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Summary

The global macroeconomic outlook continues to deteriorate. While it would appear that a recession in the United States appears imminent, the impact on Europe is, as yet, relatively limited. However, if the situation in Europe were to deteriorate, current inflationary pressures suggest that the ECB would not be likely to lower interest rates. Both GDP growth and unemployment continue to develop positively in Europe and the most recent unemployment figures in Europe's largest economy, Germany, have hit a six-year low.

During the fourth quarter of 2007, the ERM recorded 214 restructuring cases. These cases announced 41,214 job losses and 97,888 job gains.[1] Somewhat unusually, a large proportion of the job gains are due to mergers and acquisitions – more specifically, the Gaz de France and Suez merger.

Most reported job losses during the fourth quarter of 2007 were in the UK, where the ERM recorded 11,728 reported jobs lost. The UK was followed by Poland (5,103 jobs reported lost), France (4,108 jobs), Greece (4,000 jobs), and Germany (3,515 jobs). Job loss was most prevalent in the metal and machinery sector, in which ERM recorded 4,955 jobs reported lost in the current quarter, followed by the financial services sector with 4,885 reported job losses). Apart from France, which was dominated by the big Gaz de France and Suez merger, most announcements of job gains were reported in Poland (8,511), followed by Romania (6,800), Slovakia (4,920), and the Czech Republic (3,020).

The ERM has recently reported two particularly interesting restructuring cases, which both illustrate important aspects of globalisation. These are the Unilever and ZRE Katowice cases. In August 2007, Unilever announced that it will cut 20,000 jobs, accounting for 11 per cent of its total workforce. Half of these job cuts are to be implemented in Europe. Layoffs and job reductions have been announced in the UK, Italy and the Netherlands. In response to the planned job cuts, the European trade unions carried out a day of action on 4 December 2007.

The second case concerns 200 Polish workers, employed by ZRE Katowice but working in Ireland, who were dismissed after the firm lost a contract with the German firm Lentjes, itself a contractor of the Irish firm ESB Moneypoint. The reason for Lentjes' termination of its contract with ZRE Katowice was that ZRE Katowice was found to be not operating in accordance with Irish employment law. Given the peculiarities of this case, and the current debates taking place in Europe over related topics such as the Directive on services in the internal market and the Laval case, the case of restructuring at ZRE Katowice will be explored in more depth in this issue of ERM quarterly.

[1] Data extracted on January 7th 2008.

Current macroeconomic trends and prospects

The probability of an impending recession in the United States, as mentioned in several previous issues of the ERM *quarterly*, continues to increase.[2] On balance, most observers rate the chance of a recession to be slightly more than 50%, while others – such as Goldman Sachs' chief U.S. economist, Jan Hatzius – are more categorical, stating on 8 January 2008 that 'recession has now arrived, or will very shortly'. Many indicators, including consumer and business confidence, unemployment and investment, are pointing sharply downwards.

For many years, recessionary tendencies in both the European and US economies have been primarily addressed by lowering interest rates. This was considered to be compatible with price stability, as inflation rates remained unusually low throughout the world for almost two decades. This is no longer the case. The Organisation for Economic Cooperation and Development (OECD) reported that the annual rate of consumer price inflation in the OECD area rose by 3.3% up to November 2007, compared with 2.8% in the year to October 2007.[3] Significantly, much of the overall inflation was due to high rates of commodity price increases. Consumer prices for energy increased by 13.3% year-on-year in November, compared with an 8.5% rise in October, while prices for food were up by 4.6% on an annual basis up to November, compared with 4.1% in October. Thus, given the central priority of price stability to central banks, it is much less likely that lower interest rates will be used to boost sagging consumer and investment demand.

Inflation is somewhat higher in the US compared to the euro area. In the euro area, the Harmonised Index of Consumer Prices was up by 3.1% in the year to November 2007, compared with 2.6% up to October. In the US, the Consumer Price Index increased by 4.3% annually to November 2007, compared with 3.5% up to October.

It appears that the negative developments in the US have had less of an impact on most European countries than previously has been the case, even if the prospects for some countries, such as the UK, appear to be worse than others in the euro area. According to the Economic Outlook from 9 January 2008, for the euro area, real GDP growth recovered in the third quarter after the disappointing performance in the previous quarter.[4] However, growth prospects have deteriorated due to the turbulence in the financial markets and increased inflation. Real GDP is expected to expand at lower rates (0.5% in the fourth quarter of 2007 and 0.4% in both the first and second quarter of 2008). Industrial production is forecast to weaken after the strong performance in the third quarter, based on the deterioration of business indicators throughout the euro area countries. Private consumption is still holding up well due to the steady improvement of the labour market. Consumption should grow by 0.5% in the fourth quarter of 2007, followed by 0.4% in the first and second quarter of 2008. Investment is expected to increase, with rates of 0.7% in the fourth quarter of 2007, 0.5% in the first quarter of 2008 and 0.6% in the second quarter.

As the economic outlook in Europe is still relatively favourable – and there are signs of increased inflation – there is little prospect of lower rates in Europe. At the 10 January meeting of the European Central Bank (ECB), president Jean-Claude Trichet said that the ECB governing council discussed the possibility of an interest rate hike, but left rates unchanged. On balance, the message was that interest rate increases are more likely than decreases in the near future.

