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PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

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Delegations will find attached document COM(2016) 554 final.

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Brussels, 5.9.2016
COM(2016) 554 final

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**on the mobilisation of the European Globalisation Adjustment Fund following an
application from Sweden – EGF/2016/002 SE/Ericsson**

EXPLANATORY MEMORANDUM

CONTEXT OF THE PROPOSAL

1. The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006¹ (the ‘EGF Regulation’).
2. On 31 March 2016, Sweden submitted an application EGF/2016/002 SE/Ericsson for a financial contribution from the EGF, following redundancies² in Ericsson in Sweden.
3. Following its assessment of this application, the Commission has concluded, in accordance with all applicable provisions of the EGF Regulation, that the conditions for awarding a financial contribution from the EGF are met.

SUMMARY OF THE APPLICATION

EGF application	EGF/2016/002 SE/Ericsson
Member State	Sweden
Regions concerned (NUTS ³ level 2)	Stockholm (SE11), Östra Mellansverige (SE12), Sydsverige (SE22), Västsverige (SE23)
Date of submission of the application	31 March 2016
Receipt of translation	18 April 2016
Date of acknowledgement of receipt of the application	31 March 2016
Date of request for additional information	2 May 2016
Deadline for provision of the additional information	13 June 2016
Deadline for the completion of the assessment	5 September 2016
Intervention criterion	Article 4(1)(a) of the EGF Regulation
Primary enterprise	Telefonaktiebolaget LM Ericsson
Number of enterprises concerned	1
Sector(s) of economic activity	Division NACE 2 Division 26

¹ OJ L 347, 20.12.2013, p. 855.

² Within the meaning of Article 3 of the EGF Regulation.

³ Commission Regulation (EU) No 1046/2012 of 8 November 2012 implementing Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) as regards the transmission of the time series for the new regional breakdown (OJ L 310, 9.11.2012, p. 34).

(NACE Revision 2 Division) ⁴	(Manufacture of computer, electronic and optical products)
Number of subsidiaries, suppliers and downstream producers	0
Reference period (four months):	11 September 2015 – 11 January 2016
Number of redundancies during the reference period (<i>a</i>)	1 244
Number of redundancies before or after the reference period (<i>b</i>)	312
Total number of redundancies (<i>a + b</i>)	1 556
Total number of eligible beneficiaries	1 556
Total number of targeted beneficiaries	918
Number of targeted young persons not in employment, education or training (NEETs)	0
Budget for personalised services (EUR)	6 161 480
Budget for implementing EGF ⁵ (EUR)	435 051
Total budget (EUR)	6 596 531
EGF contribution (60 %) (EUR)	3 957 918

ASSESSMENT OF THE APPLICATION

Procedure

4. Sweden submitted application EGF/2016/002 SE/Ericsson within 12 weeks of the date on which the intervention criteria set out in Article 4 of the EGF Regulation were met, on 31 March 2016. The Commission acknowledged receipt of the application on the same date. Within two weeks of the date on which the Commission was in possession of the translation of the application, on 2 May 2016, the Commission requested additional information from Sweden. Such additional information was provided within six weeks of the request. The deadline of 12 weeks of the receipt of the complete application within which the Commission should finalise its assessment of the application's compliance with the conditions for providing a financial contribution expires on 5 September 2016.

Eligibility of the application

Enterprises and beneficiaries concerned

5. The application relates to 1 556 workers made redundant in Ericsson (Telefonaktiebolaget LM Ericsson). Ericsson operates primarily in the economic sectors classified under the NACE Revision 2 Division 26 (Manufacture of computer, electronic and optical products) and 62 (Computer programming, consultancy and related activities). The redundancies made by Ericsson are mainly

⁴ OJ L 393, 30.12.2006, p. 1.

⁵ In accordance with the fourth paragraph of Article 7 of Regulation (EU) No 1309/2013.

located in the NUTS level 2 regions of Stockholm (SE11) and Östra Mellansverige (SE12), but also in Sydsverige (SE22) and Västsverige (SE23).

