European Foundation for the Improvement of Living and Working Conditions

The impact of recent industrial restructuring in the ICT sector

An analysis of EIRO articles

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Commentary

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The information and communications technology (ICT) sector is relatively young and dynamic, growing in economic and employment terms. However, under the pressure of economic and financial globalisation and specifically the downturn in the US technology sector there have been many cases of closure, “downsizing” and restructuring during recent years.

This report, drawn from existing EIRO material, presents a chronicle of events and a snapshot of developments in the European ICT sector during the last three years.

The definition of the ICT sector

The information and communications technology (ICT) sector encompasses many very different activities and companies. Here, we refer to a definition agreed for statistical purposes by the Organisation for Economic Cooperation and Development (OECD) in 1998. This agreed definition of the ICT sector is based on the following principles:

- for manufacturing industries, for inclusion in the ICT sector, the products of an industry must be intended to fulfil the function of information processing and communication, including transmission and display, and they must use electronic processing to detect, measure and/or record physical phenomena or to control a physical process; and
- for service industries, the products of an industry must be intended to enable the function of information processing and communication by electronic means.

According to OECD report “Measuring the ICT sector”, adoption of the above principles led to a definition based on the industrial classes of revision 3 of the International Standard Industrial Classification (ISIC). The classes included in the definition are as follows:

Manufacturing

3000 - Office, accounting and computing machinery
3130 - Insulated wire and cable
3210 - Electronic valves and tubes and other electronic components
3220 - Television and radio transmitters and apparatus for line telephony and line telegraphy
3230 - Television and radio receivers, sound or video recording or reproducing apparatus, and associated goods
3312 - Instruments and appliances for measuring, checking, testing, navigating and other purposes, except industrial process equipment
3313 - Industrial process control equipment

Services

5150 - Wholesaling of machinery, equipment and supplies
7123 - Renting of office machinery and equipment (including computers)
6420 - Telecommunications
72 - Computer and related activities

The current situation

The ICT sector encompass as several of the economy's dynamic activities, which are often associated with the emergence of the so-called "information society".

According to Eurostat data, communications services contributed around 2,3% of GDP in the Member States in the second half of the 1990's.

Telecommunication services are dominated by a few large enterprises, whilst computer services display a different enterprise size class and structure, being dominated by small and medium-sized enterprises. There are only a few notable exceptions such as Microsoft and SAP. Hardware lies in between the two extremes. Over time, the average size of firms seems to be decreasing.

In telecommunications, this has mainly been due to the liberalisation of the market in Europe, which was accompanied by both split-ups and the emergence of new firms. The software and service sector in particular has witnessed the emergence of many small and very small firms. This decrease in average size has major consequences for industrial relations, even without taking other specific features of the sector into account. It is well established that unionisation and bargaining coverage increase with size.

The main characteristics that make the ICT sector in terms of industrial relations different from traditional sectors are: First, the sector is relatively young. Second, the average employee of ICT companies often bears more resemblance to a highly-skilled "autonomous professional" than to the average employee. Third, there is a strong US influence and background, with some accompanying consequences for industrial relations, including the prevailing attitude towards trade unions. Fourth, it is dynamic and growing sector in economic and employment terms.

Employment in the ICT sector as a whole has seen continuous growth since the 1970s. For example, in Italy, employment in ICT has in recent years increased at a rate three to four times higher than the overall rate for manufacturing and service companies. In Denmark, total employment in ICT increased by 20% from 1992 to 1998, a much higher growth rate than total employment over the same period (3.5%). In Finland, employment in the ICT sector increased more than sevenfold between 1976 and 2000. In France, employment in the ICT sector has shown strong growth since 1995, much more so than overall employment: in 1998, there was an 8.6% rise in ICT employment relative to 1997, compared with a 1.2% increase in overall employment.

As far as its share of total employment is concerned, however, ICT can still not be considered a major sector. Employment in the sector constitutes between 1.1% of the total workforce (Greece) and around 5% (UK), with the majority of countries in the range between 2.9% and 3.9%. Nevertheless, the economic importance of the sector, in terms of turnover, is much higher than suggested by the employment figures. In 2000, ICT accounted for 6.3% of GDP in western Europe. In Greece, ICT accounts for only 1.1% of employment, but about 6% of GDP.

