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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 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)

EXPLANATORY MEMORANDUM

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 management¹ allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF 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 22 December 2011 Romania submitted application EGF/2011/014 RO/Nokia for a financial contribution from the EGF, following redundancies in SC Nokia Romania SRL and one supplier in Romania.

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/2011/014
Member State	Romania
Article 2	(a)
Primary enterprise	SC Nokia Romania SRL
Suppliers and downstream producers	1
Reference period	21.8.2011 – 21.12.2011
Starting date for the personalised services	8.12.2011
Application date	22.12.2011
Redundancies during the reference period	1 904
Redundancies before and after the reference period	0
Total eligible redundancies	1 904
Redundant workers expected to participate in the measures	1 416
Expenditure for personalised services (EUR)	4 346 200
Expenditure for implementing EGF ³ (EUR)	181 000
Expenditure for implementing EGF (%)	4,00
Total budget (EUR)	4 527 200
EGF contribution (65 %) (EUR)	2 942 680

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

¹ OJ C 139, 14.6.2006, p. 1.

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.

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, Romania argues 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 possible⁴.
4. 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 Salo⁵, 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.
5. Trade statistics for Nokia Corporation show⁶ 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.
6. Statistics⁷ 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 %.
7. The Romanian authorities quote the Nokia Corporation report for Q4 of 2011⁸ 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.
8. To date, the mobile phone sector has been the subject of several EGF applications, all of which based on trade related globalisation⁹.

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

9. Romania 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 and downstream producers.

⁴ <http://press.nokia.com/2011/09/29/nokia-continues-to-align-its-workforce-and-operations>
⁵ [EGF/2012/006 FI/Nokia Salo](http://www.nokia.com/global/about-nokia/investors/financials/reports/results---reports/)

⁶ <http://www.nokia.com/global/about-nokia/investors/financials/reports/results---reports/>
⁷ http://www.results.nokia.com/results/Nokia_results2011Q4e.pdf

⁸ <http://press.nokia.com/2012/01/26/nokia-q4-2011-net-sales-eur-10-0-billion-non-ifs-eps-eur-0-06-reported-eps-eur-0-29-nokia-2011-net-sales-eur-38-7-billion-non-ifs-eps-eur-0-29-reported-eps-eur-0-31/>

⁹ Regular updates here : <http://ec.europa.eu/social/BlobServlet?docId=4558&langId=en>

10. The application cites 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 has received confirmation from Romania that all of these redundancies have meanwhile been effected.

Explanation of the unforeseen nature of those redundancies

11. The Romanian authorities argue that the decision on the delocalisation of Nokia production and the nature of the redundancies was unforeseen as the company was developing steadily in the period 2006 to 2010 with the numbers of employees growing from 102 in 2006 to 1 552 in 2010 and an additional 800 individuals working on a temporary contract basis. Financial indicators for the same period as indicated by the Romanian authorities based on data from the Ministry of Public Finances of Romania¹⁰ show that for the period indicated, profit grew from approximately EUR 300 000 in 2006 to EUR 42,3 million in 2010.
12. It was only on 29 September 2011 that in a press release the Finnish company announced that as foreseen in the company's strategy there has to be an "*adjustment of the production capacity and enhancement of production operations to better serve the global network of partner clients and suppliers*"¹¹. The presentation made by the company shows that this decision, leading to the dismissal of all personnel in Cluj, was a corporate decision and part of a global decision to expand in emerging markets outside the European Union.

Identification of the dismissing enterprises and workers targeted for assistance

13. The application relates to 1 904 redundancies of which 1 809 occurred in SC Nokia Romania SLR and a further 95 in one supplier, i.e. SC Eurest SRL. Romania estimates that 1 416 workers will wish to benefit from the EGF measures.
14. The break-down of the 1 416 targeted workers is as follows:

Category	Number	Percent
Men	439	31,00
Women	977	69,00
EU citizens	1 416	100,00
Non EU citizens	0	0,00
15-24 years old	330	23,31
25-54 years old	1 034	73,02
55-64 years old	52	3,67
> 64 years old	0	0,00

15. The Romanian authorities indicate in the application that among the redundant workers there are five with a longstanding health problem or disability.

