


EFTA SURVEILLANCE AUTHORITY

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EFTA SURVEILLANCE AUTHORITY DECISION

OF 7 SEPTEMBER 1994

ON THE EMPLOYMENT SUBSIDY FOR UNEMPLOYED YOUNG WITH VOCATIONAL OR
UNIVERSITY DEGREES (FINLAND)

THE EFTA SURVEILLANCE AUTHORITY,

Having regard to the Agreement on the European Economic Area¹, in particular to Articles 61 to 63,

Having regard to the Agreement between the EFTA States on the establishment of a Surveillance Authority and a Court of Justice², in particular Article 1 of Protocol 3 thereof,

WHEREAS:

I. FACTS

1. The notification

By letter dated 28 June 1994, received by the EFTA Surveillance Authority on the same day (ref. 94-9624A), the Finnish Government notified, in accordance with Article 1(3) of Protocol 3 to the Surveillance and Court Agreement, a proposal on the employment subsidy for unemployed young with vocational or university degrees. The EFTA Surveillance Authority, by letter dated 19 July 1994 (ref. 94-10946D), requested additional information from the Finnish Government. The requested information was submitted to the Authority by letter dated 17 August 1994 (ref. 94-12165A).

¹ Hereinafter referred to as the EEA Agreement.

² Hereinafter referred to as the Surveillance and Court Agreement.

2. The aim and contents of the proposed aid measures

The scheme aims at improving the possibilities of young people to be employed after graduation in jobs that correspond to their education. Together with the employment subsidy scheme for apprenticeship training (94-024)³, the scheme constitutes a supplementary programme for training and employment management to combat youth unemployment. It is a part of a wider educational and employment programme for youth which has been prepared jointly by the Ministry of Labour, Ministry of Education and the Ministry of Social Affairs and Health.

The scheme is administered by the Ministry of Labour. The subsidy, which is given in the form of a grant, is paid out by the employment office on the basis of an application from an employer. The employment act⁴, which forms the main legal basis of the scheme, is proposed to be amended in order to enable the subsidy to be granted to an employer that employs under 30-year old people with a basic vocational or an academic degree. The subsidy may be granted only for the first employment after graduation. The subsidy is to be granted not only to private enterprises but also to local governments that employ young graduates.

The subsidy is a fixed monthly amount of FIM 3 500 per person covering part of the wage costs. The employer may receive the subsidy for a period of six months at most. The subsidy cannot be granted if the employer has the possibility to receive other aid from State resources for employment purposes during the same period of time.

The aid must not distort competition between enterprises. Moreover, the subsidy cannot be given if the employer has given notice to or made redundant employees employed in similar positions during the three months preceding the application for the subsidy. Neither may the employer have reduced the working time of such employees.

The scheme is limited in time remaining in force until the end of 1996. The estimate of the total budget of the scheme as regards the subsidies to be granted to the private sector for 1994 is FIM 100 million while in 1995 and 1996 it is estimated to be FIM 300 million each year. It is estimated that in 1994 the scheme would contribute to the employment of 6 500 young graduates, 4 500 in private enterprises. In 1995 and 1996 the corresponding yearly number could rise up to 20 000.

II. APPRECIATION

By offering the subsidy under the proposed scheme the Finnish authorities create employment opportunities to young graduates which would normally not be available, in particular due to the economic difficulties now prevailing in Finland. Although the aid scheme is potentially open to all companies (regardless of size, sector and region) on the basis of certain objective criteria, the Finnish authorities are left with certain discretionary powers to decide when to grant the aid and when not to. Moreover, as the total amount of subsidies foreseen to the private sector is a rather modest one,

³ Notified to the Authority by letter dated 28 June 1994 (ref. 94-9626A).

⁴ Employment Act (*Työllisyysasetus* (130/93)).

some enterprises are likely to benefit from the aid more than others. Thus, the aid measures cannot be regarded as general measures but constitute aid in the meaning of Article 61(1) of the EEA Agreement. The aid granted to enterprises, therefore, threatens to distort competition and affect trade within the EEA, particularly since the products of the favoured undertakings may be in competition with that of undertakings in other States participating in the EEA.

