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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 following an application from Finland – EGF/2017/002 FI/Microsoft 2

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 1927/2006[1] (the 'EGF Regulation').

2. On 1 February 2017, Finland submitted an application EGF/2017/002 FI/Microsoft 2 for a financial contribution from the EGF, following redundancies[2] in Microsoft (Microsoft Mobile Oy) and 11 suppliers and dowstream producers (hereafter referred to as 'redundancies').

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/2017/002 FI/Microsoft 2
Member State	Finland
Region(s) concerned (NUTS[3] level 2)	Helsinki-Uusimaa (Uusimaa, FI1B1) Länsi-Suomi (Pirkanmaa, FI197) Etelä-Suomi (Varsinais-Suomi,FI1C1)
Date of submission of the application	1 February 2017
Date of acknowledgement of receipt of the application	1 February 2017
Date of request for additional information	15 February 2017
Deadline for provision of the additional information	29 March 2017
Deadline for the completion of the assessment	21 June 2017
Intervention criterion	Article 4(1)(a) of the EGF Regulation
Primary enterprise	Microsoft (Microsoft Mobile Oy)
Number of enterprises concerned	12
Sector(s) of economic activity (NACE Revision 2 Division)[4]	62 Computer programming, consultancy and other activities
Number of subsidiaries, suppliers and	11

[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).

[4] OJ L 393, 30.12.2006, p. 1.

downstream producers	
Reference period (four months):	12 July 2016 – 12 November 2016
Number of redundancies during the reference period (*a*)	1 248
Number of redundancies before or after the reference period (*b*)	0
Total number of redundancies	1 248
Total number of eligible beneficiaries	1 248
Total number of targeted beneficiaries	1 000
Number of targeted young persons not in employment, education or training (NEETs)	0
Budget for personalised services (EUR)	5 559 300
Budget for implementing EGF[5] (EUR)	307 500
Total budget (EUR)	5 866 800
EGF contribution (60 %) (EUR)	3 520 080

ASSESSMENT OF THE APPLICATION

Procedure

4. Finland submitted application EGF/2017/002 FI/Microsoft 2 within 12 weeks of the date on which the intervention criteria set out in Article 4 of the EGF Regulation were met, on 1 February 2017. The Commission acknowledged receipt of the application on the same day and requested additional information from Finland on 15 February 2017. 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 will expire on 21 June 2017.

Eligibility of the application

Enterprises and beneficiaries concerned

5. The application relates to 1 248 workers made redundant in Microsoft Oy (Microsoft Mobile Oy) and 11 suppliers and downstream producers. The primary enterprise operates in the economic sector classified under the NACE Revision 2 Division 62 Computer programming, consultancy and other activities. The redundancies made by the Microsoft Mobile Oy are mainly located in the NUTS level 2 regions of Helsinki-Uusimaa, Länsi-Suomi and Etelä-Suomi.

Enterprises and number of dismissals within the reference period			
Microsoft Mobile Oy	1 191	Manpower Group Solutions	14
Accenture Oy	5	Sale Nordic Oy	1
HCL Technologies Ltd	3	Spellpoint Oy	1
ISS Palvelut OyManpower	20	Symbio Finland Oy	3
JOT Automation Oy	1	Tieto Oy	2

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

Enterprises and number of dismissals within the reference period			
Lionbridge Oy	6	Varamiespalvelu-Group Oy	1
Total no. of enterprises: 12		**Total no. of dismissals:**	**1 248**
Total no. of self-employed persons whose activity has ceased:			**0**
Total no. of eligible workers and self-employed persons:			**1 248**

Intervention criteria

6. Finland 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, including workers made redundant by suppliers and downstream producers.

7. The reference period of four months for the application runs from 12 July 2016 – 12 November 2016.

8. The redundancies during the reference period are as follows:

– 1 191 workers made redundant in Microsoft

– 57 workers made redundant in the 11 suppliers and downstream producers of Microsoft.

Calculation of redundancies and cessation of activity

9. The redundancies during the reference period have been calculated as follows:

– 1 248 from the date of the employer's individual notice to lay off the worker.