[2] In the US, the National Bureau of Economic Research defines a recession as 'a significant decline in economic activity spread across the economy, lasting more than a few months.' In macroeconomics, a recession is defined more explicitly as a GDP decline for two or more successive quarters of a year.

[3] Inflation OECD Consumer Prices – Updated: 8 January 2008

[4] Based on forecast conducted by the well-regarded Ifo Institute for Economic Research, Munich.

There is little indication that the dramatic interest rate cut in the US on 22 January will be repeated in Europe. This was quite explicitly stated by the Governor of the Bank of England who referred to an expected rate of inflation above the target rate during 2008.

The most recent compatible GDP data, presented in Table 1, show that in both the euro area and the EU27, GDP grew by 0.8% in the third quarter of 2007, compared with the previous quarter. In the second quarter of 2007, growth rates were 0.3% in the euro area and 0.5% in the EU27. In comparison with the same quarter of the previous year, seasonally adjusted GDP grew in the third quarter of 2007 by 2.7% in the euro area and by 3.0% in the EU27, after 2.5% and 2.8%, respectively, in the previous quarter.

Table 1: *GDP growth 2007: third quarter compared to previous quarter, seasonally adjusted*

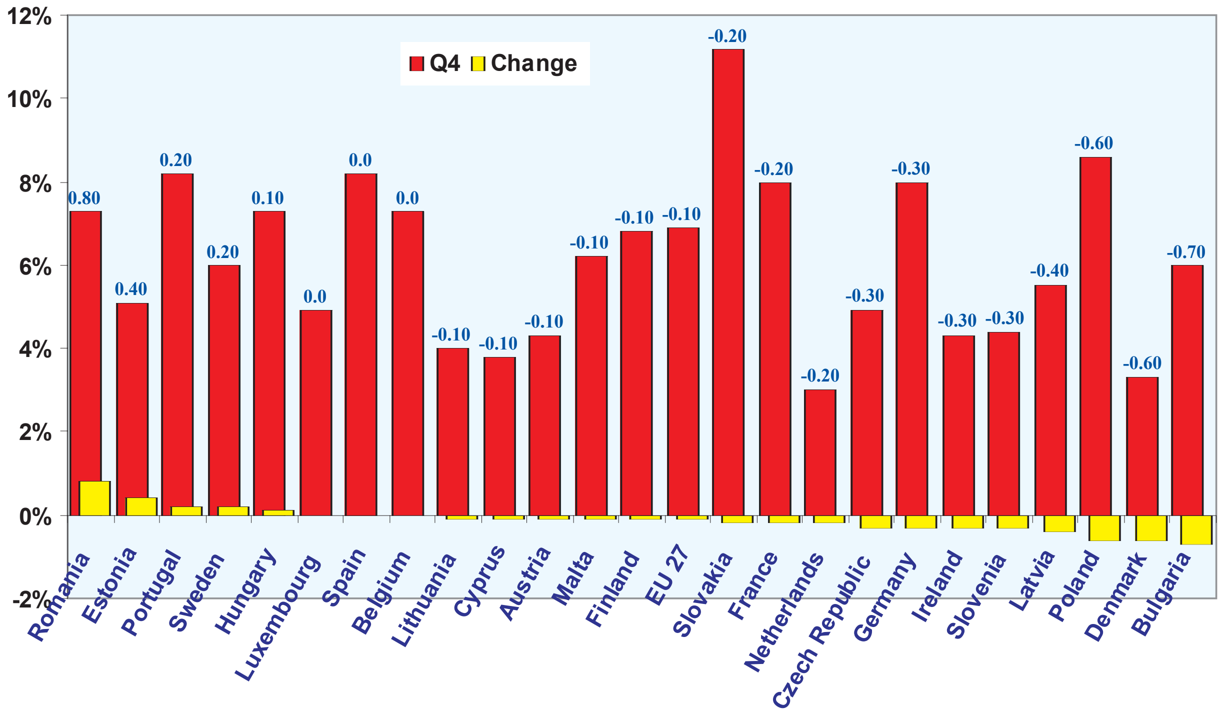
Belgium	0.5	Ireland	1.4	Netherlands	1.8	United Kingdom	0.7
Czech Republic	1.4	Italy	0.4	Austria	0.8	Iceland	2.4
Denmark	1.3	Cyprus	1.2	Poland	1.2	Norway	1.4
Germany	0.7	Latvia	2.8	Portugal	0.0	Switzerland	0.8
Estonia	1.6	Lithuania	5.2	Slovenia	1.6	United States	1.2
Greece	0.9	Luxembourg	n.a.	Slovakia	2.5	Japan	0.4
Spain	0.7	Hungary	0.3	Finland	0.7	Euro area	0.8
France	0.8	Malta	-2.1	Sweden	0.6	EU27	0.8

Source: *Eurostat News Release 136/2007, 11 October 2007*

In the third quarter of 2007, among the Member States for which seasonally adjusted GDP data are available, Lithuania recorded the highest growth rate (+5.2%), followed by Latvia (+2.8%) and Slovakia (+2.5%).

