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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/2012/006 FI/Nokia Salo from Finland)
(COM(2012)0619 – C7-0360/2012 – 2012/2276(BUD))

Committee on Budgets

Rapporteur: Alda Sousa

PR_BUD_Funds

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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/2012/006 FI/Nokia Salo from Finland) (COM(2012)0619 – C7-0360/2012 – 2012/2276(BUD))

The European Parliament,

– having regard to the Commission proposal to Parliament and the Council (COM(2012)0619 – C7-0360/2012),

– 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 management[1] (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 Fund[2] (EGF Regulation),

– having regard to the "Growth and Jobs Compact" and the conclusions of the European Council of the 28 June 2012,

– having regard to the Council's position on the annual 2013 budget of the European Union adopted on 23 July 2012,

– having regard to the results of 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 (A7-0418/2012),

A. whereas the Union has set up 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 result of the global social, financial and economic crisis,

C. whereas the Union's financial assistance to workers made redundant should be made available immediately and efficiently, in accordance with the Joint Declaration of the

[1] OJ C 139, 14.6.2006, p. 1.
[2] OJ L 406, 30.12.2006, p. 1.

European Parliament, the Council and the Commission adopted during the conciliation meeting on 17 July 2008,

D. whereas Finland has requested assistance for 1 000 redundancies, all of which are targeted for assistance, in Nokia plc (Salo) in Finland,

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 Finland is therefore entitled to a financial contribution under that Regulation;

2. Notes that the Finnish authorities submitted the application for EGF financial contribution on 4 July 2012 and that its assessment was only made available by the Commission on 19 October 2012; welcomes the fact that the application was submitted immediately after the reference period allowing for instant response to the dismissals; also welcomes the speedy evaluation period by the Commission;

3. Acknowledges that in order to provide workers with immediate assistance, the Finnish authorities started the implementation of the social measures on 29 February 2012 - ahead of the final decision on granting the EGF support for the proposed coordinated package;

4. Regrets that the redundancies in Salo in Finland and in Cluj in Romania (application EGF/2011/014/ RO/Nokia from Romania) 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. Emphasises the key importance of adapted training and recognition of skills and competences gained throughout the professional career; 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;

6. Notes that the Commission proposal indicates that another EGF application is expected to cover the second round of dismissals in Nokia in Salo;

7. 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, facilitated mobilization, transparency and visibility of the EGF will be achieved;

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. Observes that, so far this year, 19 EGF mobilization cases have been submitted by the Commission to the budgetary authority on behalf of France, Spain, Denmark, the Netherlands, Austria, Romania, Sweden, Italy, Ireland, Germany and Finland to finance active labour market measures for 15 381 redundant workers, for the total amount of EUR 74 266 222 of EGF assistance;

10. Notes that the Salo area was heavily dependant on Nokia as an employer and grew into a highly specialised region in information technology and communication technology; notes that the dismissals in Nokia will seriously affect the local employment market, as it is expected that the unemployment rate may rise to 17% as a result of the current Nokia redundancies;

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 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. Welcomes the fact that a working group, which is widely representative of workers, has been set up to deal with the reorganisation of Nokia and advise on a range of issues, such as well-being, further studies, new jobs outside Nokia and business opportunities;

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; deplores the fact that the EGF might provide an incentive for companies to replace their contractual workforce with a more flexible and short-term one;

14. Considers the cost of the coordinated package of personalised services (approximately EUR 10 000 per worker) as high; notes, however, that the package contains innovative measures such as a protomo-matching service for new business start-ups and that financial allowances to be covered by the EGF are limited; welcomes the fact that the measures are well described in the Commission proposal;

15. Notes that the 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. Regrets that there are no details available regarding various training measures 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, given the structural changes the region is currently experiencing;