Eligible beneficiaries

10. The total number of eligible beneficiaries is 1 248.

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

11. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation Finland argues that the main reason behind the workforce reductions is the worldwide competition in the mobile phone sector and the consequent loss of market share by Microsoft Mobile Oy (and its Windows based operating system).

12. After the acquisition of the mobile phone business of Nokia by Microsoft (US), Microsoft Mobile Oy was established in 2014, with its headquarters in Espoo, Finland. Approximately 4 700 Nokia employees were transferred to Microsoft Mobile Oy in Finland.

13. Nokia was using exclusively the Microsoft Windows operating system. Microsoft Mobile Oy continued this practice. This operating system had a global market share of 3,3 % by mid-2013, which share declined to 0,8 % in 2016. The competitors` operating systems like Android increased its market share to 82,2 % and iOS (Apple) increased its share to 14,6 % by early 2016[6] [7].

[6] www.statista.com/chart/4112/smartphone-market-share

[7] https://www.strategyanalytics.com/strategy-analytics/news/strategy-analytics-press-releases/strategy-analytics-press-release/2016/11/02/strategy-analytics-android-captures-record-88-percent-share-of-global-smartphone-shipments-in-q3-2016#.WTosOjclGUl

14. This decrease happened despite the fact that Microsoft Mobile Oy launched new mobile devices and invested into design, components and marketing[8]. The competitors offer cheaper hardware and operating system products, which are very attractive to new customers in the emerging markets and also in Europe.

15. The current application is the continuation of a series of previous applications from Finland, about the decline of Nokia (EGF/2007/003 FI/Perlos, EGF/2012/006 FI/Nokia Salo, EGF/2013/001 FI/Nokia, EGF/2015/001 FI/Broadcom, EGF/2015/005 FI/Computer Programming, EGF/2016/001 FI/Microsoft and EGF/2016/008 FI/Nokia Network Systems).

Events giving rise to the redundancies and cessation of activity

16. The manufacturing of mobile devices is shifting continuously to lower wage countries, where the working conditions are often poor[9]. Low wages are part of cost-effectiveness[10]. Cheap mobile devices are in high demand in the emerging markets. The European import is also growing[11].

17. The loss of market share by Nokia is due to the aggressive market entry of numerous East Asian smartphone manufacturers, benefiting from low labour and manufacturing cost.

18. The winners in this competition have been the US- and Asia-based manufacturers, who are using Android and iOS operating software.

19. Android has hundreds of partners, especially in Asia, releasing new phones every year. There are multiple Android options in the mid-range or low-end price brackets. That is crucial in markets like India, Africa and the Middle East.

20. The manufacturing of mobile devices has been transferred from South Korea to China and more recently to even lower-cost countries, such as Vietnam[12].

21. In May 2016, Microsoft announced the reduction of up to 1 350 jobs at Microsoft Mobile Oy in Finland. All Microsoft Mobile Oy´s activities are closing down. 550 employees lost their job in the Helsinki-Uusimaa region, 500 in the Pirkanmaa area (Länsi-Suomi region) and 300 in Salo (Etelä-Suomi region)

22. There is an on-going EGF intervention (EGF/2016/001 FI/Microsoft) targeted to support the employees made redundant from Microsoft earlier. The targeted beneficiaries of this proposal are separate from the beneficiaries of that case.

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

The affected NUTS 2 regions are Helsinki-Uusimaa, Etelä-Suomi and Länsi-Suomi.

8 www.statista.com/chart/4112/smartphone-market-share

9 http://www.businessinsider.com/samsung-factory-working-conditions-2012-11?r=US&IR=T&IR=T

10 http://comptryx.com/product/global_salary_survey

11 https://www.kantarworldpanel.com/global/News/Android-Share-Tops-75-in-Europes-Largest-Markets

12 http://www.thanhniennews.com/business/samsung-shifts-plants-from-china-to-vietnam-to-protect-margins-392.html

Helsinki-Uusimaa

23. In 2012-2016 the extensive lay-offs concerned mostly the electronics industry and the software industry. In the autumn of 2016 lay-offs occurred in various manufacturing sectors and in construction.

24. The number of people employed in the information and communications sector in Uusimaa in the third quarter of 2016 was 6 000 lower than a year before. Unemployment among highly educated groups and ICT professionals is still growing[13] .

