Mobilisation of the European Globalisation Adjustment Fund: redundancies in retail trade in Spain

2010/2252(BUD) - 29/10/2010 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in retail trade in Spain.

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.

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 application submitted by Spain to mobilise the EGF. The main elements of the assessment are as follows:

Spain:application EGF/2010/016 ES/Aragón Retail trade from Spain: on 6 May 2010, Spain submitted application EGF/2010/016 ES/Aragón Retail for a financial contribution from the EGF, following redundancies in 593 enterprises operating in the NACE Revision 2 Division 47 ('Retail trade, except for motor vehicles and motorcycles') in the NUTS II region of Aragón (ES24) in Spain. The application was supplemented by additional information up to 1 July 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that the financial crisis led to a liquidity shortage among financial institutions and concerns over their solvency. These concerns were subsequently transmitted to the ‘real economy’ (i.e. the non-financial sectors), as credit facilities were withdrawn and business and consumer confidence fell. Rising unemployment – which in Spain is close to 20 %, i.e. double the EU-27 or the Euro zone – and reductions in working hours (no overtime, reduced working week, temporary stoppages etc), coupled with the scarcity of credit and concerns over possible further contractions in the labour market, explain the downturn in retail sales. In parallel, the decline in the volume of retail sales during the recession followed a similar pattern as other economic activities, falling for seven successive quarters from the peak recorded in the first quarter of 2008. In Spain the volume of retail sales fell more sharply than the EU27 average.

Spain submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927 /2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level. The application cites 1 154 redundancies in 593 enterprises operating in the NACE Revision 2 Division 47 ('Retail trade, except for motor vehicles and motorcycles') in the NUTS II region of Aragón (ES24) during the nine-month reference period from 1 June 2009 to 28 February 2010.

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.

On the basis of the application from Spain, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 1 560 000**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATION: 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 of **EUR 1 560 000** to be allocated under heading 1a of the financial framework.

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.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue 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 trialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.