17. Acknowledges that following requests from Parliament, the 2012 budget shows payment appropriations of EUR 50 000 000 on the EGF budget line 04 05 01; notes, however, that for the second consecutive year, these payment appropriations have turned out to be insufficient to cover the funding requests for a whole year and the missing payment appropriations have to be marshaled though an amending budget by means of transfers from other budget lines; believes that both these facts do not denote sound budgeting; recalls that the EGF was created as a specific instrument to give an immediate and adequate response to mass redundancies due to the direct and indirect effects of globalisation; emphasises that without adequate appropriations, and in order to avoid systematic transfers from other budget lines, as has happened in the past, neither the emergency nature of the EGF or its integrity can be guaranteed;

18. Welcomes the fact that, in view of the structural changes in the region, the use of the EGF and the European Social Fund and the division of responsibilities between the two Funds has been coordinated by a dedicated project group, involving regional authorities and the social partners, which established strategic guidelines and goals for the region;

19. 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;

20. Considers that the payment of subsistence allowances of EUR 7 500 per worker for 360 workers is excessive; recalls that the EGF should, in future, be primarily allocated to training and job searches, as well as occupational orientation programmes and its financial contribution to allowances should always be of an additional nature and in parallel with what is available to dismissed workers by virtue of national law or collective agreements;

21. Regrets that the Commission proposal does not explain if Nokia was involved in the creation of the package of services and the possible co-financing of the measures;

22. Approves the decision annexed to this resolution;

23. 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*;

24. 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/2012/006 FI/Nokia Salo from Finland).

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 management[1], 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 Fund[2], and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission[3],

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 Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.

(3) Finland submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Nokia plc (Salo), on 4 July 2012 and supplemented it by additional information up to 21 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 5 346 000.

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

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1 OJ C 139, 14.6.2006, p. 1.
2 OJ L 406, 30.12.2006, p. 1.
3 OJ C […], […], p. […].

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2012, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 5 346 000 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	*For the Council*
The President	*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 management[1] and of the Article 12 of Regulation (EC) No 1927/2006[2], 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 trialogue could be organised in order to find an agreement on the use of the Fund and the amounts required. The trialogue 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 Finland 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 fifteenth application to be examined under the 2012 budget and refers to the mobilisation of a total amount of EUR 5 346 000 from the EGF for Finland. It concerns 1 000 redundancies, all of which are targeted for assistance, in Nokia plc (Salo) during the four-month reference period from 1 March 2012 to 1 July 2012. The Finnish authorities inform that more redundancies are expected in both Nokia and its subcontractors; but a separate application will be presented for them. All of these redundancies were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

The application was presented to the Commission on 4 July 2012 and supplemented by additional information up to 21 August 2012. 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, 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 globalisation[1].

The Finnish authorities argue that the current difficulties of Nokia, Nokia Siemens Networks, almost all subcontractors and the affected regions go back to February 2011. At that time Nokia announced a significant change in the company's strategy and launched an extensive cooperation with Microsoft with regard to the use of Microsoft Windows Phone as its primary smartphone operating system, while keeping Nokia's own Symbian operating system as a software platform in lower priced phones until the end of 2016. The demand for Symbian phones has meanwhile dropped considerably, and the development and maintenance operations based on the Symbian system will therefore be discontinued.

The intention was to keep the Nokia Salo plant operational while reducing the company's personnel by some 12 % in offices all around the world. This led to the closure of the plant in Cluj, Romania (September 2011), for which another EGF application was presented[2]. Nokia Siemens Networks also announced major redundancies (November 2011). On 22 March 2012, redundancies in Nokia Salo were announced, numbering 1 000 workers out of a total of 1 700. Further redundancies are already planned, and a follow-up application from Finland for the next wave of redundancies is expected.

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 Salo and Cluj, 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.

Nokia's plan is to transfer the assembly of devices to its Asian plants, where most of the component suppliers operate. The purpose of the transfer of assembly operations to Asia is to expedite the entry of devices into the market. By working closer to the subcontractors, it will be able to bring new innovations to the market more rapidly and improve its competitiveness. At present, Nokia is losing its position in its most important markets of China and India, where several companies manufacturing cheap phones are increasing their market shares.

At its height, the electronics and electrotechnical industry provided employment to more than 60 000 people in Finland, but by the end of 2012, this number will have fallen to 50 000. At the same time, the number of personnel in third-country subsidiaries of the companies in this industry has grown, constituting a clear statement about offshoring of functions to Asia in particular.

