

european restructuring monitor *quarterly*

Issue 1 – Spring 2005

The European Restructuring Monitor *quarterly* (ERM *quarterly*) is an information service that analyses data on industrial restructuring in Europe. This issue focuses on information collected from the beginning of January to the end of March 2005, and refers to statistics drawn from the ERM website on 14 April 2005.

The European Restructuring Monitor is a project undertaken by the European Monitoring Centre on Change, implemented by Groupe One. ERM is served by a network of correspondents whose task is to register cases of industrial restructuring, reported in the press in the EU25, Bulgaria and Romania. The period of this current quarterly covers the EU15 and three of the 10 new Member States: the Czech Republic, Poland and Slovakia. Basic information about each case and its employment effects is freely accessible through <http://www.emcc.eurofound.eu.int/erm/>.

Overview

Country focus – spotlight on Germany

Sector focus – spotlight on post and telecommunications

***Company focus – spotlight on Deutsche Telekom
and Nina Ricci***

Note on methodology

> Overview

During the first quarter of 2005, from 1 January to 31 March, the European Restructuring Monitor (ERM) recorded 359 cases of company restructuring, across the 18 countries monitored: the former EU15 and three new Member States – the Czech Republic, Poland and Slovakia. Job losses totalling 219,412 were announced as a result of 238 of these restructuring cases. This represents an increase of 36.2% in announced job losses compared to the previous quarter figure of 161,009 for approximately the same amount of restructuring cases (235) monitored.

On a more positive note, according to press announcements during the first quarter of 2005, 130 of the 359 restructuring cases foresee the creation of 63,412 new jobs. This indicates a sharp increase, compared to previous quarters in 2004 – 8,130 new jobs for the third quarter of 2004, and 39,330 for the fourth quarter.

Table 1: Breakdown of employment effects by type of restructuring in the 1st quarter of 2005

Type of restructuring	Planned job reductions	Planned job creation	Cases
Business expansion	500	58,707	121
Internal restructuring	180,248	3,230	119
Bankruptcy / Closure	24,676	0	73
Relocation	6,452	145	25
Merger / Acquisition	5,563	350	14
Other	820	980	4
Outsourcing	1,122	0	3
Total	219,381	63,412	359

Announced job creation

A significant number of these new jobs – 38,727 out of 63,412 – are related to expanding business activity in new Member States, Poland, the Czech Republic and Slovakia, attracting 21,490, 14,120 and 3,117 jobs respectively. Among the EU15 countries, the United Kingdom (UK) also recorded a high rate of business expansion – 22 restructuring cases, accounting for 19,000 new jobs.

Expansion in the automotive industry in the new Member States

Once again, the automotive sector in particular profits from increasing business activity and investment in the Czech Republic, Poland and Slovakia. ERM recorded 23 announcements in the press involving the creation of 11,637 new jobs in this sector in these countries, referring mainly to expanding businesses among the supply industry. This confirms a trend observed in previous quarters¹. For example, [Kiekert CS](#) and [Mubea IT Spring Wire](#), both subsidiaries of German companies, as well as [Toyota Gosei](#), the Japanese steering wheel and air-bag producer, plan to build new production facilities in the Czech Republic. This will allow for the creation of an additional 2,040 jobs in the longer term. In the expanding Polish automotive supply industry, [Toyota Motor Manufacturing Poland](#) plans to create some 1,400 new jobs. Half of these will be

¹ See also the sector focus of the *quarterly's* winter 2004 issue (<http://www.emcc.eurofound.eu.int/erm/index.php?template=quarterly>) as well as the *EMCC dossier on the European automotive sector*, analysing the trends and forces driving change in the sector (www.emcc.eurofound.eu.int/content/source/eu04017.html).

created at its manufacturing plant in [Wałbrzych](#) and the remaining 700 at a new factory in [Jelcz-Laskowice](#), which will produce diesel engines from 2005 onwards. [NGK Ceramics Polska](#), a producer of diesel particulate filters, and component manufacturers [WABCO Polska](#), [Hutchinson Poland](#) and French [Valeo](#) (also in [Zielonki](#)) foresee investments, which will create a further 2,760 jobs. [Valeo](#) is also expanding its business in Slovakia with greenfield investment. The new production unit is set to employ 727 people and, once full production levels are achieved, create an additional 500–1000 new jobs via subcontractors by 2009. Moreover, Czech car manufacturer [Škoda Auto](#), which is owned by the German Volkswagen AG (VAG) group, is planning to invest over €1 million to expand its production facility in Kvasiny in the east of the country. The company wants to produce a new Škoda Roomster model in the expanded plant, a plan that will create more than 2,000 jobs.

Business expansion in Poland

Another quickly expanding sector in Poland is the business services and real estate sector, with seven cases accounting for 4,920 new jobs. [Parkridge CE Retail](#) is to invest in a commercial real-estate project in Poland that includes multi-functional entertainment centres and commercial centres. This will generate the creation of up to 2,800 new jobs. [Sonoco](#), world leader in packaging production will start new operations in the Łódź Special Economic Zone in order to serve Procter & Gamble and Hewlett-Packard. Some 1,000 new jobs are planned at this new facility. [Polskie Centrum Marketingowe](#) (PCM) plans to double its telemarketing capacity, creating 500 new jobs. In February 2005, the company began developing multilingual speakers groups, in order to service EU markets.

Indeed, Poland attracts more well-known companies expanding their business activities eastwards. The household appliances manufacturers [Siemens](#) and [Electrolux](#) also plan to increase their production capacities with the creation of 1,100 jobs. Technology company [Hewlett-Packard](#) is to open a financial services centre, which will employ over 1,000 people, mainly accountants, business analysts and graduates of economic faculties. Retail giants [Carrefour](#) and [Tesco](#) intend to open further outlets creating 1,050 jobs. The [Gillette company](#), part of the Procter & Gamble group and specialised in male grooming, will invest €128 million in a new complex of warehousing and manufacturing facilities in Łódź. This centre will eventually employ 1,150 people. [Ikea](#), the Swedish furniture manufacturer, is to invest €45 million in three new factories, which will offer employment for 1,000 people.

Job creation in the United Kingdom

The picture in the UK is dominated by the commerce sector, where the expansion drive of retailer Asda accounts for 35% of the announced job creations. Supermarket group [Asda](#) – owned by US retail giant Wal-Mart and the UK's second largest supermarket chain behind Tesco – plans to create more than 6,000 jobs in 2005 through opening new stores and revamping existing outlets. The company intends to open at least 15 new stores, ranging from a 100,000 square foot superstore in Milton Keynes to much smaller developments. In addition, [Asda](#) has announced plans to create more than 700 new jobs in Northumberland. The retailer has submitted a planning application to build a new distribution centre at its existing site in Washington. More than £40 million (€59 million²) in private funding would be invested in the centre, which would be used to distribute the firm's George-branded clothing. Further major job creation initiatives will occur in the consultancy business services, education and post and telecommunications sectors: The regeneration agency [One NorthEast](#) started a redevelopment project in

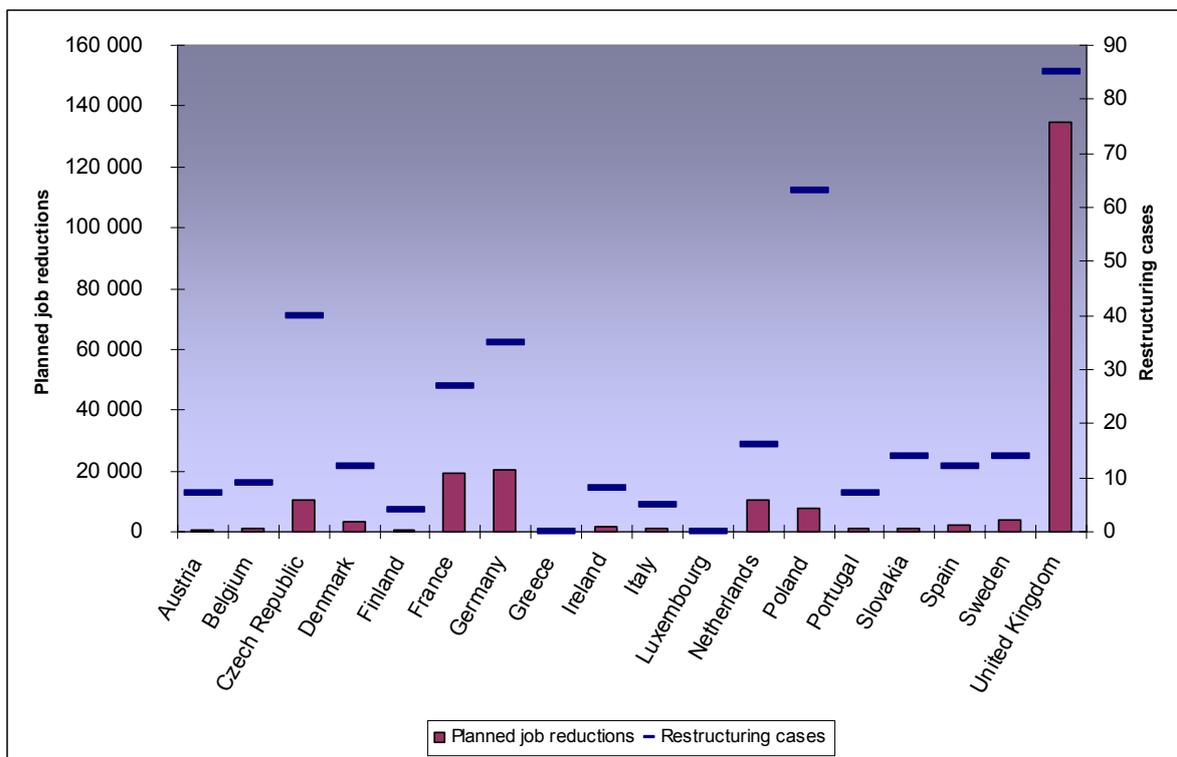
² All euro equivalents are calculated at an exchange rate of €1.46 per pound sterling.

