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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2011/018 ES/País Vasco Productos metálicos from Spain)

{SWD(2012) 352 final}

EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹ 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 rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund².

On 28 December 2011, Spain submitted application EGF/2011/018 ES/País Vasco Productos metálicos for a financial contribution from the EGF, following redundancies in 423 enterprises operating in the NACE Revision 2 Division 25 (Manufacture of fabricated metal products, except machinery and equipment)³ in the NUTS II region of País Vasco (ES21) in Spain.

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.

SUMMARY OF THE APPLICATION AND ANALYSIS

Key data:	
EGF Reference no.	EGF/2011/018
Member State	Spain
Article 2	(b)
Enterprises concerned	423
NUTS II region	País Vasco (ES21)
NACE Revision 2 Division	25 (Manufacture of fabricated metal products, except machinery and equipment)
Reference period	22.1.2011 – 22.10.2011
Starting date for the personalised services	19.3.2012
Application date	28.12.2011
Redundancies during the reference period	1 106
Redundant workers expected to participate in the measures	500
Expenditure for personalised services (EUR)	1 870 000
Expenditure for implementing EGF ⁴ (EUR)	129 300
Expenditure for implementing EGF (%)	6,47
Total budget (EUR)	1 999 300
EGF contribution (65 %) (EUR)	1 299 545

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

³ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

⁴ In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

1. The application was presented to the Commission on 28 December 2011 and supplemented by additional information up to 5 September 2012.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

Link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis

3. In order to establish the link between the redundancies and the global financial and economic crisis, Spain argues that the metal products sector is a key provider of inputs to a wide range of manufacturing activities, in particular the shipbuilding, construction and automotive sectors. All of these were significantly impacted across the European Union by the economic crisis, as previously recognised by the Commission⁵ and its services⁶. In addition the arguments presented in previous EGF applications related to these sectors remain valid⁷, in particular those put forward by the Commission on 9 August 2012 in the context of another EGF application from Spanish related to the same sector⁸.
4. Spain is among the Member States most seriously affected by the global financial and economic crisis. Manufacturing in turn has been among the most affected sectors and the situation continues to deteriorate.

Industry Production Index of Manufacturing (2005=100)

	2006	2007	2008	2009	2010	2011
EU-27	104.81	109.23	107.36	91.59	98.44	103.15
Germany	105.83	112.73	113.06	93.64	104.57	113.91
France	101.01	102.62	99.05	85.34	89.11	92.42
Spain	105.38	107.56	98.97	82.52	83.03	82.16

Source: Eurostat

5. The gloomy industrial prospects resulting from the global financial and economic crisis consequently led to a lower demand for, and production of, metal and metal products. In Spain the production of the metal sector as a whole decreased by 24,6 % and the production of metal products by 23,3 % in 2009 compared with the previous year. As shown below, while both areas of activities started to recover during the

⁵ COM(2009) 104 final of 25.2.2009, "Communication from the Commission on "Responding to the crisis in the European automotive industry".

⁶ Eurostat – Statistics in focus 61/2011 on Industry, trade and services, "EU-27 Construction activity falls by 16 % from its pre-crisis high by the second quarter of 2011", http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-11-061/EN/KS-SF-11-061-EN.PDF

⁷ For the shipbuilding industry, see: EGF/2010/006 PL/H. Cegielski-Poznan, EGF/2010/025 DK/Odense Steel Shipyard and EGF/2011/008 DK/Odense Steel Shipyard.

For the construction sector, see: EGF/2011/006 ES/Comunidad Valenciana Construction, EGF/2011/009 NL/Gelderland Construction 41, EGF/2011/012 NL/Noord Brabant-Zuid Holland and EGF/2011/017 ES/Aragón Construction.

For the automotive sector, see: EGF/2009/019 FR/Renault, EGF/2010/002 ES/Cataluña Automotive and 2011/003 DE/Arnsberg and Düsseldorf Automotive.

⁸ COM(2012) 451 final of 9.8.2012, related to EGF/2011/019 ES/Galicia Metal.

first quarter of 2011, this eventually proved to be an unsustainable trend and the production of both sectors declined significantly again in the second half of the year.

Variation of industrial production in Spain

	2009	2010	Q1/2011	Q2/2011	Q3/2011	Q4/2011
Metal ⁹	-24,6	0,4	2,9	-2,8	-2,7	-9,6
Metal products ¹⁰	-23,3	-6,4	7,4	-1,3	-1,0	-10,2

Source: INE (*Instituto Nacional de Estadística*) and Confemetal

6. The decrease of production in the sector of metal products had consequences for employment. Spain thus lost more than 180 000 jobs in the metal sector in 2009 and a further 60 000 jobs in 2010, which represented approximately 15 % of total employment of the sector.

Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)

7. 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.
8. The application cites 1 106 redundancies in 423 enterprises operating in the NACE Revision 2 Division 25 ('Manufacture of fabricated metal products, except machinery and equipment')¹¹ in the NUTS II region of País Vasco (ES21) during the nine-month reference period from 22 January 2011 to 22 October 2011. All of these redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

Explanation of the unforeseen nature of those redundancies

9. The Spanish authorities argue that the financial and economic crisis has led to a sudden collapse of the world economy with an enormous impact on many sectors. The nature of the recession as far as the metal products sector is concerned, with a dramatic slowdown in new orders from other sectors affected by the economic downturn, was unprecedented in recent times. As a result of the crisis, economic developments since 2008 have not been following the consistent increase in employment experienced over the previous years in the metalworking industry. Between 2000 and 2006, employment in this sector had risen by 8 % (or 300 000 jobs)¹² whereas it decreased by almost 15 % over the period 2009-2010. The redundancies in the metal products sector could not therefore have been foreseen or easily prevented.

Identification of the dismissing enterprises and workers targeted for assistance

- ⁹ Production measured on the basis of the indicator of metal production (or IPIMET for *Indicador de Producción del Metal*) calculated by the Spanish confederation of the metal sector (Confemetal).
- ¹⁰ Defined as the NACE Revision 2 Division 25 ('Manufacture of fabricated metal products, except machinery and equipment').
- ¹¹ Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).
- ¹² Publication "Spotlight on Europe's "invisible sector" – The metalworking and metal articles industries", European Commission, DG Enterprise and Industry.

10. The application relates to 1 106 redundancies in 423 enterprises operating in the NACE Revision 2 Division 25 (Manufacture of fabricated metal products, except machinery and equipment) in the NUTS II region of País Vasco (ES21). The full list of enterprises mentioned in this application is attached in the Commission Staff Working Paper accompanying this Proposal.

All the redundant workers will be offered the possibility to participate in the measures. However, the Spanish authorities, based on their previous experience in managing EGF cases, estimate that about 500 workers will opt to participate in the EGF measures.

11. The break-down of the affected workers is as follows:

Category	Number	Percent
Men	930	84,09
Women	176	15,91
EU citizens	1 080	97,65
Non EU citizens	26	2,35
15-24 years old	23	2,08
25-54 years old	746	67,45
55-64 years old	333	30,11
> 64 years old	4	0,36

12. These figures include 29 workers with a longstanding health problem or disability.

13. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
Managers	5	0,45
Professionals	12	1,08
Technicians and associate professionals	85	7,69
Clerical support workers	133	12,03
Craft and related trades workers	272	24,59
Plant and machine operators	267	24,14
Personal services workers and unskilled workers	332	30,02

14. In accordance with Article 7 of Regulation (EC) No 1927/2006, Spain has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

Description of the territory concerned and its authorities and stakeholders

15. The territory concerned by the redundancies is within the NUTS II region of País Vasco which is composed of the provinces of Álava, Guipúzcoa and Vizcaya. This region is located in northern Spain and is surrounded by the regions of Navarra on its eastern border, La Rioja on its southern border, and Cantabria and Castilla y León on its western border. Compared with the Spanish average, the region of País Vasco is a small, highly-populated region: it covers only 1,4 % (7 234 km²) of the Spanish territory, but accounted for 4,8 % (2,2 million) of the inhabitants of Spain in 2011.

16. All three provinces of the region of País Vasco were affected by the redundancies in the metal products sector, but to a different extent; Vizcaya accounted for 57 % of the total number of redundancies, Guipúzcoa 30 %, and Álava 13%.
17. The main stakeholders are the autonomous government of País Vasco (*Gobierno Vasco*), in particular: the Regional Ministry of Industry, Innovation, Tourism and Trade; the Regional Vice-Ministry of Industry and Energy; the Directorate of Administration and Industrial Security; the Regional Ministry of Employment and Social Affairs; the Regional Vice-Ministry of Planning and Employment; and the Employment Service of País Vasco. In addition to these public stakeholders, are also involved: the FVEM (*Federación Vizcaína de Empresas del Metal*); the ADEGI (*Asociación de Empresarios de Gipuzkoa*); and the SEA (*Sindicato Empresarial Alavés*).