If we look more closely at the different activities that comprise the ICT sector, we see that growth in employment has been very uneven. In hardware and manufacturing, employment has actually declined in a number of countries. Software and services, however, have shown double-digit employment growth figures. In Denmark, employment in the ICT manufacturing industry declined slightly between 1992 and 1998, while in ICT services it grew by more than 30%. In Germany, between 1997 and 2000, employment in ICT services grew each year by between 10% and 16%, while manufacturing and telecommunications experienced either stagnation or a significant decline in the number of employees. In Norway, employment in manufacturing, ICT wholesale and retail and telecommunications was fairly stable between 1995 and 1999, while employment in computers and related activities almost doubled. In Portugal, total employment in the sector dropped between 1985 and 1998, but at the same time employment in ICT services more than doubled.

Recently, however, the high growth in the software and service sector seems to have run out of steam. The downturn in technology shares and investors' new reluctance to support "dot.com" companies have indeed resulted in a fall in recruitment in dot.com start-ups. Several software companies have had to ask for suspension of payments and others have even gone bankrupt.

Ultimately, the general impression of the ICT sector is often one of continuous growth and permanent labour shortages. This view is largely correct as far as the software and service sector is concerned. Specific skill shortages are reported from most countries for installers, system developers, software technicians, internet specialists etc. In hardware and telecommunications, however, the picture is much less clear. Moreover, in recent months the picture for software and services has also begun to change.

Restructuring and industrial disputes

Generally, the labour market in the ICT sector is widely seen as being very tight. However, the picture is far from uniform: the tight labour market mainly applies to the higher qualified positions and to the software and service sector. The ICT sector as a whole has expanded rapidly, but this expansion has not been divided evenly across the different parts of the sector. There have been many cases of closure, "downsizing" and restructuring within a number of subsectors. Many lower qualified workers in the formerly state-owned telecommunications monopolies have been, or are in the process of being, made redundant. Major restructuring has also taken place in television and radio equipment production and, also, in the manufacturing of computers. The crisis in the "new economy", which has even hit the software and service companies, is even more recent.

Restructuring has in some cases been dealt with through agreements or cooperation between employers and trade unions or other workers' representatives. Industrial conflict has also occurred over restructuring - concentrated in, but not confined to, those parts of ICT where the labour market is relatively unfavourable to employees. Examples of both agreements and disputes in the three segments of ICT are given below.

Telecommunications

During the last years in all EU countries there have been major changes in telecommunications companies, mainly as a result of privatisation and the liberalisation of markets. Relevant examples are given below:

Austria

Until some years ago, the telecommunications and postal services were provided by a state-owned company, the Austrian Postal Services (Österreichische Post- und Telegraphenverwaltung, ÖPTV). In 1997, the telecommunications sector was opened to private investors by law. So far, three additional suppliers of mobile telecommunications services have entered the Austrian market. Simultaneously, a great variety of suppliers of telecommunications services appeared (and some have already disappeared). Furthermore, in autumn 2000, the company went public. Due to the generally bad situation on the stock market at that time the shares immediately declined in value.

This new situation has lead to fundamental restructuring at the formerly state-owned company and personnel cutbacks.

In October 2000, the works council and the employers of Telekom Austrian agreed upon a social plan. This social plan included retraining of personnel to be laid off, the opening of new business areas, establishment of a works foundation, and arranging employment within the company.

As Telekom started to dismiss employees early in 2001 and no other measures of the social plan followed, the Gewerkschaft der Post- und Fernmeldebediensteten (GPF) organized a human chain around the central office together with the staff representatives.

Belgium

At the Belgian telecommunications operator Belgacom, in December 2001, management and trade unions signed a draft agreement on the implementation of a new restructuring plan. The new collective agreement will affect 3,000-4,000 employees and it will take concrete form during 2002. The new restructuring plan has been dubbed “Belgacom e-Business Strategic Transformation” (BeST). It is the second such plan to be implemented in the last few years, the previous one had been signed in 1997.

The agreement on implementing the restructuring plan is in three parts:

- for those employees `whose current jobs no longer match planned developments and changes in the enterprise´, the BeST plan provides an in-house training/retraining programme. The measure potentially affects 3,000 people, and will cost an estimated EUR 125 million.
- all Belgacom staff will be given the opportunity to reduce their working hours to 80% or 50% of normal working time. Between 500 and 1,000 people might be interested in this formula. Pay cuts incurred as a result of this reduction in working time will be `partly compensated for´ by a monthly allowance borne by the state; and
- all (statutory) members of staff aged at least 50 on 31 December 2002 with at least 20 years’ seniority may leave their job on a strictly voluntary basis, `but they may remain in the labour market if they so wish´. The agreement states that employees opting for this kind of voluntary departure will qualify for a monthly allowance of 75% of their final gross pay as determined by the salary scale (ie excluding bonuses, allowances and indemnities).

On the last point, the agreement is innovative by comparison with `classic´ early retirement agreements, in that Belgacom will offer incentives to encourage staff leaving the enterprise not to abandon the labour market.