Northumberland to house a state-of-the-art business park, which could bring up to 2,000 new posts to a jobs-blighted area. The project is partly subsidised by the European Regional Development Fund. [Combined Universities in Cornwall \(CUC\)](#) is set to receive extra funding from the UK government in order to create new higher education facilities at campuses across Cornwall. The government hopes that expansion of the CUC will lead to more than 2,000 extra jobs in Cornwall by 2025. British mobile phone company [O₂](#) said it is to recruit 2,000 staff (for further details see this *quarterly's* [sector focus](#) on post and telecommunications).

Distribution of recorded cases and job reductions across countries monitored

Figure 1 below illustrates the distribution of recorded cases and job reductions for the first quarter of 2005, across EU15 and the three new Member States.

Figure 1: Distribution of recorded restructuring cases and job reductions across the EU during the 1st quarter



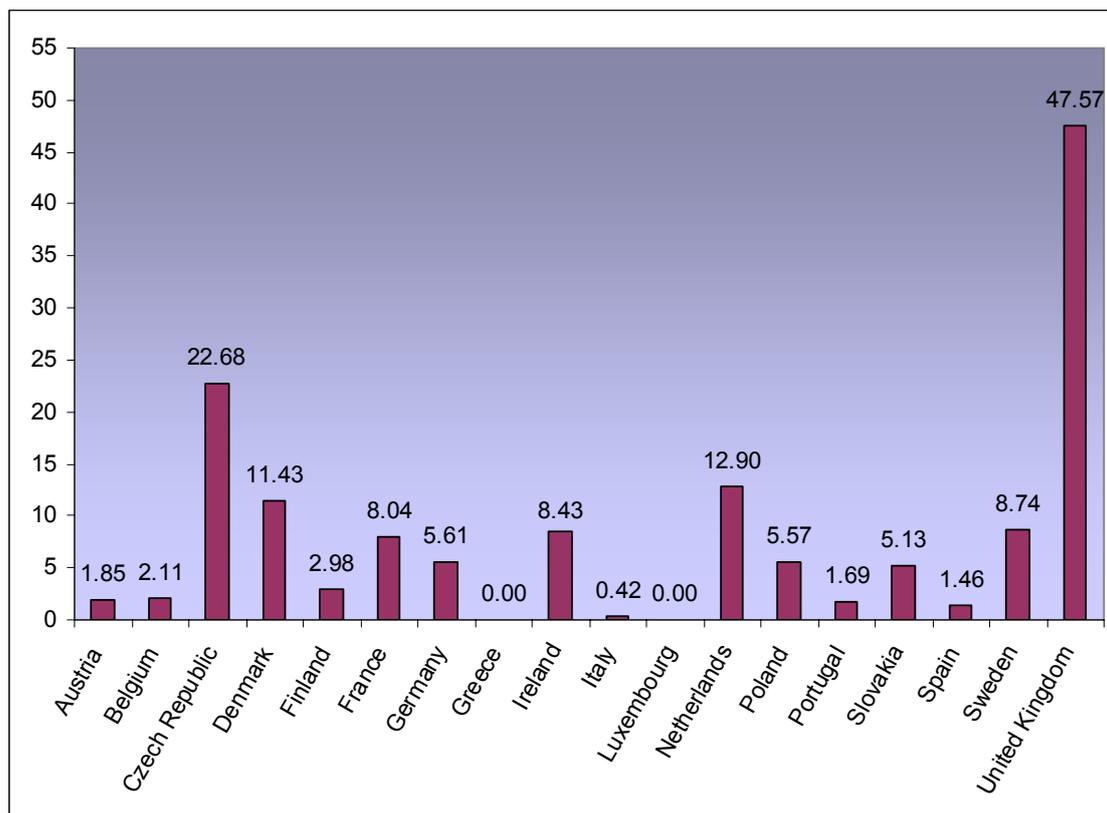
As this figure shows, the UK displays the highest number of restructuring cases announced (85), followed by Poland (63 cases), the Czech Republic (40), Germany (35) and France (27). This is a very similar picture compared to the previous quarter during which the UK accounted for 69 restructuring cases, Poland 55, Germany and France 45 and 44 cases respectively. The overall figure for job losses in the UK is extremely high this quarter, amounting to 134,795. In the other four countries, this figure is significantly lower, amounting to 20,338 in Germany, 19,202 in France, 10,660 in the Czech Republic and in Poland it is even lower again at 7,942. Indeed, most of the restructuring cases reported in Poland accounted for a relatively modest number of job losses, which were also outweighed by the number of announced job creations.

Only Greece and Luxembourg stand out with no restructuring cases recorded during the first quarter of 2005. However, this is related to the company structure prevailing in these countries, which is based on very small and small and medium-sized enterprises (SMEs). Thus, restructuring activities often lie below the ERM threshold to monitor cases

involving an announced or actual reduction of at least 100 jobs, or sites employing more than 250 people and affecting at least 10% of the workforce.

In order to establish a more meaningful comparison between the EU countries monitored, the size of the 18 economies needs to be taken into account. Figure 2 presents the distribution of job losses per 10,000 people employed, illustrating the relative impact of those reductions nationally.

Figure 2: Announced job reductions due to restructuring (per 10,000 people employed) during the 1st quarter



Job losses in the United Kingdom

Clearly, the UK economy will have to deal with the most significant employment effects of announced restructuring activities, with 47.57 announced job losses for every 10,000 workers employed. This is related to extremely high job losses in the public sector with the UK government's intention to restructure the [British civil service](#) in favour of improving efficiency. In 2004, the British Chancellor of the Exchequer Gordon Brown announced the need for 104,000 job cuts in his pre-election spending review. At the time, there was no precise indication of where the job losses would be but overall they equate to approximately one in five civil servants. In January 2005, however, Scottish civil servants learned that they will lose at least 5,000 jobs as a result of this efficiency drive. Meanwhile, it is understood to be part of these plans to close more than 30 social security offices and job centres across Britain and to cut about 12,500 jobs in the Inland Revenue. In addition, very high job losses have been reported in the British automotive industry (up to 7,715), in financial services (4,920) and the performing arts (4,030). The latter is related to the internal restructuring of the national broadcaster BBC, where job cuts may eventually exceed 5,000. In March, the director general, Mark Thompson, announced cost saving measures twice. These will involve 1,730 job losses across the [BBC's professional services divisions](#) – affecting news and sport; factual and learning, drama, entertainment and children's programme making departments – and further

[2,050 job losses](#), which will be concentrated on the BBC nations and regions broadcasting operations, BBC news and administrative posts. The largest restructuring case in the UK automotive sector involves [MG Rover](#) and its Midland manufacturing plant at Longbridge where Rover's entire 6,000-strong workforce is at risk after failed joint venture talks with Shanghai Automotive Industry Corporation (SAIC).

