Eurofound

european restructuring monitor *quarterly*

Issue 4 – winter 2010

emcc european monitoring centre on change

Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
email: postmaster@eurofound.europa.eu - website: www.eurofound.europa.eu

Country codes

EU27

AT	Austria	**LV**	Latvia
BE	Belgium	**LT**	Lithuania
BG	Bulgaria	**LU**	Luxembourg
CY	Cyprus	**MT**	Malta
CZ	Czech Republic	**NL**	Netherlands
DK	Denmark	**PL**	Poland
EE	Estonia	**PT**	Portugal
FI	Finland	**RO**	Romania
FR	France	**SK**	Slovakia
DE	Germany	**SI**	Slovenia
EL	Greece	**ES**	Spain
HU	Hungary	**SE**	Sweden
IE	Ireland	**UK**	United Kingdom
IT	Italy		

Other countries

NO	Norway	**JP**	Japan
		US	United States of America

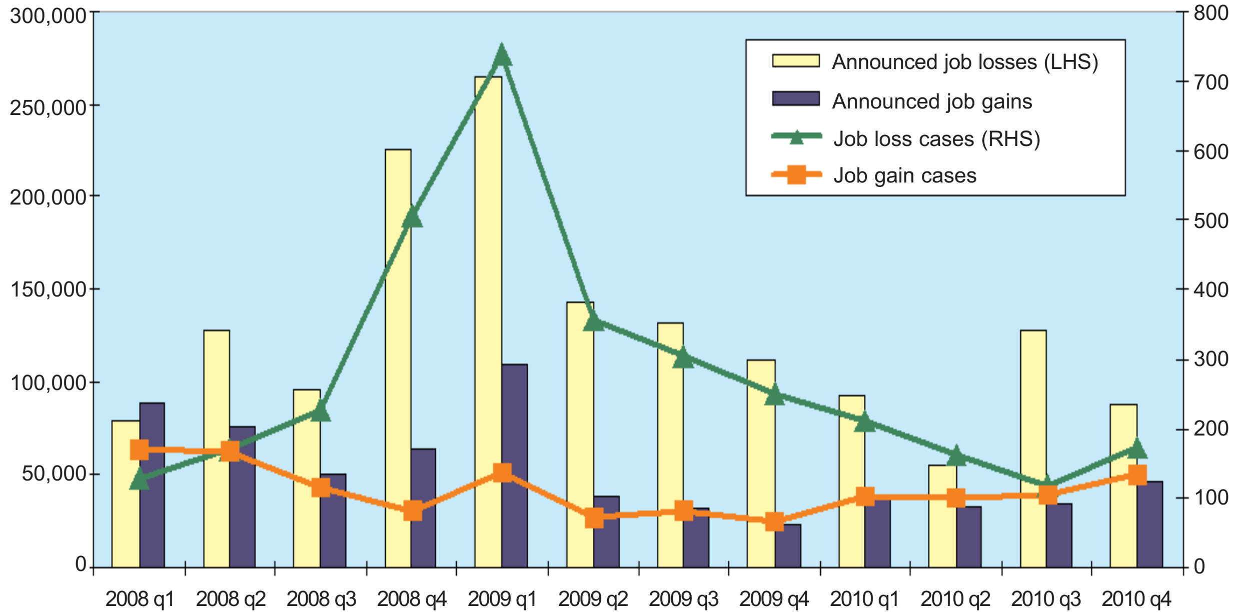
Summary

Sovereign debt issues dominated the agenda in the final quarter of 2010 as a second EU Member State, Ireland, required EU-IMF intervention in November to stave off default. Given similar concerns in other Member States – the list grows – a focus on the health of the euro and on individual government deficits and access to market funding will continue throughout 2011.