The dispute was on the fact that these two restructuring plans resulted in a cut of very nearly half of workforce in the space of six years.

Denmark

The former Tele Danmark has been taken over by an American company, Ameritech. This take-over has led to a restructuring, a splitting up into six components and a new name TDC - Tele Danmark Communications. According to Prosa, smaller firms which are taken over by American companies often experience a conflict between Danish/European and American standards. In most cases, a mixed culture arises where the Danish system - for instance 5 weeks’ annual holiday - is supplemented by American elements, such as for instance periodical management evaluations. Industrial conflicts have not been observed.

Finland

The Finnish telecommunications operator Sonera is facing heavy debts, linked to the overall downturn in the telecommunications sector and its participation in the auctions of `third-generation´ mobile telecommunications licences in spring 2000. The company bought licences at top prices in several European countries, with the German licence proving especially expensive. In this context, the company decided in late August 2001 to cut its personnel by 10%, or about 1,000 employees. Cooperation talks with employee representatives over the proposed job losses started in August 2001 and were closed in October. As a result, the need for job cuts will now be less than expected, at 500. The rest of the company's workforce reduction needs will be met by ending fixed-term contracts, by internal transfers and through other kinds of personnel mobility. The main dispute between Communications Union (TLL) and management was on the number of redundancies. Thus, TLL has agreed with Sorena that a further consultation procedure will be carried out before the redundancies come into affect.

Greece

The privatisation of OTE (the Greek telecommunications company) has had a significant impact both on employment and on labour relations. During all four stages of capital sell-off, there were strong reactions and major industrial action from the workers' side. Following the Government's recent decision to reduce the state's 51% share to 36%, there is expected to be another big wave of industrial action.

According to OTE's Manpower Division, the number of OTE staff fell from 26,000 in 1996 to the current figure of 18,000. It should be noted that in 1995 in the framework of a special industry-level four-year collective agreement, effective from 1996 to 2000, the parties agreed on a system of voluntary retirement. Under this system, 4,000 workers have already retired. According to data provided by OTE's personnel division, all jobs are affected, but mainly those of technical staff.

An important change has been noted regarding union density of new hiring carried out after the first capital sell-off, primarily regarding highly specialised jobs. In particular, it has been reported that whereas union density was around 98% of workers, it is less than 30% of newly engaged staff, i.e. 100 workers out of a total of 500.

With regard to pay, the Federation of OTE workers (OME-OTE) has reported a wage freeze, as a result of which the OTE wage scale is the lowest of all the public utilities and organisations. The OME-OTE has also reported that labour costs have fallen substantially, with a parallel increase in productivity. However, according to the OME-OTE the productivity increase is the result of a rapid, across-the-board introduction of new technology (digital technology and optical fibres), a process carried out in 1989, long before the first capital sell-off.

Overall, according to the OME-OTE, the sale of 49% of the OTE's stock to private individuals has had negative effects on wages, social insurance and labour relations in the sector, as well as on OTE's public welfare and social activity.

Italy

A characteristic case of restructuring operation in Italian telecommunications sector is that of Italtel, which was formerly part of the Telecom Italia group. In 1999, Italtel was split into two parts: Siemens ICN (part of the German-based Siemens group) and Italtel (Telecom Italia group). At the beginning of 2000, both firms reached an agreement with trade unions on a reorganisation process. At Italtel, the agreement provided for a reduction in the workforce of 802, plus an outsourcing process involving 250 employees. Redundancies were to be managed by a combination of a "mobility procedure", incentives for voluntary resignation and outplacement. At the same time, the company committed itself to hiring more than 600 workers to acquire specific professional skills in the commercial, research and development and production areas, which were considered crucial for the company's development. In January 2001, the unions and the management of Italtel (which is no longer controlled by Telecom Italia) conducted an assessment of the reorganisation agreement. The unions were dissatisfied with developments, after the company announced the sale of a plant and also because Italtel asked for a revision of the agreement as the expected growth in production had not taken place. The Siemens agreement covered a similar reorganisation process, which included some 520 redundancies. Here too, the decrease in employment was to be achieved through incentives for voluntary individual resignations, outplacement and the utilisation of a "mobility procedure". In this case, according to the trade unions, the implementation took place in accordance with the agreement.

Netherlands

In the Netherlands, on 25 October 2001, the major Dutch telecommunications group, KPN, announced plans to make 4,800 employees redundant. This amounts to around 10% of the company's overall workforce. The job cuts will be heaviest in KPN's distribution channels, fixed-network services and support services, as well as at its head office.

