

COMMISSION OF THE EUROPEAN COMMUNITIES

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Information note concerning the implementation
of the social measures
for the restructuration of the steel industry (1993-1995)

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1. Background

In November 1992 the Commission decided to introduce a comprehensive programme with the aim of reinforcing the steel industry's competitiveness¹⁾. In December the programme was endorsed in principle by the ECSC Consultative Committee²⁾ and the Council gave its unanimous assent in February 1993³⁾. It comprises social measures which the Commission intends to use to step up considerably its action to attenuate the consequences of the restructuring for workers and to spread the costs.

According to the estimates available, arising from the survey of undertakings carried out by the Commission (the "BRAUN mission") and from information obtained from the national administrations, between 55 000 and 60 000 jobs are expected to be lost as a direct result of the restructuring: this figure exceeds the initial estimates made by the Commission in November 1992. Thus, the number of ECSC workers qualifying for Community aid under the social measures could be put at some 69 000. This estimate takes into account departures and internal transfers and has been checked with the relevant authorities in the Member States.

The undertakings and the governments in the Member States will be making a major effort and introducing a range of measures to deal with the job losses. The Community, which is taking on clear-cut responsibilities in this restructuring, has to contribute to the effort, supplementing the national measures by additional assistance under these social measures, i.e. additional to the "traditional" ECSC aid. Within the context of these complementary moves, the plan is to link ECSC funds with funds from the ESF, with the scope naturally extending beyond assistance for the social consequences of closures pure and simple. Clearly, the effect of these social measures could be boosted by contributions from other Community instruments (more especially ERDF and reconversion loans).

- 1) SEC(92) 2160 final.
- 2) Meeting of 18 December 1992
- 3) See conclusions of the Council of 25 February 1993.

2. ECSC readaptation aid (Social measures)

ECSC assistance under these social measures will supplement the "traditional" form of ECSC aid under bilateral agreements with the Member States. It will thus enable a more significant part of the costs to be covered, in some cases doubling the ECSC contribution for certain measures.

In this way the ECSC financial assistance will respond more flexibly and rapidly to the needs resulting from application of the restructuring programme.

The availability of the complementary contribution will depend on the Commission's appraisal in October 1993 of how the capacity reduction programme is progressing.

2.1 Eligibility

In order to qualify, the worker's job must be affected by a programme for the full or partial closure of production capacity or for a definitive reduction of activities under an agreement on specialization, merger or cooperation between undertakings ultimately leading to closures and approved by the Commission.

As in the case of traditional aid, the ECSC assistance will be granted to both production workers and workers in the various related services. In addition, aid may be granted to workers who are indirectly affected, obliged to change job and/or adapt their skills on account of closures.

2.2 Types of measures

In recent years the structure of the workforce has changed considerably; in particular, the number of older workers has declined. Although early retirement will remain a significant factor, Member States are tending to strike a different balance between the various possible measures, reflecting a desire to make greater efforts to redeploy workers.

While some priority should indeed be given to these two types of assistance, the social measures must be sufficiently broadly conceived to take into account the diverse social support practices in the Member States and also to cope with people left without employment and for whom the retirement option is not a viable solution.

(a) Early retirement

In the context of early retirement, account will be taken of all measures designed to pension off older workers on an acceptable income. Thus the aid might cover early retirement proper, periods of dispensation from work and periods of long-term unemployment treated as early retirement.

The reference age for access to these measures will be laid down in national law or agreements. The expenditure to be covered may extend in particular to severance allowances, pensions and contributions under social security systems.

(b) Redeployment

In the Member States it is becoming increasingly clear that vocational training is not sufficient in itself to bring about a return to employment. On the contrary, successful redeployment usually results from a personalized combination of a range of measures, associating, for example, vocational training, job-seeking, personal advice, individual monitoring and various initiatives taken by the steel firms for their staff. Thus, account will be taken in the context of redeployment of all measures contributing to actual reemployment inside or outside the undertaking, which may include training or retraining, income support, and assistance for transfers and reintegration and/or self-employment. The expenditure to be covered may, in principle, concern all these special measures.

(c) Unemployment

In some cases, because of the shortage of suitable opportunities for reemployment, it will be impossible to cut the workforce by means other than redundancies. Workers thus affected should still be covered by the social measures. The assistance for unemployed workers may include, where appropriate, benefits for short-time working in so far as this may enable the closures to be phased over time and increase the workers' chances of finding a stable situation (by reemployment or some other solution). Similarly, the Commission will agree to take into account new forms of work-sharing involving reductions in working hours.