Turning now to harmonised unemployment data, Figure 1 shows that, on average, unemployment continued to fall in the EU27 (by 0.1 percentage points) in the third quarter of 2007 compared to the previous quarter. The two most recent Member States to join the Union show very divergent developments, with Bulgaria exhibiting the largest decrease and Romania the largest increase. The decline of unemployment in Germany continues to be very impressive. The national figures, issued by the Federal Labour Agency, show that unemployment fell by 78,000 to 3.4 million. Recent Eurostat data shows a rate of unemployment of just under 8%, which is the lowest rate since 2001. In addition, German business sentiment surveys continue to reveal very upbeat expectations for 2008. This positive data, together with a strong export market share from 2007 (as well as the fact that roughly 90% of investment spending in Germany is financed by company earnings), suggests that Europe's largest economy is relatively well placed to cope with the current very problematic developments in global credit markets.

Figure 1: *Standardised unemployment rates fourth quarter 2007 (average of October and November) and percentage point increase from third quarter 2007*



Source: *European Labour Force Survey*
Note: *Bars sorted by increase since previous quarter. No data available for Greece, Italy, Norway, and the UK.*

Overview of the ERM statistics fourth quarter 2007

During the fourth quarter of 2007, the ERM recorded 214 restructuring cases. These cases announced 41,214 job losses and 97,888 job gains.[5]

Top five cases of job loss and job creation announcements

The five most prominent cases of job loss and creation are listed in Table 2. The company name links to further details of these cases on the ERM website.

[5] Data extracted on January 7th 2008.

Table 2a: *Top five cases of job creation*

Company	Jobs	Location	Restructuring type	Sector
GDF-Suez	60,000	France	Merger/acquisition	Energy
Goodman	2,000	Slovakia	Business expansion	Consultancy business services
Romprest Energy	1,500	Romania	Business expansion	Maintenance and cleaning
Scania	1,400	Poland	Business expansion	Transport and storage
Tabco – Campofrio Romania	1,000	Romania	Business expansion	Food, beverage and tobacco
Italsofa Romania	1,000	Romania	Business expansion	Metal and machinery
Lenovo Technology	1,000	Poland	Business expansion	Motor

Table 2b: *Top five cases of job reduction*

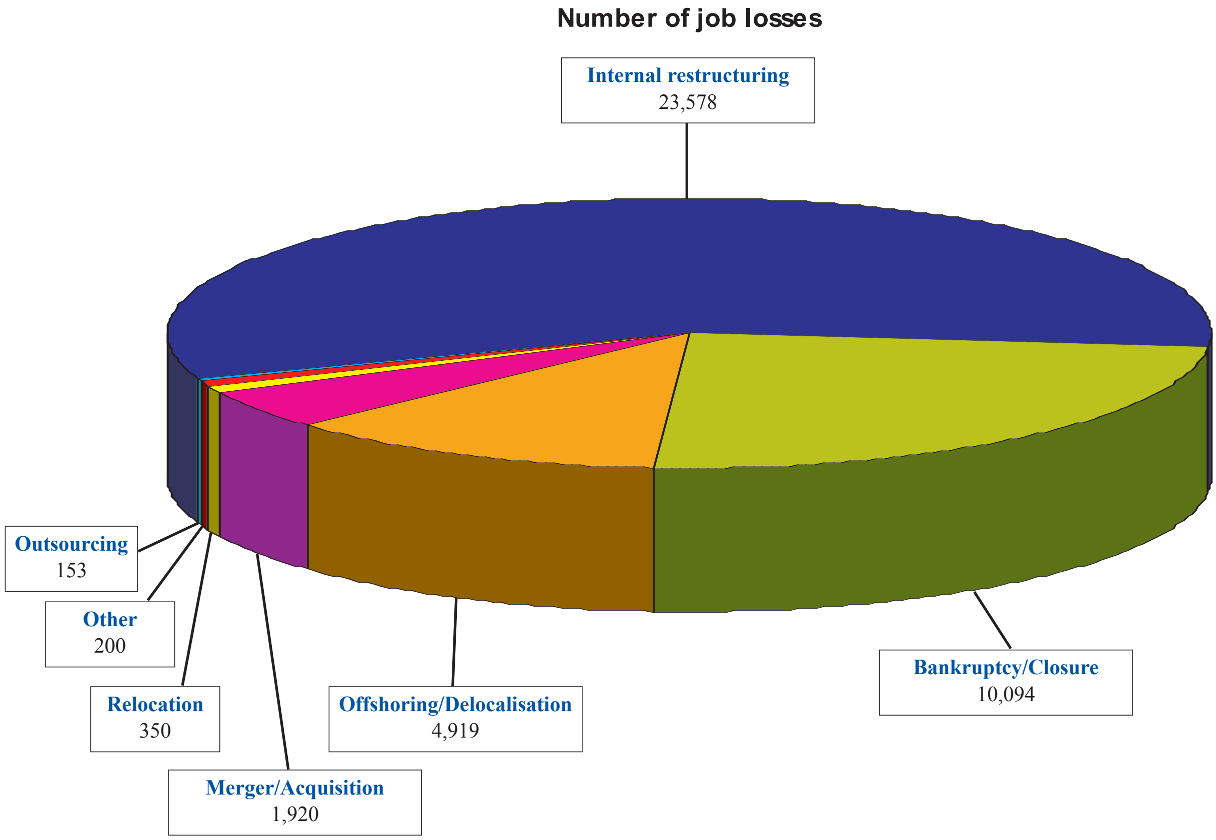
Company	Jobs	Location	Restructuring type	Sector
Bristol Myers Squibb	4,300	World	Internal restructuring	Chemical
Olympic Airlines	4,000–4,500	Greece	Internal restructuring	Transport and storage
PKO BP	3,000	Poland	Internal restructuring	Financial services
BBC	2,500	UK	Internal restructuring	Performing arts
Novartis	2,500	World	Internal restructuring	Chemical

