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EUROPEAN COMMISSION

Brussels, 15.2.2011  
COM(2011) 61 final

Proposal for a

**DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the mobilisation of the European Globalisation Adjustment Fund in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (application EGF/2010/010 CZ/Unilever from the Czech Republic)**

## EXPLANATORY MEMORANDUM

Point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>1</sup> 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 rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund<sup>2</sup>.

On 24 March 2010, the Czech Republic submitted application EGF/2010/010 CZ/Unilever for a financial contribution from the EGF, following redundancies in Unilever ČR spol.s r.o. in Nelahozeves in the Czech Republic (henceforth 'Unilever').

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.

### **SUMMARY OF THE APPLICATION AND ANALYSIS**

<b>Key data:</b>	
EGF Reference no.	EGF/2010/010
Member State	Czech Republic
Article 2	(a)
Primary enterprise	Unilever ČR spol.s r.o.
Suppliers and downstream producers	0
Reference period	16.9.2009 – 16.1.2010
Starting date for the personalised services	16.10.2009
Application date	24.3.2010
Redundancies during the reference period	634
Redundancies before and after the reference period	0
Total eligible redundancies	634
Redundant workers targeted for support	460
Expenditure for personalised services (EUR)	474 463
Expenditure for implementing EGF <sup>3</sup> (EUR)	23 723
Expenditure for implementing EGF (%)	4,8
Total budget (EUR)	498 186
EGF contribution (65 %) (EUR)	323 820

1. The application was presented to the Commission on 24 March 2010 and supplemented by additional information up to 20 September 2010.
2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406, 30.12.2006, p. 1.

<sup>3</sup> In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

### **Link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis**

3. In order to establish the link between the redundancies and the global financial and economic crisis, the Czech Republic argues that the consumption and sale of food products such as those produced by Unilever in the Czech Republic declined seriously due to this crisis. It has quoted Eurostat statistics which show that over the twelve-month period from September 2008 to August 2009 retail turnover in the EU-27 declined by 3,32 %, in the Euro zone by 4,52 %, and in the Czech Republic by 5,88 %.

The Unilever production plant in Nelahozeves supplied products to the entire EU market, and the decline in demand for its products made it unsustainable. Approximately 45 % of its production, however, supplied the 'local' market – the Czech and Slovak Republics – and figures from the Czech Statistical Office, quoted in the application, confirm that sales in the retail trade sector in the Czech Republic declined by 5,88 % in the year to September 2009.

The Czech Republic argues that many consumers had changed their spending patterns in response to the uncertainties created by the global economic crisis. Some consumers curbed their spending, and others switched to lower-quality products. Both factors had a severe impact on the demand for branded products such as those produced by Unilever. The application quotes Eurostat figures on Consumer Confidence, which show severe declines in the EU-27 and in the Czech Republic during 2009.

Decreased consumer confidence and decreased sales led inexorably to decreased production at Nelahozeves, and a re-organisation of production capacity by Unilever. The firm decided to close its factory at Nelahozeves and to supply the local and EU markets from other production sites, including those based elsewhere in the EU.

### **Demonstration of the number of redundancies and compliance with the criteria of Article 2(a)**

4. The Czech Republic submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers.
5. The application cites 634 redundancies in Unilever during the four-month reference period from 16 September 2009 to 16 January 2010. All of the redundancies were calculated in accordance with the third indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006. In accordance with the requirements of this indent, the Czech Republic has provided the Commission with additional information on the actual number of redundancies effected.

### **Explanation of the unforeseen nature of those redundancies**

6. The Czech Republic argues that the global economic and financial crisis was unforeseen, and that its severity was unforeseeable.

### **Identification of the dismissing enterprises and workers targeted for assistance**

7. The application cites a total of 634 redundancies in the enterprise Unilever ČR, spol.s r.o. in Nelahozeves in the NUTS II region of Střední Čechy. All redundant workers have been offered to participate in the outplacement programme, 460 of them accepted the offer.

