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**COMMUNICATION TO THE COMMISSION**

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a financial contribution from the European Globalisation Adjustment Fund**

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### **on application EGF/2009/001 PT/Norte-Centro received from Portugal for a financial contribution from the European Globalisation Adjustment Fund**

Portugal submitted application EGF/2009/001 PT/Norte-Centro for a financial contribution from the European Globalisation Adjustment Fund (hereinafter "EGF"), following the redundancies in 49 companies manufacturing in NACE 13 sector (textiles) in the two contiguous regions of Norte and Centro in Portugal (NUTS II regions PT11 and PT16).

1. The application was received by the Commission from the Portuguese authorities on 23 January 2009.
2. The application meets the conditions for deploying the EGF as 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 Fund<sup>1</sup>, 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 1,588 redundancies in 49 manufacturing companies operating in the Portuguese textiles sector, in the regions of Norte and Centro. In the ten weeks following the period of reference, an additional 138 redundancies occurred in 17 of these enterprises.

In order to establish the link between the redundancies and the major structural changes in world trade patterns, Portugal argues that the redundancies are following a general trend in the clothing and accessories industry in the EU towards a delocalisation of production to lower-cost non-EU countries, such as China, India and Turkey.

It further highlights that, according to EUROSTAT <sup>2</sup>, the Northern region of Portugal is the most specialised of the EU-27 in the textiles and clothing sector in terms of employment – in this region, the sector represents over 14 % of the labour force.

4. EU-27 external trade statistics from Eurostat already cited in SEC(2008)2414 and reproduced in the table below, provide further evidence of growing textile imports, with the percentage growth in imports at 18.4% between 2004 and 2007 being four times higher than the growth in exports.

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<sup>1</sup> OJ L 406 of 30.12.2006, p.1

<sup>2</sup> EUROSTAT, Statistics in Focus, 37/2008, [http://epp.eurostat.ec.europa.eu/cache/ITY\\_OFFPUB/KS-SF-08-037/EN/KS-SF-08-037-EN.PDF](http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-SF-08-037/EN/KS-SF-08-037-EN.PDF), page 4.

Textiles (mio €)	2004	2005	2006	2007	% growth 2004 / 2007
Imports	17,610	18,074	19,867	20,855	18.4
Exports	18,537	18,482	19,218	19,380	4.6
Balance	927	408	-649	-1,475	

The main supplier was China (an increase of 66.8 % during 2004 - 2007), followed by other emerging economies such as Turkey (+20.7 %), India (+21.2 %) and Pakistan (+ 9.4 %). This increase can be primarily related to the expiry of the World Trade Organisation Multifibre Arrangement at the end of 2004. In 2007, China accounted for 26 % of total imports of textiles into the EU in terms of value.

5. In conclusion, the opinion of the Commission services is that the 1,726 redundancies in the Norte and Centro regions of Portugal can be linked, as required by Article 1 and 2 of Regulation (EC) No 1927/2006, to major structural changes in world trade patterns, which have led to a substantial increase of imports into the EU, and a loss of EU market share in world markets.

(b) Demonstration of the number of redundancies :

6. Portugal submitted this application under the intervention criteria 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 is based on 1,588 redundancies in 49 companies in a NACE 2 sector (no. 13, manufacture of textiles) in two contiguous NUTS II regions (PT11 and PT16). The dates on which these workers became redundant lie between 16 February 2008 and 15 November 2008. Of the 49 companies included in the application, 39 are located in the Norte region (1413 redundancies) and 10 in the Centro region (175 redundancies).
8. It is the opinion of the Commission services that the total of 1,588 redundancies in 49 companies classified in the same NACE 2 sector (no. 13, manufacture of textiles) in two contiguous NUTS II regions (PT11 and PT16) during the nine-month reference period is sufficient to comply with the criteria of Article 2(b) of Regulation (EC) No 1927/2006.

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

9. The liberalisation of world trade in the textiles sector from 1 January 2005 led to a process of disinvestment in the European textiles sector, with significant job losses, particularly in the Norte region of Portugal, in 2005 and 2006. The expectation was that the labour market would stabilise in 2007 and 2008 as a result of the adjustment of companies and of the efforts made towards the modernisation of the national

textile industry, which were reflected in terms of technological innovation and product quality.

