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COMMUNICATION TO THE COMMISSION

**on application EGF/2009/002 DE/Nokia received from Germany for a financial
contribution from the European Globalisation Adjustment Fund**

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Germany has submitted application EGF/2009/002 DE/Nokia for a financial contribution from the European Globalisation Adjustment Fund, hereinafter 'EGF', following the redundancies in the German Nokia production plant in Bochum, hereinafter 'Nokia GmbH'.

1. The application was presented to the Commission on 6 February 2009 and supplemented by additional information on 20 May 2009.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006 of 20 December 2006 of the European Parliament and of the Council on establishing the European Globalisation Adjustment Fund¹, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

SUMMARY OF THE APPLICATION AND ANALYSIS

(a) Analysis of the link between the redundancies and major structural changes in world trade patterns

3. The application relates to 1 337 redundancies in the enterprise Nokia GmbH. The redundancies were caused by the decision of the international telecommunications group Nokia to close its factory in Bochum. In order to establish a link between the redundancies and major structural changes in world trade patterns, Germany indicates that the redundancies follow from a general trend² amongst mobile phone manufacturers towards relocation of their production to the 'emerging' markets in the Asia Pacific region, which are characterised by high growth rates in demand for mobile phones.
4. The production of mobile phones has been relocated not only to China, but also to South Korea, India, Mexico and Brazil. The applicant states that such low-wage countries have also become attractive as a location for R&D activities. Reference is made to the R&D centres for mobile phones that Nokia has developed in China, Hong Kong, Macao and Taiwan.
5. In conclusion, the opinion of the Commission is that the 1 337 redundancies in Nokia GmbH can be linked, as required by Article 2 of Regulation (EC) No 1927/2006, to major structural changes in world trade patterns, which have led to the relocation of R&D for mobile phones and the production of these phones to countries outside the EU.

(b) Demonstration of the number of redundancies

¹ OJ L 48 of 22.2.2008, p. 82.

² This trend has already been established in the Commission assessment of applications EGF/2007/003 DE/BenQ (SEC(2007)1142) and EGF/2007/004 FI/Perlos (SEC(2007)1228)

6. Germany submitted this application under the intervention criterion of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 1 000 redundancies over a 4-month period in an enterprise, including workers made redundant in its suppliers and downstream producers. The application cites a total of 1 337 effected redundancies in one enterprise, (Nokia GmbH), during the 4-month period of reference (from 30 July 2008 to 29 November 2008).
7. In the opinion of the Commission services, the total of 1 337 job losses in one enterprise (Nokia GmbH) is sufficient to comply with the criteria of Article 2(a) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of the redundancies

8. The German authorities argue that the information communicated by the Nokia group gave the impression that production capacity in Bochum would be maintained. In addition, Nokia GmbH was very profitable; in 2007, its operating profit amounted to EUR 134 million. The Land of North Rhine Westphalia had provided considerable financial support for the promotion of the Nokia site in Bochum³. All these elements were interpreted as indicators for Nokia's intention to maintain its production capacity in Bochum. Therefore, the announcement by Nokia on 15 January 2008 of the closure of the plant in Bochum was unforeseen.

(d) Identification of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of workers to be targeted

9. The application concerns 1 337 redundancies in Nokia GmbH, of which 1 316 are targeted for assistance.
10. Of the 1 316 workers to be targeted for assistance, 60,6 % are female and 39,4 % are male. 82,4 % belong to the 25 to 50 years age group and 17,6 % are over 50 years old, while about 10,3 % workers have a longstanding health problem or disability. Of the workers targeted for assistance, 12,3 % are citizens from countries outside the EU and 18,2 % are citizens from other EU countries. In terms of professional categories, 45 % belong to the group 'unskilled and semi-skilled workers', 42,6 % to the group 'industrial and technical skilled workers', 7,8 % to the group 'commercial staff' and the remainder to the group 'academics and executive managers'.

(e) Description of the territory concerned and its authorities and stakeholders

11. The territories concerned by the redundancies are the city of Bochum, the administrative region of Arnsberg at NUTS II level and the Land of North Rhine Westphalia at NUTS I level.