Rising public deficits and nervous bond markets have prompted major spending cuts in Member States including those considered at low risk of default. Contracting public spending is likely to initiate a decline in state sector employment, largely spared thus far from the fallout of the 2008–9 recession. Other potential brakes on growth include an ailing financial sector and debt deleveraging which affect access to credit and depress consumption. On a more positive note, some European economies – notably Germany and Sweden – are benefitting from a more vigorous than expected recovery inspired by demand from emerging and BRIC economies while Poland continues to enjoy healthy growth levels and the Baltic states – Estonia notably – are beginning to emerge from their recent recession/depression.

EU27 unemployment has been stable at 9.6% over the last six months but labour market performance – in line with overall economic performance – continues to vary widely across EU Member States. Overall, the return to growth has yet to translate into a decline in unemployment.

Figure 1: *Number of cases of restructuring and total announced job losses and gains*



Source: *ERM*

There was a rise in the number of both job loss and job gain restructuring announcements in the fourth quarter of 2010 though levels of reporting remain much lower than during the peak quarters of the 2008–9 recession.

Over the last quarter (1 October to 31 December 2010), the ERM reported 304 cases of restructuring.[1] Of these, 172 were cases of restructuring involving job loss. Total announced job losses totalled approximately 88,000 in the quarter as against announced job creation of just over 47,000.

[1] Additionally, there were 5 cross-national world and EU cases of restructuring. Job loss and gain totals do not include world and EU cases in order to avoid double counting.

Current macroeconomic trends and prospects

While the EU technically emerged from the 'great recession' eighteen months ago, growth continues to be sluggish, hesitant and unequally spread. Some countries are experiencing robust growth (notably Sweden, Poland and Germany among larger Member States) while others have stagnant or contracting economies (Greece) even if not technically in recession (Ireland and Spain). After a healthy 1% revival in the second quarter of 2010, GDP growth slowed to 0.5% in the EU27 and 0.3% in euro zone in the third quarter.[2] The deceleration of world trade and diminishing external demand were the main reasons behind European growth losing traction.[3] Industrial production expanded by just 0.8% after increasing by 2.3% in the previous two quarters and both EU exports and imports fell by 0.1% and 1.3%, respectively, in October compared with September 2010.[4]

According to a December 2010 flash estimate from Eurostat, inflation in the euro area increased to 2.2%, some 0.3% higher than in November,[5] in part due to rise in food and energy prices. Increasing inflation suggests that output gaps may be tightening and may also ease problems related to accumulated private and public sector debt.[6]

The unemployment rate has stabilised at around 10% (9.6% in EU27, 10.1% in euro zone) since February 2010 while EU employment levels have expanded marginally (+0.1%, seasonally adjusted) for the first time in nearly two years in the second quarter and remained unchanged in the third quarter 2010.[7] This growth was reflected in an increase in online demand for workers reported by large employment agencies (notably for the auto sector).[8]

The dominant economic development of 2010 has been the perilous post-recession state of public finances in some Member States (inside and outside the euro zone). All Member State national budgets were in deficit in 2009, many significantly so (for example Greece, Ireland, United Kingdom, Spain, Latvia, Portugal, Lithuania and Romania all more than 8% deficit).[9] This situation is likely to have worsened further during 2010. Total debt loads are approaching or over 100% of annual GDP in a number of Member States (for example Belgium, Italy and Greece). Emergency joint EU-IMF interventions were necessary to support the sovereign in Greece (in May 2010) and Ireland (in November) and the spectre of unsustainable debt and eventual default has prompted a majority of Member States to follow a path of fiscal consolidation.

