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EGF/2008/005 ES/Cataluña – Textile Sector

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COMMISSION OF THE EUROPEAN COMMUNITIES

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COMMUNICATION TO THE COMMISSION

**on an application EGF/2008/005 ES/Cataluña Textile Sector received from Spain for a
financial contribution from the European Globalisation Adjustment Fund**

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Spain submitted application EGF/2008/005 ES/Cataluña Textile Sector for a financial contribution from the European Globalisation Adjustment Fund (hereinafter “EGF”), following the redundancies in 30 enterprises operating in NACE (revision 2) division 13 ('Manufacture of Textiles') in a single NUTS II region, Cataluña (ES51).

1. The application was received by the Commission from the Spanish authorities on 29 December 2008, and supplemented by additional information submitted by the Member State up to 13 March 2009.
2. The application meets the conditions for deploying the EGF set out in Article 2(b) of Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund¹, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

SUMMARY OF THE APPLICATION AND ANALYSIS

(a) Analysis of the link between the redundancies and major structural changes in world trade patterns:

3. The application relates to 1,720 redundancies, of which 1,269 occurred during the nine-month period of reference, in 30 enterprises manufacturing textiles. In the two months following the period of reference, an additional 451 redundancies occurred in two of these enterprises and in 16 additional enterprises. All of the redundancies occurred in a single region at NUTS II level, Cataluña (ES51).
4. The increasing openness of the world market in textiles following the expiry of the World Trade Organisation Multifibre Arrangement (and the Agreement on Textiles and Clothing which succeeded it) at the end of 2004 has allowed imports from lower cost producers, primarily in Asia and North Africa, to replace domestic EU production. In order to establish the link between the redundancies and the major structural changes in world trade patterns, Spain argues, using EUROSTAT trade statistics, that the EU trade balance in textiles has deteriorated substantially over the period 2004-2007. Although EU textile exports increased by 10% over the period, imports of textiles to the EU increased by 21%, from €73 billion to €88 billion, while textile exports grew by only €4 billion, leaving the EU textile market share in a deteriorating situation.

The strength of the Euro vis-à-vis the US dollar in the recent past has also reinforced the negative effect on the exports of EU produced textiles, while encouraging imports into the EU of textiles produced in countries in the dollar zone.

¹ OJ L 48 of 22.2.2008, p. 82.

The application refers to the labour intensity of the textile sector, and thus to its sensitivity to non-wage costs, such as the costs of social protection in the EU, which ensure that imports from low-wage countries without EU levels of social protection are at an advantage both within the EU and on the world market.

5. In conclusion, the opinion of the Commission is that the 1,720 redundancies in the enterprises involved in manufacturing activities in NACE (revision 2) division 13 ('Manufacture of Textiles') in the region of Cataluña (ES51) during the reference period and the two months following it, can be linked, as required by Articles 1 and 2 of Regulation (EC) No 1927/2006, to major structural changes in world trade patterns, which have led to an increase in imports into the EU of textiles, or a reduction of the EU share in textile production or a relocation of production to third countries.

(b) Demonstration of the number of redundancies:

6. Spain submitted this application under the intervention criterion of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 1,000 redundancies over a nine-month period in a NACE 2 sector in one region or two contiguous regions at NUTS II level.
7. The application demonstrates that a total of 1,269 redundancies occurred in 30 enterprises classified in the NACE (revision 2) division 13 ('manufacture of textiles') during the nine-month period of reference (from 28 February 2008 to 27 October 2008). An additional 451 redundancies in the two months following the period of reference were also cited in the application.
8. The total of 1,269 job losses in 30 enterprises classified in the same NACE (revision 2) division during the nine-month reference period, all located in a single region at NUTS II level is sufficient to comply with the criteria of Article 2(b) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of the redundancies:

9. The Spanish authorities argue that the extent of the crisis affecting the Spanish textile industry could not have been foreseen, because although the impact of the ending of the MFA (and the Agreement on Textiles and Clothing which succeeded it) had been discussed in several reports from the European Commission² and the WTO secretariat³, the expected smooth transition had been disrupted by the unexpected strength of the Euro, leading to a far more rapid decline in the EU market share than foreseen.