25. In 2012–2016, the extensive lay-offs in Helsinki, Espoo and Vantaa cities have mostly concerned the electronics industry and the software industry. These companies laid off more than 5 000 workers in 2012-2016.

26. About 72 % of the people made redundant by Microsoft in the region are highly educated.

Länsi-Suomi

27. The Pirkanmaa area is the most affected by the Microsoft Mobile Oy`s dismissals within this region.

28. In 2016 the Pirkanmaa Employment and Economic Development Office (TE Office) had a total of 38 077 unemployed jobseekers. Unemployed jobseekers accounted for 14,6 % of the labour force[14].

29. The Pirkanmaa TE Office has currently registered some 1 700 unemployed jobseekers in the ICT sector. In 2016, long-term unemployed persons accounted for 40 % of all the registered unemployed jobseekers in the ICT sector in Pirkanmaa.

30. The occupational group facing the greatest increase in unemployment is the specialists, with higher education. A total of 6 084 persons with an academic degree were registered as unemployed jobseekers in September 2016 in the region. The unemployment rate of highly educated workers in the technology sector grew last year by 8,1 p.p. in the region.

Etelä-Suomi

31. In this region the Salo town area is the most affected by Microsoft Mobile Oy`s dismissals. 300 employees will lose their job with Microsoft in Salo, according to the TE office.

32. Salo town lost a total of 6 900 jobs between 2007 and 2014, a decline of 26 p.p. in jobs. As a result of the end of the former Nokia's mobile phone production and the economic downturn, unemployment more than doubled between 2008 and 2016 in the area.

33. Unemployment rate in the region has increased by more than ten percentage points, from 7,0 to 17,5 %. This change has been exceptional when compared even with other Finnish municipalities with Nokia/Microsoft presence[15.]

34. The proportion of highly educated people among unemployed in Salo has increased.

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13 http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/78927/TKAT_Oct_2016_en.pdf?sequence=1

14 http://julkaisut.valtioneuvosto.fi/bitstream/handle/10024/78927/TKAT_Oct_2016_en.pdf?sequence=1

15 http://www.itproportal.com/2015/07/20/nokias-woes-pushing-finnish-town-salo-further- into-recession/

Targeted beneficiaries and proposed actions

Targeted beneficiaries

35. The estimated number of redundant workers expected to participate in the measures is 1 000. The breakdown of these workers by sex, citizenship and age group is as follows:

Category		Number of targeted beneficiaries	
Sex:	Men:	740	(74,0 %)
	Women:	260	(26,0 %)
Citizenship:	EU citizens:	955	(95,5 %)
	non-EU citizens:	45	(4,5 %)
Age group:	15-24 years:	0	(0 %)
	25-29 years:	25	(2,5 %)
	30-54 years:	925	(92,5 %)
	55-64 years:	50	(5,0 %)
	over 64 years:	0	(0 %)

Eligibility of the proposed actions

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

– Coaching measures and other preparatory measures: these measures will include job seeking training, support to labour mobility (EURES services), individual guidance (job coaching), career coaching and expert assessments.

– Employment and business services: these measures will include supporting independent job seekers, assessment of competencies, try-outs and recruitment events.

– Training: this measure will include vocational, continuing and change training, re-education, entrepreneurial and labour mobility related training.

– Start up grant: this measure will provide start-up grants to promote the creation of business activity, to launch and establish a full-time business, in ICT or other sectors.

– Pay subsidy: this measure will support employment in a new job by reducing the payrolls costs. Pay subsidy is 30-50 % of the payroll costs.

– Allowances for travel and accomodation: this measure is to cover costs incurred for the job-seeeker, during a training.

37. 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.

38. Finland 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.

Estimated budget

39. The estimated total costs are EUR 5 866 800, comprising expenditure for personalised services of EUR 5 559 300 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 307 500.