10. However, in reality, there were continued pressures arising from the growing international competition in the textile sector, as well as a deterioration in the European economic context. These factors, together with the fall in consumer confidence, have had negative and unforeseen consequences at the corporate level, often resulting in the closure of companies, especially subcontractors, and the consequent redundancies.

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

11. The application concerns 1,588 redundancies in 49 companies in the North and Centre of Portugal. These companies laid off between 10 and 170 workers each.

In addition to the workers made redundant during the reference period (16 February to 15 November 2008), a further 138 workers, whose redundancies occurred in 17 of the same 49 companies between 16 November 2008 and 8 January 2009 (the cut-off date when the application was finalised for submission to the Commission), are included for the purposes of the measures. These redundancies are spread among 13 companies based in Norte (96 additional redundancies) and 4 companies based in Centro (42 additional redundancies).

Company	Region	No.	+No.
FTOF - FIAÇÃO DE TECIDOS OLIVEIRA, FERREIRA, SA	N	170	
FIDAR - FIAÇÃO DE GONDAR, LDA *	N	133	11
JMA - FELPOS, SA	N	107	
JOAQUIM DA SILVA MARQUES & FILHOS, LDA	N	91	
TEXTIL ALBERTO DE SOUSA, SA *	N	85	
ARCOTEXTEIS, S.A.	N	68	10
ATF - ACABAMENTOS TEXTEIS A FEITIO, SA *	N	62	
MARIGAM - ESTAMPARIA E CONFECÇÕES, LDA *	N	51	
A NOVA ALVORADA – INDUSTRIA E COMERCIO DE TEXTEIS E VESTUARIO, LDA *	N	41	9
BORGAPÉLIO II - TINTURARIA E ACABAMENTOS, LDA *	N	34	
MENESES & SILVA – IND. CONFECÇÕES P/ O LAR, LDA	N	34	
SEPORTINTO – ACABAMENTOS TEXTEIS, SA *	N	34	
AUGUSTO PINTO LISBOA & FILHOS, LDA *	N	33	
FABRICA DE TECIDOS DE ERMESINDE, SA *	N	31	
FÁBRICA TÊXTIL RIOPELE, SA	N	28	
MARQUES RAMOS E TELLES, SA	N	26	
BORDAGUI - INDUSTRIA DE BORDADOS, LDA *	N	24	
SOMELOS – TECIDOS, SA	N	24	15
COATS & CLARK - COMPANHIA DE LINHA, SA	N	23	
COMPANHIA DE FIAÇÃO E TECIDOS DO FERRO, LDA *	N	23	
LAMEIRINHO - INDUSTRIA TEXTIL, SA	N	23	4
BMA - EMPRESA DE BORDADOS, LDA *	N	22	
FI TOR - COMPANHIA PORTUGUESA DE TEXTEIS, SA	N	21	19
FABRICA COLCHAS S DOMINGOS DIAS & FERREIRA, LDA	N	19	4
SOMELOS MIX FIOS TEXTEIS, SA	N	19	12
BORDEST - BORDADOS E ESTAMPADOS, LDA	N	17	
TMG – TÊXTIL MANUEL GONÇALVES, SA	N	17	2