Consequently, the EFTA Surveillance Authority is obliged to assess whether any of the exemption clauses under Article 61(2) and (3) are applicable in order to exempt the aid measure from the general prohibition of aid under Article 61(1).

The scheme has clear horizontal objectives in improving the possibilities of the young with either a basic vocational or an academic degree to find after graduation jobs corresponding to their education. The scheme constitutes a wide effort by the Finnish authorities to combat youth unemployment. According to the information given in the notification, the number of unemployed persons under 25 years of age amounted to about 100 000 in 1993, with a total of 15 000 long-term unemployed. Approximately 50 000 of the young unemployed have no vocational training while about 50 000 young people who have finished their vocational training are still unemployed. In some fields, the unemployment rate among those having finished their training has risen to 40-50%. In 1993 the unemployment rate among the young averaged 34%.

There are a number of conditions that must be met in order for enterprises employing young graduates to be eligible for the subsidy. Aid must not be cumulated with other State support measures nor must it distort competition between enterprises. The subsidy may be used only for the first job of a young graduate after having obtained a vocational or academic degree. The employer must not receive the subsidy if a graduate is employed in the enterprise concerned before the decision of the granting of the subsidy is made. Neither can the subsidy be given if previous employees of the enterprise have lost their jobs during a certain period of time before the aid decision is made. The same applies to a situation where current employees of the enterprise are to be made redundant due to the recruitment of graduates with the help of the subsidy. If it is estimated that the post can be filled without the use of the subsidy the aid may not be granted.

The employment office ensures that the above-mentioned conditions are fulfilled. The employer commits himself to employ young graduates to posts according to a plan set up by the employment office. The employment office then monitors the use of the subsidy by means of a report submitted by the employer of the period of time a graduate has worked in the enterprise in question. The subsidy may be recovered if the recipient has not fulfilled the conditions on which the aid was granted.

As the nature of the scheme is a temporary one to relieve the current grave unemployment situation in Finland, the scheme is limited in time covering employment subsidies granted in 1994-1996. Furthermore, the Finnish authorities are currently drafting new guidelines for employment aid schemes whereby the conditions for enterprises to receive such aid will be restricted. The Government has already in principle agreed to propose such new measures which are planned to enter into force

in the beginning of 1995.⁵ The proposals shall be notified to the Authority in due course before the end of the year.

According to chapter 18 of the Procedural and Substantive Rules in the Field of State Aid, adopted by the EFTA Surveillance Authority on 19 January 1994⁶, aid which has the effect of reducing labour costs without meeting special needs is to be regarded as operating aid and is in principle incompatible with the functioning of the EEA Agreement. On the other hand, the Surveillance Authority takes a favourable attitude to aid schemes for promoting employment where they are designed not just to keep workers in employment but to encourage firms to take on new workers, and especially to create additional jobs for particular categories of workers who have special difficulty in finding employment, for example the young. The measures are further justified by the seriously difficult employment situation that young graduates face in Finland.

On the basis of the above considerations, it is concluded that the employment subsidy for unemployed young with vocational or university degrees qualify for exemption under Article 61(3)(c) of the EEA Agreement by facilitating the development of certain economic activities.

HAS ADOPTED THIS DECISION:

1. The EFTA Surveillance Authority has decided not to raise objections to the employment subsidy for unemployed young with vocational or university degrees, as notified by letters dated 28 June and 17 August 1994.
2. The Finnish Government is obliged to submit a detailed annual report (according to chapter 30 of and Annex IV to the State Aid Guidelines) on the application of the scheme to the EFTA Surveillance Authority.

Done at Brussels, 7 September 1994

For the EFTA Surveillance Authority



Knut Almestad

President of the EFTA Surveillance Authority



Heinz Zourek

College Member

⁵ Summary document of the Government's discussion on the budget for 1995 (*Hallituksen tiedote vuoden 1995 talousarvioesityksestä, 19.8.1994*).

⁶ Hereinafter referred to as State Aid Guidelines.