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**COMMUNICATION TO THE COMMISSION**

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contribution from the European Globalisation Adjustment Fund**

## COMMUNICATION TO THE COMMISSION

### on application EGF/2009/009 AT/Steiermark received from Austria for a financial contribution from the European Globalisation Adjustment Fund

Austria submitted application EGF/2009/009 AT/Steiermark for a financial contribution from the European Globalisation Adjustment Fund ( hereinafter "EGF" ) following the redundancies in 9 enterprises operating in NACE Revision 2<sup>1</sup> division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in a single NUTS II region, Styria (AT22).

1. The application was presented to the Commission on 9 July 2009 and supplemented by additional information on 23 July and 18 August 2009.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of Regulation (EC) No 1927/2006 of 20 December 2006 of the European Parliament and of the Council on establishing the European Globalisation Adjustment Fund<sup>2</sup>, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

#### SUMMARY OF THE APPLICATION AND ANALYSIS

##### (a) Analysis of the link between the redundancies and the global financial and economic crisis

3. The application relates to 744 redundancies in 9 enterprises operating in NACE Revision 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in a single NUTS II region, Styria (AT22).

In order to establish the link between the redundancies and the global financial and economic crisis, Austria argues that the crisis has led to a sharp decrease in the world-wide demand for cars. The application cites EUROSTAT trade figures concerning the export of road vehicles in general and passenger cars in particular. Between January 2008 and January 2009 the export of road vehicles from the EU-27 to countries outside the EU decreased by 47,7 % and for passenger cars by 52,5 %. For Austria for the same period the decline in exports was even more pronounced: for road vehicles exports decreased by 51,3 % and for passenger cars by 59,4 %. Given the high degree of interdependence among enterprises within the automotive sector and the low level of diversification of many suppliers, the crisis is being felt throughout the automotive cluster.

4. In conclusion, the opinion of the Commission services is that the 744 redundancies in 9 enterprises operating in NACE Revision 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in a single NUTS II region, Styria (AT22) can be linked, as required by Articles 1 and 2 of Regulation (EC) No 1927/2006, to the

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<sup>1</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 2 Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains.

<sup>2</sup> OJ L 48 of 22.2.2008, p. 82.

economic and financial crisis<sup>3</sup>, which has led to a substantial decline in world-wide demand for cars.

(b) Demonstration of the number of redundancies

5. Austria submitted this application under the intervention criterion of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a 9-month period in a NACE 2 sector in one region or two contiguous regions at NUTS II level.

The application cites a total of 744 redundancies during the 9-month period of reference (from 27 August 2008 to 27 May 2009) in 9 enterprises operating in NACE Revision 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers') in a single NUTS II region, Styria (AT22). 588 of these redundancies were calculated in accordance with the first indent of paragraph 2 of Article 2 of Regulation (EC) No 1927/2006 and 156 redundancies were calculated in accordance with the second indent of the same provision.

6. In the opinion of the Commission services, the total number of job losses presented by Austria in enterprises classified in the same NACE Revision 2 division during the reference period in one single region at NUTS II level is sufficient to comply with the criteria of Article 2(b) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of the redundancies

7. The Austrian authorities argue that the redundancies in the automotive sector have to be seen against the background of the current crisis. The fact that this crisis was unforeseeable, is illustrated by the radical downwards revisions of the forecasts concerning real GDP growth which have been repeatedly made by international bodies, such as the European Commission and the OECD, since early 2008. The application cites for example the GDP forecasts made by the EU Commission in November 2007 (plus 2,1 % growth) compared with that of January 2009 (minus 1,9 % growth). In the automotive sector, the financial crisis, the global setback in economic activities, the increasing difficulties in getting access to credit and the increasing uncertainty, caused inter alia by the volatility of prices for crude oil and motor fuels, led to a sharp and unpredicted decrease in sales volumes.

(d) Identification of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of workers to be targeted

8. The application concerns 744 redundancies in the following 9 enterprises, of which 400 are targeted for assistance.

- Magna Steyr Fahrzeugtechnik AG & Co KG, Graz	588	- EPCOS OHG, Deutschlandberg	17
- Johnson Controls Austria GmbH & Co OHG, Graz	44	- Anton PAAR Shape Tec GmbH, Graz	1
- Lear Corporation, Austria, Köflach	63	- TCM International Tool Consulting & Management -	2

<sup>3</sup> The direct link between the current economic crisis and the difficult situation of the European automotive industry has been established i.a. in the Commission Communication 'Responding to the crisis in the European automotive industry', COM(2009)104final of 25.2.2009.

