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DRAFT REPORT

on the proposal for a decision of the European Parliament and of the Council
on the mobilisation of the European Globalisation Adjustment Fund
(application from Portugal – EGF/2018/002 PT/Norte – Centro – Lisboa
wearing apparel)
(COM(2018)0621 – C8-0399/2018 – 2018/2223(BUD))

Committee on Budgets

Rapporteur: José Manuel Fernandes

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the proposal for a decision of the European Parliament and of the Council on the mobilisation of the European Globalisation Adjustment Fund (application from Portugal – EGF/2018/002 PT/Norte – Centro – Lisboa wearing apparel) (COM(2018)0621 – C8-0399/2018 – 2018/2223(BUD))

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2018)0621 – C8-0399/2018),
 - having regard to Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006¹ (EGF Regulation),
 - having regard to Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020², and in particular Article 12 thereof,
 - having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management³ (IIA of 2 December 2013), and in particular point 13 thereof,
 - having regard to the trilogue procedure provided for in point 13 of the IIA of 2 December 2013,
 - having regard to the letter of the Committee on Employment and Social Affairs,
 - having regard to the letter of the Committee on Regional Development,
 - having regard to the report of the Committee on Budgets (A8-0000/2018),
- A. whereas the Union has set up legislative and budgetary instruments to provide additional support to workers who are suffering from the consequences of major structural changes in world trade patterns or of the global financial and economic crisis, and to assist their reintegration into the labour market;
- B. whereas the Union's financial assistance to workers made redundant should be dynamic and made available as quickly and efficiently as possible;
- C. whereas Portugal submitted application EGF/2018/002 PT/Norte – Centro – Lisboa wearing apparel for a financial contribution from the EGF following 1 161 redundancies in the economic sector classified under the NACE Revision 2 Division 14 (Manufacture of wearing apparel) in the NUTS level 2 regions of Norte (PT11), Centro (PT16) and

¹ OJ L 347, 20.12.2013, p. 855.

² OJ L 347, 20.12.2013, p. 884.

³ OJ C 373, 20.12.2013, p. 1.

Lisboa (PT17) in Portugal;

- D. whereas the application is based on the intervention criteria of point (b) of Article 4(1) of the EGF Regulation, which requires at least 500 workers being made redundant over a reference period of nine months in enterprises operating in the same economic sector defined at NACE Revision 2 division level and located in one region or two contiguous regions, or in more than two contiguous regions defined at NUTS 2 level provided that there are more than 500 workers affected in two of the regions combined in a Member State;
1. Agrees with the Commission that the conditions set out in point (b) of Article 4(1) of the EGF Regulation are met and that Portugal is entitled to a financial contribution of EUR 4 655 883 under that Regulation, which represents 60 % of the total cost of EUR 7 759 806;
 2. Notes that the Portuguese authorities submitted the application on 24 April 2018, and that, following the provision of additional information by Portugal, the Commission finalised its assessment on 10 September 2018 and notified it to Parliament on the same day;
 3. Notes that Portugal argues that the redundancies are linked to major structural changes in world trade patterns due to globalisation, more particularly to the liberalisation of trade in textiles and clothing following the expiry of the World Trade Organisation Multifibre Agreement at the end of 2004 which has led to radical changes in the structure of world trade;
 4. Recalls that the redundancies that occurred in two enterprises operating in the Portuguese wearing apparel sector are expected to have a significant adverse effect on the local economy, and that the impact of the layoffs is linked to the difficulties of redeployment due to the scarcity of jobs, to the low educational background of the dismissed workers, and to the high number of job seekers;
 5. Recommends the application of Structural and Investment Funds, and in particular the European Social Fund, to improve the qualifications of Portuguese workers in order to reduce unemployment, and especially youth unemployment and long-term unemployment;
 6. Notes that the application relates to 1 161 workers made redundant, of whom 730 will be targeted by the proposed measures; points to the fact that the majority of the redundant workers are women (88,63 %); further notes that 20,55 % of the redundant workers are over 55 years of age; acknowledges, in view of this, the importance of active labour market measures co-funded by the EGF for improving the chances of reintegration in the labour market of these vulnerable groups;
 7. Welcomes the fact that personalised services co-financed by the EGF will also be provided to up to 730 young people under the age of 30 not in employment, education or training (NEETs);
 8. Notes that Portugal is planning three types of actions for the redundant workers covered by this application: (i) training and re-training, (ii) promotion of entrepreneurship, (iii)

allowances;

