

**Information note on procedures concerning the social measures in connection with the restructuring of the coal industry (1994 to 1997)**

(94/C 108/03)

(Text with EEA relevance)

## 1. INTRODUCTION

In view of the ongoing and accelerated restructuring of the coal industry, the Commission is invited to take a decision to the effect that the social flanking measures in connection with this restructuring continue to be funded from the ECSC operational budget. Hence this memorandum concerns the extension, for the period 1994 to 1997, of supplementary aid pursuant to Article 56 of the ECSC Treaty, granted to workers in the Community's coal industry affected by restructuring and closures.

The ECSC will therefore — within the limits of the budgetary resources available — grant increased support to workers concerned by early retirement, redeployment and unemployment measures. The estimated total cost of the programme over four years is ECU 110 million.

## 2. JUSTIFICATION OF THE MEASURE

In the framework of its responsibilities, notably as regards improving the competitiveness of Community industry and taking into account the social situation of the regions concerned, the Commission on 28 December 1993 approved a Decision establishing Community rules for State aid to the coal industry <sup>(1)</sup> for 1994 to 2002.

These rules require the Member States to submit modernization, rationalization and restructuring plans for the reduction of production costs and, hence, the degressivity of State aids to the coal industry as a precondition for Commission approval of such aids. Given that production costs are on average over three times higher than world market prices and the growing difficulties of a geological nature — with the result that for many mining companies there is absolutely no hope of profitability — more rapid restructuring and rationalization will be required.

According to available estimates, job losses directly due to restructuring will be in the region of 52 000 for the period 1994 to 1997.

To tackle this exceptional situation, the Commission must ensure that social flanking measures are continued. In the context of its responsibilities under the ECSC Treaty, it may, consequently, have recourse to specific instruments to promote readaptation and intensify the associated measures in order to attenuate the consequences of restructuring for workers and to share the cost. The effect of these social support measures will be supplemented and amplified by contributions from other Community financial instruments (ESF, ERDF, reconversion loans, EIB assistance) in the framework of the continuation of the Rechar initiative.

## 3. ASSISTANCE PROCEDURES

The ECSC aid granted under the social support rubric will supplement ECSC aid governed by bilateral conventions with the Member States ('traditional aid'). This will make it possible to assume a greater portion of the cost of the measures.

### 3.1. Eligibility

In application of Article 56 (2) (b) of the ECSC Treaty, any measures implemented in connection with closures or reductions of activity of a definitive nature, resulting from profound changes in the situation of the coal industry, are eligible.

Likewise eligible, in application of Article 56 (1) (c) are measures implemented as a consequence of the introduction of new technical processes or equipment resulting in large scale lay-offs, provided these measures are part of a national modernization, rationalization and restructuring plan for the industry in line with the provisions of Article 3 (2) of Decision No 3632/93/ECSC.

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

### 3.2. Types of measures and ECSC participation

In recent years, there has been a considerable change in the structure of the coal industry

<sup>(1)</sup> Decision No 3632/93/ECSC (OJ No L 329, 30. 12. 1993).

workforce and, in particular, the number of older workers has declined. As there are fewer opportunities for early retirement, given age and length of service conditions, other measures, notably redeployment, will have to be more widely employed. Again, in certain countries incomes are protected by granting a flat rate severance premium.

Generally speaking, the ECSC in its choice of measures and through the relative weight it attaches to each one, takes into account the changing structure of the workforce, new directions in support systems, the diversity of national situations and the priority given to positive actions, while retaining a certain parallelism with the steel industry social support programme <sup>(1)</sup>.

The amounts granted for the different measures under the coal industry social support programme are generally equivalent to a doubling of ECSC assistance under the rubric of traditional aid. Hence they ensure that Community aid has a significant and visible impact, the Community contribution (complementary aid and traditional aid combined) amounting to 15 to 20 % of the total cost of the measure over the intervention period.

In accordance with Article 56 of the ECSC Treaty, the total amount of aid effectively granted may not exceed the special contribution paid by the Member State.

### 3.2.1. *Early retirement*

The reduction in the workforce resulting from the accelerated restructuring of the coal industry continues to be partly managed through early retirement programmes. In the context of the supplementary programme, the ECSC assistance will be extended for an 18-month period (over and above the 18 months provided for in the bilateral agreement concerning this type of measure), the same conditions as those set out in the bilateral agreement (types of expenditure eligible, age limits, calculation of the ECSC contribution) being applied to the typical early retirement situation. The average ceiling for the ECSC contribution is ECU 4 000 per individual, an amount taken from the ECSC readaptation portion of the Rechar initiative <sup>(2)</sup>, which guarantees equality of treatment between workers from

one year to the next once the first supplementary programme ends.