TÊXTEL F. TORRES, SA	N	16	
CHENILLATEX - FIOS, SA *	N	15	
JOCAMO - COMERCIO DE TEXTEIS, SA	N	15	
A RÉGUA E ESQUADRO, LDA	N	14	
RODRIGUES CAMBÃO & PEDRO, LDA	N	14	
COELIMA – INDUSTRIAS TEXTEIS, SA	N	12	
MACHADO, CARNEIRO & LOBOS, LDA	N	12	3
SOREMA – TAPETES E CORTINAS DE BANHO, SA	N	12	4
BODARTE – EMP.IND E TECNICA DE BORDADES, LDA	N	11	
EURONETE – PRODUTOR DE REDES DE PESCA, SA	N	11	1
FITLENE – TEXTEIS ARTIFICIAIS, SA	N	11	
TEXTIL ISUZUKI, LDA	N	10	2
<b>Norte</b>		<b>1413</b>	<b>96</b>
LUSOTUFO - INDUSTRIAS TEXTEIS IRMÃOS ROLAS, SA	C	31	10
JOPILÁ FIAÇÃO, SA *	C	25	
DE POORTERE & CUF ASSOCIADOS CARPETES, LDA*	C	19	
EFILÁ - EMPRESA FIANDEIRA DE LÃS MANUEL LUIS, SA	C	19	
LUSOLÁ - FABRICAÇÃO DE FIOS TÊXTEIS, SA	C	19	
SICOR – SOCIEDADE INDUSTRIAL DE CORDOARIA, SA	C	15	
TESSIMAX – LANIFICIO, SA	C	14	7
A PENTEADORA – SOC. IND.PENTEAÇÃO E FIAÇÃO, SA	C	11	1
BORGSTENA TEXTILE PORTUGAL, LDA	C	11	24
FITECOM – COMERC. E INDUSTRIALIZAÇÃO TEXTIL, SA	C	11	
<b>Centro</b>		<b>175</b>	<b>42</b>
<b>TOTAL</b>		<b>1588</b>	<b>138</b>

Thus, a total of 1,726 workers are potentially eligible to participate in the measures. After subtracting the workers who are known to have already found new jobs or who are unwilling / unable to participate in the measures, Portugal will include 1,504 workers in its EGF-supported measures. The breakdown is as follows :

Of the 1,504 workers, 60 % are male and 40 % are female. The largest proportion, i.e. 72 %, belong to the 25 to 54 years age group, 23 % are over 55 years old and 5 % are under 25 years of age. In terms of professional categories <sup>3</sup>, 52 % fall within the group "plant and machine operators and assemblers", 19 % within the group "craft and related trades workers", 12 % within the group "clerks", 9 % within the group "elementary occupations", 7 % within the group "technicians and associated professionals", 1 % within the group "professionals", and 1 % within the group "legislators, senior officials and managers". 9 workers with long-standing health problems or disabilities are included in these figures.

Reflecting the age structure of the workers (and the legislation on compulsory education in force while they were children) as well as their socio-economic status, 79.1 % have less than 9 years of schooling (for those born before 1967, compulsory schooling was only 4 years), 12.4 % have 9 years of schooling (the current compulsory duration of schooling), 1.5 % have 11 years of schooling; only 5.3 %

<sup>3</sup>

Categories based on the International Standard Classification of Occupations, 1 digit, (ISCO-88)

completed secondary school (12 years), while 1.7 % benefited from higher education.

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

12. The Norte region is the most densely populated of the country, as well as being the region with the lowest per capita income and the highest rate of unemployment. The education and qualification levels of the population are low. The region depends heavily upon industry, and finds its greatest strength in traditional industries such as textiles, clothing, footwear and cork, where it has been successful in export markets. Agriculture is strong in milk and wine (particularly Port Wine) and forestry is a sector with potential for the future.

The Centro region is more thinly populated, with an ageing population, low education and low qualification levels, and an industrial base that depends upon cheap labour. The textiles industry is locally concentrated within the region and is strongly export driven. Micro enterprises are dominant. Unemployment is low, mainly because of migration by the active population to urban areas or abroad.

In these two regions, the main authority is the Instituto do Emprego e Formação Profissional (IEFP, I.P.), with nine job centres catering to the great majority of the affected workers. The social partners, the town councils and municipal associations are also active as stakeholders, as are several universities and training centres.

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

13. The application describes the impact of the redundancies on the regional labour market. At the local level it finds that, in November 2008, those municipalities most affected by unemployment in the textiles sector (e.g. Guimaraes with 9.0 % and Santo Tirso with 11.7 %) post much higher rates of unemployment than the average for mainland Portugal (5.8 %) or even for the Norte region as a whole (7.0 %). It adds that those areas particularly dependent upon textile production have few other job opportunities that are easily available for those made redundant. Taking unemployment in the Portuguese textiles sector, it notes that 97.8 % of the total figure comes from the Norte and Centro regions combined.