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 1000 targeted workers into employment, such as job-search counselling, vocational and preparatory training and retraining, entrepreneurship promotion, support for starting independent business operations, mobility assistance, employment services at the service

1 Regular updates here : http://ec.europa.eu/social/BlobServlet?docId=4558&langId=en.
2 EGF/2011/014 RO/Nokia.

point, pay subsidy, company-based data acquisition system, career guidance, vocational competence mapping and work capacity evaluations.

According to the Finnish 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 29 February 2012.

As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Finnish 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, Finland has notified the Commission that the financial contribution will be managed by the Ministry of Employment and the Economy, which also manages ESF funds. The same Ministry also acts as the certifying authority. There is a strict separation of duties and of reporting relationships between the departments responsible for these two functions. The management functions have been assigned to the Employment and Entrepreneurship Department, while the certifying functions are within the Human Resources and Administration Unit. The Ministry has prepared a manual setting out in detail the procedures to be followed.

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 5 346 000 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)55189

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/2012/006 FI/Nokia from Finland (COM(2012)619 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/2012/006 FI/Nokia from Finland** 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 the EGF regulation and targets for support all 1 000 workers dismissed in the enterprise Nokia plc (Salo) within the reference period between 1 March 2012 and 1 July 2012;

B) Whereas the Finnish 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 Finnish 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 36,5 % of the workers targeted by the measures are men and 63,5 % are women; whereas 80,3 % of the workers are between 25 and 54 years old and 16,9 of workers are older then 55 years;

E) Whereas the 71,3% of the dismissed workers belong to the category of plant and machine operators and assemblers, 10,4% of workers belong to the category of craft and related trade workers and 6,40% belong to the category of technicians and associated professionals;

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 Finnish 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, Finland is entitled to a financial contribution under this regulation;

2. Notes that the Finnish authorities submitted the application for EGF financial contribution on 4 July 2012 and that its assessment was made available by the European Commission only on 19 October 2012; welcomes the fact that the application was submitted immediately after the reference period allowing for instant response to the dismissals; welcomes also the speedy evaluation period by the Commission;

3. Regrets that the redundancies Salo in Finland and in Cluj in Romania (application EGF/2011/014/ RO/Nokia from Romania) 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;

4. Notes that the Commission proposal indicates that another EGF application is expected to cover the second wave of dismissals in Nokia centre in Salo;

5. Calls for reciprocity in trade between the EU and third countries as a an essential condition for EU companies to gain access to new non European markets;

6. Notes that the Salo area was heavily dependant on Nokia as an employer and grew into a highly specialised region in the information and communication technologies; notes that the dismissals in Nokia will affect seriously the local employment market as it is expected that the unemployment rate may rise to 17% in result of the current Nokia redundancies;

7. Welcomes the fact that a widely representative working group has been set up to deal with the reorganisation of Nokia and advises on a range of issues like well-being, studies, new jobs outside Nokia and business opportunities;

8. Considers the cost of the coordinated package of personalised services (approximately 10 000 per worker) as high; notes, however, the fact that the package contains innovative measures like protomo - matching service for new business start-ups and that financial allowances to be covered by the EGF are limited; welcomes the fact that the measures are well described in the Commission proposal;

9. Regrets that there are no details concerning the types of trainings 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 given the structural changes it undergoes at the moment;

10. Welcomes the fact that in view of the structural changes in the region, the use of the EGF and the ESF and the division of responsibilities between the two Funds has been coordinated by a dedicated project group, involving regional authorities and the social partners, which established strategic guidelines and goals for the region;

11. Considers that the payment of subsistence allowances of EUR 7 500 per worker for 360 workers is excessive; recalls that the EGF should in the future be primarily allocated to training and job search as well as occupational orientation programs, 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;

12. Regrets that the Commission proposal does not explain whether and how Nokia was involved in the creation of the package of services and possibly co-financing of the measures;

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, 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, George Lyon, 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