European Foundation for the Improvement of Living and Working Conditions

european restructuring monitor *quarterly*

Issue 4 – winter 2006

emcc European Monitoring Centre on Change

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Summary

The global macroeconomic outlook remains fairly bright. While 2007 is predicted to be less favourable than the past two years, many expect a global rebalancing of growth, with the euro area doing relatively well. The financial problems mentioned in the previous quarterly concerning asset prices and the twin deficits in the United States are still of some concern, however, recent falls in oil prices have dampened inflationary tendencies. GDP in the EU grew in the third quarter of 2006 by 0.6% and unemployment continues to fall in practically all EU27 countries. The continuing positive news from Germany has been striking. Business confidence is at very high levels and there are signs of a resurgence of domestic demand. Indeed, Germany figures prominently in this ERM *quarterly*. In addition to the positive macroeconomic data, it draws attention to the somewhat surprisingly large December decrease in German unemployment. Moreover, the two cases taken up in this *quarterly*'s thematic sections, Volkswagen and AIRBUS, both have a German dimension.

During the fourth quarter of 2006, the ERM recorded 455 restructuring cases which announced 95,661 job losses and 141,069 job gains. This compares favourably with the third quarter, which reported 400 cases announcing 91,185 job losses and 117,115 job gains. Two of the largest cases of job losses were reported in the Polish steel and telecommunications sectors. The largest number of job losses was reported in Poland and Hungary. Much job loss was in the public sector, particularly in Hungary. Other significant cases of job loss are those resulting from a bout of mergers in Italy's banking sector. Across Europe, two of the top five cases of job creation were in the public sector. The most prominent of these was a very large expansion of jobs in French hospitals.

The thematic section of this quarterly looks at two cases of strategic importance for European industry. The first concerns the German car giant Volkswagen and is a follow-up of a previously reported case. The striking recent development is that job cuts originally envisaged to occur mainly in Germany will instead to a large extent be enacted in other European countries, implying, for example, restructuring of the Brussels plant. The second case concerns EADS, the leading European aerospace and defence group which has suddenly encountered severe problems with the AIRBUS A 380. Both cases are of considerable industrial significance for Europe and pose significant industrial relations challenges for European Works Councils.

Current macroeconomic trends

According to the World Bank[1], the outlook for the world economy in the medium term 'remains fairly bright'. Table 1 shows that world growth in 2006 was estimated to be slightly higher than in 2005 and that while the forecast for 2007 is at the relatively satisfactory level of 3.2%, this figure is still lower than those recorded in both 2005 and 2006. This is similar to the forecast presented in the previous ERM quarterly from the International Monetary Fund. The World Bank estimates that most of the growth in 2006 was concentrated in the first half of the year. However, in Japan and Europe order books and business sector confidence were strong throughout the year. In the US, on the other hand there have been signs of a slow-down.

Table 1: *GDP growth (percentage change from previous year)*

				Estimate	Forecast		
	1980-2000	2004	2005	2006	2007	2008	2008-2030
World	3.0	4.1	3.5	3.9	3.2	3.5	2.9
High-income countries	2.9	3.3	2.7	3.1	2.4	2.8	2.4
OECD		3.2	2.6	3.0	2.3	2.7	
Euro Area		1.7	1.4	2.4	1.9	1.9	
Japan		2.7	2.6	2.9	2.4	2.5	
USA		4.2	3.2	3.2	2.1	3.0	
Non-OECD		6.4	5.8	5.3	4.7	4.8	
Developing countries	3.4	7.2	6.6	7.0	6.4	6.1	4.0
China		10.1	10.2	10.4	9.6	8.7	
Latin America		6.0	4.5	5.0	4.2	4.0	3.0
India		8.5	8.5	8.7	7.7	7.2	

Source: *Global economic prospects: Managing the next wave of globalisation 2007*

A similar picture is provided in the recent Economic Outlook, released on 28 November 2006 by the OECD.[2] They see tendencies towards a rebalancing of growth across the OECD area with activity slowing down in the US and Japan and gathering speed in Europe. Indeed the report concludes that in the euro area '… activity has finally taken off… Notwithstanding the upcoming VAT hike in Germany which should impart a mild stagflationary shock to the Euro area in early 2007, the central scenario for the next two years is one of stable growth'. Another indication of the rebalancing of growth could be found in Grant Thornton's 2007 survey, which for the first time in five years found European business owners to be more optimistic for 2007 than their US counterparts.[3]

[1] *Global economic prospects: Managing the next wave of globalisation 2007* was published by the World Bank in December 2006.

[2] OECD Economic Outlook No. 80. OECD, Paris.

[3] *International Business Report 2007*, Grant Thornton as reported in the Financial Times, 10 January 2007.

The most recent projections on the euro area conducted by **DG Economic and Financial affairs**, published on 11 January 2007, expect a steady expansion of GDP over the next three quarters.[4] For the fourth quarter of 2006, GDP growth is projected in the range of 0.3% to 0.7%. For the first and second quarters of 2007, the projected growth ranges are slightly higher, 0.4% to 0.8% and 0.4% to 0.9% respectively.

Similar positive pronouncements in the short to medium term for Europe are also found in the **Ifo economic forecast** for 2007.[5] However, the Ifo report also underlines the significant and positive recent development in Germany. It notes that business confidence has been particularly strong in Germany and that the robust economic expansion that began at the beginning of 2005 continues. While exports still play a significant role in this expansion, unlike 2005, domestic economic activity is now also buoyant. Investment expanded robustly in 2006 and, most importantly, private consumption increased for the first time since 2001. Economic output in 2006 will grow by 2.5%, compared to 0.9% in the previous year and about 350,000 additional jobs have been created since the beginning of the year. The Ifo business sentiment index surged to a 16-year high in December. While there is some concern about how consumers will react to the upcoming VAT increases, the current boom may be strong enough to brush off its impact.

