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**COMMUNICATION TO THE COMMISSION**

**on application EGF/2009/017 LT/Construction of buildings  
received from Lithuania for a financial contribution from the  
European Globalisation Adjustment Fund**

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Lithuania submitted application EGF/2009/017 LT/Construction of buildings for a financial contribution from the European Globalisation Adjustment Fund (hereinafter 'EGF'), following redundancies in the NACE Revision 2<sup>1</sup> Division 41 (construction of buildings) in the NUTS II region of Lithuania (LT00).

1. The application was received by the Commission from the Lithuanian authorities on 23 September 2009.
2. The application meets the conditions for deploying the EGF as set out in Article 2(b) of 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>, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

#### SUMMARY OF THE APPLICATIONS, AND ANALYSIS

##### (a) Analysis of the link between the redundancies and major structural changes in world trade patterns or the financial and economic crisis

3. The application relates to 1 612 redundancies in the buildings construction industry during the reference period of nine months between 16 October 2008 and 15 July 2009.
4. In order to establish the link between the redundancies and the financial and economic crisis, Lithuania argues that the global economic and financial crisis has had a serious impact on construction demand and activity in Lithuania, as well as severely reducing the industry's access to financial credits. As a result, the volume of construction activity in Lithuania has decreased in each of the quarters of the reference period specified in point 3 compared with the previous quarter: 2008 Q4 by 9.20 %; 2009 Q1 by 42.81 %; and 2009 Q2 by 48.04 %, with the redundancies as a consequence. The slow-down in construction activity in Lithuania in 2009 Q1 was the worst in any of the EU-27 Member States.

The slow-down in construction activity in Lithuania is not expected to reverse until after the country has emerged from recession.

These steep drops in construction activity are consistent with trends seen elsewhere

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<sup>1</sup> Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE 2 Revision 2 and amending Council Regulation (EEC) No 3037/90 as well as certain EC regulations on specific statistical domains (OJ L 393, 30.12.2006, p. 1).

<sup>2</sup> OJ L 48, 22.2.2008, p.82

in the EU, where the industry has suffered declines of 2.9 % in 2008 and 11.5% in 2009 Q1 compared with the corresponding periods of the previous year<sup>3</sup>.

5. In conclusion, the opinion of the Commission services is that the 1 612 redundancies in the buildings construction industry can be linked, as required by Articles 1 and 2 of Regulation (EC) 1927/2006, to the financial and economic crisis, which has led to a sharp reduction in construction activity in Lithuania.

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

6. Lithuania submitted the application under the intervention criterion of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies to occur within a nine-month period of reference in a NACE 2 division in one region or two contiguous regions at NUTS II level.
7. The application demonstrates 1 612 redundancies in 128 enterprises, all operating within the NACE Revision 2 Division 41 (construction of buildings) during the period between 16 October 2008 and 15 July 2009. All of these redundancies were calculated in accordance with the second indent of paragraph 2 of Article 2 of Regulation (EC) No 1927/2006, i.e. from the date of the *de facto* termination of the contract of employment before its expiry.
8. The entire territory of Lithuania forms a single region at NUTS II level (LT00).
9. It is the opinion of the Commission services that the total number of 1 612 job losses in the NACE Revision 2 Division 41 (construction of buildings) in Lithuania during the reference period meet the criteria of Article 2(b) of Regulation (EC) No 1927/2006.

(c) Explanation of the unforeseen nature of those redundancies

10. The speed and depth of the global economic crisis were not foreseen by either firms or governments. The nature of the recession as far as the construction sector was concerned, with a sudden tightening of financial credit and a rapid slowdown in new orders was unprecedented in recent times. The redundancies in the construction industry could not, therefore, have been foreseen or easily prevented.

(d) Identification of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of workers to be targeted

11. The application EGF/2009/017 LT/Construction of buildings concerns a total of **1 612** redundancies in the following 128 enterprises:

|                                       |    |                       |    |
|---------------------------------------|----|-----------------------|----|
| UAB Alytaus statybos grupė            | 8  | UAB VDE Statyba       | 14 |
| UAB Pusinė troba                      | 18 | UAB Statybų laukas    | 4  |
| UAB Alsva                             | 62 | UAB Statybų trikampis | 1  |
| Renato Jankevičiaus individuali įmonė | 1  | UAB Piniava           | 4  |
| UAB Sarinos būstas                    | 32 | UAB Kopta             | 8  |

