



Council of the
European Union

Brussels, 11 September 2018
(OR. en)

12029/18

FIN 647
SOC 532

PROPOSAL

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	10 September 2018
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union

No. Cion doc.:	COM(2018) 621 final
Subject:	Proposal for a 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

Delegations will find attached document COM(2018) 621 final.

Encl.: COM(2018) 621 final



Brussels, 10.9.2018
COM(2018) 621 final

Proposal for a

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

EXPLANATORY MEMORANDUM

CONTEXT OF THE PROPOSAL

1. The rules applicable to financial contributions from the European Globalisation Adjustment Fund (EGF) are laid down in 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 (the ‘EGF Regulation’).
2. On 24 April 2018, Portugal submitted an application EGF/2018/002 PT/Norte – Centro - Lisboa wearing apparel for a financial contribution from the EGF, following redundancies² 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.
3. Following its assessment of this application, the Commission has concluded, in accordance with all applicable provisions of the EGF Regulation, that the conditions for awarding a financial contribution from the EGF are met.

SUMMARY OF THE APPLICATION

EGF application	EGF/2018/002 PT/Norte - Centro - Lisboa wearing apparel
Member State	Portugal
Region(s) concerned (NUTS ³ level 2)	Norte (PT11), Centro (PT16) and Lisboa (PT17)
Date of submission of the application	24 April 2018
Date of acknowledgement of receipt of the application	24 April 2018
Date of request for additional information	8 May 2018
Deadline for provision of the additional information	19 June 2018
Deadline for the completion of the assessment	11 September 2018
Intervention criterion	Article 4(1)(b) of the EGF Regulation
Number of enterprises concerned	2
Sector(s) of economic activity (NACE Revision 2 Division) ⁴	Division 14 - Manufacture of wearing apparel

¹ OJ L 347, 20.12.2013, p. 855.

² Within the meaning of Article 3 of the EGF Regulation.

³ 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 OJ L 393, 30.12.2006, p. 1.

Reference period (nine months):	1 May 2017 – 1 February 2018
Number of redundancies during the reference period (a)	1 161
Total number of eligible beneficiaries	1 161
Total number of targeted beneficiaries	730
Number of targeted young persons not in employment, education or training (NEETs)	730
Budget for personalised services (EUR)	7 742 160
Budget for implementing EGF ⁵ (EUR)	17 646
Total budget (EUR)	7 759 806
EGF contribution (60 %) (EUR)	4 655 883

ASSESSMENT OF THE APPLICATION

Procedure

4. Portugal submitted application EGF/2018/002 within 12 weeks of the date on which the intervention criteria set out in Article 4 of the EGF Regulation were met, on 24 April 2018. The Commission acknowledged receipt of the application on the same date, and requested additional information from Portugal on 8 May 2018. Such additional information was provided within six weeks of the request. The deadline of 12 weeks of the receipt of the complete application within which the Commission should finalise its assessment of the application's compliance with the conditions for providing a financial contribution expires on 11 September 2018.

Eligibility of the application

Enterprises and beneficiaries concerned

5. The application relates to 1 161 workers made redundant in the economic sector classified under the NACE Revision 2 Division 14 (Manufacture of wearing apparel). The redundancies occurred in the NUTS level 2 regions of Norte (PT11), Centro (PT16) and Lisboa (PT17).

Enterprises and number of dismissals within the reference period		
Ricon Group		709
Têxtil Gramax Internacional		452
Total no. of enterprises: 2	Total no. of dismissals:	1 161
Total no. of self-employed persons whose activity has ceased:		0
Total no. of eligible workers and self-employed persons:		1 161

⁵ In accordance with the fourth paragraph of Article 7 of Regulation (EU) No 1309/2013.

Intervention criteria

6. Portugal submitted the application under the intervention criteria of Article 4(1)(b) 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. There were 1 161 redundancies in total, distributed at NUTS level 2 regions as follows: 609 redundancies in Norte (PT11), 17 in Centro (PT16) and 535 in Lisboa (PT17).
7. The reference period of nine months for the application runs from 1 May 2017 to 1 February 2018.

Calculation of redundancies and of cessation of activity

8. All the redundancies have been calculated as from the date of the de facto termination of the contract of employment or its expiry.

Eligible beneficiaries

9. The total number of eligible beneficiaries is 1 161.

Link between the redundancies and major structural changes in world trade patterns due to globalisation

10. In order to establish the link between the redundancies and major structural changes in world trade patterns due to globalisation, Portugal argues that the wearing apparel sector has undergone serious economic disruption, in particular a decline of the EU's market share, following the end of the Multifibre Agreement⁶ in 2004.