The most recent hard data show that the euro area GDP grew by 0.5% and EU25 GDP by 0.6% in the third quarter of 2006.[6] In the second quarter of 2006, growth rates were +1% in both zones. Compared with the same quarter of the previous year, seasonally adjusted GDP in the third quarter of 2006 grew by 2.7% in the euro area and by 3% in the EU25. In the third quarter of 2006 and among the Member States for which seasonally adjusted GDP data are available, Latvia (+3.5%) recorded the highest growth rate, followed by Estonia (+2.8%), Slovakia (+2.7%) and Ireland (+2.6%). The full set of figures is presented in table 2.

Table 2: *GDP growth 2006: Q3 compared to previous quarter, seasonally adjusted*

Belgium	0.6	Ireland	2.6	Netherlands	0.7	United Kingdom	0.7
Czech Republic	1.4	Italy	0.3	Austria	0.9	Iceland	0.1
Denmark	0.6	Cyprus	0.6	Poland	1.6	Norway	1.3
Germany	0.6	Latvia	3.5	Portugal	-0.2	Switzerland	0.4
Estonia	2.8	Lithuania	1.3	Slovenia	1.4	United States	0.5
Greece	2.2	Luxembourg	1.0	Slovakia	2.7	Japan	0.2
Spain	0.9	Hungary	1.0	Finland	0.9	Euro area	0.5
France	0.0	Malta	n.a.	Sweden	1.0	EU25	0.6

Source: *Eurostat*

According to Eurostat harmonised data[7], seasonally-adjusted unemployment in the euro area was 7.6% in November 2006, compared to 7.7% in October and 8.4% in November 2005. In November 2006, the lowest rates were registered in Denmark (3.3%), the Netherlands (3.8%), Ireland (4.2%), Estonia (4.5%) and Austria (4.6%). Unemployment rates were highest in Poland (13.6%), Slovakia (12.3%), Greece (8.7% in the third quarter of 2006), France (8.6%) and Spain (8.4%).

4 European Commission Directorate General Economic and Financial Affairs Economic studies and research, Business surveys Brussels, 11 January 2007

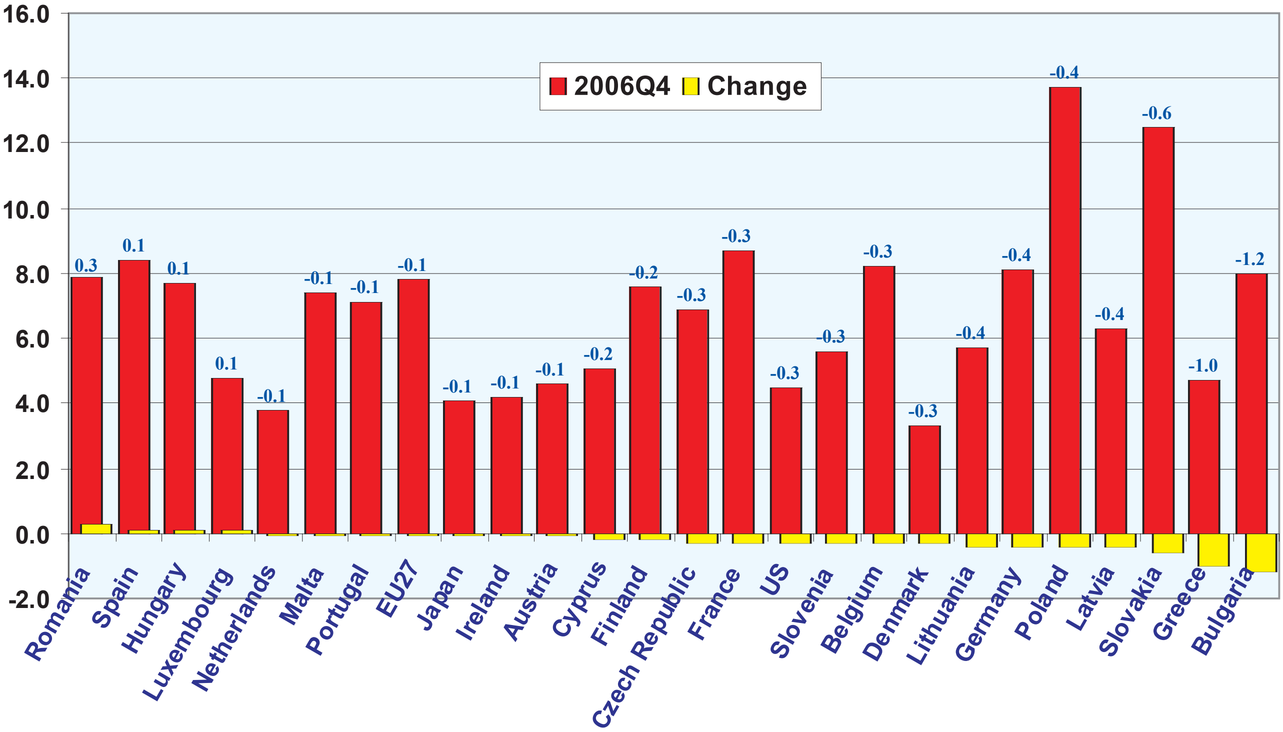
5 *'Propelling economic forces remain strong' Ifo economic forecast 2007*, released 14 December 2006. Ifo is a highly regarded economic institute. Their surveys are done in collaboration with the International Chamber of Commerce and receive financial support from the European Commission

6 Euro-indicators news release 5/2007 – 11 January 2007.

7 Euro Indicators News Release 4/2007 – 5 January 2007.

Figure 1 plots the fourth quarter harmonised unemployment rates and changes from the previous quarter. The previously noted trend towards falling unemployment rates continues. Unemployment rates dropped in all EU27 countries except Hungary, Luxembourg, Romania and Spain.