The primary aim of the redundancies is to further reduce the company's debt burden, which is mainly due to the takeover of the German company E-plus, the purchase of expensive "universal mobile telephone services" licenses and high investments.

Finally, after negotiations an agreement was reached between KPN and the trade unions on 17 November 2001, and the number of compulsory redundancies will be reduced from 4,800 to 2,800. To this end, all levels of staff will accept lower pay over a two-year period. However, KPN will allocate between 400 and 1,000 share options to each of its employees as compensation for the abovementioned measures. The options can be exercised after three years. Additionally, a generous early retirement scheme has also been agreed in the event that this should occur.

Spain

In Spain, SINTEL, the externalised company of Telefónica, closed down in 2000 and the workers had been made redundant with substantial unpaid wages. Eventually, in July 2001 the government proposed a re-employment and pre-retirement package. The package was acceptable to the Sintel workers, who had conducted a high-profile protest campaign, after the improvements government made on its first offer, in August 2001.

Sweden

In Sweden, the major restructuring within the tele-communication sector is in Ericsson, which is still ongoing. No industrial conflict has occurred because of that or because of any other notices of redundancies, so far in the ITC companies. Industrial relations on the whole are not influenced very dramatically, in any particular direction by tight labour market situations in Sweden, normally. Instead the local parties try to solve possible problems in negotiations, based on collective agreements or the legislation on co-determination in the work place.)

Ericsson is the best example for the time being of a big company undergoing reconstruction, something that started already in 1997. In the telecom factory in NORRKÖPING, almost 600 workers had to leave. The company, the trade unions and the local authorities and the temporary work agency Proffice worked together to help the redundant workers, that were guaranteed full pay from Ericsson during one year. In the end of December 2000, 59% of the workers had received new jobs. The Ericsson management announced in 2001 that more redundancies on a large scale are at hand and stated that it has the ambition to give the workers concerned a similar program.

UK

In December 1999, telecom giant, BT, was confronted with a strike across 40 of its call centre sites, as workers protested against high stress levels and "oppressive" management style.

Hardware and computer manufacturing

Restructuring is not restricted to telecommunications. The major hardware companies, manufacturing both personal computers and mobile telephones, have faced, and are still being confronted with, fierce competition.

Belgium

In Belgium, ACV Metaal, the Flemish section of the blue-collar workers' union in the metal construction and engineering and electrical trades affiliated to the Confederation of Christian Trade Unions (Confédération des Syndicats Chrétiens/Algemeen Christelijk Vakverbond, CSC/ACV), conducted a study in 2000 of the restructuring operations in the ICT sector leading to job losses and early retirement. It found that restructuring was widespread, with 101 cases in one year. The main causes were relocations, mergers and acquisitions and the closure of plants as a result of technological advances.

Thus, Philips production lines transferred to SHANGHAI and HUNGARY and 262 jobs targeted out of a total of 2325; a merger between Digital and Compaq resulted in a cut of 157 out of 733 jobs, and 20 out of 650 lost following a merger between Wang and Oisy (Olivetti)); also, 70 out of 350 jobs go at Alcatell (GHENT) following as decision to cease manufacture of a component.

Denmark

In July 2001 the US-based multinational information technology group Intel closed its Danish operation and dismissed 200 employees, cancelling or restricting the share options held by some of the staff. These options were provided as part of the remuneration of the employees concerned. This meant that some of the employees will lose part of their salary and indeed will essentially pay back a part of their salary.

Thus, three trade unions - the Association of Computer Professionals, PROSA, the Union of Danish Engineers (Ingeniørforbundet i Danmark, IDA) and the Union of Commercial and Clerical Employees in Denmark (Handels- og Kontorfunktionærernes Forbund, HK) - threatened to take legal action against Intel over the share options issue. The case was further aggravated when it turned out that Intel had included a clause in the employment contracts of its former employees to ensure that they could not talk about the matter. They had signed a contract which provided that they were not allowed to make any statements concerning Intel without the written consent of the company. This is an American practice, but not in line with Danish traditions.

In August, HK decided to have the case tried before a court of law, considering that Intel had failed to come up with a satisfactory proposal to solve the problem. It thus sued Intel in an attempt to have it established by the courts that it is not lawful for the company to deprive dismissed employees of their share options. The ruling in this case will set an important precedent for the relationship between share options and ordinary pay. This is especially significant in the information technology sector, where this form of pay is very common.

Finland

In June 1999, the Japanese-owned Fujitsu and German-owned Siemens announced their intention to incorporate the greater part of their computer functions in Europe in Fujitsu Siemens Computers. Even though the plant located in Kilo, Finland, was profitable, the negotiations ended without result and all 450 employees were made redundant in April 2000. The majority of these have succeeded in finding work at other electronic companies. In many cases, however, unemployment has persisted, especially for older employees whose chances of getting work have been poor.