EU28 clothing imports and exports (million euro)

	2004	2005	2006	2007	2008	2009	2010
IMPORTS	49 674,5	54 379,5	61 409,9	64 479,0	65 990,0	63 735,6	71 169,7
EXPORTS	14 929,5	15 684,1	17 095,7	18 368,8	19 159,5	16 218,6	17 346,2

	2011	2012	2013	2014	2015	2016
IMPORTS	77 866,3	75 008,4	74 830,4	82 016,8	90 256,8	91 002,5
EXPORTS	20 555,7	22 857,5	23 888,9	24 990,4	25 944,7	26 149,1

11. From 2004 to 2016, the imports into EU 28 have increased by 83,19%. Over the same period the EU 28 exports grew as well, although to a lesser extent. Clothing

⁶ The Multifiber Agreement entered in force in 1974 and expired in 2004.
<https://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/6604.pdf>
https://www.wto.org/english/tratop_e/texti_e/textintro_e.htm#MFA

exports increased by 75,15 % in 2016 compared to 2004. As a consequence, the trade balance remains in deficit.

12. China is currently the largest EU supplier with an increase of 108% of its exports into EU 28 from 2008 to 2016, followed by Bangladesh and Turkey⁷.
13. To date, the manufacture of wearing apparel sector has been the subject of six EGF applications, four of which based on trade related globalisation and two on the global financial and economic crisis⁸.

Events giving rise to the redundancies and cessation of activity

14. 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, such as China and various Asian countries⁹. In Portugal in the regions of Norte, Centro and Lisboa, this has resulted in a constant decrease in the number of workers in the wearing apparel sector (from 130 000 in 2005 to 90 000 in 2016)¹⁰.

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

15. In 2017, the unemployment rate in both regions of Norte and Lisboa (9.5%) was higher than the national average (8.9%) and the massive dismissal occurred in the economic sector of wearing apparel will aggravate this situation¹¹.
16. The unemployment rate in the wearing apparel sector in the districts where the redundancies occurred is higher than the one in the regions – Norte, Centro and Lisboa – they belong to¹².

REGION	2017
NORTE	6,88
Penafiel	7,13

⁷ From 2008 to 2016, imports from Bangladesh and Turkey have increased by 314% and 119%, respectively. <http://epp.eurostat.ec.europa.eu/newxtweb/>

⁸ Based on trade related globalisation: EGF/2018/002 PT (current proposal for decision), as well as, EGF/2007/008 MT/Textiles, COM(2008) 94, EGF/2010/003 ES/Galicia textile, COM(2010) 437 and EGF/2017/006 ES/Galicia apparel, COM(2017) 686. Based on the global financial and economic crisis: EGF/2009/018 LT/Wearing apparel, COM(2010) 56 and EGF/2010/014 SI/Mura, COM(2010) 582.

⁹ Source: Cointega, the textile fashion cluster of Galicia (www.cointega.com)

¹⁰ [http://epp.eurostat.ec.europa.eu/newxtweb/-EUROSTAT: Structural business statistics \(sbs\) Annual detailed enterprises statistics](http://epp.eurostat.ec.europa.eu/newxtweb/-EUROSTAT: Structural business statistics (sbs) Annual detailed enterprises statistics)

¹¹ https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0006186&contexto=bd&selTab=tab2

¹² IEFEP, IP - Direção de Serviços de Estudos, Planeamento e Controlo de Gestão
<https://www.iefp.pt/documents/10181/6814977/SIE+-+Desemprego+registado+por+concelhos+dezembro+2017.pdf/ab672c06-ce47-42c4-af0a-8d4c1ac62003>

https://www.ine.pt/xportal/xmain?xpid=INE&xpgid=ine_indicadores&indOcorrCod=0008273&contexto=bd&selTab=tab2

CENTRO	4,66
Coimbra	5,60
LISBOA	5,18
Lisboa (district)	7,39

Therefore the dismissals had a significant negative impact on the existent situation of the local labour markets¹³.

17. More than 20 % of the targeted workers are over 55 years old and 88% are women.
18. The expected impact of the redundancies is linked to the difficulties of redeployment for workers with low skills. The dismissed workers are mostly low-skilled (78 % do not have an upper secondary education). Data regarding the period between 2014 and 2017 show that the unemployment rate of people with a higher education level is lower than the total unemployment rate (6,5 % against 8,9 % in 2017 for example). On the other hand, the unemployment rate of people with lower or no education level is usually higher than the national unemployment rate (all education levels included).