2.3 Amount of aid

It is proposed to set the average ceilings for assistance under these various types of measures at ECU 5 000 for early retirement, ECU 4 000 for redeployment and ECU 2 000 for unemployment. These amounts take into account both the relative significance of the total cost of the measures and the priority to be given to the different measures in accordance with their potential for ensuring stability for workers. Lastly, these amounts will ensure that the Community assistance has a significant, visible impact: the Community contribution (supplementary aid and "traditional" aid combined) will thus account for up to between 15 and 20% of the total cost.

Given the degree of uncertainty concerning the budget, the Commission will reserve the right to make appropriate changes to the various aid instalments.

In accordance with Article 56 of the ECSC Treaty, the total amount of aid effectively granted will not exceed the Member State's total special contribution.

The period of assistance during which the ECSC may cofinance the expenditure for workers will be restricted to four years from the start of the operation, the assistance being over and above the "traditional" aid. Advances may be paid on up to 50% of the amount granted, as soon as the measures are launched, at the Member State's request.

The Commission mentioned in its comprehensive programme for the steel industry that it wanted the ECSC aid to help bring down the costs of the social measures resulting from job losses borne by the undertakings in particular. The Commission will be particularly attentive to the details which Member States are required to give in their applications of any agreements concluded on this matter.

2.4 Other procedures

The expenditure covered will relate to the programmes implemented from 1 January 1993. As a general rule, the procedures and conditions for administering assistance other than those expressly laid down in this memorandum will be taken over from the bilateral agreements on the granting of traditional forms of aid.

Applications for assistance for 1993 should be submitted by 30 September. Applications for final payment for all the programmes assisted under the social measures should be submitted at the latest by 31 March of the sixth year following the decision to grant assistance.

3. Assistance from the European Social Fund

In the context of the social measures for 1993-95, the European Social Fund will be able to assist steel workers and, more generally, workers in employment areas affected by the consequences of restructuring in the steel industry. It will be able to help with vocational training and employment aid for unemployed workers and workers at risk of unemployment, particularly in cases resulting from rationalization and modernization operations. During that period, some of these measures will be extended and gradually take the place of certain aids granted until now under Article 56(2)(b) of the ECSC Treaty.

For 1993 the ESF assistance will have to be consistent with Objectives 1, 2, 3 and 4 and with the Fund's current rules. However, it is for the Member States to amend, if they so wish, their priorities for providing assistance under ongoing operational programmes jointly financed by the Commission. They may then, in the context of monitoring the operations and in conjunction with the Commission, reallocate any unused appropriations. It will therefore be necessary to determine, within the operational programmes, possibilities for assisting steel workers and more generally persons in the employment areas concerned.

From 1994, if the Commission's proposals for amending the Structural Fund regulations are taken on board by the Council and Parliament, further ESF assistance will be available for steel workers and persons in the employment areas concerned following the redefinition of Objective 3 and the definition of the new Objective 4. Within that framework the Commission will be able to extend its aid to workers experiencing the consequences of industrial changes and changes in production systems.

Regarding the management of ECSC and ESF assistance, any dual financing of one and the same measure will clearly have to be excluded. Here again, the collaboration of the Member States will be essential.

4. Aid for the conversion of steel-producing areas

It will also be possible to use assistance from the Regional Development Fund and ECSC conversion loans to make a significant contribution to measures designed to support employment and revitalize the economies of these areas.

5. Overall proposals

An integrated approach might be adopted, with the assistance from the different Funds associated in carrying through these social measures, by combining assistance for income support, aid for vocational training and employment, and investment aid.

From 1994 the assistance under the different instruments should in principle be incorporated into an overall proposal, presented if possible in the framework of the "plans" submitted by the Member States and spelling out their priorities for Structural Fund assistance.

6. Financial aspects

The Commission plans to allocate to this programme an overall indicative appropriation of ECU 240 million to be charged to the ECSC operating budget over the period 1993 - 1995. The actual budget will be fixed annually under the normal budget procedure. The Commission will however, have to confirm this overall total in the light of the capacity reduction programmes to be specified by the steel industry by the end of September 1993.

The Commission proposes to maintain, for the first three years, the forecast of ECU 60 million earmarked in the 1993 budget, with priority being given in 1994 to any programmes which cannot be financed in 1993.

Additional amounts could be financed from the ESF, should the Member States come up with the requisite proposals.

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