Following this, in February 2001, nine Finnish trade unions, on behalf of 219 members, initiated joint compensation proceedings in the courts against Fujitsu Siemens Computers for allegedly violating the Cooperation Act in connection with the closure of a computer plant located at Kilo, Finland. The company was being sued for compensation of 20 months' pay for each claimant, which was the highest possible compensation prescribed in the Cooperation Act.

Consequently, in August 2001, the public prosecutor decided not to bring charges against the Finnish managers of Fujitsu-Siemens concerning possible intentional or negligent violation of the provisions of the Cooperation Act on negotiations over measures affecting personnel. The prosecutor could not find enough evidence that the Finnish managers could have known of the group management's plans to close down the computer factory in Finland before the personnel were informed of the decision.

The case is not yet closed, because the civil proceedings brought by nine unions in February 2001 are still being dealt with in court. According to the unions, the Cooperation Act was methodically violated. The unions are demanding compensation of over FIM 50 million for violation of the Cooperation Act in connection with the closure of the plant.

According to EIRO national centre commentary, the closure of the Kilo plant in Finland may have been influenced by the fact that the redundancies were considerably cheaper and politically easier in Finland than in Germany. When the cooperation procedure between Fujitsu and Siemens started, the German IG Metall metalworkers' trade union immediately began to fear job cuts. The company considered closure of Padeborn, Germany, but gave up the idea - apparently because the compensation to long-term employees would have totalled several hundred thousand FIM per head. In Finland, the cost of the dismissals amounted only to the wages for the notice period of one to six months.

Germany

In July 2001, the management of the German subsidiary of the US-based computer and printer multinational Hewlett-Packard (HP) called the 5,700 regular employees to accept voluntary cuts in pay or holidays to help compensate for a current downturn in profits. According to HP management, 80% of employees agreed to the pay cuts or renunciation of holidays, helping to save around DEM 15 million. In addition, the management itself agreed to a 15% pay cut over the same period.

The HP initiative was sharply criticised by the IG Metall metalworkers' trade union. In a press release, the union's local organisation in Stuttgart called the company's call for pay cuts "embarrassing and abstruse" and strongly asked the employees to reject them. According to the responsible IG Metall official, it cannot be accepted that a sound company should cut pay or holidays just because of a drop in profits. Also, the HP initiative is a dangerous step to make pay totally dependent on short-term performance, as a result of a more and more dominant "shareholder-value" orientation. For HP in Germany, it has been relatively easy to introduce the pay cuts because the company is not covered by any collective agreement, since it is not a member of an employers' association and the rate of trade union membership among HP employees is very low.

Despite the great readiness of HP employees to accept cuts in pay or holidays, at the end of July 2001, HP headquarters announced the "elimination" of 6,000 jobs, or 6.5% of HP's global workforce, which should help the company save another USD 500 million.

Ireland

The ICT sector in Ireland has been characterised by strong growth, as a result of significant inward investment from multinational companies and an expansion in the indigenous high-tech sector. In 2001, however, a serious slowdown in the US technology sector has prompted a host of profit warnings. In response, a number of American ICT multinationals are implementing cost-cutting measures, redundancy programmes and even full-scale closures amongst their various worldwide operations in a bid to boost profitability. This has had, and will continue to have, substantial implications for Ireland, which is a major European base for US-based ICT firms. In 2000, Motorola made 750 workers redundant, while between January and August 2001, there have been a number of cost-cutting plans and redundancy announcements, some of which are outlined below:

- in May 2001, Dell Computers announced a voluntary redundancy package for 200 workers in its Limerick plant;
- in June 2001. Dell announced that it expected 125 workers in its Bray and Dublin plants to opt for a voluntary redundancy package;
- in June 2001, Nortel cut 800 jobs at its Belfast plant and 90 in Galway;
- in June 2001, 400 job losses were announced at Xerox in Dundalk;
- in July 2001, Intel announced that it wanted up to 170 voluntary redundancies;
- in July 2001, Compaq announced sharply lower profits, and that it was reviewing its Irish operations. This could result in job losses; and
- in August 2001, Gateway announced the closure of its Dublin plant with the loss of 900 jobs.

The announcement on 8 August 2001 by Gateway, the US-owned computer manufacturer, that it is to close its European headquarters in Dublin, which will involve the loss of 900 jobs, represents the biggest single closure of an ICT company in Ireland since the infamous closure of Seagate Technologies in Clonmel in 1997, resulting in the loss of 1,400 jobs.