The main responsible stakeholders are the Bochum Labour Office, the central office of the Federal Employment Office, the regional directorate of the Federal Employment Office in North Rhine Westphalia, the Ministry for Labour, Health and

³ The compensation payments which result from the closure of the Nokia plant in Bochum, which Nokia is obliged to pay to the Land of North Rhine Westphalia, do not cover qualification measures for workers dismissed by Nokia in Bochum.

Social Affairs of North Rhine Westphalia, IG Metall North Rhine Westphalia, Nokia GmbH and the transfer company PEAG.

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

12. The applicant states that the redundant workers fall within the responsibility of 4 local employment offices: Bochum, Gelsenkirchen, Recklinghausen and Dortmund, all of which traditionally have an unemployment rate significantly higher than in other parts of North Rhine Westphalia and in Germany. In December 2008, for example, the unemployment rate was 10,2 % for Bochum, 12,3 % for Gelsenkirchen, 10,7 % for Recklinghausen and 12,2 % for Dortmund, whereas for North Rhine Westphalia it was 8,1 % and for Germany 7,4 %. In the context of the current economic and financial crisis the employment situation in the affected areas seems particularly vulnerable, given the presence of the automotive (Opel) and steel industry in Bochum and Dortmund, the still ongoing conversion from coal mining to other labour-intensive sectors in Gelsenkirchen, and the dependence of Recklinghausen on one big supplier to the car industry (Hella) and the manufacture of synthetic materials for the automotive industry.
13. In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local economy.

(g) Coordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

14. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers within the labour market:
- Short-time allowance: this is intended to secure the livelihoods of workers who accept entry into a transfer company⁴. For the purposes of the EGF the short-time allowance can only be included for periods within which the dismissed workers are actively participating in active labour market policy measures that are provided within the framework of the transfer company.
 - Basic qualification: this measure aims to maintain and improve the employability of low-skilled workers. It includes a one-week German-language course targeting workers with a migrant background and a 3-month course on learning techniques and training.
 - Specific individual qualifications: these target workers for whom group qualifications do not seem to deliver adequate results. They mainly address redundant workers whose qualification needs extend beyond the 12-month

⁴ As already explained in SEC(2007)1142 on application EGF/2007/003 DE/BenQ a transfer company is an instrument provided for under German law which can be put in place in case of restructuring with ensuing job losses. The transfer company makes it possible to prepare in a structured manner redundant workers for a new job through coaching, qualification and placement activities.

duration of the transfer company and redundant workers who do not qualify due to lack of certification for standard support from the Labour Office.

- Group qualifications: these target workers with a basic professional knowledge, but who lack up-to-date technical knowledge that would enable them to re-integrate within some professions for which there is currently market demand. These include, for example, quality management, micro-technology, commercial posts, carers for the elderly, or specialists in storage logistics.
- Peer groups: this aims to enhance the empowerment of four different categories of disadvantaged workers: women with low qualifications, workers over 50 years of age, disabled/ill workers and workers with a migrant background.
- In-depth counselling for setting up businesses: besides the classical courses for setting up businesses, the measure also provides for a coach to accompany the participants during the whole process of setting up a business.
- Support for international job applications: this measure aims to offer a limited number of interested workers the possibility to prepare for applying for jobs abroad, including a visit to an enterprise in a neighbouring country.
- Support at the start of employment: this covers support for workers who have accepted a new job during their probation period, with mentoring to ensure that they can retain their new jobs.
- Mentoring and support, in particular aftercare: this measure provides support for workers who do not find a new job upon termination of the transfer company. In order not to lose the benefits of already initiated placement activities, they will retain the same mentor as in the transfer company.

15. The administrative expenditure included in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers the various stages in the preparation of this application, management and control activities, and information and publicity. It also includes the costs of a scientific study to establish the ratio between documented and undocumented time spent on active labour market measures.

