

EN

EN

EN



EUROPEAN COMMISSION

Brussels, 19.10.2010
COM(2010) 582 final

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/2010/014 SI/Mura from Slovenia)

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 management¹ 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 Fund².

On 28 April 2010, Slovenia submitted application EGF/2010/014 SI/Mura for a financial contribution from the EGF, following redundancies in the enterprise Mura, European Fashion Design, Proizvodnja oblačil, d.d. (hereinafter 'Mura') in Slovenia.

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

Key data:	
EGF Reference no.	EGF/2010/014
Member State	Slovenia
Article 2	(a)
Primary enterprise	Mura
Suppliers and downstream producers	0
Reference period	21.10.2009 – 20.2.2010
Starting date for the personalised services	26.10.2009
Application date	28.4.2010
Redundancies during the reference period	2 554
Redundancies before and after the reference period	0
Total eligible redundancies	2 554
Redundant workers targeted for support	2 554
Expenditure for personalised services (EUR)	3 325 370
Expenditure for implementing EGF ³ (EUR)	133 000
Expenditure for implementing EGF (%)	3,8
Total budget (EUR)	3 458 370
EGF contribution (65 %) (EUR)	2 247 940

1. The application was presented to the Commission on 28 April 2010 and supplemented by additional information up to 24 June 2010.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

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

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, Slovenia argues that after the encouraging performance of the textile industry in the EU-27 in 2007, there was a notorious setback in 2008 due to the economic and financial crisis. The difficulties faced by some 'textile end-users sectors' (i.e. construction, automotive industry and housing) in combination with increasing production costs were detrimental for the textile sector. The Slovenian authorities cite EUROSTAT statistics which show that in the first quarter of 2009 production dropped by 23 % in the textile industry and by 14 % in the clothing sector compared to the same period in 2008. This drop in demand was directly felt in Slovenia: 4 297 jobs were lost in the manufacturing of wearing apparel between June 2008 and December 2009 representing 46 % of all jobs that existed in June 2008 in this sector. Similarly, 2 030 jobs were lost in textile manufacturing over the same period, representing 27 % of all jobs that existed in this sector in June 2008.

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

4. Slovenia submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers.
5. The application cites 2 554 redundancies in the single enterprise Mura during the four-month reference period from 21 October 2009 to 20 February 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

6. The Slovenian authorities argue that, by adjusting to the new structure required by its customers (such as production of small series, flexibility, just in time principle, etc.) Mura managed over the past years to guarantee contracts with business partners, such as Hugo Boss, Escada, René Lezard, Strellson, Windsor, etc., that require the most demanding and high quality production services. Since 2003, when Mura underwent a major restructuring the added value per worker increased by 21 % and productivity by 23 %. The recent termination of contracts by several big customers of Mura (Hugo Boss, Escada and René Lezard) could not have been foreseen. The shortfall of orders due to the economic and financial crisis constituted another unforeseen factor.

Identification of the dismissing enterprises and workers targeted for assistance

7. The application cites a total of 2 554 redundancies in the single enterprise Mura, all of whom are targeted for assistance.
8. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	552	21,6
Women	2 002	78,4

EU citizens	2 554	100,0
Non EU citizens	0	0
15-24 years old	1	> 0
25-54 years old	2 455	96,1
55-64 years old	98	3,9

There are 583 workers⁴ (22,8 %) with a longstanding health problem or disability included in the categories above.

9. In terms of professional categories, the break-down is as follows :

Category	Number	Percent
Apparel manufacturers	1 077	42,2
Textile workers	70	2,7
Merchants	43	1,7
Economists and associated occupations	37	1,4
Installers and plumbers	29	1,1
Administrators	20	0,8
Metal treaters	20	0,8
Others ⁵	156	6,1
Not specified	1 102	43,1

10. In addition, the Slovenian authorities have also provided the following breakdown of the workers in terms of educational level:

Category	Number	Percent
Primary school not concluded	1 114	43,6
Primary and lower secondary school	237	9,3
Vocational upper-secondary education	16	0,6
Technical upper-secondary education	797	31,2
General upper-secondary education	319	12,5
Higher vocational programmes	35	1,4
University education	30	1,2
Doctor or master degree	1	-
Not specified	5	0,2

11. In accordance with Article 7 of Regulation (EC) No 1927/2006, Slovenia 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

12. The territory principally concerned by the redundancies is the NUTS III region of Pomurje (SI011). This region counts 26 municipalities, which are part of four administrative units.
13. The responsible authorities are the Ministry of Labour, Family and Social Affairs, the Employment Service of Slovenia and its regional office Murska Sobota as well as

⁴ This relatively high share is due to the fact that one of the companies in the Mura Group had a policy of employing people with disabilities.

