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Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2011/001 AT/Niederösterreich-Oberösterreich from Austria)**

{SEC(2011) 1080 final}

## EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>1</sup> allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund<sup>2</sup>.

On 3 January 2011, Austria submitted application EGF/2011/001 AT/Niederösterreich-Oberösterreich for a financial contribution from the EGF, following redundancies in 706 enterprises operating in the NACE Revision 2 Division 49 ('Land transport and transport via pipelines')<sup>3</sup> in the NUTS II regions of Niederösterreich (AT12) and Oberösterreich (AT31) in Austria.

After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

### SUMMARY OF THE APPLICATION AND ANALYSIS

<b>Key data:</b>	
EGF Reference no.	EGF/2011/001
Member State	Austria
Article 2	(b)
Enterprises concerned	706
NUTS II regions	Niederösterreich (AT12) Oberösterreich (AT31)
NACE Revision 2 Division	49 ('Land transport and transport via pipelines')
Reference period	1.2.2010 – 31.10.2010
Starting date for the personalised services	1.2.2011
Application date	3.1.2011
Redundancies during the reference period	2 338
Redundant workers targeted for support	502
Expenditure for personalised services (EUR)	5 390 800
Expenditure for implementing EGF <sup>4</sup> (EUR)	215 000
Expenditure for implementing EGF (%)	3,84
Total budget (EUR)	5 605 800
EGF contribution (65 %) (EUR)	3 643 770

<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406, 30.12.2006, p. 1.

<sup>3</sup> 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 (OJ L 393, 30.12.2006, p. 1).

<sup>4</sup> In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

1. The application was presented to the Commission on 3 January 2011 and supplemented by additional information up to 9 June 2011.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

**Link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis**

3. In order to establish the link between the redundancies and the global financial and economic crisis, Austria argues that the crisis with its impact on European consumer behaviour and the reduced production of goods had a particularly heavy negative impact on the transport sector which has unfolded in a delayed manner, in comparison to core industries of the secondary sector. The application quotes a survey by the International Road Transport Union<sup>5</sup> (IRU) in 74 IRU member countries, according to which, amid to the crisis, national transport of goods had fallen in the first six months of 2009 by an average 10-20 % compared to the previous year, and the international transport business by 20-30 %. An increase of bankruptcies of at least 20 % was also mentioned in the study.
4. The freight business in Austria suffered from a decrease of 30-50 % in July 2009, according to the Freight Association of the Austrian Economic Chamber (Fachverband Güterbeförderungsgewerbe der Wirtschaftskammer Österreich). For lorries with an authorized total weight above 3,5 tons, the traffic decreased in the first half of 2009 by 17 % compared to the same period of the previous year. These downward trends continued in 2010 with the result that many Austrian road transport businesses had to lay off workers.
5. Particularly affected by these developments are small and very small transport firms which often work as subcontractors for large forwarding agents. These are not in a position to counter severe crises through management instruments that are available to larger companies, such as short-time working schemes or other measures to enhance cost efficiency.

**Demonstration of the number of redundancies and compliance with the criteria of Article 2(b)**

6. Austria submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level in a Member State.
7. The application cites 2 338 redundancies in 706 enterprises operating in the NACE Revision 2 Division 49 ('Land transport and transport via pipelines')<sup>6</sup> in the NUTS II

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<sup>5</sup> [www.iru.org](http://www.iru.org)

<sup>6</sup> 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 (OJ L 393, 30.12.2006, p. 1).

regions of Niederösterreich (AT12) and Oberösterreich (AT31) during the nine-month reference period from 1 February 2010 to 31 October 2010. All of these redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

### **Explanation of the unforeseen nature of those redundancies**

8. The Austrian authorities argue that the global crisis with its impact on all major industrial sectors, which reflected directly on the transport sector, could not be foreseen. The economic recovery did not come in as speedily as hoped for, and the heavy delayed impact on the transport sector with the substantial number of lay-offs came as a surprise.