<sup>3</sup> Impact of the economic crisis on key sectors of the EU – the case of the manufacturing and construction industries, June 2009 Update. Published by DG Enterprise and Industry, 29 June 2009..

|  |    |   |    |
|--|----|---|----|
| UAB Virgeda                            | 14 | UAB Genestas                                      | 8  |
| UAB Plesta                             | 18 | UAB S&R Building                                  | 5  |
| UAB GPI statyba                        | 54 | UAB Lista   | 24 |
| UAB Arkunas                            | 21 | UAB Vilbestos statyba                             | 38 |
| UAB Stasoma                            | 45 | UAB Linasta                                       | 3  |
| UAB Vigysta                            | 14 | UAB Meliovesta                                    | 20 |
| UAB Ariogalos statybinės konstrukcijos | 9  | UAB Statekas                                      | 28 |
| UAB TK sprendimai                      | 4  | UAB Kruonio hidroakumuliacinės elektrinės statyba | 7  |
| UAB Betonsta                           | 4  | UAB Ukmergės statyba                              | 14 |
| UAB Ampresta                           | 13 | UAB Degela  | 1  |
| UAB Ranguva                            | 3  | UAB Didlaukis                                     | 3  |
| UAB Mitnija                            | 6  | UAB Ravsta  | 16 |
| UAB Skroblinė                          | 38 | UAB Baltų Statyba                                 | 3  |
| UAB Elsmika                            | 10 | AB BSA Construction                               | 2  |
| UAB Mano biuras                        | 3  | AB Kasyba   | 59 |
| UAB Gertauta                           | 5  | II Dinatos statyba                                | 14 |
| UAB Daliktos statyba                   | 3  | UAB Amasta  | 1  |
| UAB Litgelis                           | 1  | UAB Andovos Statyba                               | 9  |
| UAB Res digna                          | 46 | UAB Arkadis                                       | 3  |
| UAB Monolitinis karkasas               | 21 | UAB Art & Go Investment                           | 1  |
| UAB Naujoji statyba                    | 18 | UAB Darvilda                                      | 11 |
| UAB Medga                              | 11 | UAB Eikos Statyba                                 | 4  |
| UAB Vanesos statyba                    | 8  | UAB Gerika  | 3  |
| UAB Vikstada                           | 22 | UAB Kantus  | 32 |
| UAB Statybų projektai                  | 3  | UAB Kaupasta                                      | 4  |
| UAB Kauno statybos trestas             | 26 | UAB Kerma   | 7  |
| UAB Jungtinės vykdytojų pajegos        | 8  | UAB Litosta                                       | 14 |
| UAB Baltasta                           | 7  | UAB LK Investicijos                               | 2  |
| UAB Elstart                            | 6  | UAB Mažoji Statyba                                | 10 |
| UAB Tesidė                             | 1  | UAB Merko Statyba                                 | 17 |
| UAB Argedestos statyba                 | 1  | UAB Mividarsta                                    | 12 |
| UAB Novacity                           | 6  | UAB Muruva  | 6  |
| UAB Tomstata                           | 1  | UAB Neo domus                                     | 6  |
| UAB Ralsta                             | 2  | UAB Progresyvioji Inžinerinės Sistemos            | 1  |
| UAB Laisvės parkas                     | 1  | UAB Ramunstata                                    | 4  |
| AB Gargždų statyba                     | 37 | UAB RexRangas                                     | 1  |
| UAB Baltijos projektai                 | 22 | UAB Rolgesa                                       | 2  |
| UAB Crepidoma                          | 4  | UAB Rūmas   | 6  |
| UAB Elektrovista                       | 18 | UAB Rumsta  | 27 |
| UAB Elitija                            | 3  | UAB Sine Modum                                    | 1  |
| UAB ELK statyba                        | 2  | UAB Statybų rojus                                 | 1  |
| UAB Genra                              | 2  | UAB Tauneris                                      | 13 |
| UAB Kresta                             | 5  | UAB Tavastis                                      | 2  |
| UAB Litnomus                           | 2  | UAB Telktis                                       | 3  |
| UAB Neto                               | 2  | UAB Tofista                                       | 3  |
| UAB Optimalus statybos sprendimai      | 21 | UAB Vilniaus akmuo                                | 33 |
| UAB Veikmanda                          | 1  | UAB Vilniaus meistrai                             | 3  |
| UAB Zegre                              | 2  | UAB Andaima                                       | 49 |
| UAB Žigija                             | 5  | UAB Stamela                                       | 20 |
| UAB Autofurgonas                       | 2  | AB Narunas  | 6  |
| UAB Daista                             | 1  | UAB Uzvenčio statybos trestas                     | 8  |
| UAB Pamario kiras                      | 12 | UAB Jonapolė                                      | 36 |
| UAB Stakreta                           | 58 | UAB Konig   | 1  |

