EUROPEAN COMMISSION

Brussels, 22.9.2011
COM(2011) 580 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/2011/004 EL/ALDI Hellas from Greece)

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[1] 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[2].

On 10 May 2011, Greece submitted application EGF/2011/004 EL/ALDI Hellas for a financial contribution from the EGF, following redundancies in ALDI Hellas Supermarket Holding EPE & Assoc. E.E. and one supplier – Thessaloniki Logistics S.A. – in Greece.

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

Key data:	
EGF Reference no.	EGF/2011/004
Member State	Greece
Article 2	(a)
Primary enterprise	ALDI Hellas Supermarket Holding EPE & Assoc. E.E.
Suppliers and downstream producers	1
Reference period	4.11.2010 – 4.3.2011
Starting date for the personalised services	1.7.2011
Application date	10.5.2011
Redundancies during the reference period	554
Redundancies before and after the reference period	88
Total eligible redundancies	642
Redundant workers targeted for support	642
Expenditure for personalised services (EUR)	4 266 000
Expenditure for implementing EGF[3] (EUR)	224 000
Expenditure for implementing EGF (%)	4,99
Total budget (EUR)	4 490 000
EGF contribution (65 %) (EUR)	2 918 500

1. The application was presented to the Commission on 10 May 2011 and supplemented by additional information up to 22 June 2011.

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[1] OJ C 139, 14.6.2006, p. 1.

[2] OJ L 406, 30.12.2006, p. 1.

[3] In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

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.

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, Greece argues that the economic and financial crisis had devastating consequences for the Greek economy and led the Greek government to take measures such as increasing tax revenues, streamlining public expenditure and decreasing public employees' salaries. There has also been a decrease in the average income in the private sector in an attempt to increase the competitiveness of the Greek economy. An immediate effect of reduced income was a decrease in consumption. In 2009 the private final consumption expenditure figures for Greece followed the same negative trend as the EU-27 average. In 2010 there was a recovery in private consumption at EU-27 level while the drop of private consumption in Greece was even bigger than that in the previous year.

Private final consumption expenditure
(% change compared with the same quarter of the previous year)[4]

	2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
EU-27	-2,3	-2,2	-1,8	-0,5	0,4	0,7	1,2	1,0
EL	-1,6	-2,6	-2,4	-2,2	1,0	-5,0	-5,6	-8,6

4. The decrease in private consumption has severely affected the retail sector and in particular supermarkets. Greece cites Nielsen data according to which overall turnover decreased from EUR 8,5 billion in 2009 to EUR 7,9 billion in 2010, resulting in bankruptcies (e.g. 'Atlantic', the fifth largest supermarket chain in Greece as measured by market share) and takeovers (DIA Hellas was taken over by Carrefour-Marinopoulos, the largest supermarket chain, and PLUS Hellas was taken over by the second largest supermarket AB Vassilopoulos).

5. The largest supermarket chains, realizing the impact of the crisis on their customers' income, changed their sales strategies and significantly increased the volume of own label products on sale – this change in sales strategy was also at the base of the takeovers mentioned above. In 2010 sales of own label products represented 15 % of overall sales in supermarkets and the two leading supermarket chains, Carrefour-Marinopoulos and AB Vassilopoulos, were offering respectively 2 200 codes of own label products and a total of own label products equivalent to 20 % of its whole range of products. Other supermarket chains, including ALDI were not able to move from a brand oriented strategy towards an own label products strategy, and they are suffering the consequences on their turnovers.

[4] Source: Eurostat: http://epp.eurostat.ec.europa.eu/portal/page/portal/product_details/dataset?p_product_code=TEINA021

6. Another effect of the decrease of income resulting from the crisis was the decline in the volume of retail sales that was felt more sharply in Greece than by the EU-27 average.

Volume of retail trade (% change compared with the same month of the previous year)[5]

2009												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
EU-27	-1,2	-3,7	-2,4	-1,2	-3,2	-1,5	-1,3	-1,6	-2,7	-0,9	-1,6	-0,2
EL	-10,2	-13,3	-18,7	-14,9	-14,4	-14,2	-10,2	-4,5	-8,9	-15,4	-11,0	-0,2

2010												
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
EU-27	-1,4	0,0	1,6	-0,9	-1,0	1,4	1,3	1,3	1,4	1,1	1,3	0.3
EL	6,0	1,9	9,8	-5,8	-7,0	-4,5	-9,3	-11,8	-10,5	-8,1	-11,7	-19,4

7. ALDI's decision to invest in Greece was taken during a phase in which the retail sector showed high growth rates (13 % for the period 1992-2009) and the Greek GDP per capita (83 % of the EU's GDP in 1999) was expected to rise up to 93 % of the EU's average GDP in 2006. The economic and financial crisis completely changed the scenario and related expectations. Between 2005 and 2010 the cumulative losses of ALDI Hellas amounted to EUR 181 595 000. Two years, 2008 and 2009, contributed to 58 % of these total losses.