¹⁰ www.mfinante.ro

¹¹ <http://press.nokia.com/2011/09/29/nokia-continues-to-align-its-workforce-and-operations>

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

Category	Number	Percent
Professionals	30	2,12
Technicians and associate professionals	248	17,51
Clerks	119	8,40
Service workers and shop and market sales workers	6	0,42
Plant and machine operators and assemblers	963	68,01
Elementary occupations	50	3,53

17. In accordance with Article 7 of Regulation (EC) No 1927/2006, Romania 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

18. The main region affected by the decision of Nokia Corporation to relocate production in Asia is the metropolitan area of Cluj-Napoca and more broadly the labour market of the NUTS III Cluj County. Cluj-Napoca currently produces 49 % of the added value of the county. The main activities of the county economy are concentrated in the area of Cluj-Napoca: production, services, trade and construction, as well as agricultural activities, since the area is on the Transylvanian Plateau where climate conditions favour farming.
19. The capital of Cluj County is the municipality of Cluj-Napoca surrounded by 17 communes totalling 379 705 inhabitants. The metropolitan area of Cluj-Napoca comprises the territory which is most affected by the decision of Nokia Corporation to relocate its production, as most of the dismissed employees live in the administrative metropolitan area.
20. In accordance with the data published by the Regional Directorate of Statistics of Cluj (end of 2008)¹² the civil population employed in the county, including the metropolitan area population, is distributed as per CAEN (*Clasificarea activitatilor din economia nationala*) national classification as follows: agriculture, forestry and fishing: 72 300 people; industry: 76 000 people; construction: 29 500 people; and retail and wholesale trade: 52 100 people.
21. The main stakeholder is the municipality of Cluj-Napoca. The Transition Centre "From JOB to Smart JOB" created to assist dismissed workers is to be established in the municipality of Cluj-Napoca as the transport infrastructure in and out of town serves all the localities of the affected area.

¹²

http://www.cluj.insse.ro/cmscluj/rw/resource/2010r_struct_pop_sectcaen_t_3_29.htm?download=true

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

22. According to the Romanian authorities, the Labour Survey published by the Regional Directorate of Statistics in Cluj¹³ provides data that in the IT and communications field – the category of SC Nokia Romania SRL (manufacture of communication equipment, i.e. NACE Revision 2 class 26.30) – in 2008 there were 5 700 workers, of whom 1 255 worked with SC Nokia Romania SRL, i.e. 30 % of the total. In 2011, the number of SC Nokia Romania SRL employees reached 1 956 persons, approximately 40 % of the total working population in this field in the area.
23. The documentation on the collective redundancy submitted by Nokia Corporation, lists the people to be dismissed as coming from the following areas: 694 persons – rural area of the metropolitan area of Cluj-Napoca, 235 persons – municipality of Cluj-Napoca; 212 persons – municipality of Gherla; 386 persons – municipality of Dej; and finally 282 persons from counties other than Cluj.
24. Consequently, Nokia Corporation's decision is mostly affecting the county of Cluj, and particularly the metropolitan area of Cluj-Napoca itself.

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

25. All the following measures proposed by the Romanian authorities combine to form a co-ordinated package of personalised services which aims at re-integrating the redundant workers into employment:
 - Pre-dismissal services: The services to be provided under this measure include presentation of the legal provisions on worker protection, presentation of the insured persons' rights and obligations, presentation of the benefits and opportunities offered by EGF, presentation of the services available for the workers, presentation of existing vacancies, presentation of actions organized on the labour market for employment purposes: job fairs, financial incentives, ESF financed projects and those of the County Agency for Workforce Occupancy (abbreviated AJOFM) Cluj.
 - Registration of the workers as job seekers in the Transition Centre "From JOB to Smart JOB": This measure covers the filling in of the registration form to identify the persons' needs, the validation of the workers' status and establishing the flow scheme within the activities of the Centre, the personal status of the workers at the time of registration in the Centre.

