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REPORT

on the proposal for a decision of the European Parliament and of the Council on 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/2011/014 RO/Nokia from Romania)
(COM(2012)0618 – C7-0359/2012 – 2012/2275(BUD))

Committee on Budgets

Rapporteur: Nadezhda Neynsky

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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 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/2011/014 RO/Nokia from Romania) (COM(2012)0618 – C7-0359/2012 – 2012/2275(BUD))

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2012)0618 – C7-0359/2012),
 - having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹ (IIA of 17 May 2006), and in particular point 28 thereof,
 - having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund² (EGF Regulation),
 - having regard to the trilogue procedure provided for in point 28 of the IIA of 17 May 2006,
 - having regard to the letter of the Committee on Employment and Social Affairs,
 - having regard to the report of the Committee on Budgets (A7-0414/2012),
- A. whereas the Union has set up the appropriate legislative and budgetary instruments to provide additional support to workers who are suffering as a result of major structural changes in world trade patterns and to assist workers' reintegration into the labour market,
- B. whereas the scope of the European Globalisation Adjustment Fund (EGF) was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis,
- C. 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 for the IIA of 17 May 2006 in respect of the adoption of decisions to mobilise the EGF,
- D. whereas Romania has requested assistance for 1 904 redundancies, 1 416 of which are targeted for assistance in SC Nokia Romania SRL and one supplier in Romania,

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

- E. whereas the application fulfils the eligibility criteria set up by the EGF Regulation,
1. Agrees with the Commission that the conditions set out in Article 2(a) of the EGF Regulation are met and that Romania is therefore entitled to a financial contribution under that Regulation;
 2. Notes that the Romanian authorities submitted the application for EGF financial contribution on 22 December 2011, supplemented by additional information up to 22 August 2012, and that its assessment was only made available by the Commission on 19 October 2012; regrets the lengthy evaluation periods and enquires as to why this particular application required 8 months of assessment; urges the Commission to speed up the evaluation process;
 3. Welcomes the first application of Romania for EGF support;
 4. Welcomes the fact that in order to provide workers with immediate assistance, the Romanian authorities decided to start the implementation of the measures on 8 December 2011 - ahead of the final decision about granting EGF support for the proposed coordinated package;
 5. Recalls the importance of improving the employability of all workers by means of adapted training and the recognition of skills and competences developed throughout workers' professional careers; expects the training on offer in the coordinated package to be adapted not only to the level and needs of the dismissed workers, but also to the current business environment;
 6. Regrets that the redundancies in Cluj in Romania and in Salo in Finland (application EGF/2012/006/ FI/Nokia from Finland) stem from a corporate decision of Nokia to move its production plants to Asia and are part of its plan to reduce global employment in Nokia Corporation by 17 000 workers by the end of 2013;
 7. Emphasises that lessons should be learned from the preparation and implementation of this and other applications involving mass dismissals;
 8. Calls for reciprocity in trade between the Union and third countries as an essential condition for companies in the Union to gain access to new non-European markets;
 9. Requests the institutions involved make the necessary efforts to improve procedural and budgetary arrangements in order to accelerate the mobilisation of the EGF; appreciates the improved procedure put in place by the Commission, following Parliament's request for accelerating the release of grants, aimed at presenting the Commission's assessment on the eligibility of an EGF application, along with the proposal to mobilise the EGF, to the budgetary authority; hopes that further improvements in the procedure will be integrated in the new Regulation on the European Globalisation Adjustment Fund (2014–2020) and that greater efficiency, transparency and visibility of the EGF will be achieved;
 10. Notes that the EGF has already acted in favour of 1 337 workers dismissed as a result of the re-location of Nokia from Germany to Romania in 2008; notes that three years later,

the EGF must act again as the production plant opened in Cluj, following the closure in Germany, was closed down in 2011 as a result of re-location to Asia; enquires whether as to whether Nokia benefited from any financial incentives at a regional, national or Union level (in particular from the cohesion funds) at the time of its relocation from Germany to Romania;

