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2020/0212 (NLE)

Proposal for a

COUNCIL IMPLEMENTING DECISION

granting temporary support under Council Regulation (EU) 2020/672 to Greece to mitigate unemployment risks in an emergency situation following the COVID-19 outbreak

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives of the proposal

Council Regulation 2020/672 (“SURE Regulation”) lays down the legal framework for providing Union financial assistance to Member States, which are experiencing, or are seriously threatened with, a severe economic disturbance caused by the COVID-19 outbreak. Support under SURE serves for the financing, primarily, of short-time work schemes or similar measures aimed at protecting employees and the self-employed and thus reducing the incidence of unemployment and loss of income, as well as for the financing, as an ancillary, of some health-related measures, in particular in the workplace.

On 6 August 2020, Greece requested Union financial assistance under the SURE Regulation. In accordance with Article 6(2) of the SURE Regulation, the Commission has consulted the Greek authorities to verify the sudden and severe increase in actual and planned expenditure directly related to a) the special allowance provided to private sector employees whose labour contracts were suspended because of the crisis, b) the cost of their social security coverage during the suspension period, c) the special allowance provided to self-employed professionals; d) the short-time work scheme, and e) the employer social security contributions for employees in seasonal enterprises of the tertiary sector, caused by the COVID-19 pandemic. In particular,

- (1) a special allowance for private sector employees whose labour contracts have been suspended. That measure aims to protect employment in companies that cease their operations by public order or belong to economic sectors that are heavily affected by the COVID-19 outbreak, and concerns the provision of a special monthly allowance of EUR 543 to employees whose labour contracts are suspended from mid-March 2020. The precondition to benefit from the scheme is that the employer retains the same number of employees (meaning the exact same employees) for a period equal to the period for which the labour contract had been suspended.
- (2) The authorities additionally introduced the financing by the state of the social security coverage of employees that benefit from the special allowance referred to under (a). The precondition to benefit from the scheme is that the employer retains the same number of employees (meaning the same exact employees) for a period equal to the period for which the labour contract had been suspended.
- (3) a special allowance for self-employed professionals. The measure concerns a one-off special allowance of EUR 600 provided either in April or in June 2020 to self-employed professionals (economists, accountants, engineers, lawyers, medical doctors, teachers, and researchers).
- (4) a short-time work scheme that applies from 15 June 2020 until 15 October 2020 in all companies, with the exception of the airline industry where an extension is possible until the end of 2020. Eligible companies are those that have recorded a drop in their turnover of at least 20% and the measure allows for a reduction of up to 50% in the weekly working hours of employees under the condition that the employment relationship is retained. From 15 June 2020 until 30 June 2020, the state covers 60% of the employee’s net earnings and 60% of the employer’s social security contributions in respect of hours not worked. As of 1 July 2020, the state covers 100% of the employer’s and the employee’s social security contributions in

respect of hours not worked, in addition to 60% of net earnings of employees on hours not worked.

- (5) the financing by the state of the employer's social security contributions in respect of employees in seasonal enterprises. The measure targets seasonal enterprises in the tertiary sector, namely enterprises with 50% of their turnover concentrated in the third quarter of the year based on 2019 data, and aims to finance the employer's social security contributions during the months of July, August and September 2020 under the condition that companies retain the same number of employees they had on 30 June 2020.

Greece provided the Commission with the relevant information.

Taking into account the available evidence, the Commission proposes to the Council to adopt an Implementing Decision to grant financial assistance to Greece under the SURE Regulation in support of the above measures.

- **Consistency with existing policy provisions in the policy area**

The present proposal is fully consistent with Council Regulation 2020/672, under which the proposal is made.

The present proposal comes in addition to another Union law instrument to provide support to Member States in case of emergencies, namely Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (EUSF) ("Regulation (EC) No 2012/2002"). Regulation (EU) 2020/461 of the European Parliament and of the Council, which amends that instrument to extend its scope to cover major public health emergencies and to define specific operations eligible for financing, was adopted on 30 March.

- **Consistency with other Union policies**

The proposal is part of a range of measures developed in response to the current COVID-19 pandemic such as the "Coronavirus Response Investment Initiative", and it complements other instruments that support employment such as the European Social Fund and the European Fund for Strategic Investments (EFSD)/InvestEU. By making use of borrowing and lending in this particular case of the COVID-19 outbreak for supporting Member States, this proposal acts as a second line of defence to finance short-time work schemes and similar measures, helping protect jobs and thus employees and self-employed against the risk of unemployment.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

- **Legal basis**

The legal basis for this instrument is Council Regulation 2020/672.

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

The proposal follows a Member State request and shows European solidarity by providing Union financial assistance in the form of temporary loans to a Member State affected by the COVID-19 outbreak. As a second line of defence, such financial assistance supports the government's increased public expenditure on a temporary basis in respect of short-time work schemes and similar measures to help them protect jobs and thus employees and self-employed against the risk of unemployment and loss of income.