Source: *ERM, 1 October–31 December*

Type of restructuring

Of the 97,888 jobs that the ERM reported as created during the fourth quarter of 2007, 38.54% were attributable to business expansion. The majority of the jobs reported created during the quarter (61.29%) were attributable to mergers and acquisitions. This represents a significant change from figures in the third quarter of 2007: in this quarter, 92% of jobs that ERM reported created were attributable to business expansion while 6.3% were due to mergers and acquisitions. The change in the figures is a result of the merger of **Gaz de France and Suez** in France that led to the announcement that 60,000 new jobs were to be created in France.

Figure 2: *Job reduction by type of restructuring*



Source: *ERM, 1 October–31 December.*

Figure 2 shows reported quarterly job losses by type of restructuring. Of the 41,214 jobs reported lost during the quarter, 57.21% (23,578) were attributable to internal restructuring. This marks a relative decline from the previous quarterly figure of 78%. In the current quarter, bankruptcy/closure was the cause of 24.49% of jobs reported lost (10,094 jobs) and offshoring/delocalisation the cause of 11.94% of jobs reported lost (4,919 jobs). In both cases, this represents an increase from the percentages reported in the third quarter of 2007.

Restructuring across countries

Figure 3a: *Job reduction by country*

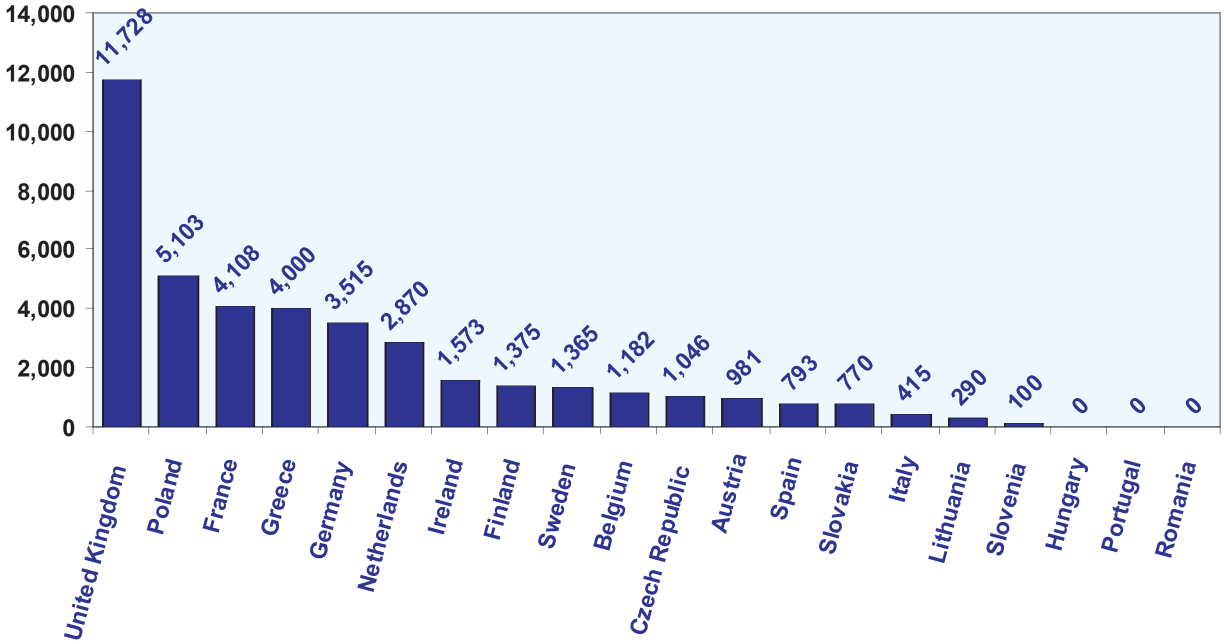
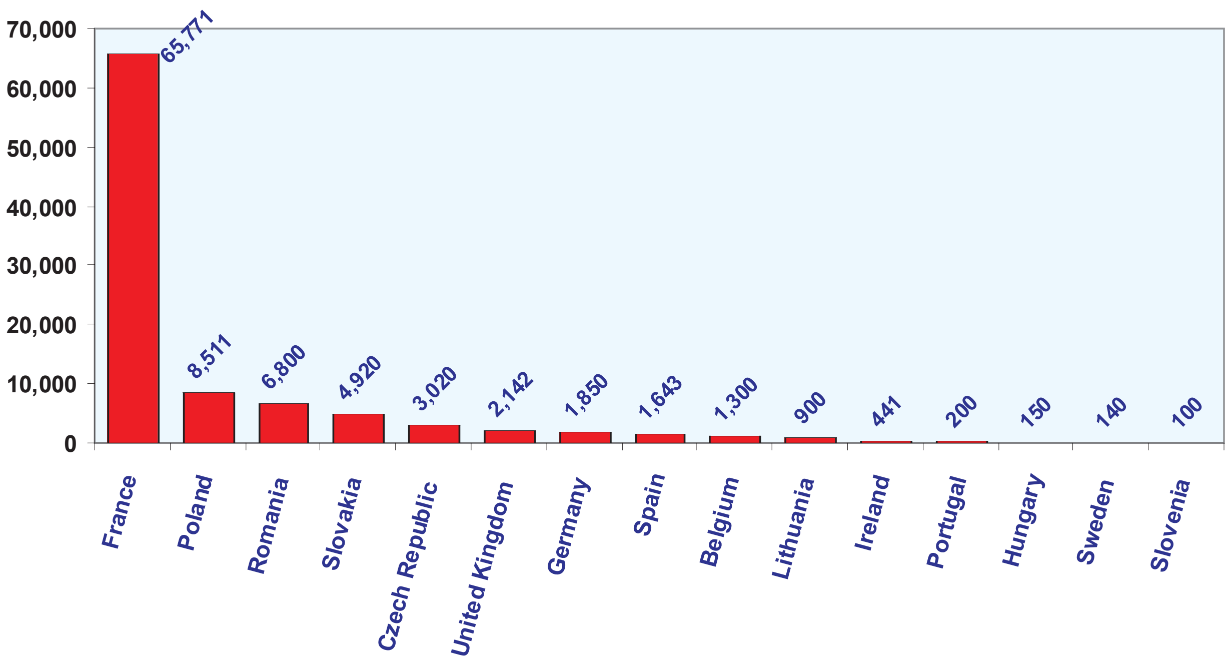