Enterprises and number of dismissals within the reference period		
Ericsson		1 556
Total no. of enterprises: 1	Total no. of dismissals:	1 556
Total no. of self-employed persons whose activity has ceased:		0
Total no. of eligible workers and self-employed persons:		1 556

Intervention criteria

6. Sweden submitted the application under the intervention criteria of Article 4(1)(a) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of four months in an enterprise in a Member State.
7. The reference period of four months for the application runs from 11 September 2015 to 11 January 2016.
8. The redundancies during the reference period are as follows:
 - 1 244 workers made redundant in Ericsson.

Calculation of redundancies and of cessation of activity

9. The redundancies during the reference period have been calculated as follows:
 - 1 244 from the date on which the employer, in accordance with Article 3(1) of Council Directive 98/59/EC⁶, notified the competent public authority in writing of the projected collective redundancies. Sweden confirmed prior to the date of the completion of the assessment by the Commission that these 1 244 redundancies have actually been effected.

Eligible beneficiaries

10. In addition to the workers already referred to, the eligible beneficiaries include 312 workers made redundant before or after the reference period of four months. These workers were all made redundant after the general announcement of the projected redundancies on 11 September 2015. A clear causal link can be established with the event which triggered the redundancies during the reference period. The Swedish authorities declared that these redundancies were all part of the same redundancy procedure, but some redundancies were only announced after the end of the reference period.
11. The total number of eligible beneficiaries is therefore 1 556.

⁶ Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies (OJ L 225, 12.8.1998, p. 16).

Link between the redundancies and major structural changes in world trade patterns due to globalisation

12. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Sweden argues that the redundancies occurred in the telecom hardware production business line of Ericsson.
13. In the past years, Ericsson has concentrated most of its hardware production and development facilities in Asia, where not only the strongest growth markets are located, but also equivalent quality can be delivered at lower costs.
14. A study on Outsourcing in Europe conducted by Ernst & Young⁷ revealed that outsourcing production and development activities is especially prevalent in the IT and telecommunication industries. Asia dominates as an outsourcing destination.
15. According to data published by Ericsson⁸, the company has gradually been cutting staff in Sweden (from 21 178 in 2005 to 17 858 in 2014) , but in the meantime been growing tremendously worldwide (from 56 055 in 2005 to 118 055 in 2014), India currently being the country with the largest number of employees.
16. The Swedish trade union Unionen states that Ericsson is still hiring in Europe, but only people with an entirely different set of skills. Employees with skills in hardware production and development are generally not reemployed by the company⁹. Most of the company's growth nowadays is in software development. Even though some software development is done in Europe, most of the growth in this sector is also happening in Asia¹⁰, where Ericsson is expanding its activities¹¹.
17. To date, the NACE 2 Division 26 sector has been the subject of another 14 EGF applications, 11 of which based on trade related globalisation and 3 on the global financial and economic crisis¹².

Events giving rise to the redundancies and cessation of activity

18. The events giving rise to these redundancies are the partial or entire closure of wireless telecom hardware production lines at various Ericsson sites (Borås, Karlskrona, Kista/Stockholm, Kumla, Linköping and Gothenburg) in Sweden, and the closure of an entire plant in the city of Katrineholm.
19. Facing stagnating growth and simultaneously facing harder competition with Asian producers, Ericsson has been scaling down telecom hardware production, a process that started almost two decades ago. The company sold its entire mobile phone

⁷ [http://www.ey.com/Publication/vwLUAssets/Outsourcing_in_Europe_2013/\\$FILE/EY-outsourcing-survey.pdf](http://www.ey.com/Publication/vwLUAssets/Outsourcing_in_Europe_2013/$FILE/EY-outsourcing-survey.pdf)

⁸ http://www.ericsson.com/thecompany/investors/financial_reports/2014/annual14/en/Otherinformation/Tenyearssummary.html

⁹ <http://unionenopinion.se/analyser/varsel-pa-ericsson-och-sony-mobile-vad-hander-i-telekombranschen-egentligen/>

¹⁰ <http://cio.idg.se/2.1782/1.630340/sa-sourcar-svenska-cio-er-2015>

¹¹ <http://www.forbes.com/sites/greatspeculations/2015/08/19/ericsson-can-overcome-challenges-in-the-mobile-infrastructure-business/#77e6e5cb128d>

¹² <http://ec.europa.eu/social/BlobServlet?docId=4558&langId=en>

development and production line to competitor Sony in February 2012. Ericsson is concentrating its remaining hardware production lines at production sites in Asia.