8. The break-down of the targeted workers is as follows:

Category	Number	Percent
Men	219	47,6
Women	241	52,4
EU citizens	460	100,0
Non EU citizens	0	0,0
15-24 years old	42	9,1
25-54 years old	358	77,8
> 54 years old	60	13,1

9. In terms of professional categories, the break-down is as follows:

Category	Number	Percent
Production workers	235	51,1
Machine operators	117	25,4
Production managers	40	8,7
Quality control	21	4,6
Crane and forklift drivers	18	3,9
Electricians	14	3,1
Administrative professionals	4	0,9
Senior managers	5	1,1
Financial professionals	3	0,6
IT professionals	3	0,6

10. In accordance with Article 7 of Regulation (EC) No 1927/2006, the Czech Republic has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

### **Description of the territory concerned and its authorities and stakeholders**

11. Nelahozeves, where the Unilever factory was located, is located in Central Bohemia north of Prague, in the district of Mělník. The district has a population of approximately 100 000, and its economy is largely dependent on food processing, and the chemical and energy industries. The district is characterised by a high share of SMEs active in its economy.

12. The principal stakeholders include the Ministry of Labour and Social Affairs (MOLSA), Unilever ČR spol.s r.o., the Labour Office in Mělník, and the Independent Trade Union for workers in the food industry in the regions of Bohemia and Moravia (NOSPP).

### **Expected impact of the redundancies as regards local, regional or national employment**

13. The Czech authorities argue that the crisis has led to a significant increase in unemployment in the Czech Republic. In Central Bohemia, where the Unilever factory was located, the unemployment rate increased from 3,6 % for the year 2008 to 6,4 % in October 2009. In the district of Nelahozeves the rate in October 2009 was 7,5 %. Although relatively low, and lower than the Czech national average (8,5 % in October 2009), the structure of unemployment in the country gives rise to concern. Unemployment amongst higher educated people is low, but amongst people with only basic education the unemployment rate is over 25 %, and the majority of the redundant workers in Unilever fall into this category. The possibility of rapid re-absorption into the labour market is thus considerably reduced, and without additional support the workers risk slipping into long-term unemployment.

### **Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds**

14. All the following measures combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market. The measures will be co-financed by Unilever and provided by the company or contractors working on its behalf.
- As an initial step, outplacement assistance will be provided in the form of advice on job loss, job search and career transition. A specialist in labour law issues, as well as a psychologist and a senior career transition consultant will be available to answer questions as required. In addition, a brochure will be produced and made available to the redundant workers, which will provide them with information on, *inter alia*, the benefits that they can expect to derive from the outplacement services, advice for handling their emotions, and suggested 'do's and don'ts' prior to the start of the programme.
  - One-to-one counselling and job-search assistance will include responding to specific questions concerning job search; assessment of current activities; preparation of future activities; evaluation of offers; career marketing strategies; analysis of the results of interviews; job search using the internet and other information sources; identification of target markets (companies that might have appropriate job offers); support in addressing target companies; networking; preparation of CVs and motivation letters; contact with government agencies; information, contact, support, and professional re-qualification in connection with business creation; psychological support if needed; and psycho-diagnostic tests and feedback.
  - Job search allowances are provided to workers when they start their training and job search activities.
  - Seminars and special workshops for career transition will focus on developing skills useful in job-search as well as ongoing career management. There will be separate seminars for managers and workers, in recognition of their different needs and labour-market situations. A two-day seminar is designed to prepare redundant managers to conduct an effective search for new employment.

Participants will learn a project management approach to the job search process that provides plans, measurements and benchmarks for a successful transition. For workers a one-day programme delivered in two half-day sessions will help factory, maintenance, operations, service, and other hourly-paid workers to identify skills and accomplishments; set a job objective; develop a list of job targets; complete a job application, CV, or fact sheet; and learn important job search skills. In addition, a number of specific workshops will be organised, including 'CVs and letters that get results' and 'Dynamic Interviewing'.