Figure 3b: *Job creation by country*



Source: *ERM, 1 October–31 December.*

In the UK, the 11,728 jobs reported lost during the current quarter represents a slight increase on the 10,766 jobs reported lost in the UK in the third quarter of 2007. Although the cases of the **BBC** (2,500 jobs reported lost) and the **Ministry of Defence** (1,800 jobs reported lost) represent relatively large cases within the UK, the figure for total reported quarterly job losses for the UK comprises a total of 29 cases that range from the 2,500 jobs reported lost at the BBC to the 50 jobs reported lost at **Michelin**. The situation in the UK may be contrasted with that of Greece, in which the 4,000 jobs reported lost during the quarter are solely attributable to the case of **Olympic Airlines**. Poland (5,103 jobs reported lost) and France (4,108 jobs reported lost) both exhibited significant fluctuation in terms of the jobs reported lost in both countries when compared with the third quarter of 2007. In Poland, only 680 jobs were reported lost in the previous quarter. In the case of Poland, the large increase in the number of jobs reported lost is due primarily to the cases of **PKO BP** (3,000 jobs reported lost) and **Arcelor Mittal** (1,600 jobs reported lost). In France, the current quarter marks a significant decline from the 25,962 reported lost in the previous quarter. This decline is due to a large case of restructuring in France in the previous quarter, in which 22,900 jobs were reported lost in the **French Civil Service**.

It is notable that the trend of reported job losses affecting the EU15 Member States more than the new Member States is still evident in the current quarter. Although Poland was the country in which the second greatest number of jobs was reported lost during the quarter, no less than four of the top five countries in terms of jobs reported lost are 'old' Member States. This was also the case in the second and third quarters of 2007.

