Mobilisation of the European Globalisation Adjustment Fund: redundancies in specialised construction activities in Ireland

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in specialised construction activities in Ireland.

PROPOSED ACT: Decision of the European Parliament and of the Council.

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline 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 Commission services have carried out a thorough examination of the application submitted by Ireland to mobilise the EGF. The main elements of the assessment are as follows:

Ireland: on 9 June 2010, Ireland submitted **application EGF/2010/020 IE/Construction 43.**

for a financial contribution from the EGF, following redundancies in 1 560 enterprises operating in the NACE Revision 2 Division 43 ('Specialised construction activities')in the NUTS II regions of Border, Midlands and Western (IE01) and Southern and Eastern (IE02) in Ireland. These two contiguous regions comprise the entire State of Ireland. The application was supplemented by additional information up to 17 June 2011.

In order to establish the link between the redundancies and the global financial and economic crisis, Ireland argues that as a small export-oriented economy, it has suffered from the effects of the credit crunch on its major trading partners, at a time when the world economy was experiencing its worst contraction in the postwar period. The credit crunch severely affected the banks in Ireland, with further effects on mortgage loans and building activity in the country. Employment in the previously fast-growing building sector fell sharply. When the crisis hit, the share of those employed in construction in Ireland dropped from 12.25% in Q4 / 2007 to 9.2% in Q1 / 2009 and 6.25% by Q3 / 2010. Many of the redundancies in the sector were caused by the effective closure of the employing enterprise for reasons cited such as liquidation, receivership, closure, insolvency, end of contract and bankruptcy. In mid-2009, one in three construction workers were unemployed. This compares to the overall national unemployment rate at that time of 12.4 %. In terms of construction subsectors, in Q4 / 2009, the greatest absolute unemployment levels were observed in the construction of buildings (NACE Revision 2 Division 41) and specialised construction (NACE Revision 2 Division 43) subsectors. In Q2 / 2009, unemployment rates in these subsectors was almost 40%.

Ireland submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level in a

Member State. The application cites 3 382 redundancies in 1 560 enterprises operating in the NACE Revision 2 Division 43 ('Specialised construction activities')in the NUTS II regions of Border, Midlands and Western (IE01) and Southern and Eastern (IE02) during the nine-month reference period from 1 July 2009 to 31 March 2010.

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.

On the basis of the application from Ireland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 21 664 148**, representing 65% of the total cost.

It should be noted that this application is part of a series of three, all concerning the construction sector in Ireland. The other two applications are in support of workers made redundant in NACE Revision 2 Divisions 71 (‘Architectural and engineering activities’) and 41 ('Construction of buildings').

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPACT: 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.

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.

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.

The amount of payment appropriations initially entered on the budget line 04.0501 will have been fully consumed after adoption by both arms of the budgetary authority of the proposals submitted to date for mobilising the EGF. As payment appropriations are available in 2011 under the budget line 04.0201 "Completion of the European Social Fund (ESF) – Objective 1 (2000 to 2006)", an amount of EUR 21 664 148 needed for the present application can therefore be made available for transfer.