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[2] Eurostat (January, 2011) *Euro area GDP up by 0.3% and EU27 GDP up by 0.5%*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-07012011-BP/EN/2-07012011-BP-EN.PDF

[3] IFO Euro-zone Economic Outlook (07/01/2011) *A slow recovery*
http://www.cesifo-group.de/portal/page/portal/ifoHome/a-winfo/d2kprog/30kprogeeo

[4] Eurostat (January, 2011) *Euro area external trade surplus 5.2 bn euro*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/6-17122010-AP/EN/6-17122010-AP-EN.PDF

[5] Eurosta (January, 2011) Euro area inflation estimated at 2.2%
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-04012011-AP/EN/2-04012011-AP-EN.PDF

[6] IMF (October, 2010) *World Economic Outlook (WEO) Recovery, Risk, and Rebalancing*
http://www.imf.org/external/pubs/ft/weo/2010/02/pdf/c2.pdf

[7] Eurostat (January, 2011) *Euro area and EU27 employment stable*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-15122010-AP/EN/2-15122010-AP-EN.PDF

[8] European Commission (December, 2010) *Monthly Labour Market Monitoring Report*
http://ec.europa.eu/social/main.jsp?catId=120&langId=en

[9] Eurostat, *Euro area and EU27 government deficit at 6.3% and 6.8% of GDP respectively*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-22042010-BP/EN/2-22042010-BP-EN.PDF

In international comparison, the EU's situation may be somewhat less alarming – the US will continue to run a 10% deficit in 2011 as a result of continuing stimulus including tax cuts decided in late 2010 and Japanese public debt is proportionately over twice that of any EU Member State while emerging countries such as the BRICs are providing a welcome second engine to the global economy. Nonetheless, some economists are predicting that the 750bn euro European Financial Stability Facility put in place by the EU-IMF in May 2010 to support fiscally weak, primarily peripheral EU Member States, may need to be expanded as much as threefold.[10]

Austerity programme will have inevitable impacts on public spending and state employment levels (which have been comparatively resilient during the crisis). The UK government plans to save 95bn euro in four years, France 45bn euro in next three years, Italy 24bn by 2012, while Ireland has announced it will trim its deficit by 6bn euro in 2011 as part of a four-year plan to cut public expenditure by the equivalent of 10% of GDP.[11] To a large extent, the savings will be generated from tax increases and public sector restructuring. The **ERM** has already recorded a significantly increased level of European public sector job loss announcements.

Table 1: *GDP growth seasonally adjusted third quarter 2010 compared to previous quarter (bold), compared to same quarter previous year (underlined)*

Belgium	**0.4**	2.0	France	**0.3**	1.7	Austria	**0.9**	2.5	EU27	**0.5**	2.2
Bulgaria	**0.7**	0.5	Italy	**0.3**	1.1	Poland	**1.3**	4.7	US	**0.6**	3.2
Czech Republic	**1.0**	2.8	Cyprus	**0.6**	1.6	Portugal	**0.3**	1.4	Japan	**1.1**	5.0
Denmark	**1.0**	3.4	Latvia	**0.9**	2.5	Romania	**-0.7**	-2.2			
Germany	**0.7**	3.9	Lithuania	**0.6**	0.8	Slovenia	**0.3**	1.3	Brasil*		6.7
Estonia	**0.7**	5.0	Luxembourg	**1.5**	3.6	Slovakia	**1.0**	4.2	Russia*		2.7
Ireland	**0.5**	-0.7	Hungary	**0.8**	2.2	Finland	**0.5**	3.5	India*		8.9
Greece	**-1.3**	-4.6	Malta	**0.5**	3.7	Sweden	**2.1**	6.8	China*		9.6
Spain	**0.0**	0.2	Netherlands	**0.0**	1.9	United Kingdom	**0.7**	2.7			6.7

* Economist; 1 January 2011, Output, price and jobs table, p69
Source: *Eurostat EuroIndicators, 7 January 2011;*

