Mobilisation of the European Globalisation Adjustment Fund: redundancies in construction of buildings in Spain

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the construction of buildings 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/2011/017 ES/Aragón Construction: on 28 December 2011, Spain submitted application EGF/2011/017 ES/Aragón construction for a financial contribution from the EGF, following redundancies in 377 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Aragón (ES24) in Spain. The application was supplemented by additional information up to 23 March 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that the construction sector has been severely affected by the crisis. Loans to the construction sector and to individuals have been drastically reduced and the demand for new houses decreased due to declining consumer confidence and the lack of cash.

The Commission recognised in its Economic Recovery Plan that the construction industry in the EU had seen demand plummet as a result of the crisis. In 2009 construction output in Spain followed the same negative trend as the EU-27 average. However, in 2010 and the first half of 2011 the downturn in the Spanish construction sector was further exacerbated.

The Spanish authorities argue that the financial and economic crisis has led to a sudden collapse of the world economy with enormous impact on many sectors. **The nature of the recession as far as the construction sector is concerned, with a sudden tightening of conditions for access to financial credit and a dramatic slowdown in new orders, was unprecedented in recent times**. As a result of the crisis, economic developments since 2008 have not been following the trends of previous years. The redundancies in the construction industry could not therefore have been foreseen or easily prevented.

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 **836 redundancies** in 377 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Aragón (ES24) during the nine-month reference period from 31 January 2011 to 31 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 1 300 000, 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, as required by Article 12(6) of Regulation (EC) No 1927/2006.

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 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.