Job losses in smaller EU economies

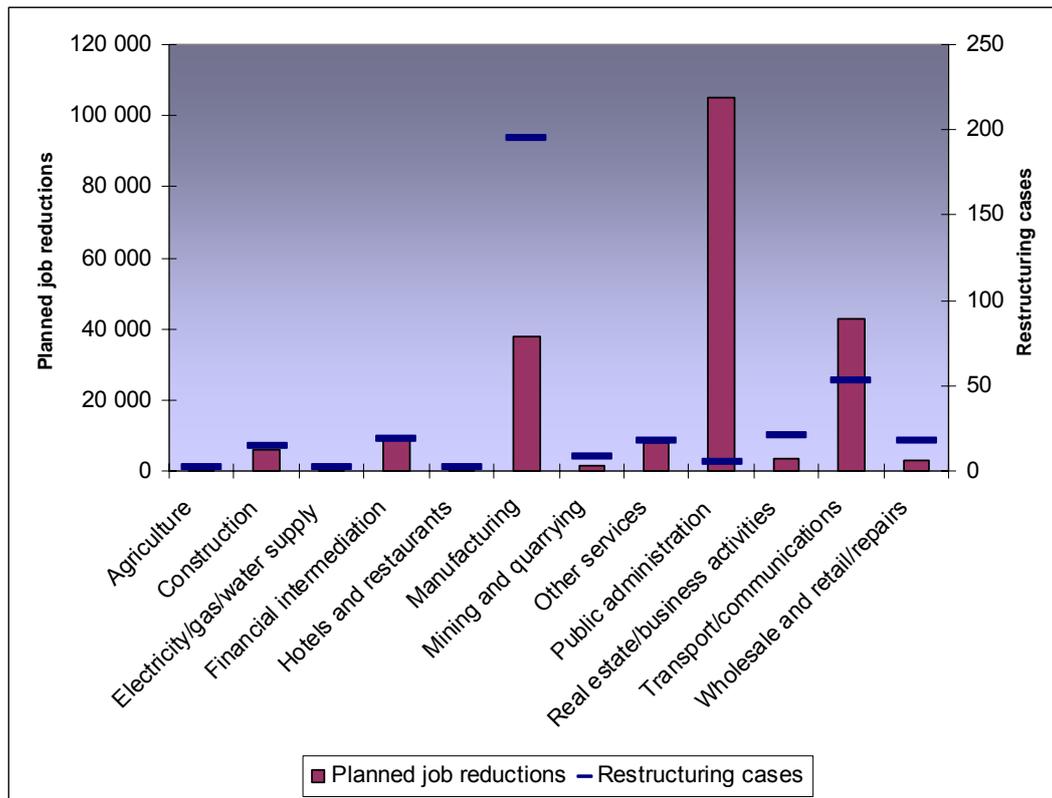
Compared to previous quarters, the Czech Republic shows a very high level of restructuring activity, with 22.68 job losses announced per 10,000 jobs (no restructuring case announced falling within the ERM threshold for the two previous quarters in 2004). The largest single case reported in the Republic is within the transport sector: [České dráhy](#), the Czech railway operator and one of the country's largest companies, announced on 11 January 2005 a restructuring plan aimed at making rail transport more competitive and cost-effective. This initiative aims to reduce the company's workforce by 8,000 people by the end of 2005. České dráhy was established as a joint stock company in January 2003 following the Czech Railways Restructuring Act in 2002 to align the Czech rail sector with the EU transport *acquis*.

The figure also confirms a previously observed trend in the Netherlands of consistently high rates of employment effects related to restructuring activities. This quarter's high rate of announced job losses is attributable to one major case in the post and telecommunications sector: [Royal KPN NV](#), the Dutch telecommunications company, plans to reduce its workforce by 8,000 employees until 2009 (for further details on reported cases see this *quarterly's* [sector focus](#) on post and telecommunications). Furthermore, Denmark, also one of the smaller EU economies, shows a high level of restructuring activity, with 11.43 job losses announced per 10,000 jobs. In general, employment effects resulting from restructuring activities have considerably increased in comparison with previous quarters. They are felt more severely in seven of the 18 EU countries monitored – the United Kingdom, the Czech Republic, the Netherlands, Denmark, Sweden, Ireland and France.

Distribution of recorded cases and job reductions across sectors

Figure 3 below illustrates the sectoral distribution of the 238 restructuring cases involving job losses recorded by the ERM, during the first quarter of 2005, from 1 January until 31 March 2005, along with related employment effects. Trends observed in previous quarters continue, with transport and communications, and manufacturing showing very high rates of planned job reductions. In sharp contrast to previous quarters, the public administration sector recorded the highest number of job losses, mainly due to the UK government's intention to restructure the British civil service (see above).

The figures (cf. Figure 3) reflect the fact that large restructuring cases have occurred in the public administration sector (five cases accounting for 105,000 job losses in total), and in the transport and communications sector (53, accounting for 42,883 job losses in total). In comparison, the restructuring of the manufacturing sector is characterised by a high number of cases with less job losses in each case (195, accounting for 37,750 job losses in total).

Figure 3: Distribution of recorded cases and job reductions across sectors during the 1st quarter

Restructuring in the transport and communications sector

With increasing competition in the post and telecommunications sector, a sub-sector of transport and communications, several European telecommunications service providers announced major restructuring initiatives: French [France Télécom](#) plans to reduce its workforce by 8,500 employees; Dutch [Royal KPN NV](#) by 8,000; German T-Mobile, the mobile phone operator of Deutsche Telekom, by up to 2,485; and Czech [Český Telecom](#) by 1,800 (see also this *quarterly's* [sector focus](#) on post and telecommunications).

In the transport sector, three European railway operators, including Czech Railways [České dráhy](#), plan to restructure their operations in the light of complete liberalisation of the EU railway market. French railway provider [SNCF](#) (*Société Nationale des Chemins de Fer Français*) announced in January an internal restructuring in order to ensure that it will meet its 2005 budget prevision of €113 million profit. The initiative foresees a reduction of the company's workforce by 3,590 people by the end of 2005. This corresponds to half of the 7,300 employees who are supposed to retire and will not be replaced. The Polish State Railways (PKP) cargo division, [PKP Cargo](#), plans to cut 1,300 jobs due to sustained losses of the PKP group over the last three years. In the UK, tour operator [TUI](#) and the country's biggest defence contractor [BAE Systems](#) announced job reduction measures. [TUI UK](#), which was known as Thomson and still sells most of its holidays under that brand, plans to reduce its 13,500-strong workforce by about 2,000 employees as part of a major overhaul in order to maintain competitive *vis-à-vis* online businesses and low-cost airlines. [BAE Systems](#) intends to cut almost 1,400 jobs across 13 sites in the UK. The company, which employs 45,000 in the UK and 90,000 worldwide, did not rule out compulsory redundancies. It said the move was part of an annual review through which individual business units sought to match capacity with demand and order intake. In Germany, the newly formed shipyard group [ThyssenKrupp Marine Systems](#) decided to cut every eighth job in the company –

approximately 800 employees will be dismissed out of a total workforce 6,500. The group comprises the following shipyards, Howaldtswerke-Deutsche Werft GmbH (HDW), Blohm + Voss GmbH, Nordseewerke GmbH (all in Germany) as well as Kockums AB (Sweden) and Hellenic Shipyards S.A. (Greece) and employs 9,300 people worldwide.

Restructuring in manufacturing

In manufacturing, two sectors in particular have been affected by restructuring activities, the metal and machinery sector (42 cases) and the automotive sector (44 cases) – both sectors account for 47% of announced job losses. The largest single case in the metal and machinery sector concerns the Polish subsidiary of [Mittal Steel Company NV](#), which aims to reorganise its European business, merging its central and eastern European operations with the company's western European operations. Some 3,000 workers out of a 28,000-strong workforce in Poland are to lose their jobs. Roeland Baan, CEO of Mittal Steel Europe, declared that planned reductions will be carried out through voluntary redundancies, and nobody will be forced to leave. Restructuring in the automotive sector continues to follow a clear trend within industry, particularly the supply industry, of moving to eastern European countries (see sector focus in last *quarterly's* issue). Thus, jobs are declining in the former EU15 with 6,548 announced job losses during the 1st quarter of 2005 while business expansion, mainly in the Czech Republic, Poland and Slovakia, should see the creation of 12,187 jobs.

Figure 4 below provides a more realistic comparison between sectors, as it takes the sector size into account. It outlines the sectoral breakdown of announced job losses, per 10,000 people employed in each sector, in the 18 countries monitored.

