Mobilisation of the European Globalisation Adjustment Fund: redundancies in the retail sector in Greece

2016/2050(BUD) - 14/04/2016 - Non-legislative basic document

PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Greece in respect of redundancies in the retail sector.

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

CONTENT: Article 12 of Council Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF shall not exceed a maximum annual amount of **EUR 150 million** (2011 prices) over and above the relevant headings of the financial framework.

The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in Regulation (EU) No 1309/2013 of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006.

In this context, the Commission examined the application for mobilisation of the EGF to assist Greece and concluded the following:

Greece: EGF/2015/011 GR/Supermarket Larissa: on 26 November 2015, Greece submitted application EGF/2015/011 GR/Supermarket Larissa for a financial contribution from the EGF following redundancies in Supermarket Larissa ABEE in Greece.

Greece submitted the application within 12 weeks of the date on which the intervention criteria were met. This deadline expired on 14 April 2016.

In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Greece argued that the Greek economy was in deep recession for six consecutive years (from 2008 to 2013). Since 2008 the Greek GDP has decreased by 25.7%, public consumption by 21 % and private consumption by 32.3 % whilst unemployment increased about 19 %. Moreover the decline in GDP has widened the gap between the Greek per capita GDP and the per capita GDP of the EU, cancelling the progress towards economic convergence made by Greece in the 1995-2007 period.

Furthermore, to deal with foreign debt repayments, since 2008 the Greek government has been taking unpopular measures such as increasing tax rates, streamlining public expenditure and decreasing public employees' salaries. Since 2008, thousands of enterprises have stopped their activities and closed down, making their staff redundant and thousands of self-employed persons have ceased their activities, contributing to the sharp increase in unemployment already mentioned.

Due to the drop of purchasing power of Greek households following the decline of the Greek economy since the beginning of the economic and financial crisis, demand for products, even basic staples, declined. In 2015, after declining for five consecutive years, volumes of retail trade of food, beverages and tobacco were more than 30 % lower than the early-crisis volumes of 2008. The sales of Supermarket Larissa followed the same downturn as the Greek economy and in 2013 sales were 24 % lower than in

2009. The enterprise could not overcome its losses and eventually had to close the shops one after another during Q2 2014.

Most of the redundancies (97.5 %) are concentrated in Thessalia, in the NUTS level 3 territory of Larissa (EL142). There is a lack of job offers in the region if compared with the high number of job seekers. As a result, 73.5 % of the unemployed persons have been unemployed for more than 12 months in Thessalia.

Basis of the Greek application: Greece submitted the application under the intervention criteria of Article 4(1)(a), which requires at least 500 workers being made redundant over a reference period of four months in an enterprise in a Member State, including workers made redundant by suppliers and downstream producers and / or self-employed persons whose activity has ceased.

The reference period runs from 3 May 2015 to 3 September 2015. During the reference period 557 workers were made redundant in Supermarket Larissa ABEE.

In view of the nature of the Greek application, it is proposed that the EGF contribute to the coordinated package of personalised services is **EUR 6 468 000.**

BUDGETARY IMPLICATIONS: having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 6 468 000, representing 60% of the total costs of the proposed actions, in order to provide a financial contribution for the application.

The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management.

At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the requested amount.

In parallel with this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.