The work plan includes: determining the initial profile of the worker, filling in the registration sheet, working out the suggested pathway, deciding on the Centre activities to be covered, agreeing on the desired results, including the final status of the worker. The objective is to achieve a positive attitude towards society, awareness of his / her self-worth and the wish to find another job, leading to success in obtaining a new job through the activities which he / she will have performed.

¹³ <http://www.cluj.insse.ro/cmscluj/rw/pages/index.ro.do>

- Information, Counselling and Vocational Guidance: This activity is based on the personal development principle and involves encouraging autonomy and the increase of motivation level of the person in crisis. It consists of preparing individual action plans or a counselling chart for each individual and determining the flow scheme within the Centre, informing the individual on the labour market, legislation, and vocational training opportunities, employment opportunities; careers counselling: identification of purposes, psychological evaluation, making people aware in order to make working life decisions, determining possible options, choosing the best solutions; presentation of methods and techniques to identify a job position; presentation of ways to approach a potential employer; presentation of ways to behave before and after the interview; recommendations for other Centre activities: training programmes, consultancy and assistance in starting-up an independent activity or initiating a business.
- Mobility allowances: These will be offered to those who have managed to start their own business or to get a job with the new workplace more than 50 km away from their fixed residence. This allowance is paid to the worker once, upon presentation of the necessary supporting documents.
- Transport allowances: This consists in the reimbursement of expenses incurred when a worker needs to travel to participate in the activities carried out by the Centre and when actively in search for a job.
- Job-search allowances: This service consists in a sum granted to workers who follow at least two activities in the Centre, participate in selections organized by the employer for recruitment purposes, and prepare back-up plans in case of failure in an interview.
- Training: This activity will comprise registering for a course as a result of the vocational counselling received; establishing a course group (minimum 7, maximum 28 people per group); deploying the activity of the training course; course monitoring and coordination activities (partial testing), six-monthly monitoring and follow-up of the trainee.
- Internship allowances: This service consists in an allowance for participating in an internship of two to four weeks organised by potential future employers. These internships will be organised specifically for workers who had similar positions within Nokia but lack the particular practical abilities or experience.
- Financial assistance for training programme certification: Upon successful course finalization a certificate of acquired skills is to be issued within the legal deadline. Financial support will be granted to participants who have successfully graduated by certification the courses of a vocational training programme.
- Entrepreneurship promotion: Through counselling and financial assistance for initiating an independent activity or for a business start-up, the following series of activities are proposed: establishing work groups according to the identified characteristics and needs: independent activity groups (authorized freelancers, individual enterprises, family associations), groups to initiate a business; individual counselling – mainly technical assistance in establishing a company, presentation of related legal background, preparation of memorandum and articles

of association, determining the object of activity, registering the legal person or the natural person, executing contracts, legalizing documents; working-out a business plan; entrepreneurial group training: modules on management, marketing and selling techniques, legislation, accounting and basic bookkeeping issues; case studies: business examples in various activity fields, initiation and development phases, monitoring activities.

- Financial assistance for initiating independent activities: This consists in financial help to begin an independent activity or a business. This amount of approximately EUR 1 800 per person will be necessary for the purchase of the equipment required to start the independent activity or new business (i.e. the so-called "start-up tool kit" so important at the time of embarking on a new activity).
- Mentoring and post-hiring support: This service aims at facilitating integration and adaptation to the conditions of a new job. Activities will be carried out for no more than six months and will be tailored to suit newly employed workers.
- Financial assistance for persons with children: Personalized financial support will be granted to workers who are sole earners in single parent families with children and also workers who have children they cannot supervise during the activities in the project, including during hiring interviews. The purpose of this assistance is to give workers the possibility to pay for the services of private kindergartens or baby sitter services taking care of children during their parents' activities in the Centre. This personalized assistance will involve subcontracting services from kindergartens or specialised firms. Vouchers will be issued during the transition period to the assisted workers who will in turn make them available to the suppliers willing to provide the services needed by the worker. The vouchers will be reimbursed to the supplier by the Centre.