Figure 4: Announced job reductions due to restructuring across sectors (per 10,000 people employed) during the 1st quarter

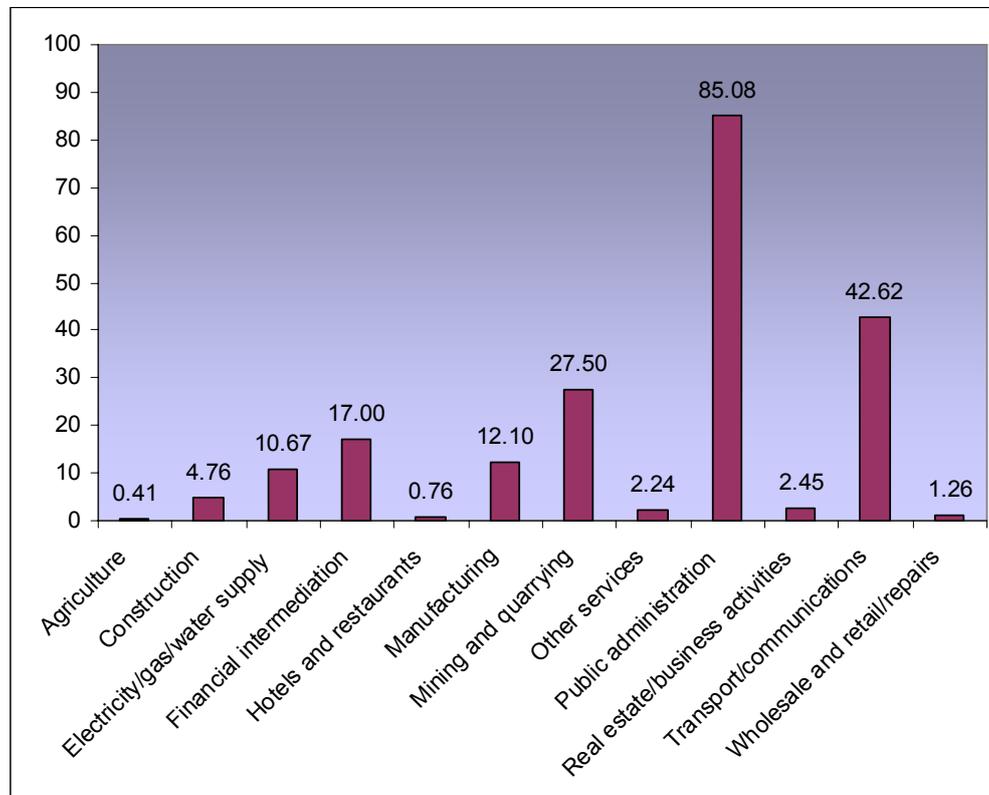


Figure 4 illustrates the high impact of one British restructuring case in the public administration sector, where 85.08 per 10,000 jobs will be lost. However, such a major

redundancy initiative affecting the public sector, involving up to 104,000 job losses in the [British civil service](#), represents a severe blow to the sector at national level only.

Job losses per 10,000 people employed in transport and communications, mining and quarrying, and financial intermediation

Although the transport and communications, mining and quarrying, and financial intermediation sectors continue to undergo restructuring, employment effects are felt less severely in these sectors compared to the last quarter of 2004. In the transport and communications sector, job losses out of every 10,000 people employed nearly decreased by half from the previous figure of 75.04 to 42.62 while in the financial intermediation sector, job losses only decreased by 1.55 from the previous figure of 18.55 to 17.00. Nevertheless, jobs are declining in the financial services sector, where [Deutsche Bank](#) has unveiled plans to cut 3,280 jobs outside Germany at the same time as it announced its annual net profit had risen by 87%. A total of 6,400 jobs are set to disappear, as the bank announced that 1,200 more posts will be transferred to eastern Europe and Asia. According to reports, some 1,000 jobs could disappear in [London City](#), and the UK asset management business could be sold under a €1.2 billion cost-cutting plan. In addition, [National Australia Bank](#) is to cut about 1,700 jobs at its two UK processing units in Glasgow and Leeds over the next 12 to 18 months. NAB, which employs about 10,300 people in the UK, said the restructuring would make its businesses 'more nimble and customer focussed'. Bank of Ireland also announced cost-cutting measures involving 750 jobs at its UK retail division [Bristol & West](#) in order to maintain its market share in an increasingly competitive market. At the same time, around 1,700 jobs will be suppressed at the RAC and [Norwich Union](#) to help pay for the £1.1 billion (€1.61 billion) takeover of the roadside recovery company by Norwich Union's parent group, Aviva. The group announced that it will cut 900 back-office jobs of the RAC by merging call centres with Norwich Union offices around Britain. It will shift another 800 jobs offshore, adding to Aviva's growing presence in India. In Germany, the [HypoVereinsbank](#) (HVB Group), plans to cut its workforce further by 4%, the equivalent of up to 2,400 jobs. Most of these job cuts will affect back-office operations. According to management, this initiative aims at reducing the bank's expenses by at least €280 million annually (see also EMCC case studies, [TransFair and HVB Profil: The internal organisation of Hypovereinsbank's placement and temporary work agency](#)).

The most significant decrease in employment effects occurred in the mining and quarrying sector from a previously recorded rate of 253.91 jobs lost out of every 10,000 people employed to 27.50 for this quarter. Job reductions in the mining and quarrying sector are mainly attributable to three restructuring activities by UK Coal, involving relatively modest job losses in each case. In January, UK Coal subsequently announced its decision to shelve expansion at [Kellingly](#), which will result in up to 150 redundancies, and to shut the [Ellington mine](#) with the loss of 340 jobs. In February, management announced the closure of another deep coalmine this time at [Welbeck colliery](#) in north Nottinghamshire, the potential loss of jobs is put at 520. At the same time, [Shell](#) announced it will hire an extra 1000 engineers at its exploration and production arm.

> Country focus

This section explores the economic and labour context of company restructuring in Germany – one of the countries moderately affected by restructuring activities in the first quarter of 2005, with 5.61 job reductions announced per 10,000 people employed.

>> Spotlight on Germany

After three years of stagnation, the German economy started to recover in the first half of 2004. The upswing was driven entirely by exports, which expanded rapidly despite a loss in competitiveness *vis-à-vis* major trading partners outside Europe associated with the appreciation of the euro. A major driver behind this development was the strong demand for investment goods, particularly from fast growing transition countries, such as the new EU Member States. More recently, however, exports slackened due to the slowdown in the world economy and the German economy came to a standstill again, now finding itself in a relatively weak situation. Domestic demand, particularly consumption, is low, partly because of stagnant wages, and partly because cuts in benefits have increased uncertainty and fears of unemployment. Like many other industrial countries, Germany faces the difficult task of adapting its economy to the conditions created by globalisation while at the same time reducing high levels of unemployment.

A key factor in this growing sense of unease has been attempts by the German government to reform the state's welfare system – by cutting state spending on healthcare and pensions – and to enhance labour market flexibility. With the *Agenda 2010* reform programme and the so-called 'Hartz laws', the German government has embarked on the biggest change in Germany's welfare system since its existence, and long established prerogatives and entitlements are disappearing.

Labour market reform and consequences

On 1 January 2005, the Hartz IV law came into effect, which is the last in a series of four so-called Hartz laws all aimed at increasing labour market flexibility in Germany. Hartz IV was prepared by a commission appointed by the German government under the leadership of Peter Hartz, a high-ranking manager at Volkswagen. Like its predecessors Hartz I to III, Hartz IV is based on the concept of transitional labour markets, which support changes in employment status and allow the combination of labour market work with other socially useful activities. Key targets of the Hartz reform package include: the shortening of unemployment periods, the creation of transitional labour markets through the setting up of publicly supported, temporary work agencies, promotion of self-employment among unemployed workers (Ich-AG's), and the creation of more low-paid jobs by introducing tax exemptions for jobs with maximum monthly incomes of €800. In addition, Hartz IV brings about major institutional changes. The most important among them is that former recipients of welfare benefits and those receiving unemployment benefits will now be managed by a single public agency – *Bundesagentur für Arbeit* – as opposed to two under the old system.

In the context of implementing the Hartz IV labour market reform, the unemployment figure rose to over five million (5,037,000) in January for the first time since the 1930s according to the German Federal Labour Office. This brings the national average to 12.1% with a much higher rate of 20.5% in the east than in the west at 9.9%. According to the German government, around 230,000 welfare recipients were added to the overall unemployment figure for January. Where they are capable of working they are required under the Hartz IV legislation to make themselves available to the labour market and are included in the labour statistics. 'As alarming as the January figure is, it marks the end of the age of unreported unemployment', stated Economics Minister Clement (2 March 2005).

Protests have been commonplace, especially in the former communist east of the country where unemployment is higher than in the west following the closure of many state-run enterprises. At the same time, established employers including Volkswagen, Siemens and DaimlerChrysler continue to negotiate hard with unions to cut costs and

change employment practices within a workforce that is one of the world's most costly. Experts also point out that these reform measures promoting self employment and mini jobs are increasingly used to lower labour costs in some sectors, since labour market regulations and rigid wage contracts prevent other forms of flexibilisation. Thus, real incomes of a significant share of the population are falling which, in turn, further reduces consumer demand. Historically, Germany has based its strategy for economic growth mainly on developing its exports. Analysts now call for a redirection of economic policy that would bolster internal consumption (Forschungsinstitute e.V., April 2005).

