

# Mobilisation of the European Globalisation Adjustment Fund: redundancies in textiles sector in Belgium and computer manufacturing industry in Ireland

2009/2135(BUD) - 30/09/2009 - Non-legislative basic document

**PURPOSE:** to mobilise the European Globalisation Adjustment Fund (EGF) for several cases of redundancies in the textile sector in Belgium and the computer manufacturing industry in Ireland.

**PROPOSED ACT:** Decision of the European Parliament and of the Council.

**CONTENT:** the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market (see [COD/2006/0033](#)). This Regulation was last amended by [Regulation \(EC\) N° 546/2009](#) which broadens the scope for application of the EGF. The amended Regulation is applicable for applications received from 1 May 2009.

The [Interinstitutional Agreement of 17 May 2006 on budgetary discipline](#) 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 Commission services have carried out a thorough examination of the applications submitted by Belgium and Ireland. These are as follows:

**1) Cases EGF/2009/004 BE/Oost en West Vlaanderen textiles and EGF/2009/005 BE/Limburg textiles:** the two applications were received by the Commission from the Belgian authorities on 5 May 2009. They were based upon the specific intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006. Since these applications were received after the 1 May 2009, they were assessed (in accordance with Article 2 of Regulation (EC) No 546/2009 of the European Parliament and of the Council amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund on the basis of the new rules. The criteria chosen by the Belgian authorities requires at least 500 redundancies over a 9-month period in a NACE (statistical classification of economic activities) Revision division ('manufacture of textiles') in two contiguous regions: East and West Flanders and Limburg respectively. The two applications demonstrate that a total of **2 199 redundancies** occurred in 46 enterprises operating in the Belgian textiles sector during the reference period. In order to establish the link between the redundancies and the major structural changes in world trade patterns, Belgium argues<sup>6</sup> in both applications that there has been an increase of 23% of imports of textiles into the EU-25 for the period 2003 – 2007; for the same period the export of textiles from the EU-25 to the rest of the world only increased by 3.6%.

**Negative effects:** the applicant states that 86.6% of the jobs in the textiles industry in Belgium are located in regions concerned by the two applications. Between 2005 and 2007, 3 419 jobs were already lost in the textiles industry, i.e. a reduction of 12.5 %, whereas in the same period the reduction was only 0.7 % for the manufacturing sector as a whole. The current number of direct job losses in the

textiles industry, covered by both applications, as well as the ensuing number of indirect job losses in sectors such as transport, maintenance and catering will have a significant impact on local and regional

employment. The situation will be further exacerbated by the low job mobility in the textiles industry. In addition, as a result of the current economic and financial crisis a large number of job losses in other sectors have occurred in the regions concerned. In such circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional labour market.

**In conclusion:** it is proposed to accept applications **EGF/2009/004 BE/Oost en West Vlaanderen textiles and EGF/2009/005 BE/Limburg textiles** submitted by Belgium. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is EUR 7 519 625 for application EGF/2009/004 BE/Oost en West Vlaanderen textiles and EUR 1 679 249 for application EGF/2009/005 BE/Limburg textiles, that is **EUR 9 198 874** in total.

**2) Case EGF/2009/08 IE/Dell:** the application was received by the Commission from the Irish authorities on 29 June 2009. It was based upon the specific intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006. It was assessed as the previous one since the application was received after 1 May 2009. The intervention criteria require at least 500 redundancies over a four-month period (from 3 February 2009 to 2 June 2009) and concerns a total of **2 840 redundancies**. In order to establish the link between the redundancies and the financial and economic crisis, Ireland argues that world trade patterns in the computer manufacturing industry have been significantly impacted by the global economic and financial crisis. This has exacerbated the effects of changes already occurring in world trade patterns, and has resulted in major manufacturers, such as Dell, being forced or encouraged earlier than they might otherwise have planned, to seek out countries with lower production and labour costs. The scheduled redundancies in Dell in Limerick, and its suppliers in the region, were caused by the company's decision to transfer 'mobile PC' production from Limerick to Asian original design manufacturers, largely based in China (for information, the Limerick site would have been left with a small amount of desktop manufacturing which would not have had the economies of scale to remain viable).

**Negative effects:** the scale of Dell's importance in Limerick is highlighted by their share of manufacturing employment and total employment in the Mid West Region. Of the 30 700 employed in the manufacturing sector, approx. 10.4 % were employed within Dell. This represents 1.7 % of total employment in the Region in 2008. In these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

**In conclusion:** it is proposed to accept application **EGF/2009/08 IE/Dell** submitted by Ireland. Evidence has been provided that these redundancies result from major structural changes in world trade

patterns, exacerbated by the global economic and financial crisis, which have led to a serious economic disruption, affecting the regional and local economy. A co-ordinated package of eligible personalised services has been proposed of which the requested contribution of the EGF is **EUR 14 831 050**.

**IMPACT ASSESSMENT:** not applicable.

**BUDGETARY IMPLICATIONS:** the total annual budget available for the EGF is EUR 500 million. An amount of EUR 13 077 700 has already been mobilised for prior applications in 2009 leaving an amount of EUR 486 922 300 available. In the light of the examination of these applications, and considering the maximum possible amount of a grant from the EGF as well as the scope for reallocating appropriations, the Commission proposes to deploy the EGF for a total amount of EUR **24 029 924**, to be allocated under heading 1a of the financial framework, via the simplified dialogue procedure, as required by Point 28 of the Inter-institutional Agreement of 17 May 2006.

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.