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

8. Greece 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.

9. The application cites 554 redundancies in ALDI Hellas Supermarket Holding EPE & Assoc. E.E. and one supplier – Thessaloniki Logistics S.A. – during the four-month reference period from 4 November 2010 to 4 March 2011 and a further 88 redundancies in ALDI outside the reference period, but related to the same collective redundancies procedure and the event which triggered the redundancies during the reference period. Of these redundancies 67 were calculated in accordance with the first indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006. A further 575 redundancies were calculated in accordance with the second indent of the same paragraph.

[5] Source: Eurostat.

Explanation of the unforeseen nature of those redundancies

10. The Greek authorities argue that when ALDI settled in Greece (2005-2006) the company's ten-year strategic plan foresaw between 300 and 400 stores and three logistic centers (Athens, Thessaloniki and Patras) by the end of the ten-year period and an investment of EUR 1,2 to 1,8 billion. One logistic center was built in Thessaloniki with a capacity to supply 150 stores and the plans for building the second logistic centre (Patras) were progressing (ALDI Hellas had purchased land for a price of EUR 3 million). Moreover, in the period 2008-2010, ALDI Hellas continued to open new stores, although not as many as planned.

11. On 16 July 2010 when the company announced the impossibility of achieving economies of scale – due to the market conditions resulting from the crisis – and its subsequent intentions of stopping any activity related to the implementation of the ten-year strategic plan and closing down all its stores, neither the workers nor the Greek authorities were prepared for the news.

Identification of the dismissing enterprises and workers targeted for assistance

12. The application relates to 642 redundancies in the following enterprises:

Enterprises and number of dismissals	
ALDI Hellas Supermarket Holding EPE & Assoc. E.E.	569
Thessaloniki Logistics	73
Total of Enterprises: 2	**Total of Dismissals: 642**

13. Of the 642 redundancies, 554 occurred during the reference period, and 88 occurred before the reference period, but are eligible for assistance according to Article 3a (b) of Regulation (EC) No 1927/2006. All 642 redundant workers are targeted for EGF assistence.

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

Category	**Number**	**Percent**
Men	155	24,1
Women	487	75,9
EU citizens	632	98,4
Non EU citizens	10	1,6
15-24 years old	43	6,7
25-54 years old	597	93,0
55-64 years old	2	0,3
> 64 years old	0	0,0

15. In terms of educational level 80 % of the workers had completed secondary school. The remaining 20 % had completed either tertiary education or post-secondary non-tertiary education.

16. In terms of occupational categories, the break-down is as follows:

Category	Number	Percent
Cashiers, cleaners and general duty employees	447	69,6
Medium-level managers and accountants	160	24,9
Directors and department managers	35	5,5

17. In accordance with Article 7 of Regulation (EC) No 1927/2006, Greece 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

18. The territories most concerned by the redundancies are the regions of Central Macedonia and Attica where the greatest number of ALDI stores was located. Smaller numbers of ALDI redundancies also occurred in other Greek regions, such as Eastern Macedonia-Thrace, Western Macedonia, Epirus, Western Greece, Mainland Greece and Peloponnese.

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

19. The recession has had a severe impact on Greek employment levels. According to the Greek statistical office (EL-STAT) unemployment increased by 45,2 % in December 2010 compared with the same month of the previous year and the unemployment rate rose to 14,8 %. In addition, the number of inactive persons is now higher than the number of economically active persons (4 353 149 and 4 233 764 respectively).

20. In Northern Greece, where most of the ALDI Hellas redundancies took place, the economic crisis and its consequences are the most severe. In December 2010 the unemployment rate was 17,7 % in the region of Western Macedonia while in Central Macedonia, where the ALDI headquarters were located, it was 16,5 %. In Thessaloniki (Central Macedonia) – Greece's second major economic, industrial, commercial and political centre – according to the 2010 edition of the EVETH barometer, an economic survey by the Thessaloniki Chamber of Commerce, 81,4 % of the enterprises participating in the survey declared to be slightly or not at all optimistic about the future of their business. The same pessimism was expressed concerning job creation and job retention: 67,3 % of the enterprises intended to retain their workers and 28 % planned lay-offs while in the survey of 2009 the percentages were respectively 78 % and 11,7 %. These circumstances have exacerbated the negative impact of the ALDI Hellas redundancies at local, regional and national level.

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

21. The following measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market.

- Occupational guidance and job-search assistance: This will include an individual welcome/information session; profiling; personal and career development sessions – including skills development, career guidance and job-search techniques; setting up an individual pathway of reinsertion into employment. Counsellors will also accompany the workers during the implementation of their individual plans. The dismissed workers who envisage self-employment will benefit from accompaniment towards business. This covers the provision of legal advice, counselling on projects and initiatives, fundraising and support on administrative requirements to successfully apply for the incentives to set up a business, etc. This initial guidance will be taken up by all 642 workers.