Following implementation of the Hartz policy measures, the total number of employees increased by 128,000 people or by 0.3% during 2004 compared to 2003, according to the Federal Statistical Office (*Süddeutsche Zeitung*, 3 January 2005). This was the first time since 2001 as employment numbers declined by respectively 1.0% and 0.6% in 2003 and 2002. Traditional employment (i.e. full-time and permanent jobs) however, which is a better gauge of underlying labour market trends, continued to shrink as companies continue to focus on where they can function at maximum profitability.

Reported restructuring cases

Between 1 January and 31 March 2005, ERM recorded 35 restructuring cases in Germany; these were announced in the press, primarily in the *Financial Times Deutschland*, *Frankfurter Allgemeine Zeitung* and *Handelsblatt*, as well as in other reputable news outlets. As Table 1 shows, 34 of those cases related to restructuring activities resulting in 20,338 job losses; only one case led to the creation of 700 new jobs, representing a net job loss of 19,638.

Table 2: Breakdown of employment effects by restructuring type in Germany in the 1st quarter

Type of restructuring	Planned job reductions	Planned job reductions %	Planned job creation	Planned job creation %	Cases	Cases %
Internal restructuring	10,603	52.13	0	0	20	57.14
Merger / Acquisition	2,630	12.93	0	0	6	17.14
Relocation	2,325	11.43	0	0	5	14.29
Bankruptcy / Closure	4,780	23.5	0	0	3	8.57
Other	0	0	700	100	1	2.86
Total	20,338		700		35	

Looking at the various figures for job losses, internal restructuring resulted in the highest number of job losses (10,603), followed by bankruptcy and closure (4,780), merger/acquisition (2,630), and, lastly, relocation (2,325). This is a very similar picture to the UK in the final quarter of 2004 as outlined in the last *quarterly's* country focus (see [Issue 2, Winter 2004](#)).

The construction and woodworking sector experienced the strongest impact from restructuring as well as the largest single case of job losses reported in Germany (see Table 3). Some 4,000 workers are to lose their jobs at Germany's fourth biggest construction company [Walter Bau](#) as the company filed for insolvency on 1 February 2005. According to management, 'insolvency represents the last chance to save essential parts of the company and jobs'. By doing so, the company receives court protection from its creditors, giving it time to restructure debt and try and find a new investor. With effect from 1 April 2005, DYWIDAG Bau GmbH acquired parts of the domestic building business of Walter Bau and 813 employees as well as all 109 trainees

were integrated into DYWIDAG. The remaining approximately 2,600 employees have been transferred to an employment and qualification company (BQG), where they will receive 80% of their current net wages and several offers for further qualifications. The formation of this transfer company has been unanimously agreed with the works council. The failure of Walter Bau comes three years after the collapse of German construction giant Philipp Holzmann and highlights the crisis the industry has experienced since the end of the post-unification building boom in the mid-1990s. The German construction industry is facing its eleventh consecutive year of crisis this year, forecasting falling sales again in 2005.

Table 3: Breakdown of employment effects by NACE sector in Germany in the 1st quarter

Sector	Planned job reductions	Planned job reductions %	Planned job creation	Planned job creation %	Cases	Cases %
Construction and woodworking	4,000	19.67	0	0	1	2.86
Post and telecommunications	2,250	11.06	0	0	3	8.57
Financial services	2,200	10.82	0	0	1	2.86
Metal and machinery	2,185	10.74	0	0	5	14.29
Motor	2,035	10.01	0	0	5	14.29
Information technology	1,580	7.77	0	0	2	5.71
Glass and cement	1,460	7.18	0	0	4	11.43
Energy	1,300	6.39	0	0	1	2.86
Transport and storage	800	3.93	700	100	2	5.71
Electrical	590	2.9	0	0	2	5.71
Food, beverage and tobacco	570	2.8	0	0	2	5.71
Commerce	400	1.97	0	0	1	2.86
Performing arts	210	1.03	0	0	1	2.86
Chemical	200	0.98	0	0	1	2.86
Consultancy business services	178	0.88	0	0	1	2.86
Pulp and paper	160	0.79	0	0	1	2.86
Publishing and media	150	0.74	0	0	1	2.86
Maintenance and cleaning	70	0.34	0	0	1	2.86

Employment continues to decline at a more moderate rate in the post and telecommunications, financial services, metal and machinery and motor sectors³. In the post and telecommunications sector, job losses are mainly the result of the ongoing restructuring process at telecommunications operator [Deutsche Telekom](#) and the merger of postal services providers [Deutsche Post](#) and DHL worldwide express, involving, respectively, up to 1,200 and 1,000 jobs (see also this *quarterly's* [sector focus](#) and [company focus](#)). Looking at financial services, some 2,200 jobs are at risk due to one

³ Note that ERM only records restructuring cases which involve the creation of at least 100 jobs. Thus, it does not cover job creation in small and medium-sized enterprises (SMEs), which could partly offset the loss of jobs in multinationals in these sectors, particularly in the automotive industry.

single case related to the continuing internal restructuring at Germany's second largest bank, the [Hypovereinsbank \(HVB\)](#). According to the supervisory board member, Klaus Gründewald, these cuts will mainly affect back-office employment.

As a result of continuing consumer reticence and increasing competition in the white goods segment (metal and machinery sector), two well-known established German household appliances manufacturers announced job cuts, Miele and [Rowenta](#). The latter plans to relocate the production of irons to China, resulting in 215 job cuts at its production site in Erbach in Baden-Württemberg, while [Miele](#) is set for an internal restructuring, involving wide-reaching job reductions in order to enhance its competitiveness. The company intends to reduce its 11,000-strong workforce in Germany by up to 1,100 people, which will affect its sites in Bielefeld, Lehrte, Oelde, Gütersloh, Warendorf and Euskirchen. Further job losses in the metal and machinery sector will be at [Philips'](#) microchip manufacturing plant in Hamburg (450 jobs lost), at IT company [Hewlett-Packard](#) (up to 350 jobs) and at the world's leading manufacturer of machinery for production of optical storage media [Singulus Technologies](#) (120 jobs).

In response to a weakening automotive market in western Europe, two vehicle manufacturers, [Karmann](#) and [Linde](#), as well as several component suppliers, [Mahle](#), [ZF Sachs](#) and [Keiper](#) will engage in restructuring involving workforce reduction measures, with a total net job loss of up to 2,035 jobs. Car seat manufacturer [Keiper](#), which employs around 3,000 people in Germany, initially planned to move production to its Polish site and cut 672 jobs. As a result of a works council agreement, 250 jobs will go and around €140 million will be saved in staff costs until 2010. Under the terms of the agreement, staff will work more flexible hours, bonuses and Christmas pay are to be cut, and a pay increase will be postponed. Company management will also see their salaries reduced by 10%. In return, Keiper is to invest €150 million in Germany and will not introduce further involuntary redundancies before 2009.

Further notable loss of employment was announced in the German information technology sector, where Siemens and IBM reported cost-cutting measures in their respective business services subsidiaries. Some 1,000 jobs, most likely in computer maintenance, will be lost at [Siemens Business Services \(SBS\)](#)⁴ by the end of the current financial year on 30 September 2005. Trade union IG Metall has criticised Siemens for not being forward-thinking in its plans for the division, pointing out that SBS has already undergone massive personnel changes and job losses in the past few years. Siemens blames falling demand in the market for IT solutions in Germany. At the same time, 580 jobs will go at [IBM's](#) German IT services subsidiary IBM Business Services GmbH in response to a highly competitive market. The group also announced its intention to transfer jobs to eastern Europe. Ver.di, the German services sector union, has criticised the job-cutting plan, saying that management is attempting to avoid taking responsibility for errors in outsourcing business.

Also, the German glass and cement and energy sectors are experiencing considerable job losses, with, respectively, four cases accounting for 1,460 jobs and one single case accounting for 1,300 jobs. [Linde](#), the German industrial gas specialist, expects workforce reduction measures as its refrigeration technology division has been taken over by the US group Carrier. Carrier is said to plan 800 job cuts at a factory in Kostheim and a further 290 in Cologne since production is to be transferred abroad. It is also said that 250 sales and service jobs could be lost, which would bring the total number of job cuts to 1,300. The take-over of glass manufacturer [Nachtmann](#) by its main competitor Riedel

⁴ See also the SBS case example of EMCC's company network seminar on *Offshore outsourcing of business services – threat or opportunity* (March 2005), which explored the reasons why companies offshore and outsource non-core business activities. SBS was one of the four companies that gave an account of its activities and experiences (available at <http://www.emcc.eurofound.eu.int/publications/2005/ef0549enC.pdf> on 24 May 2005).

will also lead to a significant workforce reduction of up to a quarter of the current 1,600 employees. Most of these jobs will be in administration and other divisions prone to outsourcing to service providers; very few redundancies are expected in the glass production division. In addition, [Villeroy & Boch](#), the German ceramics and tiles group, plans to cut some 330 jobs at its site in Mettlach before 2007. The company justified these cuts due to sluggish consumer spending, increasing competition from low-wage countries and new technological developments in the tableware sector. [Goebel](#), another porcelain manufacturer, plans to reduce its workforce by 150 people. Problems surround mainly the production of the well-known 'Hummel figures' and, so far, relocation is not foreseen.