|                    |     |                          |   |
|--------------------|-----|--------------------------|---|
| UAB Gerbustas      | 2   | UAB Altesta              | 1 |
| UAB Šilna          | 135 | UAB Apdailos grupe       | 1 |
| UAB Senlaukis      | 32  | II Edmesta               | 2 |
| UAB Vidstaka       | 2   | UAB Druskininku statyba  | 6 |
| UAB Algirsta       | 6   | UAB Gintarine statyba    | 5 |
| UAB Statybos gaire | 4   | UAB Statyba ir priežiūra | 5 |

12. Of the 1 612 dismissals, 806 are targeted for assistance. Of these 87 % are male and 13 % are female. 79 % belong to the 25 to 54 years age group, 14 % belong to the 55 to 64 years age group, and 7 % belong to the below 25 years age group. None are over 65 years of age. In terms of categories<sup>4</sup>, 84 (10 % of those targeted for assistance) workers belong to the category 'manager'; 62 (7.7 %) belong to the category 'professionals'; 16 (2 %) to the category 'technicians and associate professionals'; 29 (3.6 %) belong to the category 'clerks'; 3 (>1 %) belong to the category 'service workers and shop and market sales workers'; 3 (>1 %) belong to the category 'skilled agricultural and fishery workers'; 452 (56.1 %) to the category 'craft and related trades workers'; 29 (3.6 %) to the category 'plant and machine operators and assemblers'; and 128 (15.9 %) to the category 'elementary occupations'. 86 of the workers targeted for assistance have a long-standing health problem or disability. All of the redundant workers and all of the targeted workers are EU citizens.

(e) Description of the territories concerned and their authorities and stakeholders

13. The entire territory of Lithuania is affected by the redundancies in the construction industry.

The main stakeholders include the Lithuanian Labour Exchange, the district and county labour exchanges, the municipalities, the employers and employees organisations, training centres, the Chamber of Commerce, and the Lithuanian state social insurance board and labour inspectorate.

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

14. Unemployment in Lithuania is amongst the highest in the EU, and has risen sharply since the start of the economic and financial crisis, reaching 16.7 % in July 2009. The increase in unemployment over the period July 2008 – July 2009 in Lithuania was 10.9 %, the highest in the EU.

The construction industry has been especially badly affected, losing around 10 % of its jobs in Lithuania in 2008 alone. Although there have been signs of a recent improvement in the job situation in the building industry, statistics from the Lithuanian Labour Exchange continue to show that there were almost four times as many construction industry workers unemployed in 2009 Q2 than there were vacancies in the industry.

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<sup>4</sup> According to the International Standard Classification of Occupations (ISCO) ISCO-08 classification of the ILO adopted in December 2007.

15. In conclusion, in such circumstances, the redundancies can be seen to have a negative effect on the national and local economies described.

(g) 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

16. The proposed package of personalised measures outlined in the application comprises ten distinct actions, in addition to the technical assistance necessary for the implementation of the package. The ten actions, which combine to form a co-ordinated package of personalised services aimed at re-integrating workers into the labour market, are:

- Training and retraining will be provided for workers whose skills are not in demand in the local labour market. Such training will be focussed on providing these workers with skills for which there is a demand. The actions will last for an average of five months, and it is estimated that 200 workers will benefit from this measure.
- Outplacement assistance, through the form of supported employment according to the national law on support of employment, will be offered in three different formats:
  - (a) For those workers who are particularly disadvantaged, have dependent children under the age of 8, or are over 50 years of age, employment subsidies will be provided to stimulate them to remain in or return to the labour market. It is estimated that 120 workers will benefit from this action, which will last between 6 and 12 months.
  - (b) Support will be provided for the acquisition of professional skills to 40 workers. This will allow them to acquire new skills directly in the workplace.
  - (c) For those without skills but who are at risk of exclusion from the labour market, special time-limited public work employment will be provided for a maximum of 6 months in order to avoid demoralisation and demotivation. It is estimated that 150 workers will benefit from this latter action.
- Training allowances will be paid to redundant workers participating in training and retraining (as described above). An additional allowance will enable the workers to travel to and from such training. 200 workers will benefit from this support, which is estimated to last an average of 5 months.
- Entrepreneurship promotion – two similar measures, differing mainly in their intensity, will be aimed at redundant workers setting up their own businesses. In both the workers will be eligible to receive compensation for training or counselling relating to business start-up or business organisation, compensation for the costs involved in registration of self-employment, health and social, insurance costs, and the costs of machinery, equipment and instruments required for the workplace.