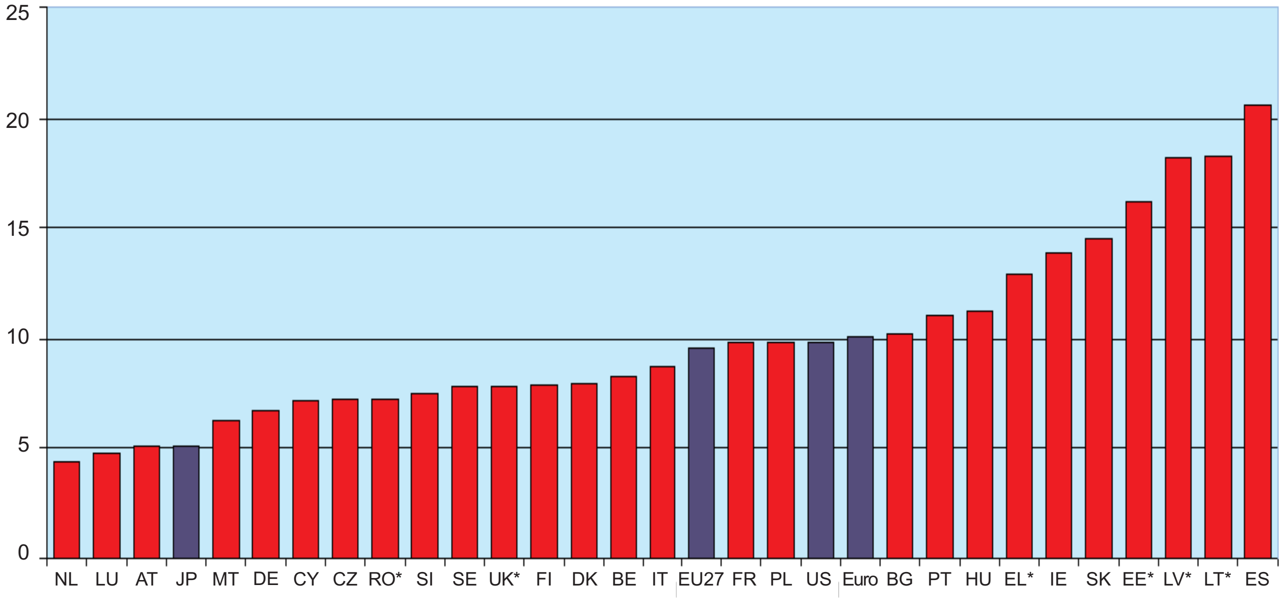
Since the second half of 2009, the EU economy has continued to post positive GDP growth. Greece is the only EU country still in recession – according to the standard technical definition (two consecutive quarters of negative growth) and all but three Member States reported growth in the most recent reported quarter (third quarter 2010). Highest levels of growth were recorded in Sweden (2.1%) followed by Germany (1.5%) and Poland (1.3%). Highest year-on-year growth rates were in Sweden (6.8%), Poland (4.7%), Slovakia (4.2%), Germany (3.9%) and Estonia (5%) – the newest euro area Member State.

Meanwhile the main EU trading partners' economies grew at a much faster pace. Year-on-year growth was higher in the US and Japan (3.2% and 5%) and while the emerging markets of China, India and Brazil continued to outperform the advanced economies (see table 1).

[10] "The Debt of Nations", Global Economic View, Citi Economics, Jan 2011
http://www.nber.org/~wbuiter/DoN.pdf

[11] BBC (December, 2010) *EU austerity drive country by country*
http://www.bbc.co.uk/news/10162176