16. The personalised services that form part of the co-ordinated package presented by the German authorities are active labour market measures constituting eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006. The total costs of these services are estimated by the German authorities at EUR 11 107 700 and the administrative expenditure at EUR 550 000 (= 4,95 % of the total amount). The total requested contribution from the EGF is EUR 5 553 850 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national co financing) (in EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			

Short-time allowance ('Transferkurzarbeitergeld')	1 316		6 783 000
Basic qualification ('Grundlagenqualifizierung')	170	1 900	323 000
Specific individual qualifications ('Spezielle Einzelqualifizierungen')	40	5 000	200 000
Group qualifications in groups ('Gruppenqualifizierungen')	490	3 800	1 862 000
Peer groups	240	150	36 000
In-depth counselling for setting up businesses ('Vertiefte Existenzgründungsberatung')	40	1 200	48 000
Support for international job applications ('Förderung internationaler Bewerbungen')	55	160	8 800
Support at the start of employment ('Nachbetreuung bei Arbeitsaufnahme')	250	450	112 500
Mentoring and support, in particular aftercare ('Beratung und Betreuung, insbes. Nachbetreuung')	1 316	900	1 184 400
Subtotal personalised services			10 557 700
Technical assistance for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Administrative expenditure			500 000
Scientific study (sampling)			50 000
Subtotal technical assistance			550 000
Total estimated costs			11 107.700
<i>EGF contribution (50 % of total costs)</i>			<i>5 553 850</i>

17. As regards complementarity with actions funded by the Structural Funds, the application distinguishes between the EGF package and the initial package of active labour market measures, which was financed by the ESF and national public and private co-funding. This initial package includes the creation of a transfer company and measures for profiling, professional orientation, individual counselling, placement coaching and short-term qualifications in compliance with the guidelines of the ESF Federal Employment Office.

In order to ensure complementarity with other measures at national, regional and local level, the EGF package of active labour market measures has been entirely conceived as a complement to the initial package described above.

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

18. Personalised services for the affected workers included in the co-ordinated package proposed for co-financing by the EGF were started by Germany on 1 July 2008. This date therefore represents the beginning of the period of eligibility for any assistance under the EGF (Article 11 of Regulation (EC) No 1927/2006).

(i) Procedures followed for consulting the social partners:

19. Following the announcement by the Nokia group in January 2008 to close its plant in Bochum, negotiations were initiated, as required by German labour law, between the employer and the local works council, including IG Metall, with the aim of reconciling interests and drawing up a social plan. In April 2008 agreement was reached in close cooperation between employers and workers' representatives on an initial package of measures to be co-funded by the ESF and private funds and including the creation of a transfer company.

An additional package of EGF-supported measures forming the basis for the present application was developed in December 2008/January 2009 by the Federal Ministry for Labour and Social Affairs and representatives from Nokia, the works council of Nokia GmbH, IG Metall, the transfer company, the Federal Employment Office and the Ministry for Labour, Health and Social Affairs of North Rhine Westphalia.

20. The German authorities confirm that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

21. As regards fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the German authorities in their application:

- confirmed that the financial contribution from the EGF does not replace measures that are the responsibility of companies under 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 under points 14 to 16 above do not receive assistance from other Community financial instruments.

22. Management and control systems

Germany has informed the Commission that the financial contribution will be managed and controlled by the following bodies inside the Federal Ministry for

Labour and Sozial Affairs ('Bundesministerium für Arbeit and Soziales'): VI Gruppe Soziales Europa as managing authority and Referat Zb2 as audit authority.

Conclusion

23. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/002 DE/Nokia submitted by Germany, relating to the redundancies in Nokia GmbH, as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to a serious economic disruption, affecting employment and the local economy. A coordinated package of eligible personalised services has been proposed. Therefore, it is proposed to deploy the EGF in response to the application from Germany.

FINANCING

The total annual budget available for the EGF is €500 million. So far, two cases have been accepted for funding in 2009, and a further two cases have been proposed, amounting to a total of EUR 7 523 850.

Article 12 (6) of Regulation (EC) No. 1927/2006 states that on 1 September of each year, at least EUR 125 million should remain available in order to cover any needs arising until the end of the year.

After deduction of the amounts already accepted or already proposed for commitment, an amount of EUR 492 476 150 remains available.

It is proposed to deploy EUR 5 553 850 from the EGF.

THE COMMISSION IS THEREFORE INVITED TO:

- Conclude that the conditions for a financial contribution from the EGF to application EGF/2009/002 DE/Nokia submitted by Germany are met;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 5 553 850, as specified in point 16, as well as a request for the transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12(3) of Regulation (EC) No 1927/2006;
- authorise the transfer of the identical amount in payment appropriations from budget line 04.0217 (European Social Fund (ESF) convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).