Gateway's Dublin plant opened in 1993 to manufacture personal computers for markets in Europe, the Middle East and Africa. A decline in profitability resulting from decreased customer demand for personal computer equipment, as well as increased competition from low-cost producers prompted it to close.

Under EU law, as implemented in Ireland, the company has to consult with employee representatives over the planned collective redundancies. To this end, company management was to engage in a 30-day consultation period, during which time it would examine redundancy terms with an eight-person employee representative council recently elected by secret ballot. It appears that the only compensation for employees due at this stage amounts to statutory redundancy pay of half a week's pay per year of service for each employee under the age of 41 years, and one week's pay per year for those over 41. It remains to be seen if any extra compensation will be provided. In April 2000, 200 workers who were made redundant by Gateway received five weeks' pay per year of service, including statutory entitlements.

Although Gateway is non-unionised, and like the majority of US-based multinationals operating in Ireland, is strongly opposed to trade unions, the Irish Congress of Trade Unions (ICTU) and the Services Industrial Professional and Technical Union (SIPTU) offered advice and free administrative assistance to workers.

Technologically advanced companies such as IBM and Apple are less exposed to restructuring and job losses in Ireland, because they employ skilled workforces who manufacture a complex range of products. It is more costly to relocate such operations. By contrast, less technologically advanced companies such as Gateway and Dell employ less skilled workforces who assemble computers, and it is easier and less costly to relocate production. Moreover, there is a danger that what is happening to companies such as Gateway and Dell will produce a knock-on effect by endangering the prospects of the many small indigenous companies which supply them.

These factors illustrate that the previously booming Irish ICT sector is not immune to downturns in the wider global economy. Indeed it is the large size of the ICT sector in Ireland that increases its susceptibility to such a downturn.

Luxembourg

In Luxembourg, restructuring processes caused by acquisisitions and mergers and relocation of companies are rare. Such a case is Thomas & Betts Luxembourg, a manufacturer of interconnection components and systems and electrical, electronic and optical-fibre connectors, and a subsidiary of the US-based Thomas & Betts, which transferred in 1997 its production line to Hungary. This resulted in redundancy for 170 employees in 1997, and another 69 in 1998. In July 2000, Thomas & Betts' professional electronics division was acquired by the US-owned Tyco Electronics Corporation and the management decided to close the Luxembourg factory and 94 staff and 20 employees with fixed-term contracts lost their jobs. Hence, under Luxembourg law, in collective redundancies, a social plan or redundancy programme negotiated with social partners under the Labour Minister's coordination aimed at mitigating the effects.

Spain

The US-owned Hewlett Packard began to manufacture, in Spain, on a small scale in 1985 and in 1988 it began to carry out marketing and research and development (R&D). From 1985 to 1999 the workforce rose from 35 workers to 1,500, and turnover rose from ESP 540 million to approximately ESP 115 billion. In December 2000, HP management announced redundancy for 200 workers, as it was decided to outsource all production (assempfy) and to concentrate HP's resources in activities that contribute added value to the business. Despite making profits, the management claimed that it needed to improve profit margins in a context of increasing competition in the sector. In 1999, turnover was 25% higher than the previous year but profits were 50% lower.

Workers took industrial action to oppose the job losses, but were eventually forced to negotiate an improved redundancy package in February 2001. The public authorities had taken a passive attitude.

Sweden

The Swedish-based Ericsson is an example of a large hardware company undergoing restructuring, which started in 1997. Nearly 600 workers were made redundant at the firm's telecommunications equipment factory in Norrköping. The company, trade unions, local authorities and the temporary work agency Proffice worked together to help the redundant workers, who were guaranteed full pay from Ericsson for a year. By the end of December 2000, some 59% of the workers had found new jobs. In 2001, Ericsson management announced further large-scale redundancies and stated that it planned to offer the workers concerned a similar programme.

UK

In the UK, there have been a number of examples of major restructuring in ICT companies, including EDS, CSC, ICL and, currently, Compaq. This has not so far been a cause for industrial conflict, mainly because of the low level of trade union organisation within this sector. Where conflict has arisen, it has tended to occur in the more unionised, lower value-added parts of the sector.

Software and services

A very recent development is the crisis in the so-called “new economy”, which has sparked the restructuring and even closure of companies that until recently had experienced only expansion and prosperity. This growing crisis has not, it appears, been accompanied by any significant industrial action, no doubt reflecting the low unionisation levels and the specific characteristics of employment in the sector noted above. This is not to say, however, that the software and services field is entirely conflict-free.

