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COMMUNICATION FROM THE COMMISSION

ADOPTION OF A COMMON INTERVENTION SYSTEM FOR ECSC READAPTATION AID (ARTICLE 56)

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1. BACKGROUND

(a) Development of factors determining cost and distribution of aids

For some years now the increased rate of job losses in the coal and steel industries has given rise to growing difficulties for the ECSC readaptation budget.

The Council's refusal to transfer 50 million ECU last December has heightened these difficulties, as some countries have been led to request increased Community participation through the traditional aids which are funded by the ECSC's own resources.

It is also tending to create an imbalance between workers in different member countries.

Furthermore, certain aspects of the current practice of granting readaptation aid, which is partly an extension of agreements concluded several years ago, appear to be insufficiently harmonized.

Although there is a common trunk of types of aid for which the rules are relatively uniform, the manner in which social protection measures are interrelated in each Member State, which affects the size of the ECSC contribution, has produced unequal costs per worker.

The aim pursued up to now, that of providing laid-off ECSC workers with a similar level of income protection throughout the Member States, had led the High Authority and the Commission to offset, through Community resources, the relative inadequacy of some national social security systems.

The result has been to make the "additional" impact of readaptation aids, under the present system, vary from one country to another.

The new "common intervention system" is aimed at making aid expenditure correspond more closely and more permanently to the funding available from the ECSC budget.

It also seeks to provide a new harmonization of the costs to be supported according to the economic capacity of the individual Member State, and an approximation of the Member States' global aggregate costs, irrespective of the size of the national contribution.

(b) Need to adapt the field of application of the aids

Under the terms of Article 56, at least in the interpretation accepted to date, certain job losses in the ECSC industries, although linked to the accomplishment of Community sectoral policy objectives, cannot give rise to the granting of readaptation aids. We refer more specifically to the following two cases:

- job losses in the coal industry linked to rationalization measures which are not accompanied by an equivalent reduction in the activity of the undertakings concerned - a problem encountered in the United Kingdom coal industry in recent years;
- job losses followed by internal transfers of young workers to areas of activity in the steel industry which are not covered by the ECSC Treaty - a problem currently faced by certain German steelmaking firms.

These two situations need to be considered from the point of view of social policy. No action can be taken within the present system and a specific proposal will therefore be necessary.

2. DESCRIPTION OF THE NEW COMMON INTERVENTION SYSTEM

(a) General framework

The proposed new common intervention system consists in applying a uniform intervention approach throughout the Community in which the maximum level of Community participation is defined for the five standard employment situations of ECSC aid recipients:

- (i) workers who have retired early
- (ii) transferred workers (internal)
- (iii) unemployed workers
- (iv) redeployed workers (external)
- (v) workers being trained

The maximum amounts of Community participation correspond to the same wage levels and duration of financing for each of the standard situations.

These amounts have ceilings. Within the ceilings set for each of the standard situations, more generous contribution percentages and periods will be reserved for workers in lower-economy regions (NUTS II - annual per capita GDP below 75% of the Community average).

Each standard situation could give rise to the granting of several types of aid, as under the present system.

Similarly, the intervention to assist a worker who successively undergoes more than one standard situation could give rise to a combination of aids accorded in respect of each of the situations undergone within a maximum intervention period of 18 months.

The table below gives the factors included in the calculation of maximum participation levels for each of the five standard situations.

Employment situation	Max. monthly participation (% of wage) per capita GDP PPS		Maximum period (months)	Max. total participation (ECU)
	<75% average	>75% average		
1. Early retirement	18%	12%	18	4,000
2. Transfer	5%	5%	12	1,000
3. Unemployment	16%	12%	15	3,000
4. Redeployment	10%	10%	12	2,000
5. Training	65%	55%	12	4,000

The participation rates and periods of time are maximums which in general resemble those applied under the present system.

The rates for training are intended to cover wage costs and operating expenses.

The total contribution per worker for all interventions granted by a Member State may not however exceed a 3 000 ECU ceiling, except where the Commission would be induced to apply the flexibility margins referred to in (b) below.

(b) Flexibility margins

This common intervention system must still leave room for account to be taken of particular situations such as where a country undertakes innovatory social measures, agreed with both sides of industry, warranting particular support from the Community which is likely to have a distinct additional impact. In such properly justified cases, and for limited periods, the Commission should be able to increase its participation beyond the limits set by the common intervention system.

(c) Implementation

Implementation of the common intervention system will entail a revision of the present bilateral agreements. So that it can apply to the 1989 programmes, the Commission ought to announce its entry into force during the first half of this year and renegotiate the existing bilateral agreements before the end of 1988.