- ZF Lemförder Achssysteme GmbH & Co KG, Lebring	21	GmbH, Stainz	
- HTP Automotive GmbH, Fohndorf	6	- Boxmarker Leather GmbH & Co KG, Feldbach	2

9. Of the 400 workers to be targeted for assistance, 20,5 % are female and 79,5 % are male. 5 % belong to the 15 to 24 years age group, 92,8 % belong to the 25 to 54 years age group and 2,2 % are between 55 and 64 years of age, while about 1,8 % workers have a longstanding health problem or disability. Of the workers targeted for assistance, 95 % are EU citizens and 5% are from countries outside the EU. In terms of professional categories, 47,3 % belong to the group 'plant and machine operators and assemblers', 31 % to the group 'craft and related trades workers', 16,3 % to the group 'elementary occupations', 3,2 % to the group 'office and commercial clerks', 0,2 % to the group 'technicians', and for the remaining 2 % the professional category is not known.

(e) Description of the territory concerned and its authorities and stakeholders

10. The territories concerned by the redundancies are at NUTS II level the Land of Styria (AT22) and at Nuts III level mainly Graz and its surroundings (AT 221)

The main responsible stakeholders are the office of the government of Styria responsible for employment policy, labour and assistance, the labour market service of Styria, the municipality of Graz, the Styrian office of the federal social security office, the chamber for workers and employees, the economic chamber of Styria, the trade union metal-textile-food for Styria, the trade union for private employees (regional office for Styria) and the Association for economic initiative ('Verein Wirtschaftsoffensive').

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

11. The Land of Styria, where the redundancies occurred, suffers from structural weaknesses, in particular a relatively small share of the services sector, an export oriented economy and a high dependence on the demand in the automotive sector. In 2008, the automotive industry in Styria represented 2,8 % of employment (against only 1,4 % for Austria) and taking into account its downstream suppliers and producers this share amounts to about 7,5 %. This makes the region particularly vulnerable to the impacts of the global crisis. The area around Graz where most of the dismissing enterprises are located will be significantly impacted. In 2008, the average number of unemployed falling within the responsibility of the regional labour market office of Graz was 11 318. The 744 redundant workers in the present application represent an increase of about 7 %.

12. In conclusion, in these circumstances, the redundancies can be seen to have a significantly negative effect on the local and regional economy.

(g) Coordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

13. 240 of the 400 workers targeted for assistance will benefit from the coordinated package of personalised services within the regional automotive foundation ('Regionalstiftung Automotive'<sup>4</sup>) and 160 workers will benefit from orientation and qualification measures outside the foundation. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers within the labour market:
- Employment assistance: This covers not only administrative and informative assistance to dismissed workers, but also support during contacts with the labour market service. It is available to all dismissed workers who apply for entry into the foundation.
  - Screening: This concerns the profiling of the redundant workers and is obligatory for all those applying to enter the foundation.
  - Short occupational orientation course : This is a six-week training course, covering modules on assessment of aptitude and the development of an occupational pathway plan.
  - Longer occupational orientation course : This is a twelve-week training course, including the two modules of the short course as well as additional modules on detailed planning of the occupational pathway, development of soft skills and job applications.
  - Individual coaching: This provides information, advice and support during the period between the occupational orientation and the completion of the occupational pathway.
  - Individual qualifications: These can cover any qualification that has been approved by the regional employment service for inclusion in its catalogue of measures. Relevant examples of such qualifications are training in a higher technical college, polytechnic training, bachelor training, training in an enterprise, training in view of the vocational matriculation examination, retraining in a social area, training as a pedagogue for disabled persons and training as qualified nurse. These qualifications should be followed in certified training institutes. The training towards these qualifications can last up to 156 weeks and the number of hours to be spent<sup>5</sup> is agreed with and controlled by the regional employment service. Practical training in enterprises, work experience for a period up to 3 months and active job searching are part of the courses.
  - Training allowance: This is granted to participants in the foundation with the aim of covering mainly travel and the cost of learning materials.

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<sup>4</sup> Labour foundations are an active labour market policy instrument in Austria to mitigate structural changes. Their main objective is the development and implementation of individualised re-integration processes into the labour market through skills upgrading, demand-oriented qualification and sustainable improvement of the labour market position of job seekers;

<sup>5</sup> The Austrian authorities stated that the average presence in the regional foundation is 25 hours/week. This is considered to be equivalent to a full-time presence, as the remaining hours are considered as preparation time needed for the training.

- Subsistence allowance while on training: This allowance is only granted for the period during which dismissed workers are participating in qualification measures. It should enable them to assist on a full time basis in the qualification. The costs amount to EUR 1 100/month. Rate 1 is granted to dismissed workers who will be trained during 15 months, rate 2 corresponds to 5 months of training and rate 3 to 3 months of training.