### **Identification of the dismissing enterprises and workers targeted for assistance**

9. The application relates to 2 338 redundancies in 706 enterprises during a nine-month reference period out of which 502 workers (21,5 %) are targeted for assistance.
10. Targeted are those workers who could not find new work quickly because of lacking qualifications. According to the Austrian authorities, the remaining dismissed workers managed to re-integrate the labour market again. For the targeted workers a 'foundation-like measure' ('Stiftungsähnliche Maßnahme'<sup>7</sup>) was set up, a structure similar to the Austrian labour foundations, which aims to improve the position of job seekers, and in particular those with lower chances on the labour market, such as the long-term unemployed or the lower-skilled.
11. The full list of enterprises covered by application EGF/2011/001 AT/Niederösterreich-Oberösterreich from Austria is mentioned in the Commission Staff Working Paper accompanying this Proposal<sup>8</sup>.
12. The break-down of the targeted workers is as follows:

<b>Category</b>	<b>Number</b>	<b>Percent</b>
Men	431	85,9
Women	71	14,1
EU citizens	396	78,9
Non EU citizens	106	21,1
15-24 years old	77	15,3
25-54 years old	387	77,1
55-64 years old	38	7,6
> 64 years old	0	0,0

13. There are 51 workers with longstanding health-related issues or disabilities among the targeted workers.

<sup>7</sup> 'Stiftungsähnliche Maßnahmen' are based on the Austrian Arbeitsmarktförderungsgesetz (AMFG; Labour Market Promotion Act).

<sup>8</sup> SEC(2011)1080.

14. In terms of occupational categories, all the targeted workers are lorry drivers.
15. In accordance with Article 7 of Regulation (EC) No 1927/2006, Austria has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

#### **Description of the territory concerned and its authorities and stakeholders**

16. The territories concerned by the redundancies are the Land of Niederösterreich (AT12) and the Land of Oberösterreich (AT31), two of Austria's nine federal provinces. Both provinces belong to Austria's industrial regions, together with Steiermark and Vorarlberg. Niederösterreich is Austria's largest federal province surrounding Vienna, the Austrian capital. It shares a border with the Czech Republic and Slovakia, and its provincial capital is Sankt Pölten. Oberösterreich, Austria's third largest province in terms of population, shares a border with Germany and the Czech Republic, and its provincial capital is Linz.
17. The main stakeholders are the provincial governments of Niederösterreich and Oberösterreich, the regional public employment services (regionale Geschäftsstellen des Arbeitsmarktservice/AMS) of both provinces, and for the social partners the Austrian Chamber of Labour (Arbeiterkammer Österreich; worker side) and the Austrian Economic Chamber (Wirtschaftskammer Österreich; employer side).

#### **Expected impact of the redundancies as regards local, regional or national employment**

18. Austria argues that the dismissal of 2 338 lorry drivers over a period of nine months is an alarming signal for the labour markets of the two concerned provinces as the labour market does not offer sufficient employment options for the dismissed lorry drivers. A transfer of this specific group of people to other sectors can only be envisaged by recurring to substantial re-training measures.
19. The 2009 unemployment rate in the two concerned regions remained below or just above the national average (Oberösterreich 4,9 % and Niederösterreich 7,3 % compared to 7,2 % nation-wide). However, both provinces registered in 2009 a sharp increase of unemployment compared to the previous year: +24,5 % in Niederösterreich and +39,7 % in Oberösterreich, in comparison to a lower increase of +22,6 % for Austria as a whole (average figures for the year, according to Austrian Economic Chamber, Statistik Austria and AMS Oberösterreich).
20. More than half (54,5 %) of the 2 338 redundancies which are the subject of this application occurred in Niederösterreich (1 274 workers in 384 companies) and 45,5 % of the redundancies (1 064 workers in 322 companies) occurred in Oberösterreich. Niederösterreich is also affected by another mass redundancy case, for which an EGF application was submitted to the Commission: EGF/2010/007 AT/Steiermark and Niederösterreich (704 redundancies in the metal sector in 2009).

## Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

21. The following types of measures are proposed, all of which combine to form a coordinated package of personalised services aimed at re-integrating the 502 targeted workers into the labour market. They will be provided to the workers through a 'foundation-like' structure which was established in January 2011 after approval by the Bundesministerium für Arbeit, Soziales und Konsumentenschutz (federal ministry). Responsible for the delivery of the personalised measures are FAB<sup>9</sup> in Oberösterreich and AGAN<sup>10</sup> in Niederösterreich, organisations which are specialised in offering support towards professional re-integration and the sustainable qualification of workers.
22. The measures for the 502 targeted workers are agreed with and controlled by the public employment services ('AMS, Arbeitsmarktservice') of Niederösterreich and Oberösterreich which assess the meaningfulness of each measure for the labour market and which monitor the compliance with the established rules ('Projektordnung') and applicable sets of laws. The development of the workers is monitored to ensure that the plans agreed in the initial phases of the programme are pursued. In line with §18 of Arbeitslosenversicherungsgesetz (ALVG) and depending on each person's former work time pattern, the workers must involve themselves full-time (learning times included). Appropriate monitoring mechanisms (time lists) are put in place by the implementing bodies.
  - Information and admission to the 'foundation-like' structure: General information through specific channels and in cooperation with the two AMS and the delivering bodies FAB and AGAN (trainer/worker ratio 1:10 or individual sessions where needed) and possibility for the workers to apply for admission to the 'foundation-like' structure.
  - Occupational orientation: This includes the development of career perspectives and an individual occupational pathway plan signed by the parties which forms the basis for the workers' subsequent activities within the foundation-like structure (trainer/worker ratio 1:12 or individual sessions where needed). The duration is limited to six weeks with the possibility of extending it to a maximum of 12 weeks in particular cases. Basic information on entrepreneurship and one-week internships in enterprises (as tasters) are also included in the programme.
  - Individual training: This can cover the upskilling of the workers' existing knowledge as well as vocational training to prepare a change of career. The meaningfulness of the training for the labour market and the profiles of vacant posts are taken into consideration. Those who wish to continue to work as lorry drivers can improve their skills in line with Directive 2003/59/EC, the objective of which is the establishment of a Community-wide standard for initial driver qualification and periodic training in areas such as health, vehicle and environmental safety, rational driving, logistics.

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<sup>9</sup> [www.fab.at](http://www.fab.at)

<sup>10</sup> [www.agannoe.at](http://www.agannoe.at)

A part of the vocational training will not need to be co-financed by the EGF because it is delivered free of charge within the Austrian educational system. Those interested in creating an own business have the possibility to join the Enterprise Foundation Programme (Unternehmensgründungsprogramm für Arbeitslose, UGP) of the Arbeitsmarktservice which is financed outside the EGF. Before entering this specific programme of the AMS, the worker's participation in the EGF project is ended.

- Corporate Internships (Betriebliche Praktika): This covers four different types of internships, with different durations, rights and obligations for enterprises and workers which need to be agreed by the AMS before being stipulated in contracts.
- Active job search: This is provided by the implementing bodies FAB and AGAN in cooperation with the respective AMS. The active job search can either start directly after the orientation phase or on completion of the individual training measures. The normal duration of this measure is limited to 14 weeks, renewable to 28 weeks in particular cases (e.g. for participants aged over 50). Reasonable job offers from the AMS must be accepted by the participants during the active job search phase.
- Training allowance: This allowance is paid to workers who engage to participate in training which exceeds three months. It is an incentive for them to engage in longer training measures and permits them to cover costs such as travel expenses or the cost of learning materials.
- Subsistence allowance while on training and on job search measures<sup>11</sup>: This allowance will be paid only for the duration of the workers' participation in the training and active re-integration measures within the 'foundation-like' structure. It permits a serious full-time involvement of each dismissed worker in the measures. The costs per worker/month amount to EUR 1 270. Unemployment benefits are interrupted during the period these subsistence allowances are granted.

23. The expenditure for implementing the EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, information and publicity as well as control activities and the management costs of the two implementing bodies (FAB and AGAN). The management costs have been calculated as a flat-rate and cover the whole 24-month implementation period (EUR 5 625 per month to cover the costs of both entities). All partners involved in the measures are committed to communicating the EGF support.
24. The personalised services presented by the Austrian authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Austrian authorities estimate the total costs of these services at EUR 5 390 800 and the expenditure for implementing the EGF at EUR 215 000 (3,8 % of the total amount). The total contribution requested from the EGF is EUR 3 643 770 (65 % of the total costs).

