Mobilisation of the European Globalisation Adjustment Fund: redundancies in the textiles sector in Portugal

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to assist Portugal faced with redundancies in the textiles sector.

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

CONTENT: the rules applicable to financial contributions from the European Globalisation Adjustment Fund 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 considered the request to mobilise the EGF to assist Portugal and stated the following:

Portugal – Application EGF/2018/002 PT/Norte - Centro - Lisboa wearing apparel: on 24 April 2018, Portugal submitted an application for a financial contribution from the EGF, following **1161 redundancies in the economic sector related to the manufacture of wearing apparel** in the regions of Norte, Centro and Lisboa.

In order to establish the link between the redundancies and the global financial and economic crisis, Portugal argues that the wearing apparel sector has undergone serious economic disruption, in particular a **decline of the EU's market share**, following the end of the Multifibre Agreement in 2004.

The increase of imports into the EU (+ 83.19 % between 2004 and 2016) put a **downward pressure on prices** which had a negative effect on the financial position of enterprises in the textiles sector in the EU and triggered a general trend in the textiles and clothing industry to off-shore production to lower cost countries outside the EU, such as China and various Asian countries. In Portugal in the regions of Norte, Centro and Lisboa, this has **resulted in a constant decrease in the number of workers in the wearing apparel sector** (from 130 000 in 2005 to 90 000 in 2016).

In 2017, the unemployment rate in both regions of Norte and Lisboa (9.5%) was higher than the national average (8.9%) and the massive redundancies in the economic sector of wearing apparel will aggravate this situation.

Basis of the Portuguese request: Portugal submitted the application under the intervention criteria of Article 4(1)(b) of the EGF regulation, which requires at least 500 workers being made redundant over a reference period of nine months in enterprises operating in the same economic sector defined at NACE Revision 2 Division and located in one or two contiguous regions defined at NUTS 2 level in a Member State.

The reference period of nine months for the application runs from 1 May 2017 to 1 February 2018.

The application relates to **1 161 workers made redundant, more than 20 % of whom are over 55 years old and 88% are women**. The workers dismissed are mostly low-skilled.

The estimated number of redundant workers expected to participate in the measures is 730.

Additionally, Portugal will provide personalised services co-financed by the EGF to up to **730 young people** not in employment, education or training (NEETs). The total estimated number of targeted beneficiaries expected to participate in the measures, including NEETs, is therefore **1 460**.

Portugal is considering **three types of actions** in favour of the dismissed employees that are the subject of the application: (i) training and re-training including traineeship, vocational and continuing training and integration plans addressed to workers and NEETs; (ii) promotion of entrepreneurship; (iii) allowances for training, mobility and meals.

The estimated total costs are EUR 7 759 806.

BUDGETARY IMPLICATIONS: following its assessment of this application, the Commission concluded, in accordance with all applicable provisions of the EGF Regulation, that the conditions for awarding a financial contribution from the EGF are met. It proposes to **mobilise the EGF for the amount of EUR 4 655 883**, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.

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 amount requested.