11. Recalls the institutions' commitment to ensure a smooth and rapid procedure for the adoption of the decisions on the mobilisation of the EGF, providing one-off, time-limited individual support which is geared towards helping workers who have been made redundant as a result of globalisation and the financial and economic crisis; emphasises the role that the EGF can play in the reintegration of workers made redundant into the labour market;
12. Notes that the Commission proposal indicates that another EGF application is expected to cover the second round of dismissals in Nokia in Salo and therefore calls on the Commission to clarify to what extent Nokia itself financially supports the redundancy programme;
13. Stresses that, in accordance with Article 6 of the EGF Regulation, it should be ensured that the EGF supports the reintegration of individual redundant workers into employment; further stresses that the EGF assistance can only co-finance 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;
14. Regrets that the Commission's proposal does not present any statistics concerning unemployment rates in the region; notes, however, that in 2011, almost 40% of the total working population of the Cluj-Napoca region specialising in the IT and communications sectors worked in Nokia; notes that the impact of Nokia dismissals on employment in the region is considerable;
15. Notes that information provided about the coordinated package of personalised services to be funded from the EGF includes information about how it complements actions funded by the Structural Funds; reiterates its call to the Commission to present a comparative evaluation of those data in its annual reports in order to ensure full respect of the existing regulations and that no duplication of Union-funded services can occur;
16. Welcomes the fact that following requests from Parliament, the 2012 budget shows payment appropriations of EUR 50 000 000 on the EGF budget line 04 05 01; 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, which could be detrimental to the achievement of the policy objectives of the EGF;
17. Expects the Commission to explain if Nokia was involved in the creation of the coordinated package of personalised service and possible involvement in co-financing;
18. Regrets 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; calls on the Council to reintroduce this measure without delay;

19. Regrets that there are no details concerning the types of training measures and internships to be provided within the coordinated package and how these are matched with the local skills and qualification needs and possible areas of future growth in the region;
20. Approves the decision annexed to this resolution;
21. Instructs its President to sign the decision with the President of the Council and to arrange for its publication in the *Official Journal of the European Union*;
22. 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 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/2011/014 RO/Nokia from Romania)

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 the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹, and in particular point 28 thereof,

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 Fund², and in particular Article 12(3) 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.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to 30 December 2011 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Romania submitted an application on 22 December 2011 to mobilise the EGF, in respect of redundancies in the enterprise SC Nokia Romania SRL and one supplier, and supplemented it by additional information up to 22 August 2012. 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 2 942 680.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2012, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of EUR 2 942 680 in commitment and payment appropriations.

Article 2

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

Done at

For the European Parliament
The President

For the Council
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 point 28 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management¹ and of the Article 12 of Regulation (EC) No 1927/2006², the Fund may not exceed a maximum amount of EUR 500 million, drawn from any the margin under the global expenditure ceiling from the previous year, and / or from the cancelled commitment appropriations from the previous two years, excluding those related to Heading 1b. The appropriate amounts are entered into the budget as a provision as soon as the sufficient margins and/or cancelled commitments have been identified.

As concerns the procedure, 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 parallel, a dialogue could be organised in order to find an agreement on the use of the Fund and the amounts required. The dialogue can take a simplified form.

II. State of play: Commission's proposal

On 19 October 2012, the Commission adopted a new proposal for a decision on the mobilisation of the EGF in favour of Romania in order 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 sixteenth application to be examined under the 2012 budget and refers to the mobilisation of a total amount of EUR 2 942 680 from the EGF for Romania. It concerns 1 904 redundancies, 1 416 of which are targeted for assistance, including 1 809 redundancies in SR Nokia Romania SRL and 95 in one supplier during the four-month reference period from 21 August 2011 to 21 December 2011. All 1 904 of these redundancies were calculated in accordance with the third indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006. The Commission informs that it has received confirmation from Romania that all of these redundancies have meanwhile been effected.

The application was presented to the Commission on 22 December 2011 and supplemented by additional information up to 22 August 2012. 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.

One of the key criteria for Commission's assessment was the evaluation of the link between the redundancies and major structural changes in world trade patterns due to globalisation. To

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

date, the mobile phone sector has been the subject of several EGF applications, all of which based on trade related globalisation¹.

The Romanian authorities argue that in the last several years there has been a general tendency in Europe for the IT sector to move to Asia. In order to respond to the challenges of the markets, the headquarters of Nokia Corporation in Finland elaborated a strategy to move its production sites as close to the markets as possible².