Figure 1: *Standardised unemployment rates fourth quarter 2006 (average of October and November) and percentage point increase from third quarter. Bars sorted by increase since previous quarter.*



Source: *European Labour Force Survey*

No data available for Greece, Italy, Norway, Sweden and UK.

More recent data from German national sources provides further indication that the stronger economic data that has been observed for some time now has begun to have a significant impact on the labour market. Seasonally adjusted figures released by the Federal Labour Agency counted 4.1 million unemployed in December, a decrease of 108,000 compared to November 2006. This was characterised by the agency as an 'extraordinary fall in unemployment' (Financial Times 4 January 2007). However, on a more pessimistic note, November economic data from national sources in France suggest weaker growth in the short term. Indeed, when the final figures become available, 2006 may well turn out to be the first year that GDP growth is higher in Germany than in France since 1994.

Overview of ERM statistics: fourth quarter 2006

During the fourth quarter 2006, the ERM recorded 455 restructuring cases. These cases announced 95,661 jobs losses and 141,069 job gains[8].

Top five cases of announcements of jobs created and jobs lost

The five most prominent cases in terms of jobs created and jobs lost are listed in Table 3. The company name links to further details on these cases on the ERM website.

Table 3a: *Top five cases of job creation*

Company	Jobs	Location	Restructuring type	Sector
Public hospitals	30,000	France	Business expansion	Health and social work
Hungarian Air Forces	5,000	Hungary	Internal restructuring	Public sector
Glasgow Airport	4,000	United Kingdom	Business expansion	Transport and storage
Tesco	3,000	France	Business expansion	Commerce
Natixis	3,000	France	Business expansion	Financial services

Table 3b: *Top five cases of job reduction*

Company	Jobs	Location	Restructuring type	Sector
Mittal Steel Poland	9,317	Poland	Internal restructuring	Metal and machinery
Ministry of Agriculture	8,000	Hungary	Internal restructuring	Public sector
Telekomunikacja Polska	5,700	Poland	Internal restructuring	Post and telecommunications
TUI	3,600	European Union	Internal restructuring	Transport and storage
Volkswagen	3,200	Belgium	Offshoring/Delocalisation	Motor

Source: *ERM, 1 October-31 December 2006.*

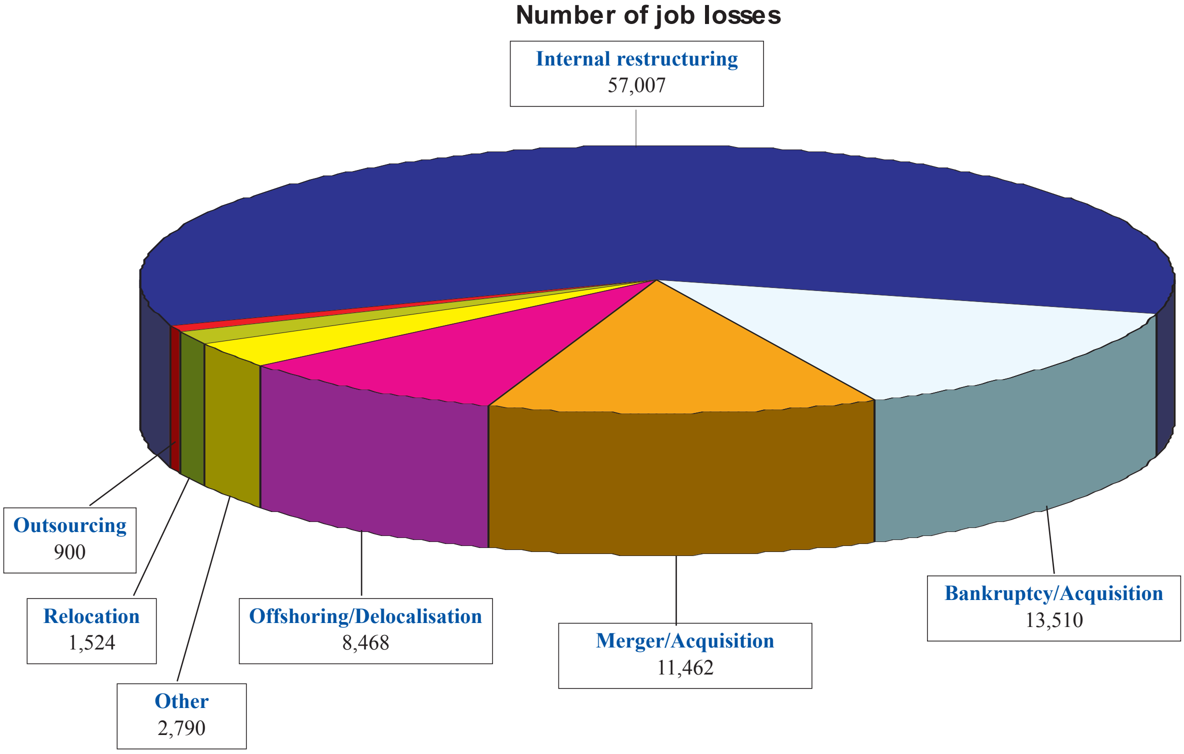
Type of restructuring

Nearly 95% of jobs created were business expansions (133,195 jobs). However, even the category internal restructuring can lead to job gains, and accounted for 6,775 (4.8%) of the new jobs announced in the fourth quarter of 2006. The largest such cases were **Hungarian Air Force** and Polish **Katowicki Holding Węglowy**.

Figure 2 plots the loss of jobs by type of restructuring. The most frequent category is internal restructuring (59.6%), followed by bankruptcy/closure (14.1%). The high number of job losses due to merger/acquisition in this quarter, totalling almost 12%, was largely due to the consolidation within the Italian banking sector (**San Paolo**, **Banca Intesa**, **Banche popolari riunite / Banca Lombarda**). It is notable that offshoring/delocalisation only amounted to less than 9 % of all jobs lost. This figure is in line with data from previous quarters.

