



**COUNCIL OF  
THE EUROPEAN UNION**

**Brussels, 17 July 2012**

**12697/12**

**FIN 554  
SOC 679**

**PROPOSAL**

---

from:	European Commission
dated:	16 July 2012
No Cion doc.:	COM(2012) 396 final
Subject:	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/2011/015 SE/AstraZeneca from Sweden)

---

Delegations will find attached a proposal from the Commission, submitted under a covering letter from Mr Jordi AYET PUIGARNAU, Director, to Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union.

Encl.: COM(2012) 396 final



EUROPEAN COMMISSION

Brussels, 16.7.2012  
COM(2012) 396 final

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/2011/015/SE/AstraZeneca from Sweden)**

## **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 management<sup>1</sup> 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 Fund<sup>2</sup>.

On 23 December 2011, Sweden submitted application EGF/2011/015 SE/AstraZeneca for a financial contribution from the EGF, following redundancies in AstraZeneca in Sweden.

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**

<b>Key data:</b>	
EGF Reference no.	EGF/2011/015
Member State	Sweden
Article 2	(a)
Primary enterprise	AstraZeneca
Suppliers and downstream producers	None
Reference period	15.06.2011 – 15.10.2011
Starting date for the personalised services	26.10.2010
Application date	23.12.2011
Redundancies during the reference period	543
Redundancies before and after the reference period	444
Total eligible redundancies	987
Redundant workers expected to participate in the measures	700
Expenditure for personalised services (EUR)	6 396 600
Expenditure for implementing EGF <sup>3</sup> (EUR)	258 560
Expenditure for implementing EGF (%)	3,9
Total budget (EUR)	6 655 160
EGF contribution (65 %) (EUR)	4 325 854

1. The application was presented to the Commission on 23 December 2011 and supplemented by additional information up to 16 April 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.

---

<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406, 30.12.2006, p. 1.

<sup>3</sup> 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 or the global financial and economic crisis**

3. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Sweden argues that the pharmaceutical sector is increasingly affected by globalisation. The pharmaceutical industry is currently undergoing significant changes in order to retain its competitiveness in a tough environment. Many companies are in a state of transition; reorganisation, consolidation, mergers and acquisitions are being considered in order to maintain growth centres. The industry is increasingly seeking synergies to hold down the increasing costs of research and development (R&D) activities.
4. Global investments and biotechnological research are on the increase and new competitors can be found in China, Brazil and India. Prospects for R&D funding vary by region, with the US expecting growth, Europe contemplating fiscal austerity that may restrict investment for several years, and most Asian countries maintaining strong financial commitments to R&D (share of total global R&D spending in 2009-2011: US (34,71 %-34,0 %), Asia (33,6 %-35,3 %), Europe (24,1 %-23,2 %)). During the recession, the Asian R&D communities increased their R&D investment and stature. Among the global research communities, the state of R&D in the EU gives rise to most concern. Trying to recover from recession and forced to cut deficits, can in turn affect government support for R&D<sup>4</sup>. According to Growth Consulting Company Frost & Sullivan's report of 2010<sup>5</sup>, about 70 % of questioned pharmaceutical companies are likely to outsource manufacturing to Asia. Those markets also demand that the drugs are tested on the local population, thus the presence of R&D in Asian markets is growing.
5. Moreover, the challenge for the pharmaceutical industry is the increasing presence of generics as patents expire for major branded products. The generic industry has recently undergone a major restructuring. Mergers and acquisitions have concentrated a growing share of the global generic market in the hands of the sector's leading players. Generic drugs are generally manufactured in low-wage Asian countries and command around 10 % of the original price once the patent expires. As a result, many companies are affected and must undergo cutbacks. The big European manufacturers concentrate on conducting the expensive clinical phases, as well as the marketing and approval process. Research activities are in a decline.
6. Many non-European countries are designing strategies for biosciences and industry in areas of pharmaceuticals, biotechnology and medical technology. The European companies must adapt their production to this situation. AstraZeneca (which had three R&D centres in Sweden) followed the trend and adopted a new R&D strategy in 2010. This included the necessity to focus on fewer disease areas, closures of sites (including that in Lund and Umeå) and significantly greater utilisation of external resources through outsourcing. Following the global trends, AstraZeneca also increased R&D investments in China and Russia (AZ China is the largest multinational pharmaceutical company in the prescription market in China; in 2011 AZ also announced opening a Predictive Science Centre in St. Petersburg).