In the first measure, under national rules the total support for entrepreneurship may not exceed 15 times the minimum monthly salary. It is estimated that 100 workers will benefit from this action.

It is estimated that an additional 50 workers will benefit from a more intense

entrepreneurship promotion measure based upon the national law on the support of employment. The ceiling for assistance is higher.

- Mobility allowances – in order to facilitate geographic mobility, and to allow redundant workers to seek new employment outside the areas in which they currently live, this measure will support the travel costs of an estimated 10 workers for a maximum of three months.
  - Employment incentives – to encourage redundant workers to accept new employment as quickly as possible, a bonus equal to three times the minimum salary may be paid to workers who accept a permanent or a temporary contract with a minimum duration of 6 months, within 2 months of registering with the local labour exchange. It is estimated that 40 workers will benefit from this measure.
  - Temporary financial aid, aimed at motivating redundant workers to accept a new job at a lower wage rate than their previous job, will be paid to workers who accept a new job under a contract of not less than six months (the contract can be either temporary or permanent). It is estimated that 40 workers will benefit from this action.
  - Job-search allowances – redundant workers involved in active job search activities will be eligible for a time-limited support equivalent to 15 % of the Lithuanian minimum salary for a period of up to three months. It is estimated that 650 workers will benefit from this action.
  - Support for child-care and care of disabled family members – in order to facilitate the reintegration of redundant workers with dependent children (up to 8 years of age) or disabled family members with special care needs, an additional allowance will be paid for a maximum period of three months in order to cover the additional costs that the workers will face in order to avail of training or other actions. It is estimated that 15 workers will benefit from this action.  
An additional 5 workers will benefit from an allowance to cover the costs of dependent children (up to 8 years of age) or disabled family members with special care needs, for a maximum of 6 months after taking up new employment.
  - Support for improving qualifications – this measure will specifically target 25 higher educated redundant workers to acquire new competencies in order to facilitate their reintegration into the labour market.
17. The administrative expenditure, as described in the application, in accordance with Article 3 of Regulation (EC) No 1927/2006, covers the preparation, management and control activities of the application as well as information and publicity.
18. The personalised services as part of the co-ordinated packages presented by the Lithuanian authorities in the application are active labour market measures that fall within the eligible actions as defined in Article 3 of Regulation (EC) No 1927/2006.

The total costs of these services are estimated by the Lithuanian authorities at EUR 1 609 485 and the administrative expenditure at EUR 111 889 (= 6.5 % of the

total amount). The total requested contribution from the EGF is EUR 1 118 893 (65 % of the total costs).

| Actions   | Estimated Number of workers targeted | Estimated cost per worker targeted (in EUR) | Total costs (EGF and national co financing) (in EUR) |
|---|--------------------------------------|---|--|
| <b>Personalised services</b> (first paragraph of Article 3 of Regulation (EC) No 1927/2006)                     |                                      |   |  |
| Training and retraining   | 200                                  | 870   | 174 000  |
| Outplacement assistance   | 310                                  | 992   | 307 400  |
| Training allowances   | 200                                  | 900   | 180 000  |
| Entrepreneurship promotion (basic)  | 100                                  | 3 475                                       | 347 500  |
| Entrepreneurship promotion (intensive)  | 50                                   | 8 690                                       | 434 500  |
| Mobility allowances   | 10                                   | 210   | 2 100  |
| Employment incentives   | 40                                   | 690   | 27 600   |
| Temporary Financial Aid   | 40                                   | 690   | 27 600   |
| Job-search allowances   | 650                                  | 100   | 65 000   |
| Support for care of children and disabled family members (during training)                                      | 15                                   | 139   | 2 085  |
| Support for care of children and disabled family members (while in employment)                                  | 5                                    | 1 390                                       | 6 950  |
| Support for improving qualifications  | 25                                   | 1 390                                       | 34 750   |
| <b>Subtotal personalised services</b>   |                                      |   | <b>1 609 485</b>                                     |
| <b>Technical assistance for implementing EGF</b> (third paragraph of Article 3 of Regulation (EC) No 1927/2006) |                                      |   |  |
| Preparatory   |                                      |   | 12 000   |
| Management  |                                      |   | 91 989   |
| Information and publicity   |                                      |   | 3 500  |
| Control activities  |                                      |   | 4 400  |
| <b>Subtotal administrative expenditure</b>  |                                      |   | <b>111 889</b>                                       |
| <b>TOTAL ESTIMATED COSTS</b>  |                                      |   | <b>1 721 374</b>                                     |
| <b>EGF contribution (65 % of total costs)</b>   |                                      |   | <b>1 118 893</b>                                     |