[8] Data for this issue were extracted on 9 January 2007.

Figure 2: *Job reduction by type of restructuring*



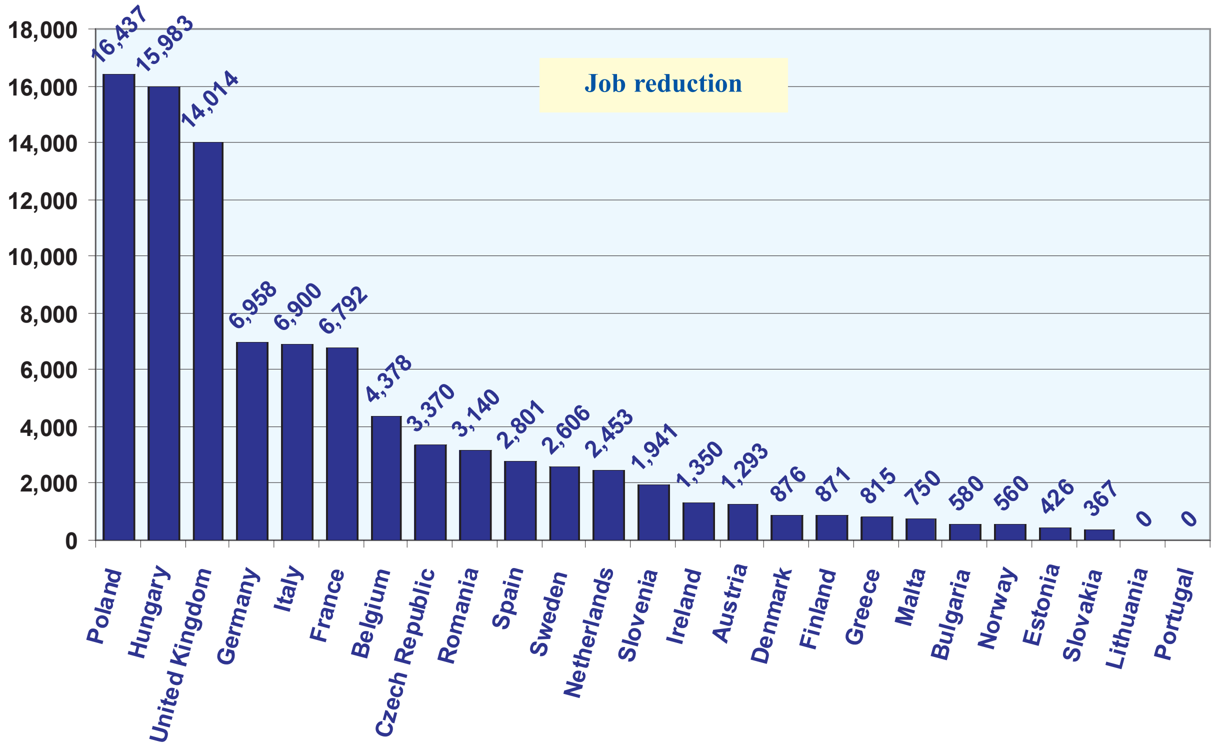
Source: *ERM, 1 October – 31 December 2006*