14. The administrative expenditure included in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers the various stages in the preparation of this application, management and control activities, and information and publicity.
15. The personalised services that form part of the co-ordinated package presented by the Austrian authorities are active labour market measures constituting eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006. The total costs of these services are estimated by the Austrian authorities at EUR 8 522 700 and the administrative expenditure at EUR 255 200 (= 2,9 % of the total amount). The total requested contribution from the EGF is EUR 5 705 635 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national co-financing) (in EUR)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Employment assistance ('Arbeitsassistentz')	300	70	21 000
Screening	300	90	27 000
Short occupational orientation course ('Berufsorientierung – kurz)	147	210	30 870
Longer occupational orientation course ('Berufsorientierung – lang')	160	768	122 880
Individual coaching ('Einzelcoaching')	5	60	300
Individual qualifications ('Individuelle Qualifizierungen')	400	3 662	1 464 800
Training allowance ('Ausbildungsbedingte Zuschussleistung')	239	2 350	561 650
Subsistence allowance while on training rate 1 ('Schulungsarbeitslosengeld Satz 1')	374	16 500	6 171 000
Subsistence allowance while on training rate 2 ('Schulungsarbeitslosengeld Satz 2')	17	5 500	93 500

Subsistence allowance while on training rate 3 ('Schulungsarbeitslosengeld Satz 3')	9	3 300	29 700
<b>Subtotal personalised services</b>			<b>8 522 700</b>
<b>Technical assistance for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparation and implementation			109 200
Management outplacement foundation			73 000
Information and publicity			23 000
Control activities			50 000
<b>Subtotal technical assistance</b>			<b>255 200</b>
<b>Total estimated costs</b>			<b>8 777 900</b>
<b>EGF contribution (65 % of total costs)</b>			<b>5 705 635</b>

16. As regards complementarity with actions funded by the Structural Funds, the Austrian Authorities indicated that the EGF will complement the training measures which are provided under the ESF, mainly for older workers and for women. The EGF audit and control system will be conceived so as to ensure this complementarity.

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

17. Personalised services for the affected workers included in the co-ordinated package proposed for co-financing by the EGF were started by Austria on 27 August 2008. This date therefore represents the beginning of the period of eligibility for any assistance under the EGF (first paragraph of Article 11 of Regulation (EC) No 1927/2006).

(i) Procedures followed for consulting the social partners:

18. The discussions with the social partners concerning the use of a labour foundation took place on three different occasions. The foundation plan ('Stiftungskonzept') for workers dismissed by Johnson Controls and Lear Corporation was first agreed in 2007 and later renewed. The foundation plan in favour of workers dismissed by Magna Steyr was agreed in mid 2008. For workers dismissed by other enterprises that belong to the automotive cluster in Styria agreement on the establishment of a regional outplacement foundation for the automotive sector and its suppliers was reached in early 2009.

19. The Austrian authorities confirm that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.



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

20. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the Austrian authorities in their application:

- confirmed that the financial contribution from the EGF does not replace measures that are the responsibility of companies under 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 under points 13 to 15 above do not receive assistance from other Community financial instruments.

21. Management and control systems

Austria has informed the Commission that the financial contribution will be managed and controlled on the basis of the system that is applied for management and control of ESF funds. The unit BMASK VI/9 within the Federal Ministry for Labour, Social Affairs and Consumer Protection will act as managing authority.

## CONCLUSION

22. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/009 AT/Steiermark submitted by Austria, relating to the redundancies in 9 enterprises in Styria involved in manufacturing activities falling under NACE Revision 2 division 29 ('manufacture of motor vehicles, trailers and semi-trailers'), as evidence of a direct and demonstrable link has been provided that these redundancies result from the global financial and economic crisis. A coordinated package of eligible personalised services has been proposed. Therefore, it is proposed to mobilise the EGF in response to the application from Austria.

## FINANCING

The total annual budget available for the EGF is €500 million. So far, four cases have been accepted for funding in 2009, and a further four cases have been proposed to the Budgetary Authority, amounting to a total of EUR 37 107 624.

Article 12 (6) of Regulation (EC) No 1927/2006 states that on 1 September of each year, at least EUR 125 million should remain available in order to cover any needs arising until the end of the year.

After deduction of the amounts already accepted and already proposed for commitment, an amount of EUR 462 892 376 remains available.

It is proposed to deploy EUR 5 705 635 from the EGF.

**THE COMMISSION IS THEREFORE INVITED TO:**

- conclude that the conditions for a financial contribution from the EGF to application EGF/2009/009 AT/Steiermark submitted by Austria are met;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 5 705 635, as specified in point 15, as well as a request for the transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12(3) of Regulation (EC) No 1927/2006;
- authorise the transfer of the identical amount in payment appropriations from budget line 04.0217 (European Social Fund (ESF) convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).