- Training and re-training: This measure will include an assessment of the training needs of the workers concerned and the subsequent training. The training offer will cover vocational training in sectors where opportunities exist or will arise, training designed to cater for the identified needs of local enterprises and in transversal skills, including information and communication technologies (ICT), and foreign languages. The participants will receive EUR 20 per day of participation, as a participation incentive.

- Contribution to business start-up: The workers who set up their own businesses will receive up to EUR 20 000 as a contribution to cover setting-up costs. The contribution will be paid in two instalments of EUR 10 000 each. The payment of the first instalment is conditional on completion of certain steps of the process of setting up a business such as having completed training in business creation, drawing up a business plan, registering the enterprise, etc. The second instalment will be paid two month after the first payment, or later.

- Job-search allowance: This is aimed at supporting the worker in actively looking for a new job. It consists of a lump sum of up to EUR 620.

- Mobility allowance and contribution to travel expenses: As a contribution to the travel expenses workers participating in the measures will receive an amount of EUR 15 per day of participation. Those workers who accept a job involving a change of residence will receive a lump sum of EUR 3 000 to cover the necessary expenditure.

22. The expenditure for implementing the 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.

23. The personalised services presented by the Greek authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Greek authorities estimate the total costs of these services at EUR 4 266 000 and the expenditure for implementing the EGF at EUR 224 000 (4,99 % of the total amount). The total contribution requested from the EGF is EUR 2 918 500 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (EUR)	Total costs (EGF and national cofinancing) (EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Occupational guidance and job-search assistance.	642	3 000	1 926 000
Training and re-training & participation incentive.	400	2 500	1 000 000
Contribution to business start-up.	50	20 000	1 000 000
Job-search allowance.	500	620	310 000
Mobility allowance and contribution to travel expenses	30	1 000	30 000
Sub total personalised services			**4 266 000**
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			60 000
Management			104 000
Information and publicity			50 000
Control activities			10 000
Sub total expenditure for implementing EGF			**224 000**
Total estimated costs			**4 490 000**
EGF contribution (65 % of total costs)			***2 918 500***

24. Greece confirms that the measures described above are complementary with actions funded by the Structural Funds. Continuous follow-up of ESF and EGF actions pursuing similar objectives and of the workers concerned will prevent any overlap between ESF (or any other EU instrument or programme) and EGF measures.

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

25. Greece started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF on 1 July 2011. This date

therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

<u>Procedures for consulting the social partners</u>

26. The social partners were consulted during the preparation of the co-ordinated package of measures. The proposed application was discussed at a meeting on 24 January 2011 with the social partners: Labour Ministry, EGF Managing Authority (EYSEKT), Social Security Fundation, Labour Institute of the Greek General Confederation of Workers, ALDI employee representatives, Greek Manpower Employment Organisation, ALDI Hellas and the employer organisation SELPE (Hellenic Retail Business Association). During the meeting, the problems faced by employees and the support measures taken by the company for redundant workers were outlined. Employees' representatives expressed their views on the possible actions to be included in the EGF package of individualized services and submitted a relevant document to the EGF Managing Authority and the Ministry of Labour and Social Security.

27. The Greek authorities confirmed that the requirements laid down in national and EU legislation concerning collective redundancies have been complied with.

<u>Information on actions that are mandatory by virtue of national law or pursuant to collective agreements</u>

28. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Greek 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 EU financial instruments.

<u>Management and control systems</u>

29. Greece has notified the Commission that the financial contribution will be managed and controlled by the same bodies that manage and control the European Social Fund (ESF) funding in Greece. ESF Actions Coordination and Monitoring Authority (EYSEKT) will act as managing authority and the EDEL (Fiscal Audit Committee) as control authority.

<u>Financing</u>

30. On the basis of the application from Greece, the proposed contribution from the EGF to the coordinated package of personalised services (including expenditure to implement EGF) is EUR 2 918 500, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Greece.

31. 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.

32. 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.

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

34. 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

35. Amending budget 2/2011 increased EGF budget line 04.0501 by EUR 50 000 000 in payment appropriations. Appropriations from this budget line will be used to cover the amount of EUR 2 918 500 needed for the present application. An amount of EUR 6 091 460 remains available on the EGF Budget line 04.0501 after adoption by both arms of the Budgetary Authority of the cases submitted to it to date.

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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[6], 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[7], and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission[8],

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) Greece submitted an application to mobilise the EGF, in respect of redundancies in the enterprise ALDI Hellas Supermarket Holding EPE & Assoc. E.E. and one supplier – Thessaloniki Logistics S.A. – on 10 May 2011 and supplemented it by additional information up to 22 June 2011. This application complies with the requirements for

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6 OJ C 139, 14.6.2006, p. 1.
7 OJ L 406, 30.12.2006, p. 1.
8 OJ C […], […], p. […].

determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 2 918 500.

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

HAVE ADOPTED THIS DECISION:

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 2 918 500 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	*For the Council*
The President	*The President*