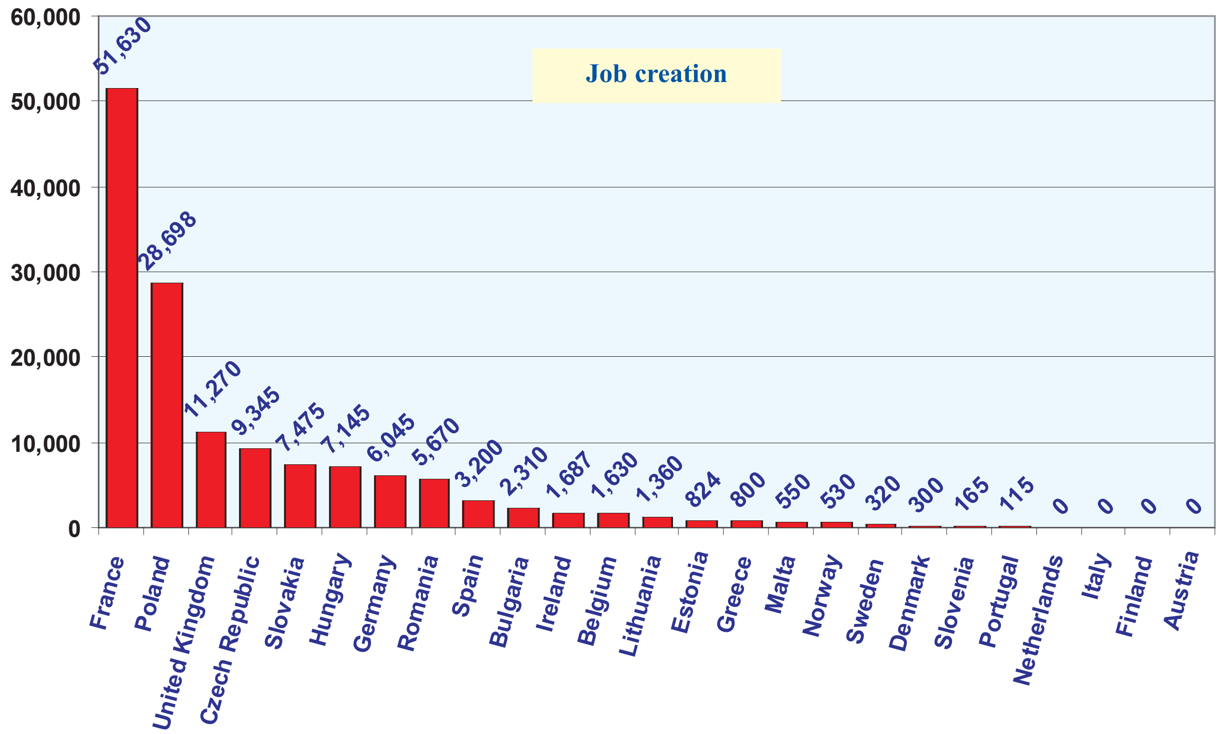
Restructuring among countries

Figure 3 shows the distribution of restructuring cases among countries. Poland and Hungary record the largest numbers of job losses, followed by the UK, Germany and Italy. These five countries made up 63% of all announced job losses in this quarter. In Poland, two single cases account for over 90% of all job cuts: **Mittal Steel Poland** and **Telekomunikacja Polska** with the loss of over 9,000 and 5,700 jobs, respectively. In Hungary, as in the previous quarter, the largest case is the **Ministry of Agriculture and Rural Development**, which announced the loss of 8,000 jobs. The UK and Germany report more widespread distribution of job cuts among many firms. In the UK the largest case is **Thomson Holidays** with the loss of 2,600 jobs and in Germany **BenQ Mobile** which reported the loss of 3,000 jobs. Finally, Italy's rise in the job-loss ranking compared to previous quarter is almost entirely attributable to the above mentioned spate of mergers/acquisitions in the Italian banking sector. Three cases, **San Paolo**, **Banca Intesa** and **Banche popolari riunite / Banca Lombarda**, amounted to the loss of 6,500 jobs.

Most announcements of planned job creation this quarter were reported in France, and amounted to 36% of the total. This is largely due to public hospitals, which announced the creation of 30,000 jobs. Poland was in second place in the job creation ranking. Four cases reported in commerce, **Tesco**, **Carrefour**, **Biedronka** and **Aldi**, accounted for over 30% of planned job creation in the country. Half of planned new jobs in the UK, were at the two airports of **Glasgow** and **Durham Tees Valley**. Another high ranking country was the Czech Republic with the largest case, **ČSAD Praha holding**, announcing the creation of 1,800 jobs.

Figure 3: *Job reduction and job creation by country.*





Source: *ERM, 1 October–31 December 2006.*

Restructuring in sectors

Figure 4 presents the top 10 sectors with respect to job reduction and job creation as reported in the ERM. The public sector recorded the largest number of job cuts, 16,228 (17%), but also accounted for 5,500 job gains (3.9%). The Hungarian public administration's restructuring activity contributed greatly to this development, in the programme announced by the Ministry of Agriculture and Rural Development to lay off 8,000 employees. Another case involved the merging of **Magyar Határőrség** (Hungarian Border Guard Service) with **Rendőrség** (Hungarian Police Forces) which reduced the workforce by 1,200 and 2,000 respectively. Yet another case of public sector restructuring in Hungary was the **Magyar Légierő** (Hungarian Air Force) plan to dismiss some 977 people, with the signalling unit to be the most affected. However, the Ministry also unveiled its intention to increase the number of contract soldiers in the army by about 5,000.

The metal and machinery sector recorded the second highest number of announced job losses (14,196) together with a significant number of jobs created (8,962). The majority of job cuts (9,317) are due to restructuring in **Mittal Steel Poland**. The company is to reduce its production staff by 31%, its auxiliary services by 77% and its administration by 91%. A prominent case of job creation in this sector was the German company **Conergy** which announced its intention to hire about 1,000 people by summer 2008 in a new factory in Frankfurt (Oder). Hungarian **Coloplast** and Spanish **Alfonso Gallardo** will create 600 and 500 new jobs respectively.

The post and telecommunications sector recorded 10,085 job losses (10.5%). This is mainly attributable to the internal restructuring at **Telekomunikacja Polska**, the national communications operator, which is to cut its workforce by up to 5,700 in order to reduce costs and strengthen its competitiveness towards new market entrants. The closure of **BenQ Mobile** in Germany, with the loss of 3,000 jobs was another important case in this sector.

The motor sector accounted for 9,734 job losses (10.2%). More than one third will be lost by production delocalisation announced by **Volkswagen**. More details on the case are provided in the next section. Another car manufacturer, French-based **Renault**, is to reduce its workforce in Spain by 1,300 workers due to decreasing sales. However, the motor sector is also an important source of job creation (10,217). Prominent cases of job expansion in this sector occurred in the Czech Republic (**Faurecia Components**, 1,000 new jobs, **Škoda Auto**, 360 new jobs, **Cooper Standard Automotive**, 300 new jobs), Poland (**Valeo Electric and Electronic Systems**, 500 new jobs, **Delphi Polska Automotive Systems**, 400 new jobs), Romania (**Coindu Romania**, 900 new jobs) and Slovakia (**ZF Sachs**, 1,100 new jobs).