⁵ Covers a large number of small categories, such as chemists, electricians, plant growers etc.

the 26 municipalities in the region. Other stakeholders include the Trade Union of the Mura Group, the Labour Fund of Prekmurje and the regional labour fund of Pomurje, the Chamber of Craft and Small Business of Slovenia, the Chamber of Commerce and Industry of Slovenia as well as the Social Work Centre Murska Sobota.

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

14. The Slovenian authorities argue that the employment created by Mura was very important for the region of Pomurje, which has economically been lagging behind the Slovenian average. Due to the economic and financial crisis the situation further deteriorated significantly. In 2008 in Pomurje compared to the Slovenian average the revenue per worker was 33 % lower, the added value per worker was 30 % lower and the salary per worker in a company 20 % lower.
15. At the beginning of 2008 Mura employed 3 135 workers. This represented more than 7 % of people employed in the region of Pomurje. In addition to Mura Pomurka another large company in the region of Pomurje went bankrupt. Therefore, the redundancies in Mura will have a significant local and regional impact.

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

16. The following types of measures are proposed, all of which combine to form a coordinated package of personalised services aimed at re-integrating the workers into the labour market.
 - Job search assistance (workshop 2009): This comprises two workshops, one with a duration of 15 hours and another one with a duration of six hours and carried out in groups of 15 participants. The workshops aim at informing dismissed workers about their rights and the employer's obligations, creating career development plans and helping dismissed workers to acquire communication skills and other techniques that are useful when seeking for a new job.
 - Job search assistance (workshop I/2010): This workshop, with a duration of eight hours and carried out in groups of 10 to 15 participants, aims at presenting the possibilities and requirements of the labour market to dismissed workers as well as teaching them interview skills and how to deal with failure.
 - Training and re-training (workshop II): This covers a workshop aimed at further defining the dismissed worker's personal employment objective and ensuring his/her active involvement in active employment measures. It comprises a combination of group work, work with specialists from various fields and individual coaching. The total duration of this measure is eight months.
 - Job club: This relates to a combination of a two-week training course followed by two and a half months of active job-seeking activities with the assistance of a mentor. This measure is targeted at dismissed workers with a clearly defined employment objective.

- Occupational guidance (info points): The info points aim to reach dismissed workers who are facing difficulties in accessing the workshops in order to inform themselves about the training and labour market opportunities. Info points will be created in public places in all 27 municipalities across the Prekmurje and Pomurje regions.
- Working with the employers: This covers the identification of employment opportunities and employers' needs and aims at encouraging employers to employ new workers. It seeks also to refer suitable candidates amongst the dismissed workers to potential new employers.
- Entrepreneurship promotion: This covers a one-week exhibition by the name of 'Employment days' where employers will present their businesses and allow for direct contact between supply of and demand for labour.
- Motivation workshops: These workshops, composed of two seven-hour modules and carried out in groups of 10 to 15 participants, aim to change the mindset of a selected target group in order to encourage participants to search actively for new employment opportunities. These workshops are targeted at the least motivated workers with minor health problems.
- Neuro-linguistic workshops: This covers workshops with a duration of 18 hours carried out in groups of 10 to 15 participants which aim at motivating the least motivated dismissed workers to learn and acquire new skills. The workshops are composed of individual and team exercises, including several case studies, and aim at effectively transferring newly acquired skills into practice.
- Aid for self-employment: This covers subsidies for self-employment in newly established business entities, requiring uninterrupted self-employment for a period of not less than one year.
- On the job training: This relates to the development of new skills and knowledge through on the job training in a job that corresponds to the educational level of the dismissed workers participating in this measure.

17. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers management, information and publicity and control activities.