Moreover, the current stock market and financial problems have generated numerous restructuring exercises and even bankruptcies among start-ups.

Austria

In Austria, Blue-C, a supplier of e-business services founded in 1994, enjoyed very dynamic growth until the end of 2000, becoming a publicly listed company in October of that year. However, early in 2001, it released a warning of lower than expected turnover and announced that it was to close a number of its foreign offices and that it was planning to reduce its workforce from 230 to 140.

Belgium

In Belgium, workers at the World Online internet company took advantage of the specific technology available in the sector in a protest over redundancies arising out of a merger with Tiscali in February 2001. They “occupied” the company’s website, telling customers about what was going on and disseminating up-to-date information about the dispute. This has been described as “the first cyber-strike in the Belgian multimedia sector”.

France

In France, the ICT sector has undergone a considerable amount of restructuring. In 1998, there were 60 takeovers in the IT engineering services sector, compared to 33 in 1997. In 2000, the biggest one was that of Ernst & Young by Cap Gemini. Moreover, the current stock market and financial problems have generated numerous restructuring exercises and even bankruptcies among start-ups.

A recent strike at the French internet service provider Club Internet, during which a CGT-FO union delegate went on hunger strike, ended in an agreement to review wages. Some restructuring operations in this subsector are connected with takeovers and mergers.

It is thus not surprising to see industrial disputes occurring. However, the most prolific contributory source of industrial disputes in 1999 was the negotiation of the law on the 35-hour working week. On 22 October (and 26 November) 1999, in demonstrations called jointly by the CFDT, CFE-CGC, CGT, CFTC, almost 5,000 IT, engineering and consultancy employees (mostly from Cap Gemini) took to the streets all over France to protest against the suspension of collective bargaining and reject the agreement on the 35-hour week in the IT, engineering and consultancy (SYNTEC) sector.

More recently, a strike at the Internet Service Provider ‘Club Internet’, during which a CGT-FO union delegate went on hunger strike, ended in an agreement to review wages. At another ISP, Freesbee, a dispute also broke out in the aftermath of the company’s acquisition by “Liberty Surf” (which was itself bought by Tiscali a few days later). The cause of the dispute was the firm’s failure to inform the works council of the takeover and the allocation of the customer services division to another subsidiary.

The Netherlands
In May 2001 in the Netherlands, several ICT software and consultancy companies went bankrupt or had to ask for suspension of payments.

Spain
A dispute is reported at Atento, a Spanish telemarketing firm, over its plans to relocate employment to Morocco and restructure its Spanish workforce.

U.K.
In U.K. a number of UK dot.coms, such as Boo.com, have collapsed recently.

The main effects of the restructuring process in ICT sector

Restructuring of the ICT sector has been a general trend across Western Europe over recent years. The above examples from 2001 portray the impact of this policy on job losses, industrial disputes, bargaining arrangements and industrial relations systems in generally.

First of all, restructuring in the telecommunications sector is a result of privatisations and the liberalisation of markets which started in the early 1980s and expanded to services such as telecommunications. The two main reasons behind this move towards restructuring have been: on one side, the adoption of a series of EU “liberalisation” Directives on telecommunications aimed at opening up domestic markets to competition; and, on the other, the progress of Economic and Monetary Union, which, through the pressure exerted by the Maastricht Treaty’s convergence criteria, has encouraged governments to sell state assets and stakes in industrial companies. Additionally, the recent changes in economic framework conditions in telecommunications sector have lead many companies to design and implement in 2001 a new restructuring plan. Such examples are the Telecom Austrian, the Belgacom in Belgium and the Intatel that are mentioned above. Apart from these companies, the Finish telecommunications operator Sonera and the major Dutch telecommunications group KPN made big redundancies facing heavy debts due to the overall downturn in the sector and their participation in the auctions of “third-generation” mobile telecommunications licences.

Thus, restructuring in telecommunications sector has crucial impacts on employment of the sector and on industrial relations including the following:

Impacts on employment levels

- company restructuring is frequently accompanied with workforce reductions, which are often connected to the involvement of private investors (only in 3 companies the redundancy in 2001 was 3,820 employees) and
- employment creation, which is provided by new entrants when denationalisation is coupled with the liberalisation and opening-up of domestic markets.

The net effect on employment of privatisation in telecommunications varies between countries and both increases and decreases in total sectoral employment can be found, depending on the post-liberalisation structure of the industry and on the components of the sector which are taken into account. It should be noted, though, that "quantity of employment" is only a part of the story, with the other being "quality" (such as wage levels and working conditions).