(d) Identification of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of workers to be targeted

10. The application concerns 1,720 redundancies in the following 46 enterprises:

² COM(2003) 649 final: The future of the textiles and clothing sector in the enlarged European Union
³ WTO Secretariat Discussion Paper N° 5: The Global Textile and Clothing Industry post the Agreement on Textiles and Clothing (2004)

| Enterprises making workers redundant during the period of reference (28 February 2008 to 27 October 2008) – total 1,269 | | | |
|---|-----|------------------------------------|-----|
| Texel, SA | 51 | Estampados Del Tordera, SA | 44 |
| Tintes Casabella, SL | 7 | Canet Punt, SA | 29 |
| Hilaturas Moca, SA | 31 | Arfe Industrial, SL | 12 |
| Velta, SAU | 40 | Blondart, SL | 11 |
| Policril, SA | 23 | Grup Tèxtil Dresca, SL | 170 |
| Tèxtil Sarral, SL | 13 | Naif Techno Coatings, SL | 9 |
| Buretex, SA | 74 | Qualitat Tèxtil Personalitzada, SA | 22 |
| Enrique Ballus, SL | 13 | Torras Valentí, SA | 31 |
| Rotor - Spin, SA | 12 | Perbat, SL | 16 |
| Sans Branded Apparel, SLU | 128 | Puig Codina, SA | 14 |
| Colorfil, SA | 21 | Obradors, SA | 31 |
| Maufacturats Texcon, SL | 15 | Amann Spain, SL | 20 |
| Tèxtil Riba, SA | 78 | Subirats De Filats, SL | 21 |
| Pasarela Tèxtil, SA | 27 | Fibracolor, SA | 254 |
| Filatura Vera, SA | 40 | Egarcor, SL | 12 |
| Enterprises making workers redundant during the two months following the period of reference (November and December 2008) – total 451 | | | |
| Acabats del Bages, SA | 28 | Indepunt, SA | 19 |
| Servidream, SA | 11 | Industrias Textiles Rachel, SA | 20 |
| Textil Lluch, SL | 7 | Filatures D'Avinyo, SA | 68 |
| Tints Mataro, SL | 22 | Subirats de Filats, SA | 41 |
| Canet Punt, SA | 40 | Nylstar, SAU | 30 |
| Hilados Rusiñol, SA | 22 | | |
| Modaline | 8 | | |
| Ideatint, SA | 11 | | |
| Ind. Española de Bordados, SA | 12 | | |
| Triblond–Europlastic, SL | 43 | | |
| Srwm-Sisa, SA | 16 | | |
| Hisitex, SA | 43 | | |
| S.A. Sanpere | 10 | | |

11. Of the 1 720 workers made redundant, a proportion have withdrawn from the labour market, have found alternative employment, or are following training outside the package proposed for EGF funding. The application therefore proposes to provide assistance for a total of 1,100 workers.

Of the 1 100 workers to be targeted for assistance, 48% are female and 52% are male, which reflects the proportions amongst the workers made redundant. Almost 83% belong to the 25 to 54 years age group, approximately 15% is over 55 years old and 1 worker has a longstanding health problem or disability. In terms of professional categories⁴ the great majority (over 80%) are machine operators or assemblers, around 8% are engineering technicians, and the remainder are office clerks or drivers and plant operators.

⁴ Categories based on the International Standard Classification of Occupations, 2 digits, (ISCO-88)

(e) Description of the territory concerned and its authorities and stakeholders:

12. The territories concerned by the redundancies are all within the autonomous community of Catalunya, and are concentrated in twelve comarques (roughly equivalent to counties) in the contiguous provinces of Barcelona and Girona: Alt Penedès, Anoia, Bages, Baix Llobregat, Barcelonès, Conca de Barberà, Garrotxa, Gironès, La Selva, Maresme, Osona, Ripollès and Vallès Occidental. Of the twelve comarques, five are particularly affected by the redundancies, as they have areas where the textile sector is particularly concentrated. The greatest number of redundancies during the reference period took place in: Maresme (three closed businesses and 290 redundancies), Bages (three closed businesses and 279 redundancies), Gironès-La Selva (three closed businesses and 246 redundancies), and Vallès Occidental (181 redundancies in nine businesses).

The main responsible stakeholders are the Generalitat de Catalunya (Catalan autonomous government), the local authorities of the affected *comarques*, the National Workers Commission of Catalonia (CONC), and the General Workers Union (UGT).

(f) Expected impact of the redundancies as regards local, regional or national employment:

13. The applicant states that the number of unemployed workers in the textile industry in Catalunya increased significantly over the last five years. Between 2004 and 2008 this number has increased by 42%, and in the latest year for which comparative data is available the numbers of unemployed workers in this sector increased by 14.5%. Because of the concentration of the sector in a small number of areas, the impact is locally greater than these figures show. In some of the affected comarques the proportion of the total unemployed population attributable to the textile sector exceeds 50% of the total for all industrial sectors (e.g. Maresme, where 56% of all industrial unemployed are from the textile sector, or Ripollès where the figure is 51%). As a proportion of the total unemployed, textile workers exceed 10% in six comarques, and reach 20% in Ripollès.

