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REPORT

on the draft Commission regulation on the application of Articles 87 and 88 of the EC Treaty to state aid for employment
(C5-0259/2002 – 2002/2126(COS))

Committee on Economic and Monetary Affairs

Rapporteur: Luis Berenguer Fuster

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PROCEDURAL PAGE

The draft Commission regulation on the application of Articles 87 and 88 of the EC Treaty to state aid for employment was published in OJ C 88 of 12 April 2002 (2002/2126(COS))

At the sitting of 10 June 2002 the President of Parliament announced that he had referred this draft regulation to the Committee on Economic and Monetary Affairs as the committee responsible and the Committee on Employment and Social Affairs for its opinion (C5-0259/2002).

At the sitting of 13 June 2002 the President of Parliament announced that the Committee on Employment and Social Affairs, which had been asked for its opinion, would be involved in drawing up the report, under the Hughes Procedure.

The Committee on Economic and Monetary Affairs had appointed Luis Berenguer Fuster rapporteur at its meeting of 5 November 2001.

It considered the Commission communication and the draft report at its meetings of 21 November 2001, 23 January 2002 and 19 June 2002.

At the last meeting it adopted the motion for a resolution by 19 votes, with 3 abstentions.

The following were present for the vote: Christa Randzio-Plath, chairwoman; José Manuel García-Margallo y Marfil, Philippe A.R. Herzog and John Purvis vice-chairmen; Luis Berenguer Fuster, rapporteur (for Fernando Pérez Royo), Generoso Andria, Hans Udo Bullmann, Ieke van den Burg (for Pervenche Berès), Bert Doorn (for Ioannis Marinos), Robert Goebbels, Lisbeth Grönfeldt Bergman, Mary Honeyball, Othmar Karas, Piia-Noora Kauppi, Astrid Lulling, Helmuth Markov (for Armonia Bordes), Hans-Peter Mayer, Ioannis Patakis, Alexander Radwan, Karin Riis-Jørgensen, Olle Schmidt and Helena Torres Marques.

The Committee on Committee on Employment and Social Affairs decided on 15 May 2002 not to deliver an opinion.

The report was tabled on 21 June 2002.

The deadline for tabling amendments will be indicated in the draft agenda for the relevant part-session.

MOTION FOR A RESOLUTION

European Parliament resolution on the draft Commission regulation on the application of Articles 87 and 88 of the EC Treaty to state aid for employment (C5-0259/2002 – 2002/2126(COS))

The European Parliament,

- having regard to the draft Commission regulation on the application of Articles 87 and 88 of the EC Treaty to state aid for employment (C5-0259/2002¹),
 - having regard to Articles 87, 88 and 89 of the EC Treaty,
 - having regard to Council Regulation (EC) No 994/98 of 7 May 1998 on the application of Articles 92 and 93 of the EC Treaty to certain categories of horizontal aid²,
 - having regard to the Commission communication of 23 December 2000³ concerning the guidelines on state aid for employment, the Commission communication on monitoring of state aid and reduction of labour costs⁴ and the communication on the accelerated procedure for processing notifications of employment aid⁵,
 - having regard to Commission Regulation (EC) No 69/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to *de minimis* aid⁶,
 - having regard to Commission Regulation (EC) No 70/2001 of 12 January 2001 on the application of Articles 87 and 88 of the EC Treaty to state aid to small and medium-sized enterprises⁷,
 - having regard to the report of the Committee on Economic and Monetary Affairs (A5-0249/2002),
- A. whereas promoting employment is a key objective of the economic and social policy of the European Union and its Member States and has been proclaimed as such at successive European Councils, in particular the European Council in Lisbon,
- B. whereas employment figures are still high in certain regions of the Union and where certain groups of workers are particularly badly affected compared to the rest of the working population,

¹ OJ C 88, 12.4.2002, p. 15.

² OJ L 142, 14.5.1998, p. 1.

³ OJ C 371, 23.12.2000, p. 12.

⁴ OJ C 1, 3.1.1997, p.10.

⁵ OJ C 218, 27.7.1996, p.4.

⁶ OJ L 10, 13.1.2001, p. 30.

⁷ OJ L 10, 13.1.2001, p. 33.

