

Mobilisation of the European Globalisation Adjustment Fund: redundancies in the tourism sector in Estonia

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) to support Estonia facing redundancies in the tourism sector.

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

CONTENT: on 12 November 2020, Estonia submitted an application for a financial contribution from the EGF, following redundancies in the tourism sector.

Following the examination of this application, the Commission has concluded, in accordance with all the relevant provisions of the EGF Regulation, that the conditions for a financial contribution from the EGF are met.

Basis of the application

Estonia's application is based on the intervention criteria set out in Article 4(2) of the EGF Regulation. The Estonian authorities argue that although the application concerns a combination of economic sectors falling under 14 different divisions of NACE Rev. 2, it should nevertheless be treated as an application under Article 4(1)(b) of the EGF Regulation because of exceptional circumstances having a serious impact on employment and the local, regional or national economy, SMEs being the main type of enterprise in Estonia.

The application concerns 1 715 self-employed workers made redundant and 8 365 workers made redundant in the tourism sector in Estonia, of which 3 873 were in the context of collective redundancies notified to the authorities. The collective redundancies involve a total of 68 enterprises. The total number of eligible beneficiaries is 10 080.

The reference period for the application is from 13 March 2020 to 11 November 2020.

Link between the redundancies and a global financial and economic crisis

The events giving rise to these redundancies and cessations of activity occurred unexpectedly in early 2020 due to the global spread of the Covid-19 pandemic.

The pandemic and the ensuing global economic crisis caused a huge shock to the Estonian economy, resulting in a projected decline in GDP of 4.6% in 2020. Before the crisis, 90% of tourism spending in Estonia was generated by international tourism. However, the Estonian tourism sector has experienced a near total shutdown during 2020, leading to a wave of redundancies in the sector.

The Estonian authorities claim that the national economy suffered a significant 9.5% drop in total turnover in 2020. The tourism sector has suffered the heaviest losses. The turnover of the tourism sector decreased by 19% (EUR 943 million) in the first half of 2020 alone. The overall employment rate in Estonia fell from 68.4% in 2019 to 66.7% in 2020. The unemployment rate increased from 4.4% to 6.8%.

Although the crisis has hit the whole country, some parts of Estonia have been more severely affected than others. The most affected county is Harju County, including Tallinn, the capital. The tourism sector is unlikely to recover quickly from the crisis. According to economic forecasts, it will take between two and four years for the tourism sector to return to pre-crisis levels.

Beneficiaries

Out of the 10 080 eligible persons, an estimated 5 060 redundant workers and self-employed persons are expected to participate in EGF measures.

The personalised services to be provided to the redundant workers include the following actions: (i) labour market training to acquire new skills and qualifications and to increase their employment opportunities; (ii) business start-up grants of up to EUR 6 000 per person and additional support of up to EUR 2 500; (iii) organisation of apprenticeships; (iv) support for formal studies in vocational or higher education; (v) training allowances.

The proposed actions are active labour market measures and do not substitute passive social protection measures.

Budgetary proposal

The annual allocation for the EGF shall not exceed EUR 186 million (in 2018 prices), as provided for in Council Regulation (EU, Euratom) 2020/2093 laying down the multiannual financial framework for the years 2021-2027.

Following the assessment of the application, the Commission proposes to mobilise the EGF for an amount of EUR 4 474 480, representing 60% of the total cost of the proposed actions, in order to provide a financial contribution for the application.