9. Acknowledges that the coordinated package of personalised services has been drawn up in consultation with a working group, which included the Public Employment Service, the representatives of the trade unions, the Institute of Social Security and the Authority for Work Conditions;
10. Stresses that the Portuguese authorities have confirmed that the eligible actions do not receive assistance from other Union funds or financial instruments;
11. Reiterates that assistance from the EGF must not replace actions which are the responsibility of companies, by virtue of national law or collective agreements, or measures for restructuring companies or sectors;
12. Calls on the Commission to urge national authorities to provide more details, in future proposals, on the sectors which have growth prospects and are therefore likely to hire people, as well as to gather substantiated data on the impact of the EGF funding, including on the quality of jobs and the reintegration rate achieved through the EGF;
13. Recalls its appeal to the Commission to ensure public access to all the documents related to EGF cases;
14. Approves the decision annexed to this resolution;
15. Instructs its President to sign the decision with the President of the Council and arrange for its publication in the *Official Journal of the European Union*;
16. Instructs its President to forward this resolution, including its Annex, to the Council and the Commission.

ANNEX: DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Globalisation Adjustment Fund following an application from Portugal – EGF/2018/002 PT/Norte – Centro – Lisboa wearing apparel)

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 Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006¹, and in particular Article 15(4) thereof,

Having regard to the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management², and in particular point 13 thereof,

Having regard to the proposal from the European Commission,

Whereas:

(1) The European Globalisation Adjustment Fund (EGF) aims to provide support for workers made redundant and self-employed persons whose activity has ceased as a result of major structural changes in world trade patterns due to globalisation, as a result of a continuation of the global financial and economic crisis, or as a result of a new global financial and economic crisis, and to assist them with their reintegration into the labour market.

(2) The EGF is not to exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013³.

(3) On 24 April 2018, Portugal submitted an application to mobilise the EGF, in respect of redundancies in the economic sector classified under the Statistical classification of economic activities in the European Community ('NACE') Revision 2 Division 14 (manufacture of wearing apparel) in the Nomenclature of Territorial Units for Statistics ('NUTS')⁴ level 2 regions of Norte (PT11), Centro (PT16) and Lisboa (PT17), in Portugal. That application complies with the requirements for determining a financial contribution from the EGF as laid down in Article 13 of Regulation (EU) No 1309/2013.

¹ OJ L 347, 20.12.2013, p. 855.

² OJ C 373, 20.12.2013, p. 1.

³ Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 (OJ L 347, 20.12.2013, p. 884).

⁴ Commission Regulation (EU) No 1046/2012 of 8 November 2012 implementing Regulation (EC) No 1059/2003 of the European Parliament and of the Council on the establishment of a common classification of territorial units for statistics (NUTS) as regards the transmission of the time series for the new regional breakdown (OJ L 310, 9.11.2012, p. 34).

(4) In accordance with Article 6(2) of Regulation (EU) No 1309/2013, Portugal has decided to provide personalised services co-financed by the EGF also to 730 young people not in employment, education or training (NEETs).

(5) The EGF should, therefore, be mobilised in order to provide a financial contribution of EUR 4 655 883 in respect of the application submitted by Portugal.

(6) In order to minimise the time taken to mobilise the EGF, this decision should apply from the date of its adoption,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the Union for the financial year 2018, the European Globalisation Adjustment Fund shall be mobilised to provide the amount of EUR 4 655 883 in commitment and payment appropriations.

Article 2

This Decision shall enter into force on the day of its publication in the Official Journal of the European Union. It shall apply from [*the date of its adoption*].

Done at ...,

For the European Parliament
The President

For the Council
The President

EXPLANATORY STATEMENT

I. Background

The European Globalisation Adjustment Fund has been created in order to provide additional assistance to workers suffering from the consequences of major structural changes in world trade patterns.

According to the provisions of Article 12 of Regulation (EU, Euratom) No 1311/2013 laying down the multiannual financial framework for the years 2014-2020¹ and of Article 15 of Regulation (EU) No 1309/2013², the Fund may not exceed a maximum annual amount of EUR 150 million (2011 prices). The appropriate amounts are entered into the general budget of the Union as a provision.

As concerns the procedure, according to point 13 of the Interinstitutional Agreement of 2 December 2013 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management³, in order to activate the Fund the Commission, in case of a positive assessment of an application, presents to the budgetary authority a proposal for mobilisation of the Fund and, at the same time, a corresponding request for transfer. In the event of disagreement, a trilogue shall be initiated.