Figure 2: *Seasonally adjusted unemployment rates, November 2010 (%)*

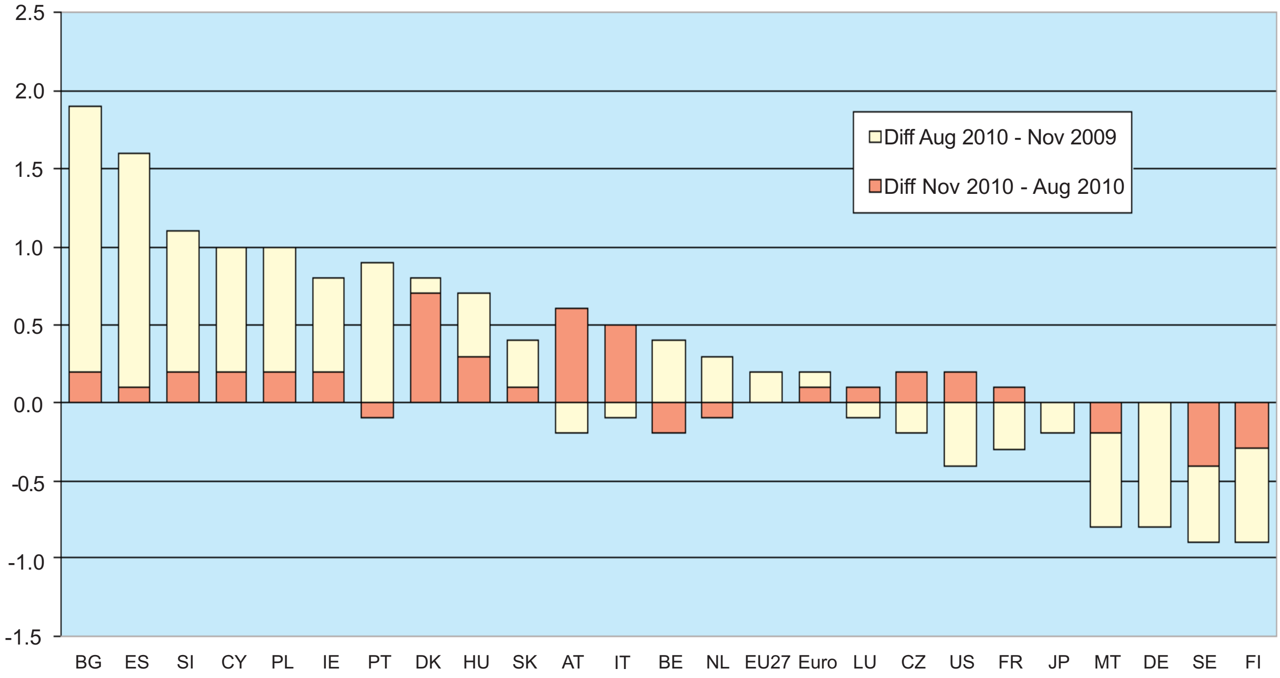


Source: Eurostat
Note: Data for EE, EL, LT, LV, RO and UK are from September 2010

Since February 2010 the EU27 unemployment rate has stabilised at 9.6%, marginally higher than the US rate (9.4%) and significantly higher than Japan's (5.1%) – see Figure 2). As in previous quarters, the lowest unemployment rates were reported in the Netherlands (4.4%) and Luxembourg (4.8%), followed by Austria (5.1%). The highest levels were once again recorded in Spain (20.6%) and the Baltic states. Eurostat estimate that 23.248 million people in the EU were unemployed in November 2010, 606,000 more than a year earlier.[12] The unemployment rate declined in six Member States, remained stable in three and increased in eighteen. The largest falls were registered in both Sweden and Finland by 0.9%, while the largest increases were experienced in Spain by 1.6% and Bulgaria by 1.9% (Figure 3).

[12] Eurostat (January, 2011) *Euro are unemployment rate at 10.1%*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-07012011-AP/EN/3-07012011-AP-EN.PDF

Figure 3: *Changes in seasonally adjusted unemployment rates (percentage points), in the three months and the year leading up to November 2010*