- C. whereas the key to improving employment in the European Union is encouraging labour market flexibility through structural reform;
- D. whereas continued support is needed for the economic development of the less-favoured regions of the European Union, with encouragement in particular for the activities of SME,
- E. whereas greater transparency is needed in the public aid system and aid should be directed to general interest horizontal objectives, including those relating to economic and social cohesion,
- F. whereas all aid systems should be subject to appropriate monitoring by the competent Community and national authorities,
- G. whereas until now there has been no specific legislative framework for state aid to employment,
1. Welcomes the efforts made by the Commission to promote greater transparency and legal certainty as regards the various state aid systems, in particular through the classification and regulation of the guidelines to be followed in areas such as aid to SME, *de minimis* aid and, in the present case, aid to promote employment;
 2. Welcomes the proposal for a regulation on the application of Articles 87 and 88 of the EC Treaty to state aid for employment, which substantially improves administrative transparency and also makes it easier to monitor the criteria laid down by the various authorities in the Member States;
 3. Stresses the importance of the proposal in legal terms in that it attempts systematically to bring together the various criteria and guidelines previously split between different communications, thereby establishing a coherent system for authorising aid and encouraging the principal of legal certainty;
 4. Stresses also that a regulated system of this kind will allow regional authorities greater flexibility in developing their local employment promotion plans, which will also have an impact on the beneficiary enterprises;
 5. Welcomes the introduction of an aid register, which will facilitate retrospective monitoring, ensuring that the establishment of a system of exemption by category does not entail any loss of rigour in monitoring state aid;
 6. Considers that exempting large undertakings and specific sectors from the application of the rule is in line with the criteria laid down at the Stockholm European Council on reducing public aid and redirecting it towards horizontal objectives;
 7. Believes that this initiative can make a positive contribution to promoting employment in the European Union, particularly among disadvantaged groups of workers, in line with the European employment strategy,

8. Stresses that an increase in employment in the European Union will primarily result from increased labour market flexibility, and that state aid for employment should be considered a last resort;
9. Instructs its President to forward this resolution to the Council and Commission and to the Parliaments of the Member States.

EXPLANATORY STATEMENT

Previously, the Commission's policy on employment aid was reflected in the various sets of guidelines it had published, in particular the guidelines on state aid for employment, the communication on monitoring regional aid and also Commission Regulation (EC) 70/2001 on the application of Articles 87 and 88 to small and medium-sized enterprises.

In analysing the experience gained in applying these provisions, and with a view to making an effective contribution to boosting employment in the European Union, the Commission believes that the time has come to draw up binding criteria on employment aid and publish them in a single legal text, while at the same time facilitating prior notification obligations and providing exemption for any aid which complies with all the requirements laid down in the proposal for a regulation under consideration. Accordingly, all the existing guidelines on state aid for employment will cease to apply once the regulation enters into force, thereby making it possible to systematically set out existing criteria previously spread between various directives and communications.

The draft regulation therefore pursues a dual objective: on the one hand, to simplify and clarify the system for regulating employment aid, thus encouraging greater transparency as regards the Commission's activities and at the same time making them easier to understand and monitor and, on the other, helping to boost employment in the European Union, in line with the European employment strategy, with particular reference to disadvantaged groups of workers.

From a general standpoint, the rapporteur attaches great importance to the proposal, since it will bring about a substantial improvement in the legislative framework, as well as ensuring greater flexibility in the authorisation system, yet without any reduction in the necessary controls.

Grouping together the various criteria and guidelines previously spread among different documents will clearly help to ensure the necessary transparency in the Commission's activity, as well as the principle of legal certainty for all those concerned, including national authorities, usually at regional and local level, and economic operators. At the same time, clear criteria will be provided for cases exempt from aid notification requirements, which means that a coherent and reliable authorisation system must be established, together with greater speed and flexibility, which will clearly work to the advantage of beneficiaries and regional authorities, since it is these authorities which draw up employment promotion plans for their areas and sectors of activity, without undermining the coordination needed with national authorities and the Commission.

It should also be stressed that automatic exemption from notification will not entail any slackening in the monitoring of aid which is necessary. This will be possible through retrospective notification of the Commission of state aid for inclusion in the register, and such information will therefore be accessible to any interested party.

The rapporteur commends the Commission on this initiative, which is in line with the aim of reducing and redirecting aid towards horizontal objectives, although he believes that this approach should go hand in hand with a recognition of the various different situations prevailing at regional level as regards economic activity and the working population, to ensure that the selection criteria for disadvantaged categories of worker take account of these individual circumstances.