(d) Conclusions

The operation of the new common intervention system should be assessed first and foremost in relation to the two main objectives:

- an approximation of Member States' recorded expenditure by the setting of ceilings, which at the same time will help keep overall expenditure under control;
- the introduction of transparent flexibility factors.

In addition, the common intervention system leaves enough room for the negotiation, as in the past, of those aids which are the most effective on the social level for each of the standard situations referred to.

3. EXTENSION OF THE FIELD OF APPLICATION

(a) Extension of replacement worker principle

By applying the "replacement worker principle", the Commission has, for some years, been prepared to extend the application of readaptation aid to those ECSC workers who comply with the age and seniority conditions governing eligibility for the early retirement scheme and, without being directly affected themselves by a closure, agree to leave the undertaking by relinquishing their place to a younger worker whose job is affected in the conditions referred to in Article 56. Readaptation aids are granted to workers in such cases on condition that their numbers do not exceed the numbers of jobs lost.

The German government is now proposing that this intervention measure be extended to workers employed in those areas of activity of ECSC undertakings which are not covered by the ECSC Treaty. This will enable the Community to provide support for measures negotiated for each sector by the two sides of industry in order to counterbalance the diminishing opportunities for internal transfer within the exclusively ECSC sections of undertakings. This extension of the replacement worker principle to non-ECSC workers will, however, have to be limited to workers of the same undertaking.

In the opinion of the Legal Service, such an enlargement of the field of application of readaptation aids to include non-ECSC workers goes beyond the terms of Article 56 of the Treaty. It therefore requires a Council decision on the basis of Article 95. It is proposed that the Commission agree in principle to the submission of a proposal to the Council to this effect.

(b) Extension of conditions of eligibility (rationalization)

The rationalization of the Community coal industry - particularly in the United Kingdom - is giving rise to an increasing concentration on deposits suitable for exploitation by highly mechanized means. The productivity gains thus achieved are reflected by large-scale job losses but are not always accompanied by a fall in the level of activity of the undertakings concerned. A reduction of the level of activity of the undertaking is one of the conditions for the application of Article 56(2)(b). Consequently, the Commission is unable to provide aid for the workers affected by rationalization measures which, nonetheless, correspond precisely to the guidelines of the Community coal policy.

In order to remedy this situation, it is proposed that the Commission accept that rationalization measures which give rise to an exceptionally high number of job losses effectively meet the conditions stipulated in Article 56(1)(c) which makes provision for the granting of aid "if the introduction, within the framework of the general objectives of the High Authority, of new technical processes or equipment should lead to". To this end, it could consider that the increased mechanization of coal-mining undertakings - one of the main components of the modernization and rationalization programmes - also forms part of the objectives which the Community has assigned itself within its coalmining policy, i.e. the gradual replacement of loss-making operations by economically viable capacities. In this way, all the conditions for the application of Article 56(1)(c) would be met.

4. The Commission decides:

- (i) approve the principle of putting into operation a common intervention system to apply to ECSC readaptation aids (Article 56(2)(b) of the Treaty), designed to:
 - (a) standardize ECSC participation in the costs of the different types of aid throughout the Community,
 - (b) bring closer together the levels of overall participation per worker throughout the Community, taking into account the economic capacities of the various Community regions,
 - (c) enable the cost of ECSC readaptation to be kept under better control, having regard to diminishing budgetary resources;
- (ii) make particular provision in this system for the following:
 - (a) common participation rates for each standard situation (percentage of cost, length of financing), for which ceilings may be set,
 - (b) higher intervention rates reserved for workers in lower-economy regions,
 - (c) participation ceilings per worker, for a balanced spread of Community intervention, taking all aids together, among the workers in the different member countries,
 - (d) adjusted participation rates in exceptional, duly justified cases capable of having a distinct additional impact, to take account of innovatory social measures agreed with the two sides of industry;
- (iii) adapt accordingly the rules of the bilateral agreements governing the granting of readaptation aids so that the new common intervention system can be applied to requests in 1989;
- (iv) empower the Commissioner with responsibility for Employment, Social Affairs and Education to notify the Member States of the adoption of the common intervention system;
- (v) empower the Commissioner with responsibility for Employment, Social Affairs and Education to enter into negotiations with the authorities of the Member States in 1988 on the adaptation of the bilateral agreements necessary for the implementation of the new system;

- (vi) agree to the granting, as from 1989, of aid under the terms of Article 56(1)(c) of the ECSC Treaty for workers in the coal sector, more particularly those affected by rationalization measures;
- (vii) decide, in principle, to submit a proposal for a Commission decision to the Council under Article 95 of the ECSC Treaty in 1988 with a view to extending the "replacement worker" principle to workers of ECSC undertakings employed in areas of activity not covered by the said Treaty.