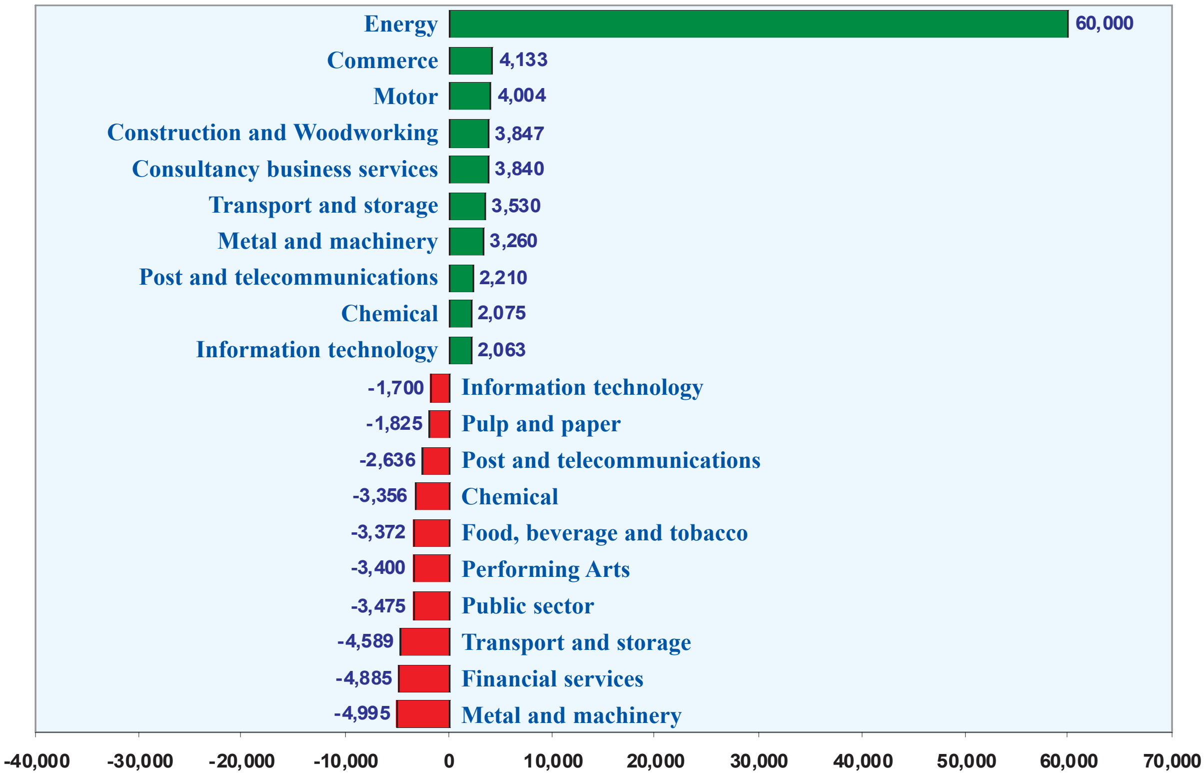
The countries in which most jobs were reported created on ERM in the current quarter were France (65,771 jobs), Poland (8,511 jobs), Romania (6,800 jobs), Slovakia (4,920 jobs), and the Czech Republic (3,020 jobs). As is noted above, the 65,771 jobs reported created in France during the quarter are almost solely attributable to the case of **GDF-Suez**.

As has been the case in previous quarters, it is notable that reported job creation is more likely to occur in new Member States rather than in old Member States. In the third quarter of 2007, four of the top five countries in terms of job creation were new Member States. This was also the case in the second quarter of 2007. This seems to correspond with the trend outlined above, in which reported job losses are more likely to occur in old Member States.

Restructuring across sectors

Figure 4 plots the top ten sectors in terms of reported job losses and job creation in the quarter. The sector in which reported job losses were most prevalent was the metal and machinery sector, in which the ERM recorded 4,955 jobs reported lost in the current quarter. This was followed by the financial services sector (4,885 reported job losses), the transport and storage sector (4,589 jobs), the public sector (3,475 jobs), and the performing arts sector (3,400 jobs).

Figure 4: *Top 10 job creation and reduction by sector*



Source: *ERM, 1 October–31 December.*

There is only a modest correlation between the sectors in which ERM records reported job losses in the current quarter and the sectors in which ERM has recorded reported job losses in previous quarters. For instance, the metal and machinery sector (for which the ERM records the most reported job losses in the current quarter) ranked ninth for reported job losses in the previous quarter. Similarly, in the performing arts sector, in which the ERM records 3,400 reported jobs lost in the current quarter, only 180 reported job losses are noted in the previous quarter. In the public sector, there was a 10-fold decrease in the number of reported job losses. The discrepancy in these figures is attributable to two large cases of restructuring in the public sector in the previous quarter.

In the financial services sector (4,885 jobs reported lost in the quarter) and the transport and storage sector (4,589 jobs), there was more continuity between data from previous quarters. In the current quarter, financial services is the sector in which the second highest number of job losses are reported. This was also the case for the second and third quarters of 2007. In the current quarter, cases such as **PKO BP** (3,000 reported jobs lost) and **ING** (850 jobs) explain the high incidence of reported job losses within the sector. A relatively constant number of reported job losses were recorded in the transport and storage sector in the current quarter when compared against data for the third quarter of 2007. In the current quarter, the jobs reported lost in the sector are almost wholly attributable to the case of **Olympic Airlines** in Greece in which between 4,000 and 4,500 jobs were reported as being lost.

The sector in which ERM records the most jobs reported created is the energy sector (60,000 jobs reported created). As was noted above, this figure is solely attributable to the large case of job creation at GDF-Suez in France, and should therefore be seen as a quarterly anomaly rather than a figure indicative of more latent trends. A large increase is evident in the commerce and construction and woodworking sectors also. In the commerce sector, ERM recorded 1,320 jobs reported as being created in the third quarter of 2007, against 4,133 reported created in the current quarter. The increase is attributable to cases such as **El Corte Inglés** in Spain (854 jobs reported created), **Fielmann** in Germany (700 jobs) and **Ikea** in France (500 jobs). In the construction and woodworking sector, the ERM recorded 1,980 jobs reported as being created in the third quarter of 2007, against 3,847 in the current quarter. The increase in jobs created within this sector is attributable to cases such as **Italsofa Romania** in Romania (1,000 jobs) and **Vakaru Medienos Grupe** in Lithuania (800 jobs).