Unemployment rate by educational level¹⁴

	No educational level	Primary	Secondary and post-secondary	Tertiary	Total
2017	11,1 %	9,5 %	9,9 %	6,5 %	8,9 %
2016	13,1 %	11,8 %	12,2 %	8,4 %	11,1 %
2015	13,2 %	13,3 %	13,9 %	9,2 %	12,4 %
2014	13,9 %	15 %	15,3 %	10 %	13,9 %

Targeted beneficiaries and proposed actions

Targeted beneficiaries

19. The estimated number of redundant workers expected to participate in the measures is 730. The breakdown of these workers by sex, citizenship and age group is as follows:

¹³

Category	Number of targeted beneficiaries
https://www.iefp.pt/documents/10181/7971477/Informa%C3%A7%C3%A3o+Mensal+janeiro+2018.pdf/bea9ab6a-899c-4e92-a63b-5f2d12b5d259	

<https://www.iefp.pt/documents/10181/6817457/Informa%C3%A7%C3%A3o+Mensal+dezembro+2017.pdf/31a5727c-fd90-47f0-8e7c-8fc087d5e18b>

<https://www.iefp.pt/documents/10181/5565497/Informa%C3%A7%C3%A3o+Mensal+dezembro+2016.pdf/663d49b3-2cbe-4869-9f7c-4856af399891>

<https://www.iefp.pt/documents/10181/3943898/Informa%C3%A7%C3%A3o+Mensal+dezembro+2015.pdf/ff648dba-07db-4853-aced-ae4a44ceed61>

¹⁴ [https://www.pordata.pt/Portugal/Taxa+de+desemprego+total+e+por+n%C3%ADvel+de+escolaridade+completo+\(percentagem\)-1009](https://www.pordata.pt/Portugal/Taxa+de+desemprego+total+e+por+n%C3%ADvel+de+escolaridade+completo+(percentagem)-1009)

20.	Sex:	Men:	83	(11,37 %)
		Women:	647	(88,63 %)
	Citizenship:	EU citizens:	730	(100,00 %)
		non-EU citizens:	0	(0,00 %)
	Age group:	15-24 years:	12	(1,64 %)
		25-29 years:	21	(2,88 %)
		30-54 years:	547	(74,93 %)
		55-64 years:	150	(20,55 %)
		over 64 years:	0	(0,00 %)

Additionally, Portugal will provide personalised services co-financed by the EGF to up to 730 young people not in employment, education or training (NEETs) under the age of 30 on the date of submission of the application, given that 1 161 of the redundancies referred to in paragraph 9 occur in the NUTS level 2 regions of Norte (PT11), Centro (PT16) and Lisboa (PT17) that had youth unemployment rates for young people aged 15 to 24 of at least 20 % based on the annual data available for 2017.

21. The total estimated number of targeted beneficiaries expected to participate in the measures, including NEETs, is therefore 1 460.

Eligibility of the proposed actions

22. The personalised services to be provided to redundant workers and NEETs consist of the following actions:
- 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.
23. The proposed actions, here described, constitute active labour market measures within the eligible actions set out in Article 7 of the EGF Regulation. These actions do not substitute passive social protection measures.
24. Portugal has provided the required information on actions that are mandatory for the enterprise concerned by virtue of national law or pursuant to collective agreements.

They have confirmed that a financial contribution from the EGF will not replace such actions.

Estimated budget

25. The estimated total costs are EUR 7 759 806, comprising expenditure for personalised services of EUR 7 742 160 and expenditure for preparatory, management, information and publicity, control and reporting activities of EUR 17 646.

26. The total financial contribution requested from the EGF is EUR 4 655 883 (60 % of total costs).

Actions	Estimated number of participants	Estimated cost per participant (EUR) *	Estimated total costs (EUR)**
Personalised services (Actions under Article 7(1)(a) and (c) of the EGF Regulation)			
Training and re-training (<i>Estágios Profissionais/Cursos de Formação Profissional/Plano de Integração</i>)	1 571***	3 147	4 943 633
Promotion of entrepreneurship (<i>Bolsa de criação de emprego por conta própria/Formação em empreendedorismo/Possibilidade de integração do Ninho de Empresas do IEFP</i>)	30	15 000	450 000
Sub-total (a):			5 393 633
Percentage of the package of personalised services		–	(69,67%)
Allowances and incentives (Actions under Article 7(1)(b) of the EGF Regulation)			
Allowances for training, mobility and meal (<i>Bolsa de formação, transporte e alimentação</i>)	861	2 728	2 348 527
Sub-total (b):			2 348 527
Percentage of the package of personalised services:		–	(30,33 %)
Actions under Article 7(4) of the EGF Regulation			
1. Preparatory activities		–	0,00
2. Management		–	15 236
3. Information and publicity		–	0,00
4. Control and reporting		–	2 410
Sub-total (c):			17 646
Percentage of the total costs :		–	(0,23 %)

