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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 Spain – EGF/2017/006 ES/Galicia apparel

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 19 July 2017, Spain submitted an application EGF/2017/006 ES/Galicia apparel for a financial contribution from the EGF, following redundancies[2] in the economic sector classified under the NACE Revision 2 Division 14 (Manufacture of wearing apparel) in the NUTS level 2 region of Galicia (ES11) in Spain.

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/2017/006 ES/Galicia apparel
Member State	Spain
Region(s) concerned (NUTS[3] level 2)	Galicia (ES11)
Date of submission of the application	19 July 2017
Date of acknowledgement of receipt of the application	19 July 2017
Date of request for additional information	2 August 2017
Deadline for provision of the additional information	13 September 2017
Deadline for the completion of the assessment	6 December 2017
Intervention criterion	Article 4(2) of the EGF Regulation derogating from the criteria of Article 4(1)(b)
Number of enterprises concerned	5
Sector(s) of economic activity (NACE Revision 2 Division)[4]	Division 14 (Manufacture of wearing apparel)
Reference period (nine months):	30 July 2016 – 30 April 2017
Total number of redundancies	303

[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.

Total number of eligible beneficiaries	303
Total number of targeted beneficiaries	303
Budget for personalised services (EUR)	1 140 000
Budget for implementing EGF[5] (EUR)	60 000
Total budget (EUR)	1 200 000
EGF contribution (60 %) (EUR)	720 000

ASSESSMENT OF THE APPLICATION

Procedure

4. Spain submitted application EGF/2017/006 ES/Galicia apparel within 12 weeks of the date on which the intervention criteria set out in Article 4 of the EGF Regulation were met, on 19 July 2017. The Commission acknowledged receipt of the application the same day, and requested additional information from Spain on 2 August 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 expires on 6 December 2017.

Eligibility of the application

Enterprises and beneficiaries concerned

5. The application relates to 303 workers made redundant in the economic sector classified under the NACE Revision 2 Division 14 (Manufacture of wearing apparel). The redundancies are located in the NUTS level 2 region of Galicia (ES11).

Enterprises and number of dismissals within the reference period			
Caramelo S.A.	97	Shivshi S.L.	41
Confecciones Deus S.L.	20	Viriato	106
Deus Creaciones S.L.	39		
Total no. of enterprises: 5		**Total no. of dismissals:**	**303**
Total no. of self-employed persons whose activity has ceased:			**0**
Total no. of eligible workers and self-employed persons:			**303**

Intervention criteria

6. Spain submitted the application under the intervention criteria of Article 4(2) derogating from the criteria of Article 4(1)(b) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of nine months in enterprises operating in the same economic sector defined at NACE Revision 2 Division and located in one region or two contiguous regions defined at NUTS 2 level in a Member State. There were 303 redundancies in the NUTS level 2 region of Galicia (ES11).

7. The reference period of nine months for the application runs from 30 July 2016 to 30 April 2017.

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

Calculation of redundancies and of cessation of activity

8. All the redundancies during the reference period have been calculated as from the date of the de facto termination of the contract of employment or its expiry.

Eligible beneficiaries

9. The total number of eligible beneficiaries is 303.

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

10. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Spain argues that the liberalisation of trade in textiles and clothing — following the expiry of the World Trade Organisation Multifibre Arrangement at the end of 2004 — has led to radical changes in the structure of world trade. According to EUROSTAT-Comext figures, in 2016 imports of clothing into the EU-28 increased by 37,9 % compared to 2008 and by 83,2 % compared to 2004.

EU28 clothing imports and exports (million euro)

	2004	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**
IMPORTS	49 674,5	54 379,5	61 409,9	64 479,0	65 990,0	63 735,6	71 169,7
EXPORTS	14 929,5	15 684,1	17 095,7	18 368,8	19 159,5	16 218,6	17 346,2