The Telecom Italia group offers a prime example of job losses (802 employees) mainly through voluntary resignation and outplacement and a simultaneous hiring of more than 600 workers with specific professional skills in 2000. Following this in 2001, a new reorganisation agreement caused some 520 extra redundancies.

Impacts on industrial relations

- public ownership often entails greater attention to good industrial relations and consensus, which may lead to a more collaborative climate between management and trade unions; and,
- protection and guarantees for workers are usually more pronounced in state-owned enterprises, not least in terms of the security of the employment relationship. In some countries, much of this protection may be attached to the particular status of "public employee";

Industrial conflicts in the telecommunications sector during 2001 were limited and they usually had the character of bargaining in order to limit job losses and increase compensations. However, they were very common during the previous years when the restructuring processes that were usually connected with privatisation and liberalisation took places.

In hardware and computer manufacturing, the major companies, manufacturing both personal computers and mobile telephones, have faced, and are still being confronted with, fierce competition. It seems likely that the current fragility of the US economy, and, it seems, the whole global economy, will provoke a degree of further "restructuring" and job losses in the European ICT sector in the months to come. As history shows, the economic system is subject to periodic crises of profitability caused by increased competition, which leads to over-production, and then, an eventual "shake-out" characterised by cost-cutting, redundancies, and even plant closures. This "adjustment" is what appears to be unfolding in the ICT sector at the moment. There are cases where companies have an excellent financial situation and made restructuring due to the multinational's ambition to obtain greater profits by transferring production to geographical areas with lower labour costs based on low or non-existent workers' rights, and which also offer tax "advantages". Assembly companies are more exposed than technologically advanced companies which employ skilled workforces and the relocation cost is higher.

Impact on employment

- a high percentage of employees are hired with temporary contracts or they are “economically dependent workers” as a means of cutting costs and subordinating and dividing the workforce (some times more than half the workforce are on temporary contracts i.e. Hewlett Packard Barcelona)
- restructuring was combined with major redundancies of workforce and voluntary cost-saving measures such as cuts in pay or holidays (i.e German Hewlett Packard announced in 2001 the “elimination” of 6,000 employees, and in Ireland during the first 8 months of 2001 2,595 jobs in 7 companies were cut)
- increased unemployment, mainly among older employees whose chances of getting work have been poor

Impact on industrial relations

- industrial relations are strongly influenced by U.S. industrial relations system
- absence of collective agreements; US-based multinationals are strongly opposed to trade union recognition
- member states’ law on “personal arrangements” or redundancies a certain times is in opposition to multinational companies’ practices
- foreign group management, specifically when head office is in a non-EU country, can neglect to inform interested parties of its aims concerning company restructuring

Conflicts broke out due to redundancies resulting in strikes and demonstrations i.e Hewlett Packard Barcelona or in legal procedures i.e Fujitsu Siemens in Kilo, Finland.

Due to the fact that software and services are dominated by small companies there is not enough available data regarding restructuring processes and further implications. The recent crisis in the “new-economy” has also influenced software and services resulting in redundancies and closures.

This growing crisis has not, it appears, been accompanied by any significant industrial action, no doubt reflecting the low unionisation levels and the specific characteristics of employment in the sector. This is not to say, however, that the software and services field is entirely conflict free. A prime example is the “cyber-strike”, mentioned above, in the World Online in Belgium.

Commentary

The ICT sector encompasses many very different activities and companies. At least it includes three segments: telecommunications, hardware and manufacturing, and software and services. The companies of these three segments differ in size, structure and consequently industrial relations patterns. ICT companies that have emerged from existing companies with a long and more or less stable industrial relations history - as is often the case in telecommunications and hardware manufacturing - are a world apart from the dot.com firms and other ICT service companies in the so-called “new economy”. Also, different countries are marked by different industrial relations issues and characteristics.

There is a general view that ICT, and especially ICT software and services, is a “world of its own”. It is true that, from an industrial relations point of view, the sector has many distinctive features. Flexibility is relatively high, as are education levels. On the other hand, there are signs that these differences should not be exaggerated, and may partly be explained by the young age of the sector.

Moreover, the rosy picture of independent ICT employees who take care of themselves and do not need the "classic" protection of industrial relations institutions has recently lost much of its glow. While restructuring took place mainly in telecommunications and manufacturing until recently, the opportunities for growth and development seemed limitless for software and service companies and employees. This picture has changed. The shocks that have hit the new economy seem to have had a "normalising" effect on industrial relations in the sector, in the sense that these relations are tending to move towards more "traditional patterns". Examples are the rising numbers of works councils in German ICT companies, increasing union membership in ICT companies as a result of their financial difficulties in several countries, and the emergence of collective agreements in companies in the Netherlands that until recently had none.

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