20. In the first six months of 2015, Ericsson successively announced the loss of 1 611 jobs at seven sites in Sweden. As some of the job holders had already reached retirement age, they are not counted in the number of dismissals, which implies a premature end of employment. Therefore, 1 556 workers made redundant have been reported by Sweden. On 11 September 2015, Ericsson notified the Swedish authorities in writing of the projected collective redundancies.

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

21. The expected impact of the redundancies on the local and regional labour markets differs widely from region to region. At first glance, the impact might seem neglectable, especially in very densely populated areas. Generally speaking, however, all regions face the problem that a relatively large group of older workers with similar backgrounds is made redundant at the same point of time. Most of these workers do not possess the skills sought after on the local labour market. This skills mismatch is especially visible in Kista, the town with the highest number of redundancies (762 workers). Even though Kista is situated in the Greater Stockholm Area, a region with a very dynamic economy, low unemployment rates, and many available jobs, more than 400 workers made redundant were still unemployed at the time of submission of the application for EGF funding. Up- or re-skilling such a large number of older workers with a very similar background is the greatest challenge the local authorities face. In certain regions, e.g. in Karlskrona, larger number of newly arrived migrants put additional strain on the local labour market.
22. Arbetsförmedlingen, the Swedish PES, has conducted an analysis of the labour market situations in the affected regions, and discussed the needs with the local authorities and the unions. As a result, the Swedish government decided to focus possible EGF assistance especially on the Kista, Katrineholm and Kumla sites, as these face the biggest challenges. However, individualised help will be offered to workers made redundant at the other sites as well.
23. Both blue- and white-collar employees are affected by the redundancies. As concerns blue-collar workers, they face a labour market with rather low demand in traditional manufacturing industries. The Swedish PES sees potential opportunities for these workers in the public or private sector service industries, which would, however, require major retraining efforts. The situation is slightly different for white-collar workers. Most of these are engineers, specialised in the production and development of telecom hardware, and some even in niches that are unique for Ericsson. There still is a high demand for engineers, also and especially in the IT-sector, primarily in programming and software development. Even though the white-collar staff made redundant shows a high affinity with the IT-sector in general, most of these former Ericsson employees lack the skills needed. The Swedish PES is confident that a personalised package of training programmes and coaching will enable most of these redundant employees to find new jobs of high quality.

Targeted beneficiaries and proposed actions

Targeted beneficiaries

24. The estimated number of redundant workers expected to participate in the measures is 918. The breakdown of these workers by sex, citizenship and age group is as follows:

	Category	Number of targeted beneficiaries	
Sex:	Men:	643	(70,0 %)
	Women:	275	(30,0 %)
Citizenship:	EU citizens:	918	(100,0 %)
	non-EU citizens:	0	(0 %)
Age group:	15-24 years:	0	(0 %)
	25-29 years:	22	(2,4 %)
	30-54 years:	589	(64,2 %)
	55-64 years:	307	(33,4 %)
	over 64 years:	0	(0 %)

Eligibility of the proposed actions

25. The personalised services to be provided to redundant workers consist of the following actions:

A Counselling and Career Guidance:

In-depth assessment and individual planning: This registration process includes a survey of prior experience and training, and is speeded up for EGF beneficiaries. It can include several individual and customised meetings, some of which may be with outplacement companies.

Guidance counselling: Standard activities offered by Arbetsförmedlingen will be combined with EGF measures such as individual support in direct contact with potential employers, motivational meetings, and conferences presenting the labour market in the region. This will be especially important for those targeted workers who regard their educational level as insufficient for the vacancies identified in the region. Both individual and group activities will be offered.

Motivation coaching and career planning: The EGF beneficiaries will have access to experts in cognitive therapy to strengthen their motivation. Furthermore, a series of conferences will be organised. During these conferences, beneficiaries will be informed on latest labour market developments and are invited to discuss the professional hard and soft skills needed. Aim of these conferences is to provide the motivation needed to overcome the challenges of the job market. These measures are open to all

targeted beneficiaries, with special emphasis on participants aged 50 and above.

B Sheltered and supported employment and rehabilitation measures:

These measures target beneficiaries with health conditions or impairments. Such measures can comprise the evaluation of an individual's work-capacity, measures to build-up or re-inforce an individual's work-capacity or the purchase of and training on assistive devices required to overcome workplace challenges.

