

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the footwear industry in Spain

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the footwear industry 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/2011/020 ES/Comunidad Valenciana – Footwear from Spain: on 28 December 2011, Spain submitted application EGF/2011/020 ES/Comunidad Valenciana Footwear for a financial contribution from the EGF, following redundancies in 146 enterprises operating in the NACE Revision 2 Division 15 ('Manufacture of leather and related products') in the NUTS II region of Comunidad Valenciana (ES52) in Spain. The application was supplemented by additional information up to 23 February 2012

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, the application describes the redundancies in the Comunidad Valenciana region against a background of radical change in the distribution of footwear production. Spain argues that according to available data imports of footwear from non-EU countries into the EU increased almost 6 % during the period 2006-2009 while EU exports declined by 16.4 % during the same period. As a direct consequence of the fall in exports the number of footwear producers in EU-27 decreased: in 2008 there were only 24 000 producers in the EU while in 2005 there were still 27 125. This reduction (11.58 %) in the number of firms had a direct impact on employment: 78 800 direct jobs -- representing almost 20 % of the total -- were lost in the sector during the period 2005-2008. The imports of footwear in Spain also followed an upward trend, growing by almost 20% during the period 2006-2010. However, the impact of the imbalance between imports and exports in the Spanish footwear industry was bigger than in the EU as a whole: the number of manufacturers decreased by 35.96 % during 2006-2010 (or 24.27 % if we consider only the period 2006-2009), as the number of firms fell from 2 283 to 1 462. Employment therefore contracted by 31.80 % and 10 663 direct jobs were lost during the same period.

The Spanish redundancies also follow the general trend in the footwear industry in the EU towards delocalisation to lower-cost non-EU countries of most of manufacturing sub-processes, keeping within the EU only the higher-value tasks such as product design and product marketing.

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 in a Member State.

The application cites 876 redundancies in 146 enterprises operating in the NACE Revision 2 Division 15 ('Manufacture of leather and related products') in the NUTS II region of Comunidad Valenciana (ES52) during the nine-month reference period from 25 January 2011 to 25 October 2011.

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 (including expenditure to implement EGF) is **EUR 1 631 565**, representing 65 % of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: 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 referred to above, 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 dialogue 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 dialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Appropriations from the EGF budget line will be used to cover the amount of EUR 1 631 565 needed for the present application.