- Training and mobility allowances are provided to all dismissed workers while undertaking outplacement activities.
  - Individual career transition services for senior managers are planned for senior staff. These services are designed to assist senior managers to make a successful career transition, and are designed to include every element of support that an individual may require, and is customised to meet varying circumstances. The individual consulting sessions cover the following topics: dealing with emotions attached to the transition process; self-assessment using appropriate tools; comprehensive evaluation of skills, strengths, values and accomplishments; in-depth exploration of career and job alternatives; comprehensive objective analysis and market strategy; marketing plans; preparation of a CV, cover letters and other written materials; in-depth interview and networking training; guidance in evaluating and negotiating job offers; tailored search of firms and guidance in working with them; access to office facilities, including a workstation with computer, fax, e-mail and internet; support with research and finding vacancies in the press; and consulting sessions with senior consultant experts in Executive Search.
  - Measures to stimulate older workers will be undertaken. These will cover weekly workshops and training as well as follow-up individual consultations with special focus on assertive self-promotion and IT skills.
  - Aid for self-employment will cover information on self-employment, in particular on the legal requirements to become self-employed. It is included in outplacement workshops, complemented by individual consultation on market opportunities emerging in a given region.
  - Entrepreneurship promotion covers a workshop on the requirements to set up one's own company.
  - Costs related to the implementation of the project (project team) cover the costs of the project team and are directly related to all other measures. For reasons of transparency the Czech authorities have opted to budget and present these costs separately.
15. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management and control activities as well as information and publicity.
16. The personalised services presented by the Czech authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Czech authorities estimate the total costs of these services at

EUR 474 463 and the expenditure for implementing EGF at EUR 23 723 (4,8 % of the total amount). The total contribution requested from the EGF is EUR 323 820 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national co-financing) (EUR)
<b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Outplacement assistance	460	44	*20 423
Counselling and job-search assistance	460	174	80 040
Job-search allowance	460	100	46 000
Career transition seminars and special workshops	460	340	156 400
Training and mobility allowance	460	164	*75 292
Individual career transition services for senior managers	5	4 775	28 875
Measures to stimulate older workers	83	100	8 300
Aid for self-employment	10	950	9 500
Entrepreneurship promotion	10	1 150	11 500
Costs related to the implementation of the project (project team)	460	94	43 133
<b>Sub total personalised services</b>			<b>474 463</b>
<b>Expenditure for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			4 745
Management			2 372
Information and publicity			1 186
Control activities			15 420
<b>Sub total expenditure for implementing EGF</b>			<b>23 723</b>
<b>Total estimated costs</b>			<b>498 186</b>
<i>EGF contribution (65 % of total costs)</i>			<i>323 820</i>



\* Totals do not tally due to rounding of unit costs per worker

17. The Czech Republic confirms that the measures described above are complementary with actions funded by the Structural Funds.

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

18. The Czech Republic started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 16 October 2009. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

**Procedures for consulting the social partners**

19. The Czech authorities reported that the measures accompanying the reorganisation of Unilever were discussed with the social partners and the labour office. Agreement on the accompanying measures was reached on 16 September 2009.
20. The Czech authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

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

21. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Czech authorities in their application:
- confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of 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 above do not receive assistance from other Community financial instruments.

**Management and control systems**

22. The Czech authorities have notified the Commission that the financial contributions will be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) funding in the Czech Republic.

**Financing**

23. On the basis of the application from the Czech Republic, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 323 820, representing 65 % of the total cost. The Commission's proposed allocation from the Fund is based on the information made available by the Czech Republic.

24. 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 referred to above, to be allocated under heading 1a of the financial framework.
25. 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, as required by Article 12(6) of Regulation (EC) No 1927/2006.
26. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified dialogue 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 dialogue meeting will be convened.
27. The Commission presents separately a transfer request in order to enter in the 2011 budget specific commitment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

#### **Source of payment appropriations**

28. The 2011 budget showing payment appropriations of EUR 47 608 950 on budget line 04.0501 "European Globalisation Adjustment Fund (EGF)", this budget line will be used to cover the amount of EUR 323 820 needed for the present application.

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>4</sup>, and in particular point 28 thereof,

Having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund<sup>5</sup>, and in particular Article 12(3) thereof,

Having regard to the proposal from the Commission<sup>6</sup>,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support for workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) The Czech Republic submitted an application to mobilise the EGF, in respect of redundancies in Unilever ČR spol.s r.o. on 24 March 2010 and supplemented it by additional information up to 20 September 2010. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of

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<sup>4</sup> OJ C 139, 14.6.2006, p. 1.

<sup>5</sup> OJ L 406, 30.12.2006, p. 1.

<sup>6</sup> OJ C [...], [...], p. [...].

Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 323 820.

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by the Czech Republic.

HAVE DECIDED AS FOLLOWS:

*Article 1*

For the general budget of the European Union for the financial year 2011, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of EUR 323 820 in commitment and payment appropriations.

*Article 2*

This Decision shall be published in the *Official Journal of the European Union*.

Done at [Brussels/Strasbourg],

*For the European Parliament*  
*The President*

*For the Council*  
*The President*