C Education and training:

The Swedish PES offers a range of courses for specific target groups. On top of these, tailor made courses will be made available to EGF beneficiaries. These include academic courses and other highly specialized courses of a duration of 12 months or longer. Furthermore, individual support will be offered to participants with learning disabilities (it is estimated that about 5 % of beneficiaries participating in education and training measures will require special assistance). Special effort will be undertaken to break traditional gender barriers and to motivate e.g. the male beneficiaries to find jobs in the health care sector. Preparatory courses for those envisaging business creations will be given by external experts providing advice to future entrepreneurs. In the context of the principle of life-long learning, participants in EGF co-financed measures will also be offered the opportunity to get competencies acquired through formal and informal learning officially validated.

Internship programmes will be organised offering the possibility to combine practical training with some of the formal education programmes. A close co-operation is planned with the Swedish employer organization for the IT-sector.

D Job search allowances:

This is provided to the beneficiaries taking part in any of the active measures described above. The level of the allowance depends on individual factors and varies according to the duration of the measures. There are three different types of allowances, one for people taking part in the general measures, one for people in internship programmes, and one for people taking part in rehabilitation measures. The budgets for these allowances include the reimbursement of travel expenses for beneficiaries whose job-search related travel expenses exceed SEK 600 (equivalent to about EUR 64) per month.

26. The proposed actions, here described, constitute active labour market measures within the eligible actions set out in Article 7 of the EGF Regulation. These actions do not substitute passive social protection measures.
27. Sweden has provided the required information on actions that are mandatory for the enterprise concerned by virtue of national law or pursuant to collective agreements. They have confirmed that a financial contribution from the EGF will not replace such actions.
28. The proposed measures will contribute to a sustainable economic development. According to the Swedish Environmental Code, Arbetsförmedlingen is obliged to include environmental concerns in its calls for tender and its own actions. The measures offered are thus in line with the Swedish Environmental Code and contribute to the 16 Swedish Environmental Quality Objectives.

Estimated budget

29. The estimated total costs are EUR 6 596 531, comprising expenditure for personalised services of EUR 6 161 480 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 435 051.
30. The total financial contribution requested from the EGF is EUR 3 957 918 (60 % of total costs).

Actions	Estimated number of participants	Estimated cost per participant (rounded) (EUR)	Estimated total costs (EUR)
Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)			
Counselling and Career Guidance (Jobbcoachning och ärendehantering)	918	1 202	1 103 545
Sheltered and supported employment and rehabilitation measures (Skyddad och understödd sysselsättning och rehabilitering)	20	12 555	251 108

Education and training (Utbildning och omskolning)	463	5 868	2 716 884
Sub-total (a):			4 071 537
Percentage of the package of personalised services		–	(66,08 %)
Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)			
Allowance for participants in labour market training activities (Utbildningsinsatser AUB, aktivitetsstöd)	102	11 904	1 214 194
Allowances for participants in internship placement programmes (Praktik, aktivitetsstöd)	80	8 183	654 660
Allowances for participants in rehabilitation programme "Introduction to work" (Introduktion till arbete KA, aktivitetsstöd)	10	22 109	221 089
Sub-total (b):			2 089 943
Percentage of the package of personalised services:		–	(33,92 %)
Actions under Article 7(4) of the EGF Regulation			
Preparatory activities		–	0
Management		–	362 387
Information and publicity		–	21 498
Control and reporting		–	51 166
Sub-total (c):			435 051
Percentage of the total costs :		–	(6,6 %)
Total costs (a + b + c):		–	6 596 531
EGF contribution (60 % of total costs)		–	3 957 918

31. The costs of the actions identified in the table above as actions under Article 7(1)(b) of the EGF Regulation do not exceed 35 % of the total costs for the coordinated package of personalised services. Sweden confirmed that these actions are conditional on the active participation of the targeted beneficiaries in job-search or training activities.

Period of eligibility of expenditure

32. Sweden started providing the personalised services to the targeted beneficiaries on 1 October 2015. The expenditure on the actions will therefore be eligible for a financial contribution from the EGF from 1 October 2015 to 31 March 2018.
33. Sweden started incurring the administrative expenditure to implement the EGF on 1 October 2015. The expenditure for preparatory, management, information and publicity, control and reporting activities shall therefore be eligible for a financial contribution from the EGF from 1 October 2015 to 30 September 2018.

