EUROPEAN
COMMISSION

Brussels, 4.9.2019
COM(2019) 397 final

2019/0180 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1309/2013 on the European Globalisation Adjustment Fund (2014-2020)

EN EN

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

The aim of this proposal is to enable the European Globalisation Adjustment Fund ('the EGF') to support workers made redundant as a result of the likely economic disruptions caused by a withdrawal of the United Kingdom of Great Britain and Northern Ireland (the ‘United Kingdom’) from the Union without a withdrawal agreement.

The United Kingdom submitted on 29 March 2017 the notification of its intention to withdraw from the Union pursuant to Article 50 of the Treaty on European Union (TEU). Following a request by the United Kingdom, the European Council (Article 50) agreed on 11 April 2019[1] to extend further[2] the period provided for in Article 50(3) TEU until 31 October 2019. Unless the United Kingdom ratifies the Withdrawal Agreement[3] by 31 October 2019 or requests a third extension, to which the European Council (Article 50) agrees by unanimity, the United Kingdom will leave the Union without an agreement and then become a third country as of 1 November 2019. In the absence of a withdrawal agreement, such withdrawal is likely to have significant negative effects on some industries and services leading to people working in those sectors made redundant.

The purpose of the EGF is to support 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 or as a result of a global financial and economic crises.

Under the globalisation criterion, the scope of the EGF covers redundancies caused by offshoring of jobs to third countries, a serious shift in Union trade in goods or services, or a rapid decline of the Union market share in a given sector. This proposal specifies that the scope of the EGF includes workers made redundant in areas, sectors, territories or labour markets suffering serious economic disruption due to the withdrawal of the United Kingdom from the Union without a withdrawal agreeement. Such a withdrawal will constitute an important change in the trade relations of the EU and the composition of the internal market, and can therefore be expected to have a significant impact on trade patterns, growth and jobs.

• Consistency with existing policy provisions in the policy area and other Union policies

This proposal is part of the Union preparedness and contingency plan to mitigate the most significant disruptions caused by a withdrawal of the United Kingdom from the Union without a withdrawal agreement.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis is the Treaty on the Functioning of the European Union (TFEU), and in particular the third paragraph of Article 175.

1 European Council Decision (EU) 2019/584, OJ L 101, 11.4.2019, p. 1.

2 Following a request by the United Kingdom, the European Council decided a first extension on 22 March 2019 (European Council Decision (EU) 2019/476, OJ L 80I, 22.3.2019, p. 1).

3 Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, OJ, C 144I, 25.4.2019, p. 1.

If specific actions prove necessary outside the Structural Funds and without prejudice to the measures decided upon within the framework of the other policies of the Union, Article 175(3) allows the European Parliament and the Council to take action in accordance with the ordinary legislative procedure and after consulting the European Economic and Social Committee and the European Committee of the Regions.

- **Subsidiarity (for non-exclusive competence)**

Funding from the Union budget concentrates on activities whose objectives cannot be sufficiently achieved by the Member States alone, and where the Union intervention can bring additional value compared to action of Member States alone. The mobilisation of the EGF to fund measures aimed at assisting redundant workers find new employment respects the principle of subsidiarity, and it creates European added value.

It is standard practice for national labour market programmes to assist redundant workers, and the EGF does not aim to replace such programmes. In case of unexpected restructuring events that have a significant impact on the labour market, the regular national programmes are put at test. Therefore, because of the scale and effects of unexpected large-scale restructuring and as the EGF is an expression of solidarity across and between Member States, assistance can be better delivered at Union level. The support from EGF will make Union solidarity in exceptional circumstances more tangible for workers affected and for Union citizens in general.

The mobilisation of the EGF creates additional value by increasing the overall number of services offered to redundant workers, as well as the variety of services offered and their level of intensity. The EGF also allows to test innovative ideas, identify best practices and incorporate them into the national support package. EGF co-financed measures also contribute in general to improving the delivery of the support to the redundant workers.

- **Proportionality**

In accordance with the principle of proportionality, the provisions of this proposal do not go beyond what is necessary to achieve its goals. The administrative burden on the Union and on the national authorities applying for EGF support has been limited to what is necessary for the Commission to exercise its responsibility for implementing the Union budget. Since the financial contribution is made to the Member State under the principle of shared management, the Member State will be required to report on how the financial contribution was used.

- **Choice of the instrument**

As this proposal is an amendment of Regulation (EU) No 1309/2013, it has to be a Regulation.

3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Ex-post evaluations/fitness checks of existing legislation**

This proposal is adopted in the context of contingency measures to mitigate the most significant disruptions caused by a withdrawal of the United Kingdom from the Union without a withdrawal agreement. The European Commission analysed the risks and concluded that this proposal is necessary in order to ensure the effective response of the EGF so as to show solidarity with workers made redundant in the Union as a consequence of a withdrawal of the United Kingdom from the Union without a withdrawal agreement.

4. BUDGETARY IMPLICATIONS

Article 12 of Council Regulation (EU, EURATOM) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020 provides that the EGF may not exceed a maximum annual amount of EUR 150 million (in 2011 prices).

The present proposal does not modify the maximum annual amount of the EGF.