---

<sup>4</sup> 2011 Global R&D Funding Forecast, [www.rdmag.com](http://www.rdmag.com)

<sup>5</sup> "Dynamics in the Pharma and Biotech Industry", Frost & Sullivan, 2010, [www.frost.com](http://www.frost.com)

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

7. Sweden 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.
8. The application cites 543 redundancies in AstraZeneca during the four-month reference period from 15 June 2011 to 15 October 2011. A further 444 redundancies (987 in total) occurred before and after the reference period and are related to the same collective redundancy procedure. The redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

### **Explanation of the unforeseen nature of those redundancies**

9. The Swedish authorities argue that, in the light of the fact that Sweden had a strong position in medical research, the collective redundancies in AstraZeneca had not been expected. While the worsening situation in the pharmaceutical sector due to the rising dominance of generics had been foreseen, the impact on AstraZeneca was more severe than anticipated. AstraZeneca was considered to be a stable company due to its long and successful history, dominating Swedish science industry with one quarter of those working in life sciences being AstraZeneca employees. Furthermore, the Swedish government has for a long time promoted the location of an interdisciplinary research centre in Lund – the European Spallation Source – and AstraZeneca was expected to devote additional resources to research in Lund. Taking into consideration the great medical need in the respiratory tract/inflammation area, the closure of the R&D site in this therapy category in Lund came as a surprise.

### **Identification of the dismissing enterprises and workers targeted for assistance**

10. The application relates to 987 redundancies, of which 543 occurred during and 444 before and after the reference period; these are eligible for inclusion in accordance with Article 3a(b) of Regulation (EC) No 1927/2006. Sweden estimates that 700 redundant workers will opt to receive assistance from the EGF. The remaining workers are expected to find employment through their own initiative without requiring assistance from the EGF or to retire.
11. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	255	36,43
Women	445	63,57
EU citizens	689	98,43
Non EU citizens	11	1,57
15-24 years old	1	0,14
25-54 years old	536	76,57
55-64 years old	163	23,29
> 64 years old	0	0

12. There are seven workers with a longstanding health problem or disability within this group.
13. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
211 Physicists, chemists and related professionals	132	18,86
213 Computing professionals	29	4,14
221 Life science professionals	43	6,14
311 Physical and engineering science technicians	84	12,00
343 Administrative associate professionals	14	2,00
411 Secretaries	29	4,14
822 Chemical products machine operators	51	7,29
Others	318	45,43

14. In accordance with Article 7 of Regulation (EC) No 1927/2006, Sweden 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**

15. The affected enterprises are located in four of the 290 Swedish municipalities. The majority of the staff was made redundant in Lund in southern Sweden, but the redundancies also affect Umeå in northern Sweden, Södertälje in the metropolitan area and to a lesser extent Mölndal in western Sweden. Skåne County, where Lund is located, is one of the most dynamic labour markets in Sweden. However, employment in the industrial sector will remain unchanged and the projected increase will occur in the private service sector. In Västerbotten County, where Umeå is located, business structure faces a generational shift problem and companies will need a skilled labour force. The local labour market in Umeå has suffered a number of company closures. In Stockholm region (located in Södermanland County), it is the private service sector that is dominant. There is a high demand for skilled labour. However, Södertälje is the municipality that has the highest unemployment rate in the county and has a problematic socio-economic structure in terms of the labour market. The labour market in Mölndal (in Västergötland County) depends on the vicinity of Gothenburg, where industry is export-oriented and the automotive industry is of national importance. In Mölndal itself, there are several companies focusing on pharmaceuticals and medical technology.
16. The main stakeholders are the Swedish Public Employment Services in all affected municipalities, as well as trade unions (Unionen, SACO, IF Metall), conversion bodies (Trygghetsradet) and the University of Lund. The conversion bodies are owned by the employers and trade unions.

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

17. The Swedish authorities argue that the closure of the AstraZeneca site is a heavy burden for Lund and also affects the entire pharmaceutical sector. This development

will probably cause an imbalance in the labour market in the region. The situation for job-seekers in the pharmaceutical sector had already worsened during the period 2008-2010. Unemployment increased in all affected municipalities from January 2009 to November 2011: in Lund from 2 467 to 3 025, Umeå from 3 725 to 4 539, Sodertälje from 3 100 to 5 555 and Mölndal from 1 458 to 1 663.

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

18. Sweden developed a package of measures in support of the redundant workers of AstraZeneca that would not be otherwise possible to implement with the support available to the same extent. Since the redundant workers are mostly highly educated, they would not be prioritised within the framework of the regular Swedish labour market policy.