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<sup>11</sup> Based on §18 of Arbeitslosenversicherungsgesetz (ALVG).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Information and admission to the 'foundation-like' structure	502	400	200 800
Occupational orientation	450	1 200	540 000
Active job search assistance ('Aktive Arbeitssuche')	300	700	210 000
Individual training ('Individuelle Qualifizierungen')	300	1 750	525 000
Corporate Internships ('Betriebliche Praktika')	50	600	30 000
Training allowance if more than 3 months in training ('Ausbildungsbedingte Zuschussleistung bei mehr als 3 Monaten Ausbildung')	450	167	75 000 (rounded)
Subsistence allowance while on training and on job search measures (4 months)	150	5 080	762 000
Subsistence allowance while on training and on job search measures (8 months)	300	10 160	3 048 000
<b>Sub total personalised services</b>			<b>5 390 800</b>
<b>Expenditure for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			15 000
Management			135 000
Information and publicity			20 000
Control activities			45 000
<b>Sub total expenditure for implementing EGF</b>			<b>215 000</b>
<b>Total estimated costs</b>			<b>5 605 800</b>
<b>EGF contribution (65 % of total costs)</b>			<b>3 643 770</b>



25. Austria confirmed that the measures described above are complementary with actions funded by the Structural Funds. The Austrian ESF Operational Programme under objective 2 focuses on the long-term unemployed, whereas the EGF aims to help workers immediately after their lay-offs. Hence, there is no overlapping between the two funds. Furthermore, Austria has put in place certification of costs procedures to exclude any risk of double financing.

**Date(s) on which the personalised services to the affected workers were started or are planned to start**

26. Austria started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 1 February 2011. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

**Procedures for consulting the social partners**

27. The social partners were informed about the planned EGF application through the regional public employment services (AMS) from June 2010 onwards. The Austrian Chamber of Labour (Arbeiterkammer Österreich, representing the workers) and the Austrian Economic Chamber (Wirtschaftskammer Österreich, representing the employers) were kept abreast of the latest developments in January 2011.
28. The Austrian authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with. Given the small size of the concerned transport companies, only few of them were obliged to announce the planned redundancies according to the Austrian 'Frühwarnsystem'/early warning system (§45a of Arbeitsmarktförderungsgesetz/AMFG).

**Information on actions that are mandatory by virtue of national law or pursuant to collective agreements**

29. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Austrian authorities in their application:
- demonstrated that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;
  - demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;
  - confirmed that the eligible actions referred to above do not receive assistance from other EU financial instruments.

**Management and control systems**

30. Austria has notified the Commission that the national co-financing will be provided by the public employment services (AMS) of Nieder- and Oberösterreich and the Bundesministerium für Arbeit, Soziales und Konsumentenschutz (federal ministry).

## **Financing**

31. On the basis of the application from Austria, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 3 643 770, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Austria.
32. Considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount referred to above, to be allocated under heading 1a of the financial framework.
33. The proposed amount of financial contribution will leave more than 25 % of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year, as required by Article 12(6) of Regulation (EC) No 1927/2006.
34. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal dialogue meeting will be convened.
35. The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

## **Source of payment appropriations**

36. Amending budget 3/2011 increased EGF budget line 04.0501 by EUR 50 000 000 in payment appropriations. Appropriations from this budget line will be used to cover the amount of EUR 3 643 770 needed for the present application. An amount of EUR 9 009 960 remains available on the EGF Budget line 04.0501 after adoption by the two arms of the Budgetary Authority of the cases submitted to the Budgetary Authority to date.

Proposal for a

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**on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2011/001 AT/Niederösterreich-Oberösterreich from Austria)**

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 the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>12</sup>, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund<sup>13</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission<sup>14</sup>,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Austria submitted an application to mobilise the EGF, in respect of redundancies in 706 enterprises operating in the NACE Revision 2 Division 49 ('Land transport and transport via pipelines') in the NUTS II regions of Niederösterreich (AT12) and

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<sup>12</sup> OJ C 139, 14.6.2006, p. 1.

<sup>13</sup> OJ L 406, 30.12.2006, p. 1.

<sup>14</sup> OJ C [...], [...], p. [...].

Oberösterreich (AT31), on 3 January 2011 and supplemented it by additional information up to 9 June 2011. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 3 643 770.

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Austria.

HAVE ADOPTED THIS DECISION:

*Article 1*

For the general budget of the European Union for the financial year 2011, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 3 643 770 in commitment and payment appropriations.

*Article 2*

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

Done at [Brussels/Strasbourg],

*For the European Parliament*  
*The President*

*For the Council*  
*The President*