While overall employment in the European transport sector continues to decline, it is the only sector in Germany which recorded job creation in the first quarter of 2005. Although [Fraport](#), the airport operator based at Frankfurt/Main, aims to decrease its staffing costs, it also announced the creation of at least 700 new jobs in this year.

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> Sector focus

This quarter the spotlight is on the EU post and telecommunications sector, the second sector most affected by restructuring activities during this period (24 cases accounting for 24,933 job losses). This section also provides details of the most important cases in the sector, as reported in the press and recorded by ERM.

>> *Spotlight on post and telecommunications*

This sector focus covers postal and telecommunications services (NACE Rev1.1: 64). The latter is no longer defined as telephone services only. Today, the so called telecoms sector embraces many areas, including the distribution of data, sound and images and other information via cable, broadcasting, relay or satellite. The management and maintenance of networks, as well as the provision of services using these networks are also included in this category, although the production of radio and television programmes is not. Furthermore, ERM also considers the manufacture of radio, television, communication equipment, apparatus and other electronic components within this sector (NACE Rev1.1: 32). However, since this sub-sector has always operated in a liberalised and highly competitive market, problems of market distortion caused by the heritage of quasi-monopolies, as was the case for the postal and telecommunications services, have not emerged.

Post and telecommunications are a crucial element of the European economy, since they provide services of general interest to the public and constitute an important part of the economic infrastructure. Telecommunications and most types of postal services previously operated in a strictly regulated and national environment. In less than two

decades however, this service sector, in particular the telecoms sector, has moved from a nation-based industry, monopolised by public telecommunications operators (PTOs) to a free market system, operating on an international scale. In Europe, the European Commission (EC) played a key role in promoting market liberalisation and dismantling state monopolies. During the 1990s, EC regulation gradually opened up the sector's segments to competition, i.e. the mobiles and full competition directive in the telecoms sector in 1996 and the postal directive in 1997. As a result, financial constraints have increased in the telecoms sector and, to a lesser extent, in the postal sector. At the same time, controls on cost-effectiveness and efficiency tightened. This, in turn, has driven change in the sector's economic environment and industrial relations, usually bringing the latter closer to those prevalent in the private sector.

With regard to the postal services, there is no clear and generally accepted definition of the sector, which is due both to imprecision in the EU directive and the rapidly changing nature of the market. In general, postal services are considered to encompass public and private services for the collection, transport, and delivery of correspondence, direct mail, newspaper and other periodic publications, as well as parcels. In 2002, total postal services in the EU earned about €88 billion, which corresponds to about 0.9% of EU gross domestic product (GDP). Thereby, the letter post submarket (i.e. correspondence, direct mail, newspapers and magazines) accounts for 60% of the entire market. Roughly estimated and expressed in full-time equivalents, postal services employed some 1.6 million people in 2002 (Campbell *et al*, 2004). The EU postal services sector is still dominated by the largest public universal service providers (USPs), which provide more than three-quarters of all postal services in the EU, including almost the entire letter post market. The four largest USPs – domiciled in Germany, France, the Netherlands and the UK – control about 59% of the total EU postal services market. Competitive postal operators continue to play only a minor role. Against this background, the 1997 postal directive, which aims at increased competition by limiting the scope of postal monopolies, appears to have partially failed. Overall the postal services market is becoming increasingly competitive and commercial, and, at the same time, more concentrated in the hands of a few large USPs. Competition, particularly in the letter post market, has only gradually developed, even in the most liberalised markets such as in Sweden and the UK. Rather than achieving real competition in the postal services market, the most significant market development has seen great expansion efforts on the part of the predominant USPs. These efforts were accompanied by continuing organisational transformation – they became corporatised and, to a lesser extent, privatised. Smaller USPs are increasingly adopting the role of commercial partners with larger, regional postal operators.

In the telecoms sector, liberalisation and privatisation efforts have had a greater impact in terms of market transformation compared with the postal services sector. As a result of market liberalisation, a considerable number of newly licensed operators have emerged in virtually all EU countries. In sharp contrast to the postal sector, where the use of new technology and automation has only gradually improved the sector's service output, the telecoms sector rapidly evolved over the last decade due to fundamental technological innovations: The fixed-network telephony, which proved to be the almost exclusive mass telecommunications system over several decades, has increasingly become subject to competition from the mobile telephone networks as well as broadband technology. While the number of main telephone lines has decreased in Europe since its peak in 2001, the number of mobile telephone subscriptions has continued to increase. Furthermore, the rapid development of the Internet allowed for a growing number of EU households to have Internet access – Eurostat recorded a 41% of the EU15 households able to link up to the web in 2003. This, in combination with the sector's liberalisation and privatisation, has resulted in a rapid growth of Internet service

providers, and in most EU countries their number is still growing. In 2003, close to 1.3 million people were employed in the telecoms sector at EU level, although job numbers are declining since 2001. This tendency is obvious in almost all Member States (Eurostat, 2005). While deregulation and privatisation have led to a global growth of the sector as such, intensified competition within the sector has given rise to increased rationalisation of activities. This has entailed considerable job reductions, which has offset the positive employment effects recorded in the late 1990s.

For the first quarter of 2005, the ERM database reported 24 restructuring announcements signalling the loss of 24,933 jobs and the creation of 7,760 jobs in the sector. Most of the restructuring cases occurred within the telecoms sector, while only two cases were recorded in the postal sector. The most important rationale for job losses has proved to be internal restructuring, as 14 out of 20 restructuring cases indicated this as the primary cause. Three cases stemmed from bankruptcy or closure, one referred to a merger and one entailed relocation. Another five cases involved business expansion leading to workforce augmentation.

Restructuring cases number 25

In the postal services sector, German operator [Deutsche Post](#) plans around 1,000 job cuts due to the merger of its express and parcel delivery services. This transaction involved the creation of a new division through the merger of DHL Worldwide Express with Deutsche Post Express. Mainly courier service drivers are affected by this initiative, and according to a company source, forced redundancies are not ruled out if efforts to find alternative employment fail. The Slovak post company, [Slovenská pošta](#), aims to improve its competitiveness by introducing innovative information technologies. In order to reach this goal, internal restructuring, entailing the loss of 266 posts, is seen as inevitable.

In the telecoms sector, restructuring affected both telecommunications service providers and communication equipment manufacturers. The restructuring initiative affecting the highest number of company sites across Europe refers to [T-Mobile](#), the German mobile phone operator run by Deutsche Telekom. As part of a European-wide restructuring process, Deutsche Telekom plans to reduce its workforce by up to 2,485 people in its mobile phone division by the end of 2006. Thus, T-Mobile sites in the following countries stand to lose considerable numbers of workers: in [Germany](#) up to 1,200 jobs will be lost, in the [UK](#) 795 jobs (particularly call centre jobs), in [the Netherlands](#) 190 job losses, in [Austria](#) 150 job losses (mainly marketing and administration jobs), and in the [Czech Republic](#) 150 jobs (see also this *quarterly's* [company focus](#) on Deutsche Telekom).

Another Germany-based global player in the telecoms sector, the [Siemens](#) group, has also announced plans to cut 1,350 jobs worldwide in its communications division, Siemens Com. The communication equipment manufacturer considers these job reductions as necessary in order to solve its problem of over-capacity in the division as the expected turnaround in the fixed-line network sector had not emerged. Whereas it has so far remained unclear which sites will be affected abroad, both number of job losses (some 700) and units affected (Berlin and Munich) have already been determined for [Germany](#).

The most important case of short-term internal restructuring is that of French telecommunications provider [France Télécom](#). In January, the company's management announced a workforce reduction of 5,500 people in France by the end of 2005. This decision will be made possible thanks to 8,500 retirements expected for 2005. However, France Télécom plans to create some 3,000 jobs during 2005, including 1,800 part-time positions in marketing and sales divisions. These positions are aimed at students for whom these contracts are not long-term contracts. In addition, [Royal KPN NV](#), the Dutch

telecommunications operator, plans to reduce its workforce by 8,000 employees before 2009, leading to an annual cost cut of €850 million from 2010 onwards. The company foresees cutting between 1,500 and 1,750 jobs per year within that period.