26. 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, management and control activities as well as information and publicity.
27. The personalised services presented by the Romanian authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Romanian authorities estimate the total costs at EUR 4 527 200, of which the expenditure for personalised services at EUR 4 346 200 and the expenditure for implementing the EGF at EUR 181 000 (4,00 % of the total amount). The total contribution requested from the EGF is EUR 2 942 680 (65 % 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)			
Pre-dismissal services	1 416	120	169 920
Registration of workers	1 416	10	14 160
Information, Counselling and Vocational Guidance	1 416	1 100	1 557 600
Mobility allowances	40	580	23 200
Transport allowances	1 000	100	100 000
Job-search allowances	800	200	160 000
Training	1 000	800	800 000
Internship allowances	150	1 000	150 000
Financial assistance for training programme certification	850	200	170 000
Entrepreneurship promotion	150	700	105 000
Financial assistance for initiating independent activities	150	1 800	270 000
Mentoring and post-hiring support	1 416	520	736 320
Financial assistance for persons with children	150	600	90 000
Sub total personalised services			4 346 200
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			131 000
Management			15 000
Information and publicity			20 000
Control activities			15 000
Sub total expenditure for implementing EGF			181 000

Total estimated costs		4 527 200
<i>EGF contribution (65 % of total costs)</i>		2 942 680

28. Romania confirms that the measures described above are complementary with actions funded by the Structural Funds and that due measures are in place to prevent double financing with other EU instruments.
29. The Romanian authorities have signed a framework protocol which allows cross-checking of the data bases of the Ministry of Labour, Family and Social Protection, the Managing Authority of the ESF co-financed Sectoral Operational Programme "Human Resources Development" (SOPHRD) as well as the National Agency for Employment in order to avoid double financing of activities under the ESF and the EGF. The obligations of the employer with regard to collective redundancies and the relevant activities will also be cross-checked so that they are excluded from the personalised package provided with the help of EGF co-financing.
30. The National Agency for Employment has drafted Procedure Guidelines for the management of the contribution from the EGF; these are designed for the staff managing the EGF assistance and in compliance with the management of other EU financing.

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

31. Romania started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 8 December 2011. 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

32. The Romanian authorities have reported that procedures for consulting the social partners on the proposed coordinated package of personalised services included two meetings held in October 2011. One was held in Cluj with the representatives of the unions, employers' organisations and public institutions and a second one at the headquarters of the Managing Authority during which the involvement of the social partners in the process of preparing the request for mobilisation of the EGF in the Nokia case at national level was agreed.
33. The Romanian 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

34. 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.

Management and control systems

35. 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. A governmental decision No 1086/2010 setting up the institutional framework for the co-ordination and management of the financial assistance provided for Romania from the EGF was taken to that effect.
36. The Romanian authorities have also notified the Commission that a special Manual of procedures has been drafted and approved by the Minister of Labour, Family and Social Protection specifically for the management of funds provided to Romania through the EGF. The manual describes the way the EGF is to be managed the inter-service relations and responsibilities of the different services and ensures compliance with the general principles for management of the EGF as well as with the relevant legal framework.
37. 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.

Financing

38. On the basis of the application from Romania, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 2 942 680, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Romania.
39. Considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above, to be allocated under heading 1a of the financial framework.
40. The proposed amount of financial contribution will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year, as required by Article 12(6) of Regulation (EC) No 1927/2006.

41. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal dialogue meeting will be convened.
42. The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

43. 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 will be requested either through a transfer, in case a source of available appropriations can be identified, or an Amending budget. Appropriations from this budget line will be used to cover the amount of EUR 2 942 680 needed for the present application.

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 management¹⁴, 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 Fund¹⁵, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹⁶,

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 to mobilise the EGF, in respect of redundancies in the enterprise SC Nokia Romania SRL and one supplier, on 22 December 2011 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.

¹⁴ OJ C 139, 14.6.2006, p. 1.

¹⁵ OJ L 406, 30.12.2006, p. 1.

¹⁶ OJ C [...], [...], p. [...].

- (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 (EGF) 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 Brussels,

For the European Parliament
The President

For the Council
The President