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EUROPEAN COMMISSION

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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/2010/023 ES/Lear from Spain)

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 23 July 2010, Spain submitted application EGF/2010/023 ES/Lear for a financial contribution from the EGF, following redundancies in the enterprise Lear Automotive (EEDS) Spain, S.L. Sociedad Unipersonal (hereinafter 'Lear') 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/2010/023
Member State	Spain
Article 2	(a)
Primary enterprise	Lear
Suppliers and downstream producers	0
Reference period	14.1.2010 – 14.5.2010
Starting date for the personalised services	20.7.2010
Application date	23.7.2010
Redundancies during the reference period	501
Redundancies before or after the reference period	14
Total eligible redundancies	515
Redundant workers targeted for support	508
Expenditure for personalised services (EUR)	584 000
Expenditure for implementing EGF ³ (EUR)	40 000
Expenditure for implementing EGF (%)	6,8
Total budget (EUR)	588 000
EGF contribution (65 %) (EUR)	382 200

1. The application was presented to the Commission on 23 July 2010 and supplemented by additional information on 10 August 2010.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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

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 this crisis has put the automotive sector worldwide under particular pressure. The Commission has already recognised that, as some 60-80 % (depending on the Member State) of new cars in Europe are purchased with the aid of credit, the financial crisis at the origin of the downturn has hit the automotive industry particularly severely⁴. In the second quarter of 2009, after 12 successive months of decline, total vehicle production in the EU was 39,5 % lower than a year earlier. The downturn has severely affected all major car manufacturers in the European market⁵ as well as their suppliers.
4. The global financial and economic crisis has had a serious impact on demand for vehicles in Spain and in its export markets. In 2008, new car registrations in Spain declined by 28 % compared with the previous year, mainly due to tight credit conditions, very low consumer confidence and declining consumer purchasing power. Moreover, the global nature of the crisis also led to a sales drop by 9,6 % for vehicles manufactured in Spain and sold abroad. As the Spanish car sector exports 85 % of its production, mainly within the EU, this decline in both exports and domestic demand had a strong negative impact on employment in the automotive sector.
5. The fall in demand for electrical equipment for cars, which followed the decline in car manufacturing, combined with the impossibility of further reducing production costs, resulted in the closedown of the Lear production plant in Roquetes (Catalonia).

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

6. Spain submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers.
7. The application cites 501 redundancies in the single enterprise Lear during the four-month reference period from 14 January 2010 to 14 May 2010 and a further 14 redundancies outside the reference period, but related to the same collective redundancies procedure. 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

8. The Spanish authorities argue that, although the automotive sector had been experiencing difficulties, mainly due to delocalisation, even before the crisis, the

⁴ "Responding to the crisis in the European automotive industry" COM(2009)104

⁵ DG Enterprise: "Impact of the economic crisis on key sectors of the EU – the case of the manufacturing and construction industries". June 2009 update.

(http://ec.europa.eu/enterprise/newsroom/cf/itemshorthanddetail.cfm?item_id=3437)

automobile industry in Catalonia managed to stay stable until early in 2008. From that moment the industry began to feel the impact of the financial and economic crisis with a sudden drop in demand for vehicles in Spain and worldwide. This decline in vehicle demand and the shortfall of orders that followed was unforeseeable for firms or governments and happened at an unprecedented rate and speed.

Identification of the dismissing enterprise and workers targeted for assistance

9. The application cites a total of 515 redundancies in the single enterprise Lear, 508 of whom are targeted for assistance.

10. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	167	32,87
Women	341	67,13
EU citizens	508	100,00
25-34 years old	22	4,33
35-44 years old	201	39,57
45-54 years old	228	44,88
55-64 years old	56	11,02
>= 65 years old	1	0,20

11. Three of the targeted workers are disabled.

12. In terms of professional categories⁶, the break-down is as follows :

Category	Number	Percent
Professionals	19	3,74
Technicians and associated professionals	7	1,38
Craft and related trade workers	8	1,57
Plant and machine operators	472	92,91
Elementary occupations	2	0,39

13. In addition, the Spanish authorities have also provided the following breakdown of the workers in terms of educational levels⁷:

Educational level	Number	Percent
Basic education	380	74,80
Secondary education	77	15,16
Post-secondary non-tertiary education	30	5,91
Tertiary education	21	4,13

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

⁶ Categories based on the one-digit International Standard Classification of Occupations (ISCO-88).

⁷ Categories based on the International Standard Classification of Education (ISCED-97).