The redundancies that are the subject of the current application are largely, but not entirely, contained within these figures. Those occurring after the reference period for the application are not yet included, and thus demonstrate that the impact of textile redundancies is stronger than shown by the unemployment figures, and that there is little opportunity for re-employment within the industry for redundant workers. As several of the *comarques* are heavily dependent upon the textile sector the impact on the local economies will be hard. In Maresme over 25% of the local industrial production is accounted for by the textile sector. In Anoia that proportion reaches 28.4%.

14. In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local economy.

(g) 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:

15. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market. The estimated costs for the measures are averages, as the planned activities cost more to provide in certain of the more remote areas covered by the application:

- Occupational Guidance: to identify the workers' employability and to construct pathways for the re-insertion of each worker. Particular attention will be paid to any obstacles such as age, disability or gender. This measure which is seen as the point of entry for the package as a whole, will apply to all of the affected workers.
- Outplacement assistance: this will involve the design, implementation and follow-up of personalised support, including mentoring. Each worker involved will have a different mix of activities in their package, and different intensities of measures, according to their needs. The mentoring process will ensure that the packages can be adjusted if necessary. The measure will include the payment to the workers of a monthly allowance of €100 for a maximum of six months, if they continue to follow the programme of activities. If a worker finds employment before the six-month program of activities is finished, s/he receives the remainder of the €600 as a lump-sum. It is estimated that 75% of the affected workers will participate in this measure.
- Intensive job search assistance: this will involve an intense employment search, including research of the local and regional employment opportunities. The activity will be carried out under the supervision of technical experts. The workers likely to participate in this action are the 20% of the total who have a clear idea of the direction they wish to pursue and an understanding of the local labour market.
- Training and re-training: this measure will include an assessment of the training needs of the workers concerned, and their training in sectors where opportunities exist. Where occupations are in demand locally the training will focus on providing the workers with the skills required. The measure will avoid stereotyping workers, and will thus improve the labour market opportunities of all workers regardless of age, gender or disability. Where workers over 45 years of age are seen to have valuable skills, they will be given roles as tutors or mentors for younger workers, which will provide them with self-esteem and a useful skill that they can use elsewhere in the labour market. Around 50% of the targeted workers will participate in this measure.
- Training for professional qualification: for a small number of workers with existing technical skills some specific training to improve their professional competences will be organised. The training will be designed to cater for the identified needs of local enterprises, who will in turn undertake to employ at least 60% of those workers who participate in this action. Around 15% of the targeted workers will participate in this measure.
- Specific training: in each area there will be training workshops specifically on transversal skills, including information and communication technologies (ICT), and communication skills, both oral and written. This measure will aim to improve the self-esteem of its participants and their communication skills, in order to facilitate their reinsertion into the labour market. The particular needs of disadvantaged workers will be specifically addressed – those aged over 45, those

with low qualifications, migrants and people with disabilities. It is estimated that 60% of the targeted workers will benefit from this measure.

- Employment promotion: this measure aims to promote the direct employment for a period of three months of 10% of the targeted workers in the public or non-governmental social economy sectors. It is intended to stimulate the most disadvantaged or older workers to remain in the labour market, and will involve them working on environmental protection, cultural promotion or personal care services, while also receiving training appropriate to the area of work. It is anticipated that a number of the workers participating in this measure may subsequently establish enterprises to provide the services.
- Promotion of entrepreneurship: specific training activities for those workers who wish to establish an enterprise will be provided. This will cover elements such as planning, carrying out feasibility studies, preparation of business plans and raising finance. Around 5% of the targeted workers will participate in this measure.
- Promotion of entrepreneurship for those aged over 45: this measure will provide a less intense training for older workers who have acquired skills which could be used to start a business, but who do not have a clear vision of the enterprise that they might set up. The prior experience and skills that they possess would allow them to work independently without intensive training. Some 14% of the targeted workers will receive this training and assistance.
- Outplacement incentives: a temporary financial aid of €2,500 (€3,000 for workers over 45) will be paid to workers who accept an employment contract for a period of at least six months. The aid will be paid only where the salary offered is less than €38,000 per year. If the contract is broken during the six months the aid will be recovered pro rata, and if the contract is not for a fulltime job the aid will only be paid in proportion to the number of hours worked. The aid is designed to stimulate workers, particularly those aged over 45, to remain in the labour market. It is estimated that some 435 workers will benefit.

16. The administrative expenditure, which is included in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers the various stages of the preparation of this application, management and control activities as well as information and publicity. The latter will be carried out according to the Communication Plan of the European Social Fund (hereinafter “ESF”) Operational Programme for Cataluña, but will give due visibility to the EGF for those measures funded by the EGF.