New registrations of persons unemployed in the textiles sector rose in the two regions, with particularly large increases in July and September 2008 (i.e. during the reference period), of 67.7 % and 49.1 % respectively over the same months of the previous year.

14. In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional 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 Portuguese authorities have estimated on the basis of past experience that, of the 1,504 workers eligible to participate in the EGF measures, about 30 % may either find another job without needing the support of the EGF measures, or withdraw from

the labour market. The EGF package of measures is therefore designed for an average of 1,000 workers spread over the implementation period.

16. The characteristics of the workers concerned (see 11. above) have caused the Portuguese authorities to devote greater attention to measures informing and motivating the affected persons, who come with low levels of schooling and very little understanding and motivation as regards proactive career management.

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 measures are built upon Personal Employment Plans (PEP), which have been designed with the workers prior to the EGF application being submitted, and which do not form part of the EGF package. The PEP covers counselling, group discussions, and a plan including motivation to work, personal development and strategies for approaching the labour market. Each worker will embark upon one of the schemes outlined below.

- Skills recognition, validation and certification : This has been set up for 300 people with less than nine years of formal schooling. With the help of recognised New Opportunities Centres (NOC), the workers will identify the knowledge and skills acquired throughout their lives in formal and informal contexts. Together with the trainers, they will map out a customised pathway of varying length, which will lead to the validation of school certification at a basic or secondary level.
- Vocational training : The workers will receive the training most appropriate to their educational and skill levels, helping them to adapt to change and to new conditions, to learn the new technologies of information and communication, as well as possibly creating their own employment or businesses. Given the time limitations of the EGF intervention, some of this training will be given on a modular basis. Portugal plans to involve some 250 workers in such training. The training courses will be implemented by various recognised training centres, including employer associations in the case of entrepreneurial training.
- Training grant : This will enable workers to participate in suitable training courses, agreed with them as part of their personal employment plan, and which are offered by approved training institutions. It is expected that some 30 workers will take up this offer.
- Assistance with insertion : This is a measure aimed at those workers who have the greatest difficulties in gaining a foothold in the labour market. It is an intensive support programme, helping the workers to obtain information and be provided with guidance, so that they become self-confident in approaching the labour market; it will also offer mediation and support during the process of insertion and post-insertion in the labour market. This measure will be carried out by suitable NGOs identified by Instituto do Emprego e Formação Profissional, I.P., and will be located near to the beneficiaries. This assistance is expected to be provided for some 220 workers.
- Entrepreneurship support : For those workers wishing to create their own businesses, specific training courses will be organised. Upon completion of the



training, the workers will be helped with the establishment of business plans and the search for financing solutions. It is estimated that 50 workers will take up this measure.

- Integration plan : The integration plan will provide some 150 workers with work experience of at least 30 hours per week during a period of up to six months. The objective is to make sure that these workers do not lose contact with other workers, do not suffer from isolation and demotivation, and gain the opportunity to acquire new knowledge and skills and thus to improve their employability following the integration period. The workers will be placed with non profit-making employer entities for a limited period; this will entitle them to meals and transport allowances, insurance and an allowance in lieu of wages. Payment is made on a monthly basis on condition that the beneficiary has participated as planned.
17. The administrative expenditure, which is included in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory activities, management, information and publicity and control activities. The preparatory activities include translation of documents, adaptation of information systems, and travel expenses. The information and publicity activities include the editing of an information brochure. The management activities include staff and travel. The control activities include both internal control and audit.
18. The personalised services that are part of the co-ordinated package presented by the Portuguese authorities are active labour market measures falling within the eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006. The Portuguese authorities estimate the total costs of these services at EUR 1,601,600 and the administrative expenditure at EUR 64,000 (= 3.8 % of the total amount). The total contribution requested from the EGF is EUR 832,800 (50 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national cofinancing) (in EUR)
Personalised services (Article 3(1))			
Skills recognition, validation and certification	300	640	192,000
Vocational training	250	1,900	475,000
Training grants	30	3,600	108,000
Assistance to insertion	220	1,280	281,600
Entrepreneurship support	50	2,200	110,000
Integration plans	150	2,900	435,000
<b>Subtotal personalised services</b>			<b>1,601,600</b>
Technical assistance for implementing EGF (Article 3(3))			
Preparatory			7,750
Management			50,000
Information and publicity			2,250
Control activities			4,000
Total administrative expenditure			<b>64,000</b>
<b>Total estimated costs</b>			<b>1,665,600</b>
<b>EGF contribution (50 % of total costs)</b>			<b>832,800</b>