15. The territory principally concerned by the redundancies is the comarca (roughly equivalent to a county) of Baix Ebre located in Terras de L'Ebre in the south of the NUTS III region of Tarragona (ES514). El Baix Ebre counts 14 municipalities, 74 962 inhabitants and a population density lower than the EU average (72,44 inhabitants per km² while the EU average is 112 inhabitants per km²).
16. The economic structure of Terras del Ebre is different from the economic structure of the rest of Catalonia: in Terras del Ebre, agriculture accounts for 8 % of employment and 8,9 % of GDP while employment in the service sector accounts for 59,9 % and 52,5 % respectively. In Catalonia as a whole, agriculture accounts for 1,2 % of employment and 1,3 % GDP and services for 73,5 % and 68,3 %, respectively. Furthermore, activities of high value added account for only 20 % of employment in Terras del Ebre while in Catalonia as a whole they account for an average of 35 %.
17. The responsible authority is the Generalitat de Catalunya-Departament de Treball (labour services of the Catalonia autonomous government). The main stakeholders are the social partners constituting the governing board of the Servei de Ocupació de Catalunya (the public labour offices of Catalonia): the trade unions Comisión Obrera Nacional de Catalunya and Unión General de Trabajadores, two employers' organizations: Foment del Treball and PIMEC⁸, and two associations representing the town halls of Catalonia. The Servei de Ocupació de Catalunya will be responsible for implementing the measures, supervising the procedures and controlling the expenditure.

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

18. The Spanish authorities argue that the employment created by Lear was very important for the county of El Baix Ebre, which has economically been lagging behind the Catalanian average. The major economic sectors in the territory were manufacture of furniture and manufacture of car components. Due to the economic and financial crisis, the situation deteriorated significantly for the furniture business, with the result that the automobile industry and in particular Lear became the main industrial asset of El Baix Ebre.
19. The closedown of Lear brought an increase of 4 % in the unemployment rate of the territory, which in 2009 was already 22,7 % while in Catalonia as a whole it was 17,5 %. The municipalities most concerned by the Lear redundancies are Roquetes (7 000 inhabitants and the location where Lear was based) and Tortosa. Due to the small size of both towns and the lack of alternative employment, the redundancies in Lear have a significant local impact.

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

20. The following types of measures are proposed to complement the social plan presented by Lear to help its redundant workers to reintegrate in the labour market.

⁸ Micro, petita i mitjana empresa de Catalunya (PIMEC).

21. Although the ex-Lear workers could have been included in the earlier EGF application EGF/2010/002 ES/Cataluña automoción, it was decided not to do so, as the enterprise had agreed to finance the social plan set out in point 22. This social plan is less complete than the EGF package presented in EGF/2010/002. By submitting the present application, the Spanish authorities aim to provide these workers with a package of personalised services similar to the package proposed for workers dismissed in the same region and the same economic sector and covered by the application EGF/2010/002 ES/Cataluña automoción.
22. As part of its social plan Lear will finance the following measures:
- In-depth interview and profiling of the workers.
 - Outplacement assistance: This measure combines two complementary actions: mentoring during the process until reintegration into work is achieved, combined with an intensive employment search, including active research of local and regional employment opportunities.
 - Job search assistance. This measure aims to provide workers with relevant coaching (on effective job search), a better knowledge of the labour market and improved self-confidence.
 - Workshop on horizontal skills (e.g. how to draft a curriculum vitae, how to prepare a job interview, how to enlarge the own contact network).
 - Training for vocational qualifications designed to cater for the identified needs of local enterprises.
 - A study on the economic situation and employment opportunities in Terres de l'Ebre.
 - Promotion of entrepreneurship: Information and support focused on promoting business initiatives for self-employment.
23. The measures included in Lear's social plan and the three following measures proposed by Spain for EGF assistance combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market:
- Participation incentive: To encourage their participation in the measures, the workers will receive a lump sum of EUR 600 (EUR 100 a month for a maximum of six months) conditional upon their participation in the measures of the EGF package.
 - Entrepreneurship incentives: All the workers who return to employment as self-employed workers or entrepreneurs will receive a lump sum of EUR 2 000 when they have accumulated three months of social security contributions or run a business during three months or more. This incentive has been designed to support self-employed workers during the start-up months of their business.
 - Training for vocational qualifications: This measure aims at improving the employability of workers through training in activities or sectors that generate employment in the territory complemented with some horizontal training such as foreign language training, ICT training, driving lessons etc.

The table below shows the complementarity of this measure with the training measures contained in Lear's social plan.