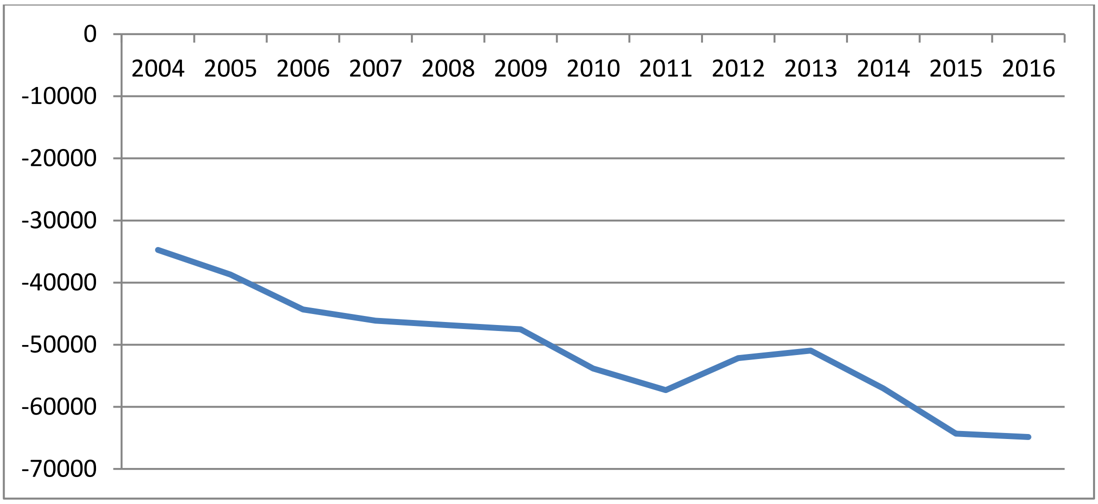
	2011	**2012**	**2013**	**2014**	**2015**	**2016**
IMPORTS	77 866,3	75 008,4	74 830,4	82 016,8	90 256,8	91 002,5
EXPORTS	20 555,7	22 857,5	23 888,9	24 990,4	25 944,7	26 149,1

Source: Eurostat-Comext

11. The main supplier is China with an increase of 245 % of its imports into the EU-28 in 2016 compared to 2004 (from EUR 13 billion to EUR 31,8), followed by Bangladesh whose imports into the EU increased fourfold (from EUR 3,8 billion to EUR 15,3).

12. Over the same period, EU28 exports grew as well, although at a lesser extent. Clothing exports increased by 28,3 % in 2016 compared to 2008 and by 75,1 % compared to 2004. This resulting in an increasing negative EU trade balance in clothing.

EU28 trade balance in clothing



Source: Eurostat-Comext

13. To date, the Manufacture of wearing apparel sector has been the subject of five EGF applications, three of which based on trade related globalisation and two on the global financial and economic crisis[6]. This is the second application concerning redundant workers in SME's operating in the clothing sector in Galicia.

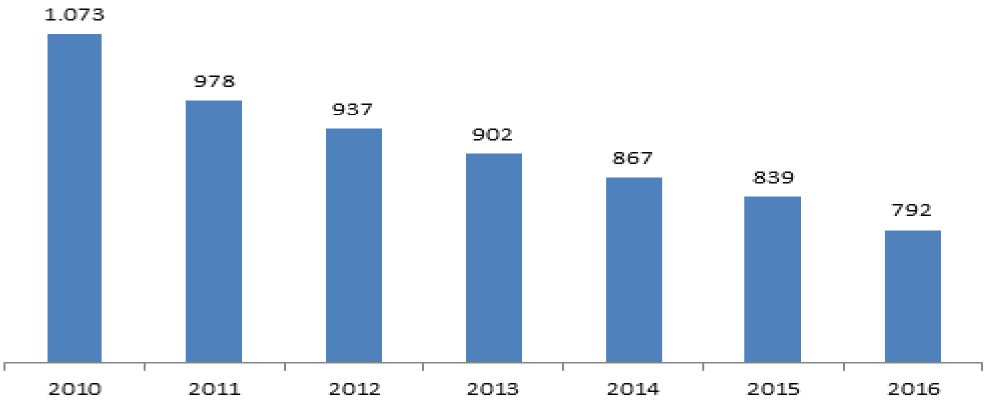
Events giving rise to the redundancies and cessation of activity

14. The increase of imports into the EU put a downward pressure on prices which had a negative effect on the financial position of enterprises in the textiles sector in the EU and triggered a general trend in the textiles and clothing industry to off-shore production to lower cost countries outside the EU, such as Morocco, Tunisia, China and various Asian countries[7]. In Galicia, this has resulted in a constant decrease in the number of clothing companies (-26 % over the period 2010-2016) and thus in redundancies.

[6] Based on trade related globalisation: EGF/2017/006 ES/Galicia apparel (the case object of this proposal for decision), as well as, EGF/2007/008 MT Textiles, COM(2008) 94 and EGF/2010/003 ES Galicia textile, COM(2010) 437. Based on the global financial and economic crisis: EGF/2009/018 LT Wearing apparel, COM(2010) 56 and EGF/2010/014 SI Mura, COM(2010) 582.

[7] Source: Cointega, the textile fashion cluster of Galicia (www.cointega.com).

Clothing enterprises (NACE 14) in Galicia



Source: Instituto Gallego de Estadística (IGE).

Explanation of the exceptional circumstances underlying the admissibility of the application and expected impact of the redundancies as regards the local economy and employment.