### 3.2.2. *Redeployment*

In the regions and sectors affected by the crisis, 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. Consequently, one should envisage, on the one hand, reintegration measures for the least qualified individuals, notably including initial instruction in order to overcome social and psychological handicaps, pretraining or basic technical instruction organization of training courses in firms and language courses and, on the other, aid to transition to a new job through funding part of the cost of technical assistance to starting off in a new activity.

In the context of the social package for coal, the ECSC will assume, in regard to redeployment, part of the cost of different measures contributing to effective re-employment (measures supplemented, where relevant by a training or vocational requalification action under the ESF), such as:

- compensatory payments for loss of salary,
- severance grants, under the condition that they should be part of a positive redeployment process,
- geographical mobility payments.

The total ECSC contribution may not exceed an average sum of ECU 4 000, and the additional period for assuming these costs may not exceed 12 months.

### 3.2.3. *Unemployment*

In certain coal mining areas, redundancies due to mine closures will lead to unemployment for certain categories of workers, given the lack of opportunities for re-employment and seeing that age-related measures have been exploited to the full. Assistance to unemployed workers may include tideover benefits, benefits for individual leave for vocational adaptation, severance grants and, where relevant, short-time working benefits in so far as this may enable closures to be phased

<sup>(1)</sup> OJ No C 146, 26. 5. 1993.

<sup>(2)</sup> OJ No C 185, 26. 7. 1990.

over time and increase workers' chances of finding a stable job (reemployment or some other solution), as well as other innovatory measures. The average ceiling for ECSC assistance for benefits paid during unemployment is ECU 2 000 per person, and the supplementary amount may be used either to extend the duration of the measure, by doubling the period provided for in the bilateral agreement (hence a maximum of 30 months), or to increase Community participation during the period in which the traditional aid is being granted.

#### 4. OTHER ASSISTANCE

##### 4.1. ESF assistance

In the context of the current supplementary programme for 1994 to 1997, the ESF will be able to intervene on the basis of the new Regulation adopted on 20 July 1993<sup>(1)</sup> through assistance to vocational training and employment, in favour of unemployed persons risking long-term unemployment, as well as workers threatened by unemployment as a result of industrial change and the development of production systems. However, at this stage it is impossible to say exactly how many people will be able to benefit from ESF assistance. The initiative for intervention under this fund is the prerogative of the Member States.

##### 4.2. Other Community instruments

The additional effort in regard to readaptation aid will also be supported through continued assistance under various Community instruments (ERDF, reconversion loans, EIB) in favour of employment and revitalisation of the mining regions, as provided for in the framework of the Rechar II initiative.

#### 5. CONDITIONS FOR MANAGEMENT OF THE ASSISTANCE

The expenditure covered will be that of the social flanking programmes implemented as of 1 January 1994. As a general rule, the procedures and conditions for managing the assistance other than those expressly set out in this memorandum will be taken over from the bilateral agreements for the award of traditional aid.

The period covered by ECSC cofinancing will be limited to four years, starting from the date on which the workers' employment is affected.

#### 5.1. Applications for aid

For the period 1994 to 1997, the Member States will each year present, no later than by 31 May<sup>(2)</sup>, their applications for aid under the social support programme, supplying to this end the documentation stipulated in the bilateral agreement, as well as the representative reference wage of the workers concerned.

In order to ensure continuity between this social package and the preceding programme, workers who have lost their jobs or whose workplace was affected in 1993 and who have not been included in applications for aid for 1993 under the Rechar programme may be included in applications for aid for 1994.

#### 5.2. Requests for payment

5.2.1. Requests for payment must be presented not later than 30 September of the sixth year in which the decision to grant aid is taken, together with the documentation provided for in the bilateral agreement. The balance of the financial commitment will be cancelled automatically at the latest on 31 December of the sixth year in which the decision to grant the aid is taken.

5.2.2. Half on the aid granted may be paid once the Member State certifies that the measures in question are under way, provided the number of workers affected is that set out in the application for aid. If the number of jobs affected is lower than forecast, a proportionate reduction will be applied and any excess aid granted will automatically be cancelled.

#### 6. FINANCIAL ASPECTS

Apart from appropriations which may be granted in the context of ESF assistance, it is envisaged that for 1994 this programme will be allocated ECU 40 million from the ECSC operational budget. The budgetary allocation for 1995, 1996 and 1997 will be laid down annually in accordance with the normal budgetary procedure, the total value of the programme being estimated at ECU 110 million, depending on future budgetary resources.

Taking budget uncertainties into account, the Commission reserves the right to make appropriate changes to the various aid instalments.

<sup>(1)</sup> OJ No L 193, 31. 7. 1993.

<sup>(2)</sup> Provided the Member States agree to the proposed amendment to the bilateral conventions.