40. The total financial contribution requested from the EGF is EUR 3 520 080 (60 % of total costs).

Actions	Estimated number of participants	Estimated cost per participant *(EUR)*	Estimated total costs* *(EUR)*
Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)			
Coaching measures and other preparatory measures (*Valmennukset ja muut valmentavat toimenpiteet*)	195	1 200	234 000
Employment and business services (*Työllisyys- ja yrityspalvelut*)	800	606	484 800
Training (*Koulutus*)	535	6 000	3 210 000
Start-up grant (*Starttiraha*)	18	8 000	144 000
Sub-total (a): Percentage of the package of personalised services	–		4 072 800 (73,26 %)
Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)			
Pay subsidy (*Palkkatuki*)	163	9 000	1 467 000
Allowances for travel and accomodation(*Liikkuvuusavustus*)	130	150	19 500
Sub-total (b): Percentage of the package of personalised services:	–		1 486 500 (26,74 %)
Actions under Article 7(4) of the EGF Regulation			
1. Preparatory activities	–		9 000
2. Management	–		143 000
3. Information and publicity	–		115 500
4. Control and reporting	–		40 000

Sub-total (c): Percentage of the total costs :	–	307 500 (5,24 %)
Total costs (a + b + c):	–	5 866 800
EGF contribution (60 % of total costs)	–	3 520 080

**: % is rounded, other figures not*

41. 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. Finland confirmed that these actions are conditional on the active participation of the targeted beneficiaries in job-search or training activities.

42. Finland confirmed that the costs of investments for self-employment, business start-ups and employee take-overs will not exceed EUR 15 000 per beneficiary.

Period of eligibility of expenditure

43. Finland started providing the personalised services to the targeted beneficiaries on 12 July 2016. The expenditure on the actions will therefore be eligible for a financial contribution from the EGF from 12 July 2016 to 1 February 2019.

44. Finland started incurring the administrative expenditure to implement the EGF on 12 July 2016. The expenditure for preparatory, management, information and publicity, control and reporting activities shall therefore be eligible for a financial contribution from the EGF from 12 July 2016 to 1 August 2019.

Complementarity with actions funded by national or Union funds

45. The sources of national pre-financing or co-funding are the public employment services item in the administrative branch of the Ministry of Economic Affairs and Employment (MEE). Some services will also be funded from the operating expenditure of the Centres for Economic Development (ELY Centres) and the TE Offices.

46. Finland 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

47. Finland has indicated that the co-ordinated package of personalised services has been drawn up in consultation with a working group, which included the representatives of the ELY Centres, the TE offices of the concerned regions, Microsoft, the Technology Industries of Finland, Trade Union Pro, Union of Professional Engineers in Finland and of the Finnish Funding Agency for Innovation.

Management and control systems

48. The application contains a description of the management and control system which specifies the responsibilities of the bodies involved. Finland has notified the Commission that the financial contribution will be managed by MEE, which acts as managing and certifying authority for EGF and as an intermediate body distributing EGF funds. The management functions for EGF have been assigned to the Employment and Entrepreneurship Department.

49. The certifying functions are within the Human Resources and Administration Unit. Payments to beneficiaries are executed via the regional ELY Centres and TE Offices.

50. With regard to auditing, the responsible body is the independent Internal Auditing Unit, operating under the Permanent Secretary of the MEE.

Commitments provided by the Member State concerned

51. Finland 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,
- the dismissing enterprises, which have continued their activities after the lay-offs, have complied with their legal obligations governing the redundancies and provided for their 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

52. 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 2014-2020[16].

53. 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 3 520 080, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

54. 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 management[17].

Related acts

55. 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 3 520 080.

[16] OJ L 347, 20.12.2013, p. 884.
[17] OJ C 373, 20.12.2013, p. 1.

56. 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.

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 Finland – EGF/2017/002 FI/Microsoft 2

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 1927/2006[18], 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 management[19], 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 1311/2013[20].

(3) On 1 February 2017, Finland submitted an application to mobilise the EGF, in respect of redundancies in Microsoft Oy (Microsoft Mobile Oy) and 11 suppliers and downstream producers and cessations of activities.. 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 3 520 080 in respect of the application submitted by Finland.

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

[18] OJ L 347, 20.12.2013, p. 855.
[19] OJ C 373, 20.12.2013, p. 1.
[20] Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the Union for the financial year 2017, the European Globalisation Adjustment Fund shall be mobilised to provide the amount of EUR 3 520 080 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	*For the Council*
The President	*The President*

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