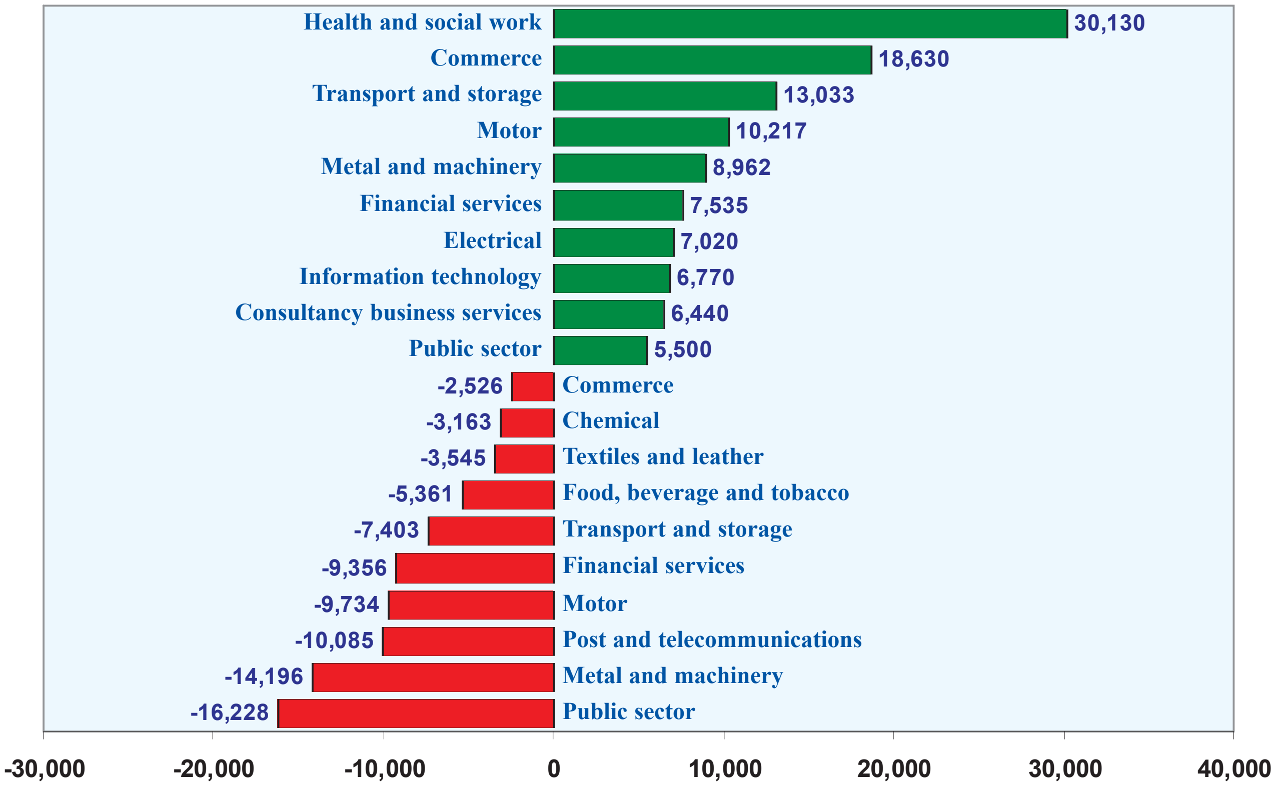
Job losses in the financial sector, totalling 9,356 (9.8%), were largely due to consolidation in the Italian banking market. **San Paolo**, the leading Italian financial services provider, and **Banca Intesa**, the largest banking group in Italy and one of the largest in Europe, approved a merger at the end of November and reached an agreement with trade unions to reduce the workforce by 2,800 in San Paolo and 2,400 in Banca Intesa. Another merger was announced by **Banche popolari riunite / Banca Lombarda**. The two Italian banks plan to reorganise their internal processes, which will result in a loss of 1,300 jobs.

The commerce sector reported 18,630 new jobs, mostly due to the expanding activities of **Tesco** (3,000 new jobs), **Carrefour** (2,200 new jobs), **Biedronka** (2,000 new jobs) and **Aldi** (1,500 new jobs) in Poland as well as **Conforama** (1,500 new jobs) in France and **Akropolis** (1,000 new jobs) in Lithuania.

Transport and storage also announced a significant number of new jobs (13,033). This was mainly due to the activities of the airline industry led by **Glasgow Airport**, which expects to hire 4,000 employees in order to expand its terminal and airfield facilities. **Lufthansa**, the German aviation group, announced the launch of an international recruiting campaign for 2,500 new services professionals and flight attendants. Another expansion plan was presented by **Durham Tees Valley Airport**, with 2,000 new jobs.

The remaining 16 sectors in the ERM account for 26,832 jobs created (19% of the recorded job creations) and 14,064 jobs lost (14.7% of the recorded job reductions).

Figure 4: *Job reduction and creation by sector*



Source: *ERM, 1 October – 31 December 2006*

Restructuring at Volkswagen

One of the major cases of restructuring in Europe during 2006 has been at **Volkswagen**. The following provides an account of recent developments.[9]

Comprehensive restructuring programme

In early 2006, the German Volkswagen Group launched a comprehensive restructuring programme with significant impact on employment in Germany and other European countries and announced a reduction of 20,000 jobs in its German plants.[10] During 2006, the workforce in German plants was reduced by 7,835 by means of settlement (5,873) or partial retirement (1,962).[11]

On 24 July 2006, the Board of Management and the **Group Works Council** signed a plant agreement on **innovative work and process organisation** which included far-reaching changes in workflows, processes and cross-divisional cooperation and marks the beginning of a new standardised production system.

Restructuring in western Europe

In November 2006, Volkswagen announced a further major restructuring programme which aimed to ensure competitive production and capacity utilisation at plants in western Europe (**VW Press release 21 November 2006**). This implies a reduction of the number of employees in Volkswagen production plants from 12,000 to 9,000.[12] Volkswagen intends to cut thousands of jobs at Spanish, Portuguese and Belgian factories and to shift some of the models back to German factories which are only running at about 70% capacity.[13]

For the Brussels plant, Volkswagen announced it was to shift all manufacturing of its Golf model to its headquarters at Wolfsburg and to the plant in Mosel. In July 2006, Volkswagen had already announced plans to shift parts of production of the Polo model from the Spanish Navarra plant[14] and from the Prastilava plant[15] to the Brussels plant.

The loss of 4,000 jobs in the Belgian Forest/Vorst plant caused protest, strike and trade union action (**EMF press release 30/2006**). On 27 November 2006, the European Metalworkers' Federation (EMF) held the first meeting of its Trade Union Coordination Group on Volkswagen (**Press 34/2006**). An independent assessment of the situation of the VW AG and its production plans and an alternative industrial plan were announced.

