to the income account of the State budget. The co-funding to implement the activities will come from national resources, including the Labour Fund.

The District Employment offices will keep a separate expenditure register. Once implementation comes to an end, the District Employment offices will submit a payment claim to the Provincial Employment Office, which will approve and submit the payment claim to the Managing Authority. The Managing Authority will submit the certificate and statement justifying the expenditure to the European Commission. The Managing Authority will carry out inspections to check the correct implementation of procedures by the Intermediate Body. In turn, the Intermediate Body will verify the method of providing assistance by the District Employment Offices. According to the control systems, upon receipt of a decision on reimbursement under the EGF, a timetable for inspections will be agreed. In case there have been irregularities during the implementation of the actions, an authority may decide to initiate additional verification activities. The Audit Authority for the ESF will also be the AA for this case.

Financing

33. On the basis of the application from Poland, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 115 205, representing 50 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Poland.
34. Considering the maximum possible amount of a financial contribution from the EGF under Article 12 of Council Regulation (EU, Euratom) No 1311/2013, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above.
35. The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in 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 management⁹.
36. The Commission presents separately a transfer request in order to enter in the 2015 budget specific commitment appropriations, as required in Point 13 of the Interinstitutional Agreement of 2 December 2013.

Source of payment appropriations

37. Appropriations from the EGF budget line will be used to cover the amount of EUR 115 205 needed for the present application.

⁹ OJ C 373, 20.12.2013, p. 1.

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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 and 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 Fund¹⁰, and in particular Article 12(3) thereof,

Having regard to the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 2 December 2013 on budgetary discipline, on cooperation in budgetary matters and on sound financial management¹¹, and in particular point 13 thereof,

Having regard to the proposal from the European Commission¹²,

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.
- (2) Article 12 of Council Regulation (EU, Euratom) No. 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the year 2014-2020¹³ allows the mobilisation of the EGF within the annual ceiling of EUR 150 million (2011 prices). 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 .
- (3) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Poland,

¹⁰ OJ L 406, 30.12.2006, p. 1.

¹¹ OJ C 373, 20.12.2013, p. 1.

¹² OJ C [...], [...], p. [...].

¹³ OJ L 347, 20.12.2013, p. 884.

HAVE ADOPTED THIS DECISION:

Article 1

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

Article 2

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament
The President

For the Council
The President