Complementarity with actions funded by national or Union funds

34. The source of national pre-financing or co-funding is the Arbetsförmedlingen budget. Ericsson or one of the social security organisations might also contribute to certain project initiatives, replacing some of the Arbetsförmedlingen funds.
35. Sweden has confirmed that the measures described above receiving a financial contribution from the EGF will not also receive financial contributions from other Union financial instruments.

Procedures for consulting the targeted beneficiaries or their representatives or the social partners as well as local and regional authorities

36. Sweden has indicated that the co-ordinated package of personalised services has been drawn up in consultation with the targeted beneficiaries and their representatives as well as local public actors. After the notification of the redundancies, Arbetsförmedlingen met with representatives of Ericsson, local authorities, the various unions as well as the outplacement agencies at all the company's sites that were subject to the collective redundancy procedures. At all sites, workshops were held with local union representatives in order to discuss a possible EGF application and to identify the appropriate package of measures to be offered.

Management and control systems

37. The application contains a description of the management and control system which specifies the responsibilities of the bodies involved. Sweden has notified the Commission that the financial contribution will be managed by Arbetsförmedlingen which is formally appointed as the managing and paying authority. The project accounts will be examined by the Internal Audit Unit, which is a separate body attached to the board of Arbetsförmedlingen. Its task is to examine the internal control and verification process at PES and suggest improvements, as well as providing advice and support for the Board and the Director General. Project auditing will take place on a regular basis.

Commitments provided by the Member State concerned

38. Sweden has provided all necessary assurances regarding the following:
 - the principles of equality of treatment and non-discrimination will be respected in the access to the proposed actions and their implementation,
 - the requirements laid down in national and EU legislation concerning collective redundancies have been complied with,
 - Ericsson, which has continued its activities after the lay-offs, has complied with its legal obligations governing the redundancies and provided for its workers accordingly,
 - the proposed actions will not receive financial support from other Union funds or financial instruments and any double financing will be prevented,

- the proposed actions will be complementary with actions funded by the Structural Funds,
- the financial contribution from the EGF will comply with the procedural and material Union rules on State aid.

BUDGETARY IMPLICATION

Budgetary proposal

39. The EGF shall not exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020¹³.
40. Having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 3 957 918, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.
41. The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management¹⁴.

Related acts

42. At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the amount of EUR 3 957 918.
43. At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.

¹³ OJ L 347, 20.12.2013, p. 884.

¹⁴ OJ C 373, 20.12.2013, p. 1.

Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund following an application from Sweden – EGF/2016/002 SE/Ericsson

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 Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006¹⁵, and in particular Article 15(4) thereof,

Having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management¹⁶, and in particular point 13 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) aims to provide support for workers made redundant and self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation, as a result of a continuation of the global financial and economic crisis, or as a result of a new global financial and economic crisis, and to assist them with their reintegration into the labour market.
- (2) The EGF is not to exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013¹⁷.
- (3) On 31 March 2016, Sweden submitted an application to mobilise the EGF, in respect of redundancies in Ericsson (Telefonaktiebolaget LM Ericsson) in Sweden. It was supplemented by additional information provided in accordance with Article 8(3) of Regulation (EU) No 1309/2013. That application complies with the requirements for determining a financial contribution from the EGF as laid down in Article 13 of Regulation (EU) No 1309/2013.
- (4) The EGF should, therefore, be mobilised in order to provide a financial contribution of EUR 3 957 918 in respect of the application submitted by Sweden.

¹⁵ OJ L 347, 20.12.2013, p. 855.

¹⁶ OJ C 373, 20.12.2013, p. 1.

¹⁷ Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

- (5) In order to minimise the time taken to mobilise the EGF, this decision should apply from the date of its adoption,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the Union for the financial year 2016, the European Globalisation Adjustment Fund shall be mobilised to provide the amount of EUR 3 957 918 in commitment and payment appropriations.

Article 2

This Decision shall enter into force on the day of its publication in the Official Journal of the European Union. It shall apply from *[the date of its adoption]**.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

* *Date to be inserted by the Parliament before the publication in OJ.*