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[9] This section was written by Anni Weiler, AWWW GmbH ArbeitsWelt – Working World, for the ERM

[10] Handelsblatt, 10 February 2006

[11] Frankfurter Rundschau, 21 December 2006

[12] Göttinger Tageblatt, 21.11.2006

[13] Financial Times, 7 November 2006

[14] Handelsblatt, 1 July 2006

[15] Handelsblatt, 22 November 2006

At a summit meeting of Volkswagen management with Belgian government representatives, the possibility of producing a new entry-level Audi model from 2009 at the Brussels plant was discussed. The production of considerably more than 100,000 vehicles per year could ensure employment for up to 3,000 people (**VW press release 1 December 2006**). Volkswagen attempts to achieve longer working time i.e. an increase from 35 to 38 hours in the Brussels location. The decline of wage cost is the most important precondition for the take-up of the production of the Audi model A1.[16]

A traditional solution negotiated for Forest/Vorst plant entails an early retirement package for 900 employees older than 50 years who will each receive 80% of their previous net salary. The settlement programme issued by Volkswagen has already been accepted by 2,000 employees.[17] In 2007 and 2008, 84,000 cars shall be produced in the Forest/Vorst plant instead of the current figure of around 200,000. 2,200 new jobs are foreseen. There is no decision yet on production from 2009 onwards.[18]

European policy dimension

On 23 November 2006, European Commissioner Vladimír Špidla met with the Belgian employment ministers to **discuss** how best the European Structural Funds, in particular the European Social Fund (ESF), could be used to counteract the negative consequences of the expected decision by Volkswagen to lay off 4,000 workers. The **European Taskforce on Restructuring** met on 24 November 2006 to discuss the job losses announced at the Volkswagen plant in Forest/Vorst. (IP/06/1627) The Task Force underlined the need to respect the various European laws which apply to cases of mass layoffs, namely the directives concerning **European Works Councils, Collective Redundancies** and **Information and Consultation** of Employees.

On 30 November 2006, the European Trade Union Federation and the European Metalworkers' Federation **called** for the future European Globalisation Adjustment Fund 'to be made available to workers who lose their jobs as a result of major industrial upheaval within the European Union, as well as outside.'

German collective agreements at Volkswagen

In 2004, the trade union IG Metall and Volkswagen agreed on a **collective agreement** which excludes redundancies until 2011. On 28 September IG Metall agreed on a **supplementary agreement** for the Volkswagen brand. This agreement led to an increase of working time from 28.8 hours to a maximum of 34 hours a week, without according any increase in payment (**VW Press Release 29.9.2006**). In return, binding long-term guarantees of investment, production and capacities for the German plants will secure employment beyond 2011. Wolfsburg remains the key production facility for the Golf model.

Global restructuring of the Volkswagen group

Volkswagen is currently restructuring its entire group of companies and brands, the various models' production processes and the new single plants for new series. At the same time it is expanding its position in the growth markets of China, India and Russia. The group will build a plant producing Volkswagen and Skoda brand vehicles in Russia with 3,500 workers (**VW Press Release 28 June 2006**) and a plant producing 110,000 vehicles a year with 2,500 workers in India from 2009 onwards. (**VW Press Release 29 November 2006**).

[16] Handelsblatt, 4 December 2006

[17] Handelsblatt, 21.12.2006

[18] Frankfurter Rundschau, 23 December 2006

Restructuring at EADS

Another very prominent recent restructuring case concerns EADS, the leading European aerospace and defence group. This restructuring is due largely to problems at AIRBUS.[19]

The problems at AIRBUS

EADS, the leading European aerospace and defence group, fell heavily into loss in the third quarter of 2006 under the burden of rising costs for long delays in deliveries of the A380 ('super jumbo') and the weakness of the US dollar. In October 2006, the group issued a € 4.8bn profits warning for the years to 2010 and announced that delays in the A380 programme had increased to at least two years.

Airbus, which is 100 % owned by EADS since the acquisition in October 2006 of the remaining 20 % stake from BAE Systems of the UK, suffered an operating loss of €350m from a profit of € 410m a year ago. Airbus orders have fallen sharply during 2006 as the group struggles to re-establish credibility with its customers, with the value of Airbus orders in the first nine months dropping by 49% to € 14.7bn.[20]

Airbus is also being hit by rising research and technology costs for the development of the new generation of aircrafts to replace the current highly successful A320 family in the next decade. Furthermore, the EADS board decided to go ahead with the industrial launch of the A350. The A350XWB programme is needed to compete against the highly successful Boeing 787 and 777 aircraft; this, however, means that Airbus has to find solutions regarding the financing and engineering resources. As the core industrial shareholders, the Lagardère media conglomerate and DaimlerChrysler, appear to be interested in cutting their stakes, it seems unrealistic to expect them to invest extra money. According to management the planned Power 8 **restructuring** programme aimed at cutting costs by € 2bn a year by 2010 is crucial to the group's ability to generate the cash flow to help fund the A350 development costs.[21]

In order to reduce the overall development costs, Airbus plans to farm out work for about $ 3.5bn. According to senior executives the company intends to increase the proportion of outsourcing on the airframe from about 30% to near 50%. This decision can be considered a shift in culture as Airbus, for historical and political reasons, has always outsourced a lower proportion of its activities than its competitor Boeing. The future strategy also includes a more pronounced shift to system suppliers. Furthermore, the A350XWB programme is aimed at moving a greater part of manufacturing to dollar-zone countries. These strategic orientations are likely to increase the concern of governments in France, Germany, Spain and the UK regarding the impact of the cost-cutting plans on employment levels.[22]

[19] This contribution was filed by ERM EU correspondents Volker Telljohann, Institute for Labour Foundation, Bologna and Sonja Mackay, Institute for Working Lives, London