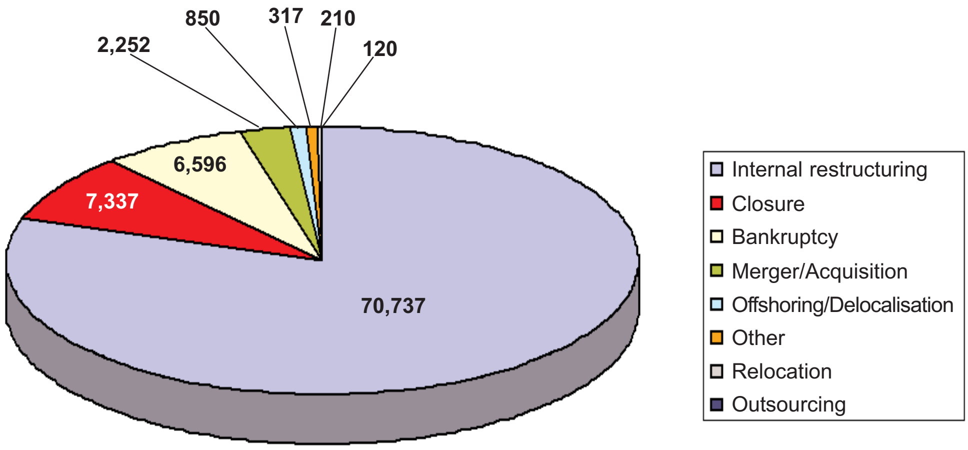
Source: *Eurostat*
Note: no data for EE, EL, LV, LT, RO, China, Russia, Brazil, India and UK

In the continuing hangover from 2010's sovereign debt crises, the emphasis of public policy in Europe – unlike the USA, for example – has been on fiscal consolidation ahead of growth. This is likely one factor behind the loss of momentum in the EU recovery.

Overview of ERM cases October–December 2010

The ERM recorded a total of 305 cases of restructuring between 1 October 2010 and 31 December 2010. These cases involved 88,449 announced job losses and 46,861 announced job gains. Internal restructuring accounted for close to 80% of the announced job losses, closure for over 8% and bankruptcy for over 7%.

Figure 4: *ERM job losses by type of restructuring, October–December 2010*



Source: *ERM (European Restructuring Monitor), October-December 2010*

In the last quarter of the year, the countries which recorded the greatest number of announced job losses were the United Kingdom (26,553 jobs), France (12,740 jobs), Italy (6,393 jobs) and Ireland (5,718 jobs). In the same period, the countries with the highest number of announced job gains were France (8,504 jobs), followed by Poland (6,257), Ireland (4,125) and Germany (3,870). The five most prominent cases of job reduction and creation are listed in Table 2 and 3 respectively.

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

Company	Jobs	Location	Sector
Health Service Executive	5,000	Ireland	Health / social work
Birmingham City Council	3,704	United Kingdom	Public administration
Renault	3,000	France	Manufacturing
Unicredit	3,000	Italy	Financial services
Greater Manchester Police	2,944	United Kingdom	Public administration

Source: *ERM, October-December 2010*

The largest case of restructuring-related job losses in the ERM relates to the announcement in November of an early retirement scheme and redundancy package designed to cut 5,000 jobs at Ireland's **Health Service Executive (HSE)** by the end of 2010. Under the scheme, agreed by the departments of Finance and Health as well as the HSE, early retirement was offered to employees who are above 50 years in age, while voluntary redundancy was open to staff up to the age of 60. As of late December 2010, 1,700 out of the 2,250 staff targeted had applied for the voluntary redundancy component of the scheme.

Another significant instance of restructuring was that of **Birmingham city council** which announced a large restructuring programme aimed at reducing its workforce by one third over the next four years. The local authority has announced that around 3,000 back office roles will move to cooperative organisations and 3,704 posts will be lost through redundancy and early retirement.

The third largest restructuring was that of car manufacturer **Renault** which announced its plans to shed 3,000 jobs in France over the next three years using an early retirement programme, and that of Italian banking group **Unicredit** with the loss of 3,000 jobs between 2011 and 2013. In August the group had announced 4,100 job losses but the plan was subsequently revised and the number of planned job losses was reduced to 3,000.

A similar number of job losses was announced in the UK by **Greater Manchester Police** which announced plans to cut 2,944 jobs; members of the police authority voted to cut 1,387 officer and 1,557 civilian posts which equates to a 23% reduction in staff. The cuts will be mainly implemented through a recruitment freeze and forced retirement of all staff with more than 30 years of service.

