Mobilisation of the European Globalisation Adjustment Fund: redundancies in mobile social services in Austria

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in mobile social services in Austria.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline 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 Commission services have carried out a thorough examination of the application submitted by Austria to mobilise the EGF. The main elements of the assessment are as follows:

Austria: EGF/2011/011 AT/Soziale Dienstleistungen:

On 21 December 2011, Austria submitted application EGF/2011/011 AT/Soziale Dienstleistungen from Austria for a financial contribution from the EGF, following redundancies in 105 enterprises operating in the NACE Revision 2 Division 88 ('Social work activities without accommodation') in the NUTS II region of Steiermark (AT22) in Austria. The application was supplemented by additional information up to 25 June 2012.

In order to establish the link between the redundancies and the global financial and economic crisis, Austria argues that the dismissals in Styria's mobile social services sector (provision of mobile social services for people with handicaps and mobile youth assistance) occurred as a result of reductions in the social budget implemented by Styria with a view to consolidating their overall budget. Styria's government decided in 2010 to cut the overall expenses of the Land by 25 % (in comparison to the 2010 budget) over the two-year period 2011/2012. The budget reductions also concerned the social sector, including contractually laid down disbursements (*vertraglich vereinbarte Pflichtleistungen*) paid by Styria for youth welfare and support for the handicapped (*Jugendwohlfahrt, Behindertenhilfe*). In reaction to the budget cuts, Styria's social services providers first reduced their activities (i.e. shorter working times for staff) and, subsequently, started dismissing workers from mid-2011 onwards. Hardest hit were / are small service providers specialising only in one or few social assistance area(s) as they depend exclusively on the payments from the Land and the municipalities.

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. The application cites 1 050 redundancies in 105 enterprises operating in the NACE Revision 2 Division 88 ('Social work activities without accommodation') in the NUTS II region of Steiermark (AT22) during the reference period from 1 April 2011 to 15 December 2011.

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.

On the basis of the application from Austria, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 5 200 650**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATIONS: 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 of EUR 5 200 650, to be allocated under heading 1a of the financial framework.

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.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trilogue 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 trilogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2012 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

Source of payment appropriations: the amount of payment appropriations initially entered on the budget line 04 05 01 in 2012 will be fully consumed after the adoption by the two arms of the budgetary authority of the proposals submitted to date for mobilising the EGF and therefore insufficient to cover the amount needed for Austria’s application. **An increase in the payment appropriations of the EGF budget line will be requested** either through a transfer, in case a source of available appropriations can be identified, or an Amending budget. Appropriations from this budget line will be used to cover the amount of EUR 5 200 650 needed for the present application.