[20] Financial Times, 8 November 2006

[21] Financial Times, 8 November 2006

[22] Financial Times, 14 November 2006

The impact of the problems at Airbus is overshadowing improvements in profitability in other sectors of EADS, including defence, helicopters, space and military transport aircraft. Another strategic orientation of EADS is the development of the group's defence business in order to bring it more into line with Boeing which makes about half its sales from defence. In particular, EADS is interested in winning a greater share of the $ 450bn a year US defence budget. According to the German co-chief executive, Tom Enders, these attempts are hampered by the French government's 15% stake in EADS. The group has the handicap of a shareholder structure still shaped largely by national interests. This construction might lead to the perception of state intervention in the company's affairs.[23]

Trade union response

On 31 October 2006, the European Metalworkers' Federation (EMF) EADS coordination group discussed the situation and a European strategy to secure the future of EADS. According to the **press information**, the meeting was attended by approximately 40 representatives from 16 EMF member organisations involved in EADS. The coordination group expressed its concern about the possible content of the announced restructuring programme Power 8. The trade union representatives underlined that they 'will not accept any closures of sites and subsequent massive job losses'. Peter Scherrer, the EMF General Secretary, stated that the EMF is going 'to develop a trade union platform for the future debate with management. We will confront the management of a European company with European ideas and demands for solving a European problem'.

There has been an angry response from the main French trade union in Airbus, the **Confédération Générale du Travail (CGT)**. The company's headquarters and main sites are located in Toulouse in southern France where over 27,000 of the company's 55,000 workers are employed. The CGT argues that the A380 delays are an excuse for restructuring the company at European level and that the company's full order book together with the resources of its parent company EADS, mean that Airbus does not need to implement the restructuring plan.

The CGT believes that Airbus wants to increase the use of sub-contractors outside Europe in order to lessen the impact of the rise of the euro against the dollar. The union is campaigning against the restructuring plans and mobilising support across the Midi-Pyrenees region, particularly among the many sub-contracting firms which are dependent on work from Airbus and which are likely to be the first affected by the restructuring plans. The CGT also fears that Airbus sites across Europe will be under pressure to compete with one another (**CGT Airbus newsletter**).

In Germany, Airbus's second biggest country in terms of production and employment, a meeting of members of the Airbus German works council and IG Metall trade union in October agreed that it would be unacceptable for Airbus to try to play sites off against each other. The chair of the Airbus national works council in Germany, Rüdiger Lütjen, said 'We don't recognise our company any more. For six years there have only been reports of success and suddenly Airbus is in the middle of a massive crisis.' The German works councils and unions said they are prepared to talk to management about how to resolve the crisis and are prepared for cutbacks, but they draw the line at employees being asked to bail out the company for mistakes made by management. An employment agreement – Siduflex (Sicherheit durch Flexibilität – Security through Flexibility) – guarantees no redundancies before 2012 and requires the company to manage changes in demand through working time arrangements and the use of temporary employment.[24]

[23] Financial Times, 15 December 2006

[24] **Die Welt report on agreement**; **Die Welt report on meeting**

Restructuring in Cyprus and Malta

This ERM *quarterly* presents for the first time a separate section on restructuring in Cyprus and Malta. Due to small firm size in both countries, very few restructuring cases enter the database as they typically fall under the employment thresholds applied by the ERM. Restructuring does, of course, occur on these islands and will be reported on a regular basis in this publication from now on. In this *quarterly* there is only a contribution from Malta.[25]

Malta

Tourism

2006 was a bad year for Maltese tourism generally and the slide continued in the fourth quarter. Several hotels closed during the year and closures in the last quarter include the Carolina Hotel, the Luna Holiday Complex and Bel Sol Hotel. Given the seasonal nature of the business, it is difficult to extract the precise number of jobs lost. *L-Orizzont* reported a decreased occupancy rate of nearly 9% between October and November 2006 when compared to a year before. Consequentially, the winter seasonal layoffs have also been higher than usual and include the Bugibba Holiday Complex, a large hotel of about 600 beds. *L-Orizzont* also reported knock-on effects in other tourist-related jobs. The declining state of the tourist trade is being attributed to a lower level of competitiveness when compared to those of other destinations in the Mediterranean, such as Costa del Sol, Mallorca and Cyprus. The introduction of low-cost airlines in Malta is one of the measures taken by government.

Manufacturing sector

In September 2006, there were 18,495 persons working in the manufacturing sector in Malta. This is 998 persons less than the previous year. The largest drop in employment was registered in the textile industry. The leather, plastic and metal and tobacco industries also registered decreases. The closure of Menrad Company Limited and Denim Services were reported in the ERM fact sheets. However, due to its smaller size, the closure of the cigarette factory, Central Cigarettes was not taken up by the ERM. When its closure was reported in the newspapers on 17 November 2006, there were only 67 employees on the company's books. However, a number of employees, sensing the imminence of closure, had previously left the company for another job. Central Cigarettes, established in 1907, changed owners several times and was last owned by British American Tobacco. The Chemical, Energy, and Printing Section of the **General Workers Union** negotiated a redundancy package for the employees and ensured they received adequate counselling during the process.

[25] This contribution, filed by the Maltese ERM correspondents, was based on articles in the newspapers *The Malta Independent* and *L-Orizzont*

Note on methodology

The European Restructuring Monitor (ERM) records announcements reported in the press involving the reduction or creation of at least 100 jobs, or affecting 10% of the workforce in sites employing 250 people or more. These are to be reported by correspondents from the Network of European Observatories run by The European Foundation for the Improvement of Living and Working Conditions. The cases are identified through a review of daily papers and the financial press in the EU27 and, most recently, Norway.

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 the statistics in order to avoid double counting.

For more information on the European Restructuring Monitor, please visit the website at **http://www.emcc.eurofound.eu.int/erm/**. The site allows for the examination of single cases and the compilation of restructuring statistics. For further enquiries contact us at **erm@eurofound.eu.int**.

The data for this report was extracted on **9 January 2006**. As the ERM continually updates cases in light of new information, the statistics presented here may not correspond to those extracted at a later date.

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EF/07/06/EN