15. Spain argues that, despite the fact that fewer than 500 redundancies occurred within the nine-month reference period, this application should nevertheless be assimilated to an application under Article 4(1)(b) of the EGF Regulation due to exceptional circumstances having a serious impact on employment and the local, regional or national economy.

16. The population in Galicia concentrates mainly on the major economic poles of the region, the coastal zones between Ferrol and A Coruña (Northwest) and between Villagarcía, Pontevedra and Vigo (Southwest); whilst the inland territories face depopulation issues and lack of jobs. In 2016, there were 13 375 people less living in Galicia than in 2000, and yet there were 1 260 empty i.e. abandoned sites (towns or other population units) more than in 2000, as people move and concentrate near the economic poles. In addition, since 2010, demographic evolution in Galicia has been negative (with an annual decrease of around 2,3%) as a consequence of the emigration of young people and the rising number of deaths in relation to births.

17. The territory affected by the redundancies is Ordes/Órdenes[8], an inland territory where the clothing enterprises (most of them SMEs and cooperatives) are the economic driver.

Ordes/Órdenes' geographical location

[8] Name of the territory in Galician and Spanish.

18. Highly dependent of the clothing industry, Ordes has been suffering from the decline in the number of clothing enterprises resulting from end of activities or production off-shore, which has been following the increase in imports of wearing apparel into the EU. Over the period 2008-2014 the number of enterprises of more than 6 workers has declined by 40 %. Along with the decline in the number of clothing enterprises the GDP per capita of Ordes has been decreasing from EUR 17 057 in 2010 to EUR 15 883 in 2014. Unemployment in the manufacturing sector in Ordes increased by 40 % over the period December 2016 - April 2017, when a majority of the redundancies -object of this application- occurred.

19. The redundancies are expected to put an enormous strain on the territory. The impact of the layoffs is linked to the difficulties of redeployment, due to the scarcity of jobs, since the territory is away from the major industrial centers; to the low educational background of the dismissed workers; to their vocational skills developed in a sector now in decline; and to the high number of job seekers. The unemployed in the manufacturing industry account for 34,6 % (43,7 % if we refer to female unemployment) of the total unemployed in Ordes.

Targeted beneficiaries and proposed actions

Targeted beneficiaries

20. All 303 redundant workers are expected to participate in the measures. The breakdown of these workers by sex, citizenship and age group is as follows:

Category		Number of targeted beneficiaries	
Sex:	Men:	50	(16,50 %)
	Women:	253	(83,50 %)
Citizenship:	EU citizens:	298	(98,35 %)
	non-EU citizens:	5	(1,65 %)
Age group:	15-24 years:	2	(0,66 %)
	25-29 years:	13	(4,29 %)
	30-54 years:	217	(71,62 %)
	55-64 years:	71	(23,43 %)
	over 64 years:	0	(00,0 %)

Eligibility of the proposed actions

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

– Welcome sessions and preparatory workshops: The welcome sessions is the first measure to be offered to all targeted beneficiaries and includes general information on available counselling and training programmes; and on allowances and incentives. This also includes the profiling of the participant workers. At preparatory workshops, more in-depth information will be provided on redeployment, sectors which require licensing or certificates of professional competence, certification of competencies and soft skills acquired in work situations; and how to complete compulsory education.

– Occupational guidance towards dependent employment or self-employment will be provided throughout the implementation period.

– Training. This will include training on key competencies, horizontal competencies, vocational training such as training to higher-value-added occupations within the clothing sector (unlike production other areas such as design, distribution, brand management or logistics have not been off-shored), geriatric care and social and health care for dependents, warehousing, monitor in leisure and recreation, as well as preparation for tests towards recognition of skills acquired through work experience/recognition of prior learning and training towards entrepreneurship.

– Intensive job-search assistance, including active research of the local and regional employment opportunities (also for self-employed persons) and job-matching.

– Tutoring after reintegration into work. The workers reintegrated into employment will be guided during the first months to prevent possible problems arising in their new jobs.

– Incentives. There will be a variety of incentives. **(1) Participation incentive**. The workers who take part in the measures and follow the agreed pathway to reintegration will receive up to EUR 400 (one pay-off or into instalments). **(2) Contribution to commuting expenses.** EUR 3 per day when commuting within the same town and EUR 0,19/kilometre for inter-towns commuting. **(3) Contribution to the expenses for carers of dependent persons**. Workers with caring responsibilities (children, elderly or disabled persons) will receive EUR 15[9] per day of participation in the measures. This aims to cover the additional costs faced by the participants with caring responsibilities in order to avail themselves of training or other measures. **(4) Income compensation**. Those reintegrating into employment as self-employed persons will receive an income compensation of EUR 200 monthly, over a six months period.

