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

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the construction of buildings in the Netherlands.

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 the Netherlands to mobilise the EGF. The main elements of the assessment are as follows:

The Netherlands: application EGF/2011/009 NL/Gelderland Construction 41: on 15 December 2011, the Netherlands submitted application EGF/2011/009 NL/Gelderland Construction 41 for a financial contribution from the EGF, following redundancies in 54 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Gelderland (NL22) in the Netherlands. The application was supplemented by additional information up to 11 June 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, the Netherlands argues that the construction sector in the Netherlands as well as in the entire European Union has been severely affected by the crisis. Loans to the construction sector and to individuals have been drastically reduced, prices of the construction materials increased while the demand for new houses decreased due to declining consumer confidence and the lack of cash.

A sharp decline in output by 12.9% from 2008 to 2010 was identified in the Dutch construction industry. The economic growth in the third quarter of 2011 compared to the same period of 2010 in the province of Gelderland slowed down more than in the rest of the country. The price level of houses in 2011 declined further by 3.6% in comparison to 2010 and reached the level of 2005; this had a negative impact on the construction sector. Furthermore, the market for new housing has been shrinking due to the declining investments of housing corporations and municipalities.

The Netherlands 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 516 redundancies in 54 enterprises operating in the NACE Revision 2 Division 41 ('Construction of buildings') in the NUTS II region of Gelderland (NL22) during the nine-month reference period from 1 February 2011 to 1 November 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 the Netherlands, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 2 898 594**, 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 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. Appropriations from the EGF budget line will be used to cover the amount of EUR 2 898 594 needed for the present application.