17. The personalised services which are part of the co-ordinated package presented by the Spanish authorities are active labour market measures falling within the eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006. The total costs of these services are estimated by the Spanish authorities at EUR 6,312,500 and the administrative expenditure at EUR 301,000 (= 4.6 % of the total amount). The total requested contribution from the EGF is EUR 3,306,750 (50 % of the total costs).

| Actions | Estimated number of workers targeted | Estimated cost per worker targeted (in EUR) | Total costs (EGF and national co financing) (in EUR) |
|---|--------------------------------------|---|--|
| Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006) | | | |
| 1. <u>Occupational Guidance</u> (<i>Entrevista inicial</i>) | 1100 | 60 | 66,000 |
| 2. <u>Outplacement Assistance</u> (<i>Tutorización para la reinserción</i>) | 825 | 2,330 | 1,922,250 |
| 3. <u>Intensive Job Search Assistance</u> (<i>Apoyo intensivo en la búsqueda de trabajo</i>) | 220 | 830 | 182,600 |
| 4. <u>Training and re-training</u> (<i>Cualificación para la recolocación</i>) | 550 | 2,353 | 1,294,000 |
| 5. <u>Training for professional qualification</u> (<i>Formación a medida de las necesidades de las empresas con contratación</i>) | 165 | 2,000 | 330,000 |
| 6. <u>Specific training</u> (<i>Talleres de aprendizaje de competencias transversales</i>) | 660 | 250 | 165,000 |
| 7. <u>Employment promotion</u> (<i>Promoción del empleo</i>) | 110 | 5,400 | 594,000 |
| 8. <u>Promotion of entrepreneurship</u> (<i>Impulso a la actividad emprendedora</i>) | 55 | 5,030 | 276,650 |
| 9. <u>Promotion of entrepreneurship for those aged over 45</u> (<i>Fomento de la iniciativa emprendedora con mayores de 45 años</i>) | 150 | 2,330 | 349,500 |
| 10. <u>Outplacement incentives</u> (<i>Apoyo a la recolocación</i>) | 435 | 2,603 | 1,132,500 |
| Subtotal personalised services | | | 6,312,500 |
| Technical assistance for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006) | | | |
| Preparatory | | | 50,300 |
| Management | | | 166,700 |
| Information and publicity | | | 28,000 |
| Control activities | | | 56,000 |
| Total administrative expenditure | | | 301,000 |
| Total estimated costs | | | 6,613,500 |
| <i>EGF contribution (50 % of total costs)</i> | | | <i>3,306,750</i> |

18. As regards the complementarity with actions funded by the Structural Funds, Spain confirms that the measures described above are complementary. Continuous follow-up of ESF and EGF actions pursuing similar purposes and the workers concerned will avoid any overlap between ESF and EGF measures. As the same management structures will be used for the ESF and the EGF, Spain considers that there is sufficient assurance that double funding will not occur.

(h) Date(s) on which the personalised services to the affected workers were started:

19. Spain started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing by the EGF on 1 September 2008. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF (Article 11 of Regulation (EC) No 1927/2006).

(i) Procedures followed for consulting the social partners:

20. The social partners were consulted during the preparation of the co-ordinated package of measures. The proposed application was discussed at the meeting on 18/12/2008 of the management committee of the employment service of the Generalitat de Catalunya, at which were present representatives from the employment service, the association of the Catalan municipalities, the employers organisations (Foment del Treball Nacional and PIMEC) and the principal trades unions (CONC and UGT).

21. The Spanish authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

22. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the application provided the following elements:

- The Spanish authorities 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.
- The Spanish authorities demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.
- The Spanish authorities confirmed that the eligible actions referred to under points 15 to 17 above do not receive assistance from other Community financial instruments.

23. Management and control systems

Spain has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the ESF in Cataluña.

CONCLUSION

24. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2008/005 ES/Cataluña submitted by Spain, relating to the redundancies in 46 enterprises involved in manufacturing activities in NACE (revision 2) division 13 ('Manufacture of Textiles') in the NUTS II region of Cataluña (ES51), as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to a serious economic disruption, affecting employment and the local economy. A co-ordinated package of eligible personalised services has been proposed. Therefore, it is proposed to mobilise the EGF in response to the application from Spain.

FINANCING

The total annual budget available for the EGF is EUR 500 million. So far, two applications have been accepted for funding in 2009, for an aggregated amount of EUR 3,384,300.

Article 12 (6) of Regulation (EC) No. 1927/2006 states that, on 1 September of each year, at least EUR 125 million should remain available in order to cover the needs arising until the end of the year. After deduction of the amount already committed, an amount of EUR 496,615,700 remains available.

It is proposed to deploy EUR 3,306,750 from the EGF.

THE COMMISSION IS THEREFORE INVITED TO:

- approve application EGF/2008/005 ES/Cataluña submitted by Spain;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 3,306,750, as specified in point 16, as well as a request for the transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12 (3) of Regulation (EC) No 1927/2006;
- authorise the transfer of the identical amount in payment appropriations from budget line 04.021700 (European Social Fund (ESF) – convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).