Training objective	Improving access to employment	Improving employability through:		Improve the chances of returning to employment
		(a) Horizontal training	(b) Vocational training	
Type of training	Workshops on generic skills learning (e.g. "how to draft a curriculum vitae," "how to deal with selection interviews") (Social Plan)	Training tailored to individual needs (e.g. language training, ICT, driving license) (EGF)	Training in activities or sectors that generate employment in the territory (i.e. tourism, trade services, etc) (EGF)	Training designed to cater for the identified needs of local enterprises (Social Plan)

24. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers management, information and publicity, and control activities.
25. 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 of these services at EUR 588 000 and the expenditure for implementing EGF at EUR 40 000 (6,8 % of the total amount). The total contribution requested from the EGF is EUR 382 200 (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)			
Participation incentive <i>Ayuda a la participación</i>	330	600	198 000
Entrepreneurship incentives <i>Ayudas para el autoempleo</i>	10	2 000	20 000
Training for vocational qualifications <i>Formación para la mejora de la empleabilidad.</i>	150	2 200	330 000

Sub total personalised services		548 000
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)		
Preparatory		3 000
Management		27 000
Information and publicity		5 000
Control activities		5 000
Sub total expenditure for implementing EGF		40 000
Total estimated costs		588 000
EGF contribution (65 % of total costs)		382 200

26. Spain confirms that the measures described above are complementary with actions funded by the Structural Funds. Spain will also ensure a clear audit trail for EGF funded activities, and confirms that no other EU funding is sought or used for these activities.
27. The main objectives of the 2007-2013 ESF operational programmes for Catalonia are promoting entrepreneurship, promoting workers' lifelong learning and decreasing the risk of early school leaving, focusing in particular on the most vulnerable people or people at risk of social exclusion, mainly young workers, or those over 45 years old, women and disabled people. Although some of the EGF measures, in particular those related to entrepreneurship promotion, could look similar to ESF measures, there is a difference: EGF measures have a uniqueness and special character (they address a sector and a particular population) and they are tailor-made and have an intensive format. Continuous follow-up of ESF and EGF actions pursuing similar purposes and the workers concerned will prevent any overlap between ESF and EGF measures.

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

28. Spain started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 20 July 2010. 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

29. The Spanish authorities state that, pursuant to the Estatudo de los Trabajadores (Employment Relationships Act), Lear informed the trade unions about the collective redundancies and sent a notification on collective redundancies to the labour authority. Aware of the difficult situation of the territory affected by the redundancies (Terres de l'Ebre), the trade unions have actively encouraged the regional and national authorities to submit an application for EGF co-funding.

30. The social partners, the trade unions Comisiones Obreras and Unión General de Trabajadores and two employers' organizations: Foment del Treball and PIMEC⁹, were informed of the contents of the EGF application at a meeting held on 7 June 2010 with the representatives of the Servei de Ocupació de Catalunya.
31. The Spanish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

32. 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 Community financial instruments.

Management and control systems

33. Spain has notified the Commission that Lear will finance 35 % of the total costs of the EGF co-funded personalised services.
34. Spain confirms that the financial contribution will be managed and controlled by the same bodies that manage and control the ESF. The Servei d'Ocupació de Catalunya will be the intermediate body for the managing authority.

Financing

35. On the basis of the application from Spain, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 382 200, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Spain.
36. 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 above, to be allocated under heading 1a of the financial framework.
37. 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

⁹ Micro, petita i mitjana empresa de Catalunya (PIMEC).

last four months of the year, as required by Article 12(6) of Regulation (EC) No 1927/2006.

38. 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.
39. The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

40. In the current state of implementation, it is foreseeable that the payment appropriations available in 2010 under the budget line 01.0404 "Competitiveness and Innovation Framework Programme - Entrepreneurship and innovation programme" will not be fully used this year.
41. This line covers expenditure related to the implementation of the financial instrument of this programme, the main objective of which is to facilitate the access of SMEs to finance. Some time lag exists between transfers to the trust accounts managed by the European Investment Fund and disbursement to the beneficiaries. The financial crisis has a major effect on the forecasts in terms of disbursements for 2010. As a result, in order to avoid excessive balances on the trust accounts, the methodology for calculation of payment appropriations has been reviewed, taking into account the expected disbursements. The amount of EUR 382 200 can therefore be made available for transfer.

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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 management¹⁰, 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 Fund¹¹, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission¹²,

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 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 the enterprise Lear on 23 July 2010 and supplemented it by additional information on 10 August 2010. 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 382 200.

¹⁰ OJ C 139, 14.6.2006, p. 1.

¹¹ OJ L 406, 30.12.2006, p. 1.

¹² OJ C [...], [...], p. [...].

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

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 382 200 in commitment and payment appropriations.

Article 2

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

Done at,

For the European Parliament
The President

For the Council
The President