Some five Scandinavian establishments active in the telecoms sector, operators and equipment manufacturers alike, also announced job reduction measures as a result of internal restructuring or relocation. [TDC](#) – formerly state-owned Tele Danmark and currently the largest provider of communications solutions in Denmark – announced the dismissal of 630 employees in 2005, whereby measures of early retirement are planned to mitigate these consequences. In Finland, [TeliaSonera](#) intends to cut 650 jobs in the course of a far-reaching internal restructuring process in order to streamline operations. The proposed measures will be directed at the company's network operations, products and services operations, and the support functions of both TeliaSonera Finland and its customer segments. At the same time, Finnish component manufacturer [Efore Oy](#) decided to relocate the majority of its facilities to China and Estonia, which will entail the loss of at least 100 jobs. In Sweden, [Flextronics](#), a manufacturer of electronic valves and tubes and other components, decided to cut 99 jobs at its Karlskrona plant and some additional 90 jobs at its plant in Västerås, mainly for competitive reasons.

The Czech Republic recorded the highest number of restructuring initiatives (four cases) in the post and telecommunications sector for the first quarter of 2005, including two business expansions leading to the creation of jobs (see below). However, two telecommunications services providers, T-Mobile and Český Telecom, embarked on job reduction programmes. [Český telecom](#), the country's largest operator and undergoing a privatisation process, is considering reducing its workforce further from 8,800 to 7,000 people by 2006, affecting mainly low-skilled workers. In 2004, the company had already laid off 2,100 employees.

Another case of internal restructuring refers to Austria's second largest domestic fixed-network telephony provider [UTA](#). The company, which was completely acquired by the Swedish Tele2 corporation in late 2004, has planned to dismiss at least 130 of its current 488 workers employed in Austria. UTA aims to centralise and reorganise its structure by focusing production mainly in Vienna. Experts claim that the domestic telecommunications market is too small for real competition, since the former state-owned monopoly provider, Telekom Austria, is still dominating the final wire line system.

Plant or factory closures were announced by the Swedish [Ericsson](#) concern, which will close down its factory in Nynäshamm affecting 463 employees, and by the Dutch [Viasystems Mommers](#) corporation affecting 450 employees at Echt. Moreover, the Spanish company [Miniwatt](#), which produces display tubes for television sets, is thinking of closing down its production centre in Barayo. This would make 370 employees redundant. As the demand for traditional televisions decreases Miniwatt – owned by the Philips concern and the Korean group LG – had registered losses over the years 2003–2004.

On a more positive note, five cases of business expansion were announced in the telecoms sector, two of them affecting Czech establishments. Taiwan's [Tatung Co](#) began producing television sets with LCD screens in the manufacturing plant in Plzeň and plans to diversify its production line. The company currently employs about 100 workers and intends to hire an additional 450 people by the end of 2005 and up to 1,200 employees by 2006. Most of the production will be exported to EU countries. [Panasonic AVC Networks Czech](#), a subsidiary of the worldwide-operating Matsushita corporation globally known for the Panasonic brand, foresees hiring some 700 additional employees at its manufacturing plant in Plzeň by the end of August 2005. The company is the only significant producer of high-quality Panasonic televisions in Europe, exporting its

products mainly to western Europe, i.e. France, Germany, Italy, Spain and the UK. Similar investments have been announced by [Siemens](#), which plans to increase employment in its research and development centre in Wrocław, Poland, by 160 IT engineers. The group wants to enhance its share of the Polish mobile phone market as well as becoming the second Polish telecommunications provider. The Polish firm [MNI](#), an operator of the telecom network Szeptel, plans to invest in a new call centre in Szepietów. This investment is to be co-financed by EU funds and will create 200 jobs. All these investments in new Member States have to be seen against the background of both low corporate tax rates and low labour costs in these countries.

British mobile phone company O₂, which emerged from British Telecom in 2001, plans to recruit 2,000 staff according to press announcements. The company intends to open a fourth call centre as part of plans to boost customer service, creating 800 new jobs in the 2006–2007 financial year. The rest of the additional staff will be recruited in the following year. Even though the mobile phone operator is undertaking a recruitment drive over the next two years this does not prevent job losses in other parts of the business. O₂ revealed that it planned to reduce its number of management and administration posts by up to 500 people.

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> Company focus

This section presents data concerning the cases of two companies: Deutsche Telekom and Nina Ricci. The German telecommunications services provider Deutsche Telekom announced a major restructuring involving up to 8,000 job losses across Europe, while the fashion house Nina Ricci proposed a rather uncommon way for France of dealing with its redundancy initiative for economic reasons.

>> Spotlight on Deutsche Telekom

Deutsche Telekom AG is Europe's number one telecommunications company and the third largest carrier worldwide. So far, the company structure has been divided into four sectors reflecting its business areas: T-Com provides access to the traditional fixed-line telecommunications network; T-Online provides internet services, including dial-up, broadband and portal services; T-Mobile provides wireless operations worldwide; and T-Systems is Europe's leading provider of information and communications technology services for corporate customers.

In 1994, Deutsche Telekom initiated its conversion process into a stock corporation. Its stock market flotation in November 1996 was the second-largest in history and key to the company's competitiveness in a global telecommunications market. In 1999, the German government sold a second tranche of their shares in Deutsche Telekom in a second public offering. Deutsche Telekom inherited debts to the tune of €60 billion as well as many employees with civil servant status and corresponding rights. After reaching an all-time high of €100 in 2000, shares in Deutsche Telekom fell to a low of €8, while a hapless chairman was unable to reduce the mounting debt burden of the

company. After a turnaround in 2003 under the guidance of a new chairman, Deutsche Telekom posted a profit of €4.6 billion in 2004.

In early 2005, [Deutsche Telekom](#) announced that it would reorganise its four-pillar structure towards a structure corresponding to the company's three strategic business fields: Broadband/fixed-line telephony; mobile telephony; and corporate customers. This necessitates the reintegration of T-Online into the new T-Com, and the merger of T-Com's small and medium-sized companies with T-System's business customers in order to create a new customer division.

Deutsche Telekom's restructuring

With the loss of Deutsche Telekom's monopoly on fixed-line telephony in 1998 and competition flourishing in the German fixed-line market, job losses became inevitable: Since going public in 1996, Deutsche Telekom has reduced its workforce by 100,000 people, mainly in its fixed-line business T-Com. To cut costs, reduce debt and curb the fall in revenues from traditional fixed-line voice services, Deutsche Telekom plans to reduce its workforce further. The company plans to raise T-Com's productivity by 10% by 2007, which will be partly achieved through its merger with its Internet unit T-Online. While there shall be no staff reductions at T-Com in 2005, the group's chairman Kai-Uwe Ricke plans to reduce the company's German 170,000-strong workforce by 5 % annually over the upcoming years. It is thus expected that 8,000 jobs will go in 2006 and 2007. Trade unions have been very critical of these announcements that came in the wake of record-profits in 2004.

Eva-Maria Ritter, spokeswoman for VATM⁵, a sector association that represents the interests of Deutsche Telekom's competitors in the liberalised telecommunications market, says that job losses at Deutsche Telekom were overcompensated by gains in other telecommunications companies. Telekom's competitors in Germany counted 51,000 staff (against 170,000 at Deutsche Telekom) at the end of 2004, after about 10,000 jobs were lost in the wake of the bursting of the IT bubble. The employment outlook for the future is seen as moderately positive.

According to trade union ver.di's head of technology and innovation at the subsection for the telecoms sector, Lothar Schröder, two technological forces in the sector will be working in opposite directions in the future. Employment in the mobile phone sector might develop positively with the introduction of UMTS-technology and the rising importance of service quality. On the other hand, voice-over-IP will lead to further job losses in fixed-line telephony. It is uncertain which one of these two trends will prevail.

For the time being, hardest-hit will be the fixed-line sector again, as Deutsche Telekom is trying to reach the goal of a return on equity of 8.5%. According to Mr. Ricke, the telecoms sector as a whole will continue to lay off staff, as technology, especially in the field of internet telephony, is continuously advancing. With the average age of Deutsche Telekom's staff decreasing since 1996, an ever-smaller part of the planned job reductions can be managed through fluctuation and early retirement.

T-Mobile, Deutsche Telekom's mobile phone division, has independent daughter companies in Austria, the Czech Republic, the Netherlands, the UK and the US. It has shares in mobile phone companies in Hungary, Macedonia, Croatia and Slovakia. In January, T-Mobile's headquarters announced the lay-off of 1,200 employees in [Germany](#) with resulting savings for the company of €1 billion in the framework of their programme 'Save for growth'. After negotiations with trade unions, the figure was

⁵ *Verband der Anbieter von Telekommunikations- und Mehrwertdiensten e.V.* (VATM – Association of Telecommunications and Value-Added Service Providers).

revised to 550 in March 2005, as management and trade unions agreed to productivity boosting measures in order to save jobs. Thus, job cuts shall be managed in a socially acceptable way through fluctuation and transfers to other parts of the group. Some 300 jobs shall be outsourced to other daughter companies of Deutsche Telekom. The lion's share of the saved jobs are in the customer service division. At T-Mobile's operations in the [UK](#), 795 jobs are to go. In both the [Czech Republic](#) and [Austria](#) 150 jobs will be affected, and in the [Netherlands](#) 190 jobs will be lost. According to T-Mobile, departments will be affected across the board in Germany and at its companies abroad. In 2004, employment at T-mobile stood at an average of 44,226 staff, almost 2,500 more than 2003's average.