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

Company	Jobs	Location	Sector
Iceland	2,000	Ireland	Retail
Atos Origin	1,600	France	Real estate / business activities
BNL-BNP Paribas	1,500	Italy	Financial services
Škoda Auto	1,400	Czech Republic	Manufacturing
BMW	1,300	Germany	Manufacturing

Source: *ERM, October-December 2010*

One of the largest cases of job creation was announced in Ireland where British supermarket chain **Iceland** announced the creation of over 2,000 new jobs across the country over the next four years with the opening of 40 new stores and 15 discount stores. The recruitment process has started and forty positions have already been filled. More jobs are set to come on line over the coming months. Iceland withdrew from the Irish market five years ago due to a decrease in demand for frozen foods and bargain goods, but the group appears to have re-evaluated their strategy following the successful expansion of many discount stores (e.g. Lidl, Aldi, Tesco) during the recession.

The second largest case of job creation is the result of the merger between French company **Atos Origin** and Siemens IT Solutions and Services which will lead to a large recruitment aimed at filling between 7,000 and 8,000 new positions globally of which 1,600 will be in France. The merger aims at developing a European IT champion, in particular in the emerging cloud computing area.

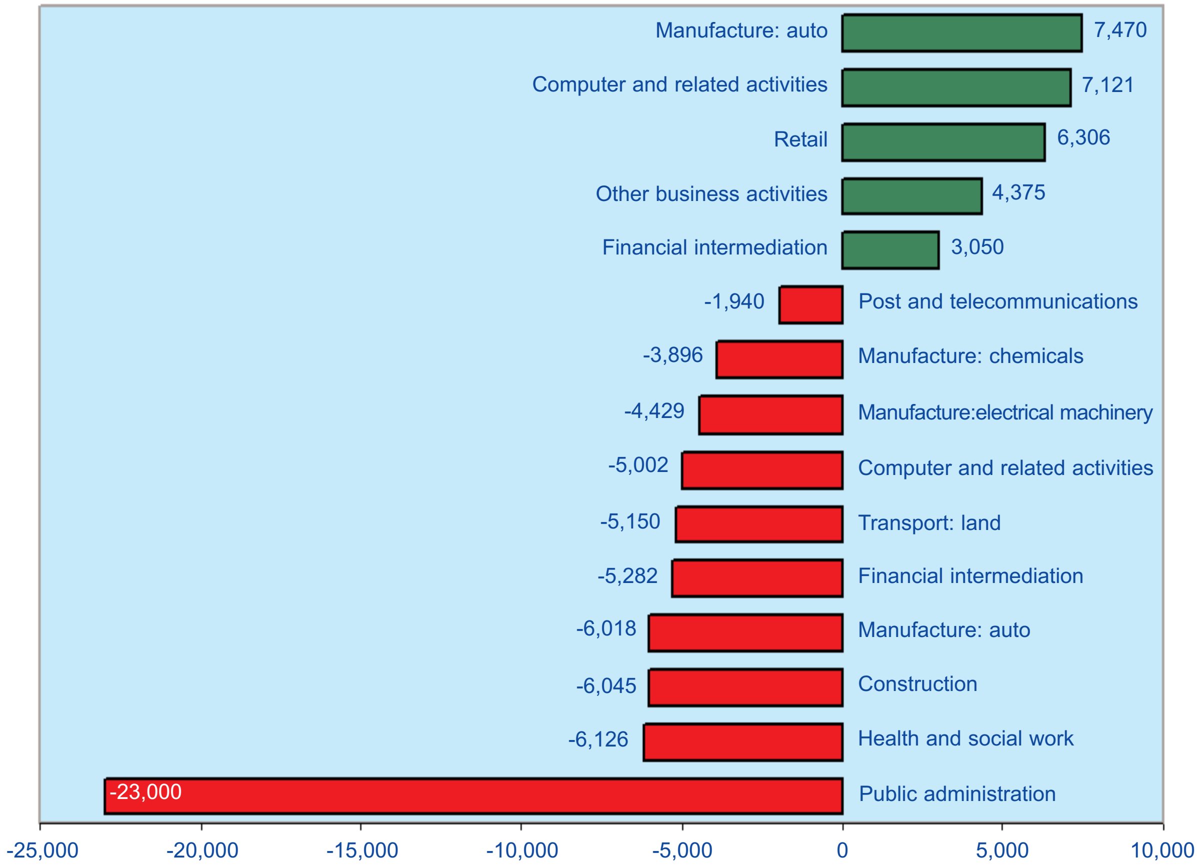
While some banks announced substantial headcount reductions, some others created new jobs. This was the case of **BNL-BNP Paribas**, one of the main banking groups operating in Italy, which plans to recruit 1,500 people by the end of 2012 with the opening of 60 new branches.