Expected impact of the redundancies as regards local, regional or national employment

18. According to Eustat (*Instituto Vasco de Estadística*), the metal sector amounted to EUR 10 billion (or 18 %) of the total added value of the region of País Vasco. It also employed almost 162 000 workers in June 2010, representing 16 % of the total employment in the region. Forty percent of these workers operated in the sub-sector of metal products alone. Therefore, when the global financial and economic crisis had its negative impact on the sector of metal products, its consequences on employment were severe in País Vasco.
19. In absolute figures, it is estimated that the region of País Vasco has lost 31 000 jobs in the industrial sector since the third quarter of 2008. In all three provinces of País Vasco, the rate of unemployment has at least doubled between 2008 and 2011, as detailed below:

Rate of unemployment in País Vasco

	2008	2009	2010	2011
Álava	2,7	9,9	10,0	6,9
Guipúzcoa	3,3	6,5	7,4	7,5
Vizcaya	4,3	8,6	10,0	13,5
País Vasco	3,8	8,1	9,2	10,6

Source: Eustat

20. Since this application for EGF funding, the economic situation of Spain has continued to deteriorate: according to Eurostat, its national unemployment rate reached 25,1 % in July 2012, i.e. more than twice the EU-27 average and almost ten percent-points above the second highest national unemployment rate within the EU (Portugal, with 15,7 %). In addition, as explained in point 16 above, the majority of the redundancies concerned with this application took place in Vizcaya, which is the province of País Vasco with the highest unemployment rate. For these reasons, the employment prospects of the workers dismissed from the metal products sector are not encouraging.

Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

21. All the following measures combine to form a co-ordinated package of personalised services which aims at re-integrating the redundant workers into employment:
- Prospection: This activity consists in establishing the redundant workers' profile and gathering knowledge on the metal products sector in order to adapt the package of measures provided to the redundant workers. It aims at: understanding the profiles and skills looked for by the enterprises operating in this sector, identifying the other sectors – be they linked to metal products or not – which could offer job opportunities to the target group, and creating a labour exchange.
 - Guidance: This service consists in a range of activities contributing to the reintegration of the targeted workers into employment, in particular:
 - Establishing a personalised diagnosis of the targeted workers' individual profile and needs in order to set up their pathway to employment. It is on the basis of this measure that the opportunity and the content of the subsequent measures will be determined.
 - Increasing the targeted workers' self-confidence and motivation (e.g. setting up their occupational objectives, developing their strengths and filling their gaps, providing them with examples of positive attitudes towards job-search, etc.).
 - Training: This activity aims at providing the targeted workers with the abilities and skills necessary to achieve their reintegration into employment. Based on the outcome of the "Prospection" and "Guidance" actions described above, the training activities will be of a two-fold nature:
 - Occupational training, to develop skills according to the targeted workers' profiles and plans.
 - Horizontal training, to develop socio-professional abilities that are common to all types of occupations.
 - Outplacement assistance: This activity consists in mentoring the targeted workers – individually and/or in groups – so that they improve their ability to look for a job, for example through the provision of job-search techniques, advice to write a *curriculum vitae* and to make the most of their social networks. It also includes assistance towards the recognition of prior learning and experience.
 - Entrepreneurship: This activity aims at providing information on the opportunities offered by entrepreneurship and self-employment and, for those targeted workers interested, in helping them to set up a business.
 - Training grant: All the targeted workers participating in training will receive a financial contribution of EUR 250 in the form of a direct and single instalment.
 - Traineeship grant: All the targeted workers participating in a workplace traineeship will receive a financial contribution of EUR 250 in the form of a direct and single instalment.

- Support for carers: This service consists in providing financial support to the targeted workers who – in particular because of their caring responsibilities (e.g. children, elderly or disabled persons) – face additional costs to avail of training or other measures. The amount of the financial contribution granted will be determined on the basis of the beneficiary's personal situation and in any case will be limited to EUR 800.