Such support will help the population affected and helps to mitigate the direct societal and economic impact caused by the present COVID-19 crisis.

- **Proportionality**

The proposal respects the proportionality principle. It does not go beyond what is necessary to achieve the objectives sought by the instrument.

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

- **Stakeholder consultations**

Due to the urgency to prepare the proposal so that it can be adopted in a timely manner by the Council, a stakeholder consultation could not be carried out.

- **Impact assessment**

Due to the urgent nature of the proposal, no impact assessment was carried out.

4. BUDGETARY IMPLICATIONS

The Commission should be able to contract borrowings on the financial markets with the purpose of on-lending them to the Member State requesting financial assistance under the SURE instrument.

In addition to the provision of Member State guarantees, other safeguards are built into the framework in order to ensure the financial solidity of the scheme:

- A rigorous and conservative approach to financial management;
- A construction of the portfolio of loans that limits concentration risk, annual exposure and excessive exposure to individual Member States whilst ensuring sufficient resources could be granted to Member States most in need; and
- Possibilities to roll over debt.

Proposal for a

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THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EU) 2020/672 of 19 May 2020 on the establishment of a European instrument for temporary support to mitigate unemployment risks in an emergency (SURE) following the COVID-19 outbreak¹, and in particular Article 6(1) thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) On 6 August 2020, Greece requested financial assistance from the Union with a view to complementing its national efforts to address the impact of the COVID-19 outbreak and its socio-economic consequences for workers.
- (2) The COVID-19 outbreak and the extraordinary measures implemented by Greece to contain the outbreak and its socio-economic and health-related impact are expected to have a dramatic impact on public finances. According to the Commission's 2020 Spring forecast, Greece was expected to have a general government deficit and debt of 6.4% and 196.4% of gross domestic product (GDP) respectively by the end of 2020. According to the Commission's 2020 Summer interim forecast, Greece's GDP is projected to decrease by 9% in 2020.
- (3) The COVID-19 outbreak has immobilised a substantial part of the labour force in Greece. This has led to a sudden and severe increase in public expenditure by Greece in respect of the special allowance provided to private sector employees whose labour contracts were suspended because of the crisis, the cost of their social security coverage during the suspension period, the special allowance provided to self-employed professionals, the short-time work scheme, and the employer social security contributions for employees in seasonal enterprises of the tertiary sector, as set out in recitals 4 to 8.
- (4) More specifically, "Legal Act of 14 March 2020"², as it is referred to in Greece's request of 6 August 2020, introduced a special allowance for private sector employees whose labour contracts have been suspended. That measure aims to protect

¹ OJ L 159, 20.5.2020, p.1.

² Legal Act of 14 March 2020 (Government Gazette A' 64) ratified by Article 3 of Law 4682/2020 (Government Gazette A' 76); Ministerial Decision 12998/232 (Government Gazette B' 1078/28 March 2020), Ministerial Decision 16073/287/22 April 2020 (Government Gazette B' 1547/22 April 2020), Ministerial Decision 17788/346/8 May 2020 (Government gazette B' 1779/10 May 2020), and Ministerial Decision 23102/477/2020 (Government Gazette B' 2268/13 June 2020).

employment in companies that cease their operations by public order or belong to economic sectors that are heavily affected by the COVID-19 outbreak, and concerns the provision of a special monthly allowance of EUR 543 to employees whose labour contracts are suspended from mid-March 2020. The precondition to benefit from the scheme is that the employer retains the same number of employees (meaning the exact same employees) for a period equal to the period for which the labour contract had been suspended.

- (5) The authorities additionally introduced the financing by the state of the social security coverage of employees that benefit from the special allowance referred to in recital 4. The precondition to benefit from the scheme is that the employer retains the same number of employees (meaning the same exact employees) for a period equal to the period for which the labour contract had been suspended.
- (6) The “Legal Act of 20 March 2020”³, as it is referred to in Greece’s request of 6 August 2020, introduced a special allowance for self-employed professionals. The measure concerns a one-off special allowance of EUR 600 provided either in April or in June 2020 to self-employed professionals (economists, accountants, engineers, lawyers, medical doctors, teachers, and researchers).
- (7) A short-time work scheme that applies from 15 June 2020 until 15 October 2020 in all companies, with the exception of the airline industry where an extension is possible until the end of 2020, has been introduced on the basis of “Law 4690/2020”⁴, as it is referred to in Greece’s request of 6 August 2020. Eligible companies are those that have recorded a drop in their turnover of at least 20% and the measure allows for a reduction of up to 50% in the weekly working hours of employees under the condition that the employment relationship is retained. From 15 June 2020 until 30 June 2020, the state covers 60% of the employee’s net earnings and 60% of the employer’s social security contributions in respect of hours not worked. As of 1 July 2020, the state covers 100% of the employer’s and the employee’s social security contributions in respect of hours not worked, in addition to 60% of net earnings of employees on hours not worked.
- (8) Finally, “Law 4714/2020”⁵, as it is referred to in Greece’s request of 6 August 2020, introduces the financing by the state of the employer’s social security contributions in respect of employees in seasonal enterprises. The measure targets seasonal enterprises in the tertiary sector, namely enterprises with 50% of their turnover concentrated in the third quarter of the year based on 2019 data, and aims to finance the employer’s social security contributions during the months of July, August and September 2020 under the condition that companies retain the same number of employees they had on 30 June 2020.
- (9) Greece fulfils the conditions for requesting financial assistance set out in Article 3 of Regulation (EU) 2020/672. Greece has provided the Commission with appropriate evidence that the actual and planned public expenditure has increased by EUR 2 728 000 000 as of 1 February 2020 due to the national measures taken to address the socio-economic effects of the COVID-19 outbreak. This constitutes a sudden and severe