19. As regards the complementarity with actions funded by the Structural Funds, Lithuania confirms that the measures described above are complementary. The EGF assistance will be directly targeted at mitigating the consequences of mass redundancies associated with the effects of globalisation, while support from the European Social Fund (ESF) is programmed and used to finance active labour market policy measures planned over the 2007-2013 programming period. The ESF support is multi-annual and unsuited to respond quickly to unexpected shocks in the labour market, unlike the EGF.

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

20. Personalised services to the affected workers included in the co-ordinated packages proposed for co-financing through the EGF were started by Lithuania on 1 October 2009.

This date therefore represents the beginning of the period of eligibility for any assistance under the EGF (first paragraph of Article 11, first paragraph of Regulation (EC) No 1927/2006).

(i) Procedures followed for consulting the social partners

21. The Lithuanian authorities confirmed that the package of measures has been designed in full consensus with the social partners and that all measures included in the package were supported by the social partners.

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

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

23. As regards the fulfilment of the criteria set out in Article 6 of Regulation (EC) No 1927/2006, the application provided the following elements:

- The Lithuanian authorities 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.
- The Lithuanian authorities demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors.
- The Lithuanian authorities confirmed that the eligible actions referred to under points 16 to 18 above do not receive assistance from other EU financial instruments.

24. (k) Management and control systems

Lithuania has notified the Commission that the financial contributions will be managed and controlled by the same authorities and bodies charged with the delivery

and oversight of European Social Fund (ESF), and specifically EQUAL Community Initiative, funding in Lithuania. The management authority will however deviate from this arrangement, as the Lithuanian Labour Exchange, under the Ministry of Social Security and Labour, which did not carry out this role under the EQUAL Community Initiative, has been designated for this role.

(l) Conclusion

25. In conclusion, for the reasons set out above, it is proposed to accept application EGF/2009/017 LT/Construction of buildings submitted by Lithuania, relating to the redundancies in the buildings construction industry, as evidence of a direct and demonstrable link has been provided that these redundancies result from the global economic and financial crisis. A co-ordinated package of eligible personalised services has been proposed. Therefore, it is proposed to mobilise the EGF in response to the application from Lithuania.

## **FINANCING**

- The total annual budget available for the EGF is EUR 500 million. So far, eight cases have been accepted for funding in 2009, and a further three cases have been proposed to the budgetary authority, amounting to a total of EUR 53 039 047.
- Article 12 (6) of Regulation (EC) No 1927/2006 states that on 1 September of each year, at least EUR 125 million should remain available in order to cover any needs arising until the end of the year.
- After deduction of the amounts already accepted and already proposed for commitment, an amount of EUR 446 960 953 remains available. It is proposed to deploy EUR 1 118 893 from the EGF for application EGF/2009/017 LT/Construction of buildings.

## **THE COMMISSION IS THEREFORE INVITED TO:**

- conclude that the conditions for a financial contribution from the EGF to application EGF/2009/017 LT/Construction of buildings submitted by Lithuania are met;
- submit to the budgetary authority a proposal to authorise appropriations corresponding to EUR 1 118 893 as specified in point 18 as well as a request for the transfer of this amount in commitment appropriations to budget line 04.0501 (European Globalisation Adjustment Fund) in accordance with Article 12 (3) of Regulation (EC) No 1927/2006;
- authorise the transfer of an identical amount in payment appropriations from budget line 04.0217 (European Social Fund (ESF) - convergence) to budget line 04.0501 (European Globalisation Adjustment Fund).