19. As regards the complementarity with actions funded by the Structural Funds, Portugal submits that this can be optimised by virtue of the fact that the managing authority is the same for both the EGF and the European Social Fund (hereinafter "ESF"). Double funding is prevented by means of specific processing of EGF beneficiaries, which has been found to be satisfactory during the audit of the first Portuguese EGF implementation, carried out by the Commission in 2008.

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

20. Portugal started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 1 July 2008. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

(i) Procedures for consulting the social partners:

21. Negotiations between the Portuguese government and the social partners on the Concertation Agreement for 2008, established the "creation of working groups with relevant representatives from business spheres and of the workers, as well as of the Instituto do Emprego e Formação Profissional, I.P, according to the respective activity sectors and aimed at promoting the presentation of new applications to the European Globalisation Adjustment Fund, in particular in the textile and clothing sector". Meetings with the textile sector social partners were accordingly held in July, September and October 2008 and in January 2009, in order to prepare the application in a consensual manner; further meetings are planned for the remainder of the implementation phase. The social partners have also shown their interest in being actively involved in the implementation and monitoring of the measures.

It is to be noted that Instituto do Emprego e Formação Profissional, I.P. is itself a tripartite body.

22. The Portuguese 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

23. 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 Portuguese 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. Under the terms of the national legislation, a company has no legal obligation with respect to facilitating the return of the worker to the labour market or to helping with training / reconversion. The company is merely obliged to pay the worker a financial compensation resulting from his / her redundancy and to provide the labour office with the relevant documentation for the worker.
- The Portuguese authorities have given assurances that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.
- The Portuguese authorities confirmed that the eligible actions referred to under points 14 and 16 above do not receive assistance from other Community financial instruments.

24. Management and control systems

Portugal has notified the Commission that the financial contribution will be managed and controlled by Instituto do Emprego e Formação Profissional, I.P., the public employment service. The overall technical and administrative management is carried out by the Employment Department, through an *EGF Co-ordination Commission*, which includes representatives of the Vocational Training Department, Financial and Management Control Department and the Regional Delegations of the Norte and Centro regions. The overall financial management has been taken on by the Financial and Management Control Department. The approval and payment of aids is the responsibility of the Regional Delegations of the Norte and Centro regions. The Job Centres and the Partner Entities of the most affected municipalities will be carrying out most of the active measures. Portugal has confirmed that the principle of separation of functions among and inside the relevant entities will be respected.

The Instituto de Gestão do Fundo Social Europeu (IGFSE, I.P.), the European Social Fund Management Institute, will be responsible for auditing and control as regards this EGF application.

### Conclusion

25. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/001 PT/Norte-Centro submitted by Portugal relating to the redundancies in 49 companies manufacturing in NACE 13 sector (textiles) in the two contiguous regions of Norte and Centro in Portugal (NUTS II regions PT11 and PT16), as evidence has been provided that these redundancies result from major structural changes in world trade patterns which have led to 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 Portugal's application.

## **FINANCING**

The total annual budget available for the EGF is EUR 500 million. So far, two applications have been proposed for funding in 2009, for an aggregate 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 proposed for commitment, an amount of EUR 496,615,700 remains available.

It is proposed to deploy EUR 832,800 from the EGF.

### **THE COMMISSION IS THEREFORE INVITED TO:**

- conclude that the conditions for a financial contribution from the EGF to application EGF/2009/001 PT/Norte-Centro submitted by Portugal are met;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 832,800, as specified in point 18, 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 04.0217 (European Social Fund (ESF) – convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).