After having floated the online-service in 2000, Deutsche Telekom has bought back most of the shares in T-Online and is merging this branch with its fixed-line division T-Com. While employment at T-Online was stagnant at around 2,700 employees between 2000 and 2003, it rose by 300 from 2003 to 2004. At T-Systems, employment in 2004 decreased by more than 2,000 people to a 40,000-strong workforce in 2004, as restructuring measures related to the efficiency-boosting programme 'Focus & execution' were carried out.

Placement through Vivento

In 2002 Deutsche Telekom set up the job-creation company (*Beschäftigungsgesellschaft*) Vivento, which has taken over 30,000 employees from Deutsche Telekom, thus avoiding lay-offs for operational reasons. Vivento has managed to place 12,900 former employees so far. Of its current 18,300 employees, 10,000 are hired out as temporary workers to third parties, 4,600 employees are engaged in own business lines (e.g. call centres), 800 are in training measures and a further 2,900 are waiting to be placed. While Vivento is primarily oriented towards employees of T-Com, employees from other business units can also be transferred to Vivento, in the event of being affected by the group's restructuring programme.

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>> Spotlight on Nina Ricci

In 1932 Nina Ricci founded her own *haute couture* house in Paris; with her son Robert running the business, it rapidly became a prestigious name in the French fashion industry and grew to 450 workers by 1939. After the war, Robert Ricci's idea to have 40 Paris couturiers exhibit dressed-up dolls in the Louvre led to great success in Europe and the United States. In 1948, the company launched its classic perfume, *L'Air du Temps*, which remains popular to this day. By the mid-1950s Nina Ricci gave creative control to younger designers who furthered the brand's international success.

During the 1970s, after Nina Ricci's death, the company developed its perfume activity and diversified into ready-to-wear, leather goods and fashion accessories to become one of France's leading luxury goods exporters. In time for the launch of the perfume *Farouche* in 1974, the company decided to build a manufacturing centre in Ury (Seine-et-Marne) near Paris. The Parfums Nina Ricci factory has since carried out worldwide production, combining state-of-the-art technology and traditional perfumery. In the mid-1980's, shortly before Robert Ricci's death, the company turned its attention to men fragrances and fashion. In the 1990s, Nina Ricci launched an ambitious make-up collection. Nevertheless, the company's activity suffered during the first Gulf War and ran into economic difficulties, accumulating losses.

In 1998, after a failed reorganisation attempt by its parent company Sanofi, Nina Ricci became part of the Spanish beauty and fashion group Puig which employs 5,000 people in 24 countries with a €893 million annual turnover. Following its acquisition by the Puig Beauty & Fashion group, already owner of the Paco Rabanne brand and its Chartres factory in the heart of the French Cosmetic Valley, Nina Ricci faced its first job cuts. The staff reduction initiative involved 210 jobs out of a total of 630 in the production centres in Ury and La Garenne. Nina Ricci currently employs 781 people and has three sites in France with its headquarters in Neuilly-sur-Seine (Haut-de-Seine). As the luxury goods sector faces an economic downturn, companies in the sector fear restructuring activities.

Nina Ricci's restructuring procedure

On 11 February 2005, [Nina Ricci](#) announced a restructuring plan involving a total of 198 job losses in France as well as the closure of its Ury manufacturing centre, where 113 employees out of 171 are made redundant. The company's announcement is another blow to Seine-et-Marne where unemployment remains below the national average at 8% but the southern half of the department has lost 10,000 jobs in 10 years. And some 800 to 1,000 job losses are expected in the area by the end of 2005.

Puig Beauty & Fashion Group's restructuring initiative also foresees change at two other sites: 83 jobs are to be lost at Nina Ricci's headquarters in Neuilly-sur-Seine and 16 at the Paco Rabanne factory in Chartres (Eure-et-Loire). Group management decided to relocate perfume production to Chartres, where 44 new posts have been announced alongside 30 new posts in Neuilly 'to counterbalance the number of planned redundancies' according to the company's press release.

On 14 March 2005 employment authorities validated the restructuring plan, reversing a ruling from the previous week which found the proposed severance pay inadequate. Trade union protests ensued and employees picketed the Ury factory for over a week, denouncing the job losses and asking for improved severance packages. French labour law requires employers to submit an employment safeguarding plan (ESP) in order to limit redundancies and to facilitate personnel reorganisation. ESPs would typically provide retraining and job placement opportunities for employees and include measures such as early retirement and severance pay above statutory entitlements. A negative ruling by the employment authorities annuls the proposed restructuring process.

This case has created a stir in French opinion partly because details of a points system to decide the order by which employees will be let go have appeared in the media. The method is legal and was already used by Nina Ricci in two former reorganisations in 1998 and 2001. By law, management must negotiate the criteria chosen to rank employees with the unions. Under the alleged points system, employees are scored according to family responsibilities, length of service and professional qualities. Marks for the latter go from one to 13 while family status is scored thus: four points for employees without children, eight points for employees with one child, 14 points for two children up to 22 points for four children or for widowed employees with two children.

Employees with a disability receive one point while employees over 40 years of age receive six extra points.

Unions object to the allocation of points for job performance which they perceive as a subjective evaluation that should not be of relevance in a collective redundancy process. However, their disquiet cannot be explained by the points system alone. Most companies apply similar approaches. Esso SAF, for instance, used a ranking system in its February 2005 restructuring plan.

Puig group declared that the restructuring plan follows two years of 'negative results in France.' But there was speculation about the possible closure of the Ury factory since the Spanish group took over Nina Ricci.

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> Note on methodology

The European Restructuring Monitor is a tool that records industrial restructuring cases as reported in the press. All announcements involving the reduction or creation of at least 100 jobs, or affecting 10% of the workforce in sites employing 250 people or more, are taken into account. The cases are identified through a review of daily papers and the financial press in the EU25 and Bulgaria and Romania. Until April of 2005, ERM covered only the EU15 and three new Member States, the Czech Republic, Poland and Slovakia.

ERM enables the compilation of statistics, based on the information available in the database on each restructuring case. A comparison between countries and sectors is possible, by identifying those with the highest number of restructuring cases and examining the associated employment effects. In order to provide a more meaningful comparison of trends, statistical data are weighted, to take into account the size of the active labour force in the countries covered, and the number of people employed in the sectors covered by the ERM. Only those fact sheets in the ERM database, which refer to a specific country, are included in the statistical analysis. Fact sheets referring to European or worldwide restructuring activities are not considered, in order to avoid double counting.

The statistics provided in the present edition of the ERM *quarterly* may differ slightly from the statistics available on the ERM website. This is due to the fact that data on the website are updated whenever new information becomes available, in particular, regarding numbers of planned job reductions. Once the ERM *quarterly* has been uploaded, the information is not updated and hence does not reflect those adjustments.

The reference data for employment in EU Member States and industrial sectors is taken from Eurostat⁶. Since Eurostat does not provide data for all 26 sectors covered by the ERM, sectors had to be regrouped to match the sectors listed by Eurostat. The reference for sectoral data is employment figures for the sector, across all 18 EU Member States covered by the ERM.

Eurostat sectors	EMCC sectors
Agriculture	Agriculture and fishing
Mining and quarrying	Extractive industries
Manufacturing	Glass and cement; Electrical; Chemical; Food; beverage and tobacco; Textiles and leather; Motor; Pulp and paper, Metal and machinery
Electricity/gas/water supply	Energy
Construction	Construction and woodworking
Wholesale and retail/repairs	Commerce
Hotels and restaurants	Hotel, restaurant and catering
Transport and communications	Post and telecommunications; Transport and storage
Financial intermediation	Financial services
Real estate/business activities.	Information technology; Consultancy business services
Public administration	Public sector; Education
Other services	Publishing and media; Maintenance and cleaning; Health and social work; Hair and beauty care; Performing arts

If you would like more information on the European Restructuring Monitor, you can visit the website at www.erm.emcc.eurofound.eu.int or send a request to the e-mail address erm@eurofound.eu.int.

www.erm.emcc.eurofound.eu.int

⁶ European Commission, *European social statistics – Labour force survey results 2002*, Luxembourg, Office for official Publications of the European Communities, 2003.