18. The personalised services presented by the Slovenian authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Slovenian authorities estimate the total costs of these services at EUR 3 325 370 and the expenditure for implementing EGF at EUR 133 000 (3,8 % of the total amount). The total contribution requested from the EGF is EUR 2 247 940 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national cofinancing) (in EUR)

Personalised services (first paragraph of Article 3 of Regulation (EC) No 1027/2006)			
Job search assistance (2009)	1 932	60	115 920
Job search assistance (workshop I/2010)	1 500	300	450 000
Training and re-training (Workshop II)	750	1 000	750 000
Job club	400	183	73 200
Occupational guidance (Info points)	200	200	40 000
Working with the employers	1 000	125	125 000
Entrepreneurship promotion	1 000	140	140 000
Motivation workshops	250	205	51 250
Neuro-linguistic workshops	250	160	40 000
Aid for self-employment	200	4 500	900 000
On the job training	400	1 600	640 000
Sub total personalised services			3 325 370
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Management			20 000
Information and publicity			20 000
Control activities			93 000
Sub total expenditure for implementing EGF			133 000
Total estimated costs			3 458 370
EGF contribution (65 % of total costs)			2 247 940

19. Slovenia confirms that the measures described above are complementary with actions funded by the Structural Funds, in particular with the following ESF Programmes: Promotion of employment for the long-term unemployed, Training for greater employability, Institutional training and Preparation for procedures of assessing and awarding National Vocational Qualifications. The Slovenian authorities have stated that when performing administrative control they will pay special attention in order to ensure that actions receiving a contribution under the EGF will not also receive assistance from other Community financial instruments.

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

20. Slovenia started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 26 October 2009. 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

21. The Slovenian Authorities state that, pursuant to the Employment Relationships Act, Mura informed the trade unions about the collective redundancies and sent a notification on collective redundancies to the Employment Service of Slovenia. The Slovenian authorities further argue that the proposed personalised services are the result of experiences gained by the ministry and the employment service working with redundant workers, and that they did not therefore actively involve trade unions in the preparation of the proposed activities. However, the Trade Union of the Mura Group has been involved in the bankruptcy procedure from the start. It has assisted in listing the redundant workers and in organising social aid for the workers.
22. The Slovenian authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

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

23. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Slovenian authorities in their application:
- confirmed 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 Community financial instruments.

Management and control systems

24. Slovenia has notified the Commission that the EGF financial contribution will not be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) funding in the Slovenia. The Ministry of Labour, Family and Social Affairs has the role of intermediate body in the ESF system. However, in the EGF system different divisions within the Labour Market and Employment Directorate of the Ministry of Labour, Family and Social Affairs will assume the role of managing and certifying authority. The employment service of Slovenia has the role of the beneficiary of the ESF, but in the EGF system it will have the role of the intermediate body.

Financing

25. On the basis of the application from Slovenia, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 2 247 940, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Slovenia.
26. 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 above, to be allocated under heading 1a of the financial framework.
27. 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.
28. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue procedure, as required by Point 28 of the Inter-institutional 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.
29. The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations

30. In the current state of implementation, it is foreseeable that the payment appropriations available in 2010 under the budget line 01.0404 "Competitiveness and Innovation Framework Programme - Entrepreneurship and innovation programme" will not be fully used this year.
31. Indeed, this line covers expenditure related to the implementation of the financial instrument of this programme, the main objective of which is to facilitate the access of SMEs to finance. Some time lag exists between transfers to the trust accounts managed by the European Investment Fund and disbursement to the beneficiaries. The financial crisis has a major effect on the forecasts in terms of disbursements for 2010. As a result, in order to avoid excessive balances on the trust accounts, the methodology for calculation of payment appropriations has been reviewed, taking into account the expected disbursements. The amount of EUR 2 247 940 can therefore be made available for transfer.

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/2010/014 SI/Mura from Slovenia)

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 management⁶, 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 Fund⁷, and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission⁸,

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) Slovenia submitted an application to mobilise the EGF in respect of redundancies in the enterprise Mura on 28 April 2010 and supplemented it by additional information on 24 June 2010. 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 2 247 940.

⁶ OJ C 139, 14.6.2006, p. 1.

⁷ OJ L 406, 30.12.2006, p. 1.

⁸ OJ C [...], [...], p. [...].

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

HAVE DECIDED AS FOLLOWS:

Article 1

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 2 247 940 in commitment and payment appropriations.

Article 2

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

Done at,

For the European Parliament
The President

For the Council
The President