5. OTHER ELEMENTS

• Detailed explanation of the specific provisions of the proposal

The proposed amendment to Article 2 specifies that a withdrawal of the United Kingdom from the Union without a withdrawal agreement falls within the scope of the EGF. The aim is to ensure that the EGF can respond effectively by providing support to workers made redundant in the Union as a result of a withdrawal of the United Kingdom without a withdrawal agreement.

2019/0180 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EU) No 1309/2013 on the European Globalisation Adjustment Fund (2014-2020)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

After consulting the European Economic and Social Committee,

After consulting the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure,

Whereas:

(1) Regulation (EC) No 1927/2006 of the European Parliament and of the Council[4] established the European Globalisation Adjustment Fund (EGF) for the multiannual financial framework from 1 January 2007 to 31 December 2013. The EGF was established to enable the Union to show solidarity towards workers who lost their jobs as a result of major structural changes in world trade patterns due to globalisation.

(2) The scope of the EGF was broadened in 2009 by Regulation (EC) No 546/2009 of the European Parliament and of the Council[5] as part of the European Economic Recovery Plan to include support to workers made redundant as a direct consequence of the global financial and economic crisis.

(3) Regulation (EU) No 1309/2013 of the European Parliament and of the Council[6] established the EGF for the period of the multiannual financial framework from 1 January 2014 to 31 December 2020. It also extended the scope of the EGF to cover not only redundancies resulting from major structural changes in world trade patterns due to globalisation and redundancies resulting from a serious economic disruption caused by a continuation of the global financial and economic crisis addressed in Regulation (EC) No 546/2009, but also redundances resulting from any new global financial and economic crisis. Furthermore, Regulation (EU, Euratom) 2018/1046 of

---

4 Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund (OJ L 406, 30.12.2006, p. 1).

5 Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund (OJ L 167, 29.6.2009, p. 26).

6 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 1927/2006 (OJ L 347, 20.12.2013, p. 855).

the European Parliament and of the Council[7] amended Regulation (EU) No 1309/2013 to introduce, inter alia, rules allowing EGF to exceptionally cover collective applications involving small and medium-sized enterprises located in one region and operating in different economic sectors defined at NACE Revision 2 division[8] level, where the applicant Member State demonstrates that small and medium-sized enterprises are the main or the only type of business in that region.

(4) On 29 March 2017, the United Kingdom submitted the notification of its intention to withdraw from the Union pursuant to Article 50 of the Treaty on European Union (TEU). The Treaties cease to apply to the United Kingdom from the date of entry into force of a withdrawal agreement or failing that, two years after that notification, unless the European Council, in agreement with the United Kingdom, unanimously decides to extend that period.

(5) On 11 April 2019, following a request by the United Kingdom, the European Council agreed[9] to extend further[10] the period provided for in Article 50(3) TEU until 31 October 2019. Unless the United Kingdom ratifies the Withdrawal Agreement[11] by 31 October 2019 or requests a third extension, to which the European Council agrees by unanimity, the United Kingdom will leave the Union without an agreement and will become a third country as of 1 November 2019. Such withdrawal without an agreement is likely to negatively affect some industries and services leading to people working in those sectors made redundant.

(6) This contingency Regulation should amend Regulation (EU) No 1309/2013 in order to specify that redundancies resulting from the withdrawal of the United Kingdom from the Union without a withdrawal agreement fall within the scope of the EGF. This ensures that the EGF can respond effectively by offering assistance to workers made redundant in areas, sectors, territories or labour markets suffering serious economic disruption due to the withdrawal of the United Kingdom from the Union without a withdrawal agreement.

(7) This Regulation should enter into force as a matter of urgency on the day following that of its publication in the *Official Journal of the European Union* and should apply from the date following that on which the Treaties cease to apply to the United Kingdom. However, it should not apply if a withdrawal agreement concluded with the United Kingdom in accordance with Article 50(2) TEU has entered into force by that date.

---

7 Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012 (OJ L 193, 30.7.2018, p. 1).

8 Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC Regulations on specific statistical domains (Text with EEA relevance) (OJ L 393, 30.12.2006, p. 1).

9 European Council Decision (EU) 2019/584, OJ L 101, 11.4.2019, p. 1.

10 Following a request by the United Kingdom, the European Council decided a first extension on 22 March 2019 (European Council Decision (EU) 2019/476, OJ L 80I, 22.3.2019, p. 1).

11 Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community, OJ, C 144I, 25.4.2019, p. 1.

HAVE ADOPTED THIS REGULATION:

Article 1

In Regulation (EU) No 1309/2013, in Article 2, point (a) is replaced by the following:

> "(a) 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, demonstrated, in particular, by a substantial increase in imports into the Union, a serious shift in Union trade in goods or services, a rapid decline of the Union market share in a given sector, a delocalisation of activities to third countries or as a result of the withdrawal of the United Kingdom from the Union without a withdrawal agreement, provided that these redundancies have a significant adverse impact on the local, regional or national economy;".

Article 2

This Regulation shall enter into force on the day following that of its publication in the *Official Journal of the European Union.*

It shall apply from the day following that on which the Treaties cease to apply to the United Kingdom pursuant to Article 50(3) of the Treaty on European Union.

However, this Regulation shall not apply if a withdrawal agreement concluded with the United Kingdom in accordance with Article 50(2) of the Treaty on European Union has entered into force by the date following that on which the Treaties cease to apply to the United Kingdom.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament *The President*	*For the Council* *The President*