II. Portugal's application and the Commission's proposal

On 10 September 2018, the Commission adopted a proposal for a decision on the mobilisation of the EGF in favour of Portugal to support the reintegration in the labour market of workers made redundant by two enterprises operating in the economic sector classified under the NACE Revision 2 Division 14 (Manufacture of wearing apparel) in the NUTS level 2 regions of Norte (PT11), Centro (PT16) and Lisboa (PT17) in Portugal. The proposal was transmitted to the European Parliament on 10 September 2018.

This is the eighth application to be examined under the 2018 budget and the sixth in the economic sector classified under the NACE Revision 2 Division 14 (Manufacture of wearing apparel) since the establishment of the EGF. It concerns 1 161 workers made redundant and refers to the mobilisation of a total amount of EUR 4 655 883 from the EGF for Portugal.

The application was sent to the Commission on 24 April 2018 and supplemented by additional information by 19 June 2018. The Commission finalised its assessment on 10 September 2018 and has concluded, in accordance with all applicable provisions of the EGF Regulation, that the application meets the conditions for a financial contribution from the EGF, as referred to in Article 4(1) of the EGF Regulation.

¹ OJ L 347, 20.12.2013, p. 884.

² OJ L 347, 20.12.2013, p. 855.

³ OJ C 373, 20.12.2013, p. 1.

Portugal argues that the redundancies are linked to major structural changes in world trade patterns due to globalisation, notably the serious economic disruption undergone by the wearing apparel sector, including the decline of the EU's market share, following the end of the World Trade Organisation Multifibre Agreement in 2004. The increase of imports into the EU put a downward pressure on prices, which had a negative effect on the financial position of enterprises in the textiles sector in the EU and triggered a general trend in the textiles and clothing industry to off-shore production to lower cost countries outside the EU.

This has led to a constant decrease in the number of workers in the wearing apparel sector (from 130 000 in 2005 to 90 000 in 2016) in the regions of Norte, Centro and Lisboa of Portugal. In 2017, unemployment in Norte and Lisboa (9.5 %) was higher than the 8.9 % national average. The massive dismissal of workers is expected to aggravate this situation.

The majority of the workers made redundant are women (88,63 %) with low education levels. 20,55 % of the redundant workers are over 55 years old. Up to 730 are young people not in employment, education or training (NEETs) under the age of 30. Active labour market measures co-funded by the EGF are all the more important for improving the chances of reintegration in the labour market of these vulnerable groups.

The three types of actions to be provided to redundant workers and NEETs for which EGF co-funding is requested consist of:

- Training and re-training. This includes traineeship, vocational and continuing training and integration plans addressed to workers and NEETs. The activities were designed to match the offer with the labour market demand and to help the participants to develop their skills.
- Promotion of entrepreneurship. This measure will provide the participants with a grant to promote self-employment together with entrepreneur training and the possibility to join the Startup Incubation supported by the Portuguese Public Employment Service (IEFP).
- Allowances. These include: 1) training allowances to cover costs incurred by the job-seeker or the NEET during a training; 2) mobility allowances to compensate for travel from residence to and from respective training activities' location; 3) meal allowances to help covering expenses by the participants when forced to eat out.

According to the Commission, the described measures constitute active labour market measures within the eligible actions set out in Article 7 of the EGF Regulation and do not substitute passive social protection measures.

The Portuguese authorities have provided all necessary assurances regarding the following:

- the principles of equality of treatment and non-discrimination will be respected in the access to the proposed actions and their implementation,

- the requirements laid down in national and EU legislation concerning collective redundancies have been complied with,
- the proposed actions will not receive financial support from other Union funds or financial instruments and any double financing will be prevented,
- the proposed actions will be complementary with actions funded by the Structural Funds,
- the financial contribution from the EGF will comply with the procedural and material Union rules on State aid.

Portugal has notified the Commission that the source of national pre-financing or co-funding is the Portuguese Public Employment Service (IEFP). The financial contribution will be managed and controlled by the same bodies which are responsible for the European Social Fund (ESF).

Portuguese authorities should use the European Structural and Investment Funds, and in particular the European Social Fund, to improve the qualifications of Portuguese workers in order to reduce unemployment, and especially youth unemployment and long-term unemployment.

III. Procedure

In order to mobilise the Fund, the Commission has submitted to the Budgetary Authority a request to transfer a global amount of EUR 4 655 883 from the EGF reserve (40 02 43) to the EGF budget line (04 04 01).

This is the eighth transfer proposal for the mobilisation of the Fund transmitted to the Budgetary Authority to date during 2018.

The trilogue procedure shall be initiated in the event of disagreement, as provided for in Article 15(4) of the EGF Regulation.

According to an internal agreement, the Employment and Social Affairs Committee should be associated to the process, in order to provide constructive support and contribute to the assessment of the applications from the Fund.