The primary reason for the redundancies is the transfer of functions within the sector to third countries outside Europe. Assembly of mobile phones, previously carried out in Cluj and Salo³, has been offshored to Asia (China, South Korea, India and Vietnam, where a new Nokia plant is under construction). Component manufacture and subcontracted production had already been transferred out of Europe. Following the direction already taken by production, both design and product development have been, or are being, offshored.

Trade statistics for Nokia Corporation show⁴ that for the two years 2010 and 2011, net sales were growing in China, India, Russia and Brazil while for Europe (apart from Germany) bigger markets including the UK and Spain were in decline.

Statistics⁵ also show that the growth in sales of mobile services and devices volumes by geographic area is significantly higher in Greater China and Latin America, with a year on year change of 13 % and 21 % respectively, than in Europe, where the year on year change for 2010/2011 was – 2 %.

The Romanian authorities quote the Nokia Corporation report for Q4 of 2011⁶ where intentions to reduce the global workforce by approximately 17 000 by the end of 2013 are expressed and the opening of a new production site near Hanoi in the north of Vietnam is planned.

The co-ordinated package of personalised services to be funded, including its compatibility with actions funded by the Structural Funds, includes measures for the reintegration of the 1 416 targeted workers into employment, such as pre-dismissal services, registration of workers, information, counselling and vocational guidance, mobility allowances, transport allowances, job-search allowances, training, internship allowances, financial assistance for training programme certification, entrepreneurship promotion, financial assistance for initiating independent activities, mentoring and post-hiring support and financial assistance for persons with children.

¹ Regular updates here: <http://ec.europa.eu/social/BlobServlet?docId=4558&langId=en>.

² <http://press.nokia.com/2011/09/29/nokia-continues-to-align-its-workforce-and-operations>

³ EGF/2012/006 FI/Nokia Salo

⁴ <http://www.nokia.com/global/about-nokia/investors/financials/reports/results---reports/>

⁵ http://www.results.nokia.com/results/Nokia_results2011Q4e.pdf

⁶ <http://press.nokia.com/2012/01/26/nokia-q4-2011-net-sales-eur-10-0-billion-non-ifrs-eps-eur-0-06-reported-eps-eur-0-29-nokia-2011-net-sales-eur-38-7-billion-non-ifrs-eps-eur-0-29-reported-eps-eur-0-31/>

According to the Romanian authorities, all the aforementioned measures 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. These personalised services started on 8 December 2011.

As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Romanian 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.

Concerning management and control systems, Romania has notified the Commission that the financial contribution will be managed by the National Agency for Employment which was designated to be the national authority responsible for the management of funds provided to Romania through the EGF. Romania informed the Commission that by Romanian law No 200/2010, in compliance with the provisions under Article 62 of Council Regulation (EC) No1083/2006, the Auditing Authority attached to the Romanian Court of Accounts was appointed as the audit authority for the EGF.

In accordance with Commission's assessment, the application fulfils the eligibility criteria set up by the EGF Regulation and recommends to the Budget Authority to approve the applications.

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 the present application. A reinforcement of the payment appropriations of the EGF budget line in the amount of 17 657 535 EUR in payment appropriations has been requested through a Draft amending budget No. 6/2012. Appropriations from this budget line, thus reinforced, will be used to cover the amount of EUR 2 942 680 needed for the present application.

III. Procedure

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

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 should be associated to the process, in order to provide constructive support and contribution to the

assessment of the applications from the Fund.

The Joint Declaration of the European Parliament, the Council and the Commission, adopted during the conciliation meeting on 17 July 2008, has confirmed the importance of ensuring a rapid procedure with due respect of the Interinstitutional Agreement for the adoption of decisions on the mobilisation of the Fund.