Total costs (a + b + c):	–	7 759 806
EGF contribution (60 % of total costs)	–	4 655 883

* To avoid decimals, the estimated costs per participant have been rounded. However the rounding has no impact on the total cost of each measure which remains as in the application submitted by Portugal.

** Totals do not tally due to rounding.

*** The number of participants is higher than the total estimated number of targeted beneficiaries, as some participants take part in more than one training activity.

27. The costs of the actions identified in the table above as actions under Article 7(1)(b) of the EGF Regulation do not exceed 35 % of the total costs for the coordinated package of personalised services. Portugal confirmed that these actions are conditional on the active participation of the targeted beneficiaries in job-search or training activities.

28. Portugal confirmed that the costs of investments for self-employment, business start-ups and employee take-overs will not exceed EUR 15 000 per beneficiary.

Period of eligibility of expenditure

29. Portugal started providing the personalised services to the targeted beneficiaries on 1 June 2018. The expenditure on the actions will therefore be eligible for a financial contribution from the EGF from 1 June 2018 to 1 June 2020.

30. Portugal started incurring the administrative expenditure to implement the EGF on 1 June 2018. The expenditure for preparatory, management, information and publicity, control and reporting activities shall therefore be eligible for a financial contribution from the EGF from 1 June 2018 to 1 December 2020.

Complementarity with actions funded by national or Union funds

31. The source of national pre-financing or co-funding is the Portuguese Public Employment Service (IEFP).

32. Portugal has confirmed that the measures described above receiving a financial contribution from the EGF will not also receive financial contributions from other Union financial instruments.

Procedures for consulting the targeted beneficiaries or their representatives or the social partners as well as local and regional authorities

33. Portugal has indicated that the co-ordinated 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.

Management and control systems

34. The application contains a description of the management and control system which specifies the responsibilities of the bodies involved. Portugal has notified the Commission that the financial contribution will be managed and controlled by the same bodies which are responsible for the European Social Fund (ESF).

Commitments provided by the Member State concerned

35. Portugal has 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.

BUDGETARY IMPLICATION

Budgetary proposal

36. The EGF shall not exceed a maximum annual amount of EUR 150 million (2011 prices), as laid down in Article 12 of Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020¹⁵.
37. Having examined the application in respect of the conditions set out in Article 13(1) of the EGF Regulation, and having taken into account the number of targeted beneficiaries, the proposed actions and the estimated costs, the Commission proposes to mobilise the EGF for the amount of EUR 4 655 883, representing 60 % of the total costs of the proposed actions, in order to provide a financial contribution for the application.
38. The proposed decision to mobilise the EGF will be taken jointly by the European Parliament and the Council, as laid down in 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 management¹⁶.

¹⁵ OJ L 347, 20.12.2013, p. 884.

¹⁶ OJ C 373, 20.12.2013, p. 1.

Related acts

39. At the same time as it presents this proposal for a decision to mobilise the EGF, the Commission will present to the European Parliament and to the Council a proposal for a transfer to the relevant budgetary line for the amount of EUR 4 655 883.
40. At the same time as it adopts this proposal for a decision to mobilise the EGF, the Commission will adopt a decision on a financial contribution, by means of an implementing act, which will enter into force on the date at which the European Parliament and the Council adopt the proposed decision to mobilise the EGF.

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 1927/2006¹⁷, 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 management¹⁸, 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 1311/2013¹⁹.
- (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')²⁰ level 2 regions of Norte (PT11), Centro (PT16) and Lisboa

¹⁷ OJ L 347, 20.12.2013, p. 855.

¹⁸ OJ C 373, 20.12.2013, p. 1.

¹⁹ 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).

²⁰ 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).

(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.

- (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 Brussels,

*For the European Parliament
The President*

*For the Council
The President*

* *Date to be inserted by the Parliament before the publication in OJ.*