22. The expenditure for implementing the EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers the management, control as well as the publicity and information activities related to the application. The information activities consist in particular in: press releases and conferences; disseminating information on the implementation of the project through two websites, a newsletter, an e-learning platform, blogs and social networks; a closure event to present the results achieved. This comprehensive package of information and publicity activities explains the somewhat higher proportion of expenditure for implementing EGF.
23. The personalised services presented by the Spanish authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Spanish authorities estimate the total costs at EUR 1 999 300, of which the expenditure for personalised services at EUR 1 870 000 and the expenditure for implementing the EGF at EUR 129 300 (6,47 % of the total amount). The total contribution requested from the EGF is EUR 1 299 545 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Prospection (<i>Prospección</i>)	500	534,00	267 000
Guidance (<i>Servicio de orientación</i>)	500	436,00	218 000
Training (<i>Formación</i>)	500	1 914,00	957 000
Outplacement assistance (<i>Inserción</i>)	250	310,00	77 500
Entrepreneurship (<i>Emprendimiento</i>)	300	168,33	50 500
Training grant (<i>Beca de formación</i>)	500	250,00	125 000
Traineeship grant (<i>Beca de prácticas</i>)	300	250,00	75 000
Conciliation support (<i>Servicio de conciliación</i>)	125	800,00	100 000
Sub total personalised services			1 870 000
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No			

1927/2006)		
Management		46 950
Control		15 000
Information and publicity		67 350
Sub total expenditure for implementing EGF		129 300
Total estimated costs		1 999 300
<i>EGF contribution (65 % of total costs)</i>		<i>1 299 545</i>

24. Spain confirms that the measures described above are complementary with actions funded by the Structural Funds, for example the F.I.P. plan (*Plan de Formación e Inserción Profesional*) and the F.P.O. plan (*Plan de formación Profesional Ocupacional*) which are co-financed by the European Social Fund (ESF). Both plans aim at improving, increasing and updating qualifications and are targeted at around 10 % of the workers eligible for EGF assistance before the application was submitted to the Commission. The Spanish authorities have confirmed that measures are in place to prevent double funding.

Date(s) on which the personalised services to the affected workers were started or are planned to start

25. Spain started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 19 March 2012. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

Procedures for consulting the social partners

26. Several contacts and meetings were held between the autonomous government of País Vasco (in particular the Regional Ministry of Industry, Innovation, Tourism and Trade and the Regional Ministry of Employment and Social Affairs) and associations representing the employers operating in the metal sector products. Those associations were the FVEM (*Federación Vizcaína de Empresas del Metal*); the ADEGI (*Asociación de Empresarios de Gipuzkoa*); and the SEA (*Sindicato Empresarial Alavés*). The consultation related to the submission of an EGF application and the personalised services to be provided to the redundant workers.
27. In addition, the regional government, the entrepreneurial associations and the social partners have formed a committee responsible for the co-ordination, management and implementation of the project. The most representative trade unions of País Vasco will be informed of the progress made during the implementation of the project through the regional employment services and their board.
28. The Spanish authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

Information on actions that are mandatory by virtue of national law or pursuant to collective agreements

29. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Spanish authorities in their application:
- confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;
 - demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;
 - confirmed that the eligible actions referred to above do not receive assistance from other EU financial instruments.

Management and control systems

30. Spain has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the ESF. Thus the managing and control authority responsible for the EGF is the Directorate for Labour Activation (*Dirección de Activación Laboral*) within the employment services of País Vasco (*Servicio Vasco de Empleo*), which is also in charge of the management of the ESF Operational Programme for País Vasco.

Financing

31. 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 1 299 545, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Spain.
32. 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.
33. 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.
34. 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.
35. 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.

Source of payment appropriations

36. The amount of payment appropriations initially entered on the budget line 04 05 01 in 2012 will be fully consumed after the adoption by the two arms of the budgetary authority of the proposals submitted to date for mobilising the EGF and therefore insufficient to cover the amount needed for the present application. A reinforcement of the payment appropriations of the EGF budget line will be requested either through a transfer, in case a source of available appropriations can be identified, or an Amending budget. Appropriations from this budget line will be used to cover the amount of EUR 1 299 545 needed for the present application.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management¹³, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund¹⁴, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹⁵,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to 30 December 2011 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Spain submitted an application to mobilise the EGF, in respect of redundancies in 423 enterprises operating in the NACE Revision 2 Division 25 ('Manufacture of fabricated metal products, except machinery and equipment') in the NUTS II region of País Vasco (ES21), on 28 December 2011 and supplemented it by additional information

¹³ OJ C 139, 14.6.2006, p. 1.

¹⁴ OJ L 406, 30.12.2006, p. 1.

¹⁵ OJ C [...], [...], p. [...].

up to 5 September 2012. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 1 299 545.

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Spain.

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2012, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 1 299 545 in commitment and payment appropriations.

Article 2

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

For the European Parliament
The President

For the Council
The President