The package of measures proposed by Sweden for EGF funding is the following:

- Job-search assistance. This measure consists of individual meetings of the redundant worker at the local PES in order to develop a personal action plan and present a complete CV. The worker can be also supported by a personal coach. It is estimated that all targeted workers will take up this action.
- Occupational guidance. This activity is aimed at job seekers who want to change occupation and is composed of guidance on available jobs, required skills and training, trainee programmes and mobility grants. It is estimated that 300 targeted workers will take up this action.
- Training and retraining. This measure will provide education and training on an individual scale in new skills for new jobs. Targeted workers will need to change occupations to those in demand. A wide range of training will be offered. The length of the training courses differs from one to 24 months with an average of six months. It is estimated that 350 targeted workers will take up this action.
- Aid for self-employment. This measure is targeted to workers who wish to start their own businesses. They will receive special guidance on drawing up business plans and applying for the necessary funds to get the business started. Those who decide to start a business will receive training in legislation on tax laws, accountancy, labour law, occupational health and safety and environmental issues. It is estimated that 70 targeted workers will take up this action.
- Job-search allowances will be offered to workers participating in active measures. The allowances are calculated on a 'per day of activity' basis for an average of 6-month participation. It is estimated that 300 targeted workers will be offered these allowances.
- Mobility allowances will cover commuting expenses and will be given in addition to other allowances. It is estimated that 150 targeted workers will be offered these allowances.
- Measures to stimulate older workers. These activities will include the establishment of a competence platform for older workers together with the County Council and

University of Lund. Persons interested in starting a business will receive support in terms of extensive training and marketing. It is estimated that 100 targeted workers will take up this action.

19. The expenditure for implementing the EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management, information and publicity and control measures. Sweden plans to produce posters and other information material and organise a conference informing about the activities.
20. The personalised services presented by the Swedish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Swedish authorities estimate the total costs of these services at EUR 6 396 600 and the expenditure for implementing the EGF at EUR 258 560 (3,9 % of the total amount). The total contribution requested from the EGF is EUR 4 325 854 (65 % of the total costs).



Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Job-search assistance	700	81	56 700
Occupational guidance	300	540	162 000
Training and retraining	350	9 000	3 150 000
Aid for self-employment	70	7 170	501 900
Job-search allowances	300	7 170	2 151 000
Mobility allowances	150	500	75 000
Measures to stimulate older workers	100	3 000	300 000
<b>Sub total personalised services</b>			<b>6 396 600</b>
<b>Expenditure for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			91 803
Management			91 190
Information and publicity			50 000
Control activities			25 567
<b>Sub total expenditure for implementing EGF</b>			<b>258 560</b>
<b>Total estimated costs</b>			<b>6 655 160</b>
<b>EGF contribution (65 % of total costs)</b>			<b>4 325 854</b>

21. Sweden confirms that the measures described above are complementary with actions funded by the Structural Funds and that measures are in place to prevent double funding.

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

22. Sweden started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 26 October 2010. 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**

23. The Swedish Public Employment Service (PES) possesses the information on the planned redundancies, therefore continuous contacts are maintained with the employer, trade unions and other stakeholders. The organisation Invest in Skåne initiated the application and was involved in preparation of the project. The PES in Lund had regular contacts with an entrepreneurial network at Atrazeneca. Three main trade unions participated in the discussions concerning the application. The TRR organisation for corporate management and trade unions will participate in the steering group.
24. The Swedish 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**

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

26. Sweden has notified the Commission that the financial contribution will be managed by the Swedish Public Employment Service (PES) which has been appointed as the management and payment authority. The project accounts will be examined by the Internal Audit Unit which is a separate body attached to the board of PES.

### **Financing**

27. On the basis of the application from Sweden, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 4 325 854 representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Sweden.
28. 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.

29. 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.
30. 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.
31. 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**

32. Appropriations from the EGF budget line will be used to cover the amount of EUR 4 325 854 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/2011/015/SE/AstraZeneca from Sweden)**

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<sup>6</sup>, 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<sup>7</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission<sup>8</sup>,

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) Sweden submitted an application to mobilise the EGF, in respect of redundancies in the enterprise AstraZeneca, on 23 December 2011 and supplemented it by additional information up to 16 April 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 4 325 854.

---

<sup>6</sup> OJ C 139, 14.6.2006, p. 1.

<sup>7</sup> OJ L 406, 30.12.2006, p. 1.

<sup>8</sup> OJ C [...], [...], p. [...].

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

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 4 325 854 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*