Global restructuring plan at Unilever

Unilever, the Anglo-Dutch **transnational enterprise**, is one of the world's major producers of consumer goods. The company has three global divisions – foods, home care and personal care. Unilever's biggest food brand is Knorr, with €2.3 billion sales in over 100 countries. The company is the number one producer of frozen foods in Europe, under the Findus brand in Italy, Bird's Eye in the UK and Iglo in other European countries. It is also the category leader in margarine with brands such as Becel (the Netherlands) and Flora (UK). Unilever employs about 179,000 people in 100 countries worldwide. On 2 August 2007, Unilever announced a global **restructuring** plan that would cut over 10% of its total workforce. In Europe, the company's global plan would result in 10,000 to 12,000 job losses, with 20 to 25 plants in danger of closing over the next three years.

Unilever's strategy

The announcement of the worldwide job cuts is part of Unilever's new aggressive growth strategy for its operations. With this strategy, the company plans to streamline its operations by making €1.5 billion worth of cost cuts in a bid to lift its operating margins to above 15% by 2010. To improve its operating margins, Unilever announced it would also continue to streamline its regional operations by grouping some together in clusters. This strategy will be backed by reductions to the company's supply chain costs, as well as improved availability of its products to retailers.

Announced layoffs in European countries

In the Netherlands, following the announcement of the closure of three plants, a three-week-long strike in October 2007 brought Unilever to the bargaining table. The Dutch **trade unions** (**FNV Bondgenoten** and **CNV Voeding**) came to an agreement with Unilever over a new **collective agreement**, as well as job security terms concerning the closure of the three plants targeted for closure (in Delft, Loosdrecht, and Vlaardingen) by the end of 2008. These closures would result in about 470 job cuts. The job security terms state that the plant-site works councils will study the company's plans and be allowed to develop alternatives. Those alternatives will then be seriously considered by the company in consultations with workers' representatives. The two unions also agreed to fair compensation for any proposed job cuts. Unilever also guarantees that there will be no compulsory redundancies.

In the collective agreement, running from May 2007 to March 2009, Dutch workers received a back pay award of 3% to last May. On 1 March 2008, they will receive a structural pay raise of 3.5%. The contract covers 3,000 workers.

In the UK, Unilever announced in September 2007 that 315 jobs would be lost as the result of restructuring at the production sites in Port Sunlight, Warrington and Burton. In Italy, Unilever's restructuring plans include the disposal, at the end of 2007, of the ice cream factory in Cagliari (Sardinia) and the proposed redundancy for 200 workers as well as for 100 workers at the Findus plant in Cisterna di Latina.

European Day of Action

On 4 December 2007, a European Action Day, organised by the European Mine Chemical and Energy Workers' Federation (**EMCEF**), European Federation of Food, Agriculture and Tourism Trade Unions (**EFFAT**) and the Unilever **European Works Council** (EWC), took place in Rotterdam. Activities included an international press conference, a workers conference followed by a march to the Unilever headquarters, and a demonstration at the headquarters, which culminated with the submission of an official document with the following written demands to the Unilever management:

- a clear perspective of the company's plans for Europe;
- an end to dismissals and plant closures;
- transparent concepts for sustained growth, where the safeguarding of jobs is given at least the same priority as the achievement of financial targets;
- respect for the company's most valuable assets: its employees;
- that Unilever's senior management work constructively with the employees' representatives in search of acceptable alternatives.

Approximately 700 workers and trade union delegates from 16 European countries took part in this action day, aimed at demonstrating solidarity between the workers and the trade union federations in Europe.

Restructuring at ZRE Katowice

Of the various types of restructuring that the ERM records, it is seldom that a case falls under the category of 'other' type of restructuring. Of the 7,258 cases of restructuring recorded by the ERM only 27 such cases have ever been recorded.[6] The case of Polish firm ZRE Katowice in Ireland, announced on 19 October 2007, is one of these cases. Given the peculiarities of this case, and the contemporary debates that are occurring in Europe over related topics such as the **Directive on services in the internal market** and the **Laval case**, the instance of restructuring at ZRE Katowice will be explored in more depth in this issue.

The case

On 19 October 2007, Polish firm ZRE Katowice (ZRE) announced the dismissal of approximately 200 Polish workers that it employed at its site in County Clare in the west of Ireland. ZRE had been contracted by the German firm Lentjes to carry out scaffolding work on a large contract that Lentjes had with the Irish power plant operator ESB Moneypoint to carry out a €380 million refurbishment of ESB's plant. ZRE's dismissal of its 200 employees came as a result of the loss of its contract with Lentjes. Lentjes' rationale for the termination of the contract was the discovery of the fact that ZRE had not been complying with Irish employment law. The Irish Technical Engineering and Electrical Union (TEEU)

[6] Statistic correct as of January 9th 2007

had claimed that ZRE was paying its workers €5.20 an hour, this rate being less than a third of the legally binding Irish construction sector minimum wage.

In the wake of ZRE's dismissal of the 200 workers, the affected workers claimed that they were owed approximately six weeks wages by ZRE, in addition to other entitlements that included pension contributions and holiday pay. The cause of the 200 workers was taken up by the TEEU union, which issued a formal strike notice to ZRE, Lentjes, and ESB. TEEU demanded that the workers be fully paid the money they were owed by ZRE, and that, in line with Irish transfer of undertaking regulations, the affected workers be offered re-employment with the contractor that would replace ZRE.