³ Legal Act of 20 March 2020 (Government Gazette A’ 68) ratified by Article 1 of Law 4683/2020 (Government Gazette A’ 83)

⁴ Law 4690/2020 (Government Gazette A’ 104) ratified by Articles 122 and 123 of Law 4714/2020 (Government Gazette A’ 148), Ministerial Decision 23103/478 (Government Gazette B 2274/14 June 2020) and Ministerial Decision 32085/1771

⁵ Law 4714/2020 (Government Gazette A’ 148) ratified by Ministerial Decision 32085/1771.

increase because it relates to new measures, which cover a significant proportion of undertakings and of the labour force in Greece.

- (10) The Commission has consulted Greece and verified the sudden and severe increase in the actual and planned public expenditure directly related to short-time work schemes and similar measures referred to in the request of 6 August 2020, in accordance with Article 6 of Regulation (EU) 2020/672.
- (11) Financial assistance should therefore be provided with a view to helping Greece to address the socio-economic effects of the severe economic disturbance caused by the COVID-19 outbreak.
- (12) This decision should be without prejudice to the outcome of any procedures relating to distortions of the operation of the internal market that may be undertaken, in particular under Articles 107 and 108 TFEU. It does not override the requirement for Member States to notify instances of potential State aid to the Commission under Article 108 TFEU.
- (13) Greece should inform the Commission on a regular basis of the implementation of the planned public expenditure, in order to enable the Commission to assess the extent to which Greece has implemented that expenditure.
- (14) The decision to provide financial assistance has been taken taking into account existing and expected needs of Greece, as well as requests for financial assistance pursuant to Regulation (EU) 2020/672 already submitted or planned to be submitted by other Member States, while applying the principles of equal treatment, solidarity, proportionality and transparency,

HAS ADOPTED THIS DECISION:

Article 1

Greece fulfils the conditions set out in Article 3 of Regulation (EU) 2020/672.

Article 2

1. The Union shall make available to the Greece a loan amounting to a maximum of EUR 2 728 000 000. The loan shall have a maximum average maturity of 15 years.
2. The availability period for financial assistance granted by this Decision shall be 18 months starting from the first day after the entry into force of this Decision.
3. The Union financial assistance shall be made available by the Commission to Greece in a maximum of eight instalments. An instalment may be disbursed in one or several tranches. The maturities of the tranches under the first instalment may be longer than the maximum average maturity referred to in paragraph 1. In such cases, the maturities of further tranches shall be set so that the maximum average maturity referred to in paragraph 1 is respected once all instalments have been disbursed.
4. The first instalment shall be released subject to the entry into force of the loan agreement provided for in Article 8(2) of Regulation (EU) 2020/672.
5. Greece shall pay the cost of funding of the Union referred to in Article 4 of Regulation (EU) 2020/672 for each instalment plus any fees, costs and expenses of the Union resulting from any funding.

6. The Commission shall decide on the size and release of instalments, as well as on the size of the tranches.

Article 3

Greece may finance the following measures:

- a) a special allowance provided to employees whose labour contracts have been suspended, as provided for by Article 13 of Legal Act of 14 March 2020;
- b) the social security coverage of employees under the measure referred to in point (a) of this Article, as provided for by Article 13 of Legal Act of 14 March 2020;
- c) a special allowance to self-employed professionals, as provided for by Article 8 of Legal Act of 20 March 2020;
- d) a short-time work scheme, as provided for by Article 31 of Law 4690/2020;
- e) the employer social security contributions for employees in seasonal enterprises in the tertiary sector, as provided for by Article 123 of Law 4714/2020.

Article 4

Greece shall inform the Commission by [*DATE: 6 months after date of publication of this Decision*], and every 6 months thereafter of the implementation of the planned public expenditure until such time as that planned public expenditure has been fully implemented.

Article 5

This Decision is addressed to the Hellenic Republic.

Article 6

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

*For the Council
The President*