22. 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.

23. Spain 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

24. The estimated total costs are EUR 1 200 000, comprising expenditure for personalised services of EUR 1 140 000 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 60 000.

25. The total financial contribution requested from the EGF is EUR 720 000 (60 % of total costs).

9 EUR 20 per day when the number of dependent persons are two or more

Actions	Estimated number of participants	Estimated cost per participant *(EUR)*[10]	Estimated total costs *(EUR)*[11]
Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)			
Welcome sessions and preparatory workshops (*Acogida y medidas de sensibilización)*	303	187	56 628
Occupational guidance (*Programa de orientación)*	212	583	123 598
Training (*Programa de formación)*	212	2 514	533 030
Intensive job-search assistance (*Apoyo a la recolocación)*	100	1 978	197 836
Tutoring after reintegration into work (*Seguimiento en el empleo)*	95	224	21 308
Sub-total (a): Percentage of the package of personalised services	–		932 400 (81,79 %)
Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)			
Incentives (*Programa de incentivos)*	212	979	207 600
Sub-total (b): Percentage of the package of personalised services:	–		207 600 (18,21 %)
Actions under Article 7(4) of the EGF Regulation			
1. Preparatory activities	–		0
2. Management	–		48 000
3. Information and publicity	–		3 000
4. Control and reporting	–		9 000
Sub-total (c): Percentage of the total costs :	–		60 000 (5,00 %)
Total costs (a + b + c):	–		1 200 000
EGF contribution (60 % of total costs)	–		720 000

10 To avoid decimals, the estimated costs per worker have been rounded. However the rounding has no impact on the total cost of each measure which remains as in the application submitted by Spain.

11 Totals do not tally due to rounding.

26. 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. Spain 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

27. Spain started providing the personalised services to the targeted beneficiaries on 4 September 2017. The expenditure on the actions will therefore be eligible for a financial contribution from the EGF from 4 September 2017 to 4 September 2019.

28. Spain started incurring the administrative expenditure to implement the EGF on 21 August 2017. The expenditure for preparatory, management, information and publicity, control and reporting activities shall therefore be eligible for a financial contribution from the EGF from 21 August 2017 to 4 March 2020.

Complementarity with actions funded by national or Union funds

29. The source of national pre-financing or co-funding are funds of the autonomous region Galicia.

30. Spain 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

31. Spain has indicated that the co-ordinated package of personalised services has been drawn up in consultation with the social partners. On a first meeting held on 28 September 2017, they were informed about the application submitted for EGF co-funding in support of workers made redundant in the wearing apparel sector in Galicia. On the occasion, they were also invited to participate in round tables where the measures to be provided were discussed. The round tables took place on various dates in October. Since the social partners had actively participated in the previous cases submitted by the Galician authorities, as implementing bodies, they are knowledgeable about the added value of the EGF co-funded measures and they committed to the case.

Management and control systems

32. The application contains a description of the management and control system which specifies the responsibilities of the bodies involved. Spain has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the ESF. The Xunta de Galicia will be the intermediate body for the managing authority[12].

Commitments provided by the Member State concerned

33. Spain has provided all necessary assurances regarding the following:

[12] Xunta de Galicia and in particular the Consellería de Facenda – Dirección General de política financiera, tesoro y fondos europeos / Servicio de inspección y control de fondos comunitarios in cooperation with the Consellería de Economía, Emprego e Industria – Secretaría Xeral de Emprego / Subdirección Xeral de Relacións Laborais will be the intermediate body for the managing authority.

- 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 aids.

BUDGETARY IMPLICATION

Budgetary proposal

34. 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[13].

35. 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 720 000, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

36. 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[14].

Related acts

37. 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 720 000.

38. 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.

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[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 Spain – EGF/2017/006 ES/Galicia apparel

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[15], 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[16], 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[17].

(3) On 19 July 2017, Spain submitted an application to mobilise the EGF, in respect of redundancies in the economic sector classified under the Statistical classification of economic activities in the European Community ('NACE') Revision 2 Division 14 (Manufacture of wearing apparel) in the Nomenclature of Territorial Units for Statistics ('NUTS')[18] level 2 region of Galicia (ES11) in Spain. 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.

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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 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

18 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) In accordance with Article 4(2) of Regulation (EU) No 1309/2013, the application from Spain is considered admissible since the redundancies have a serious impact on employment and the local economy.

(5) The EGF should, therefore, be mobilised in order to provide a financial contribution of EUR 720 000 in respect of the application submitted by Spain.

(6) 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 2018, the European Globalisation Adjustment Fund shall be mobilised to provide the amount of EUR 720 000 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.