ANNEX: LETTER OF COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

EK/ic
D(2012)55159

M. Alain Lamassoure
President of the Committee on budgets
ASP 13E158

Subject: Opinion on the mobilisation of the European Globalisation Adjustment Fund (EGF) for the case EGF/2011/014 RO/Nokia from Romania (COM(2012)618 final)

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/2011/014 RO/Nokia from Romania** 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 order to offer the dismissed employees a job perspective.. 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 the EGF regulation and targets for support 1 416 workers of the total of 1 904 workers dismissed in the enterprise SC Nokia Romania SRL and one supplier SC Eurest SRL within the reference period between 21 August 2011 and 21 December 2012;
- B) Whereas the Romanian authorities argue that the mobile phone sector is continuously affected by globalisation which leads to relocation of production sites closer to expanding markets in Asia;
- C) Whereas the Romanian authorities argue that the redundancies were caused by the company's decision to transfer assembly of phones to China, South Korea, India and Vietnam where a new Nokia plant is under construction;
- D) Whereas 31 % of the workers targeted by the measures are men and 69 % are women; whereas 73,02 % of the workers are between 25 and 54 years old and 23,31 of workers are younger than 24 years;
- E) Whereas the 68,01% of the dismissed workers belong to the category of plant and machine operators and assemblers, 17,51% of workers belong to the category of technicians and associate professionals and 8,40% belong to the category of clerks;

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 Romanian application:

1. Agrees with the Commission that the conditions set out in Article 2 (a) of the EGF regulation (1927/2006) are met and that, therefore, Romania is entitled to a financial contribution under this regulation;
2. Welcomes the first application of Romania for the EGF support;
3. Notes that the Romanian authorities submitted the application for EGF financial contribution on 22 December 2011 and that its assessment was made available by the European Commission only on 19 October 2012; regrets the lengthy evaluation periods and inquires why this particular application required 8 months of assessment; urges the Commission to speed up the evaluation process;
4. Regrets that the redundancies in Cluj in Romania and Salo in Finland (application EGF/2012/006/ FI/Nokia from Finland) stem from a corporate decision of Nokia to move its production plants to Asia and are part of its plan to reduce global employment in Nokia Corporation by 17 000 workers by the end of 2013;
5. 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;
6. Notes that the EGF already acted in favour of 1 337 workers dismissed in result of re-location of Nokia from Germany to Romania in 2008; now three years after the EGF has to act again as the production plant opened in Cluj following the closure in Germany was closed down in 2011 as a consequence of re-location to Asia; inquires whether at time of relocation from Germany, Nokia had benefited from any financial incentives on regional, national or European level (in particular from the cohesion funds) to locate its plant in Romania;
7. Notes that the Commission proposal indicates that another EGF application is expected to cover the second wave of dismissals in Nokia centre in Salo and therefore calls on the Commission to clarify to what extent Nokia itself supports the redundancy financially;
8. Regrets that the Commission proposal do not present any statistics concerning unemployment rates in the region concerned; notes however, that in 2011 almost 40% of the total working population of the Cluj-Napoca region in the area of IT and communications worked in Nokia; judges that the impact of Nokia dismissals is considerable on the employment situation in the region;
9. Welcomes the fact, in order to address immediately the dismissed workers, the Romanian authorities started the implementation of the coordinated package of personalised service on 8 December 2011 - well ahead of the decision to grant the EGF support;
10. Expects that the Commission explains whether and how Nokia was involved in the creation of the coordinated package of personalised service and possibly in co-financing;
11. Regrets that there are no details concerning the types of trainings and internships to be provided within the coordinated package and how these are matched with the local skills and qualification needs and possible areas of future growth in the region;

Yours sincerely,

Pervenche Berès

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	10.12.2012
Result of final vote	+: 34 -: 0 0: 1
Members present for the final vote	Marta Andreasen, Francesca Balzani, Zuzana Brzobohatá, Jean Louis Cottigny, Jean-Luc Dehaene, Isabelle Durant, Göran Färm, Eider Gardiazábal Rubial, Jens Geier, Ingeborg Gräßle, Jutta Haug, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Jan Kozłowski, Alain Lamassoure, Giovanni La Via, Barbara Matera, Jan Mulder, Juan Andrés Naranjo Escobar, Dominique Riquet, Alda Sousa, László Surján, Derek Vaughan, Angelika Werthmann
Substitute(s) present for the final vote	Maria Da Graça Carvalho, Frédéric Daerden, Gerben-Jan Gerbrandy, Edit Herczog, Jürgen Klute, Erminia Mazzoni, Georgios Papastamkos, Georgios Stavrakakis, Nils Torvalds
Substitute(s) under Rule 187(2) present for the final vote	Jean-Pierre Audy