The case was then discussed by all parties at the Irish Labour Relations Commission (LRC), in the face of a threat by ESB workers to picket ESB's power station in County Clare. The main point discussed at the LRC was the issue of which of the three firms were to pay the money to the affected workers. Both ESB and Lentjes claimed that the payments were not their responsibility, whilst ZRE stated that they were not in a financial position to pay.

By 26 October, and after four days of negotiation on the LRC, a deal was reached. The deal specified the following points:

- A payment of €600,000 was to be made to the 200 Polish workers by Lentjes. The Irish State Insolvency Fund was to contribute the remainder of the money claimed by the workers.
- All affected workers were to be given a letter signed by the Chairman of ZRE offering them a job in Poland. ZRE were also to pay for the flights home of the workers.
- ESB and TEEU committed themselves to upholding appropriate contractor employment standards in the future.

As of early November 2007, the 200 Polish workers and TEEU members had voted unanimously to accept the terms of the settlement reached. Furthermore, it was revealed that all of the affected workers had also been offered jobs at ESB's County Clare site by either Lentjes or by UK company AMEC, the firm that took over the ZRE contract. It was stated by a senior TEEU official that the union expected the rate of uptake of these jobs to be high.

Analysis

The case of ZRE Katowice raises various issues that relate to the understanding of restructuring and its future development and regulation across Europe. Firstly, there is the issue of immigration and restructuring. The case of ZRE Katowice illustrates the potential for migrant workers to be in a more precarious position with regard to the terms and conditions under which they are employed, and also demonstrates the possibility of a firm from one Member State bringing in domestic workers into a second Member State who are then made redundant as a result of the potential problems that the firm may experience in the second Member State. Given these possibilities, it may be that migrant workers are more likely to be affected by restructuring processes than are domestic workers. This raises questions that relate to the future development of national and EU-level policies on restructuring, and that may also be highly politically contentious in the future.

Secondly, the ZRE Katowice case exemplifies the extent to which cases of restructuring now take on a cross-border character both in terms of their effect and in terms of the forms of governance by which they are regulated. The ZRE case involved Polish workers, working for a Polish firm in Ireland, who was hired by a German contractor. The case was then managed through a negotiated solution that involved the Irish public authorities, an Irish firm and trade union, and German and Polish firms. Although the applicability of Irish employment law to the workers was never questioned with regard to both the restructuring process and the wider rights of the workers, the debates that have surrounded the

Directive on services in the internal market and the Laval Case would appear to suggest that this may not be the case in the longer term. Given these pressures, further EU-level regulation of restructuring processes may be likely.

Restructuring in Cyprus

Due to the small size of the Cypriot economy, there are very few cases of restructuring that meet the ERM threshold. Restructuring is nevertheless a phenomenon in Cyprus and summarised below are developments over the past quarter.

The Central Slaughterhouse case

The Central Slaughterhouse in Kofinou, the biggest in Cyprus, is facing a range of severe financial problems, following its inability to pay off a debt estimated at around €16 million. A substantial part of this debt initially arose from borrowing with a view to modernising the slaughterhouse's premises. This investment was deemed to be necessary in order for the organisation to comply with the operating specifications set by the European Union. It was calculated that, thanks to internationalisation and expansion of the slaughterhouse's business, the debt would be repaid.

However, the liberalisation of the market, which permitted the operation of private slaughterhouses, brought serious competitive pressures to bear against this semi-public organisation. Management and workers of the municipal slaughterhouse have accused these private enterprises of having a serious competitive advantage over them, since they employ foreign workers who do not come under the provisions of the collective agreement. It is estimated that this fact has played a decisive part in the overall worsening of the slaughterhouse's financial situation and its inability to pay back its initial debt. These developments have raised serious concerns for the future of all 120 slaughterhouse workers. Indicative of this is the fact that management is unable to pay the workers their wages for the month of December. Government, management and workers are examining various solutions, with a view to boosting the competitiveness of this enterprise, adapting it to the conditions of strong competition now prevailing in the market and safeguarding the 120 jobs. It is worth noting that no question of privatising the slaughterhouse has been raised, according to the participants in these talks.

The Banking Sector

As noted in previous issues of ERM *quarterly*, the banking sector in Cyprus has grown substantially in recent years. The active involvement of Greek banks is part of these broader dynamics. As part of its expansion to the Cyprus market, Piraeus Bank has acquired Arab Bank. Although this bank has a market share of less than 0.5%, this development is of great interest as far as jobs are concerned. Arab Bank had decided to stop doing business in the Cyprus market in 2005, and planned to dismiss its 176 employees. Under pressure from the Cyprus Union of Bank Employees (ETYK), the union organisation for the banking sector, Arab Bank agreed not to totally abandon the Cyprus market and dismissed only 60 employees. This development helped save a total of 105 jobs. The acquisition by Piraeus Bank marks these employees' integration into a growing business in Cyprus, and at the same time puts an end to the climate of uncertainty caused by fears that Arab Bank would cease doing business altogether in Cyprus. At the same time, staffing of Piraeus Bank with the 105 Arab Bank employees means that the Greek bank will hire fewer employees than the number announced originally. To date a total of 45 people have been hired.

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 that 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

The data for this report was extracted on 9 January 2008. 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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