Other significant instances of job creation concerned car makers **Škoda Auto** in the Czech Republic (1,400 new jobs) and **BMW** in Germany (1,300 new jobs). In the case of Škoda Auto the reason behind this job creation is the increase in demand for cars, while for BMW an increase in the workforce is deemed necessary for the launch of a new line of electric cars.

Restructuring across sectors

Figure 5 plots the top NACE 2-digit sectors in terms of announced job loss and job creation, as reported to the ERM in the fourth quarter of 2010.

Figure 5: *Announced job gains and job reductions for top sectors (Nace 2-digit, revision 1.1)*



Source: *ERM, 1 October – 31 December 2010*

Job reduction

During the quarter, the public administration sector reported by far the largest number of announced job losses (23,000) followed by health and social work (6,126), construction (6,045) auto manufacturing (6,018) and financial intermediation (5,282 jobs).

As in previous quarters, a large share of job loss announcements in the public sector relates to restructuring-related job losses in city council and local governments, especially in the UK. Apart from the already mentioned announcement of **Birmingham City Council** (3,704 job losses), other significant losses have been announced at **Hertfordshire County Council**, (1,000–1,100 job cuts), and at **Tameside Council** in greater Manchester (800 jobs over the next four years). Other l announcements include 800–1,000 job cuts at **Blackpool Council** and 800 job losses at **Doncaster Council**. City council and local governments in other Member States have also announced job cuts. For example in the Netherlands, the local government of The Hague, **Gemeente Den Haag**, announced it will cut 1,200 public sector jobs in the coming four years; authorities expect that the majority of redundancies will be voluntary, but forced dismissals are not being ruled out. Other significant job loss announcements in the public sector relate to large scale restructuring in various public administration departments across Europe. **UWV**, the Dutch public organisation responsible for the administration of unemployment and disability benefits, announced the loss of 2,300 jobs over the next two and a half years in October 2010. The restructuring plan will impact employees that were hired since 2009 on temporary contracts and aims to help combat the negative effects of the financial crisis; the organisation has also indicated that they anticipate more redundancies in the future. In France, **Pôle Emploi**, the French public employment service, announced it will cut 1800 jobs in 2011 which, according to the management, will contribute to reducing the public deficit. The cuts will be achieved by the non-replacement of 1,500 workers on fixed term posts and through natural wastage of 300 permanent positions. Other losses in public employment services are expected at the **Swedish Public Employment Service** which announced the dismissal of 800 job coaches on fixed term contracts at the beginning of 2011; the job losses are due to new recent predictions on the Swedish unemployment rate, which is expected to be much lower than previously estimated.

As in the last quarter, during the last three months the health and social work sector recorded an increased number of announced job losses. The largest case involves Ireland's **Health Service Executive (HSE)** (5,000 jobs). Other significant announcements of job reduction occurred in the French health sector. In December the Regional Health Agency (Agence régionale de santé - ARS) announced that the **public hospital of Meaux** will h to reduce its workforce by 300 posts or 12% of its total workforce in 2011. The cuts will be made through retirement and through the non-renewal of existing short-term contracts. Around the same time the management of the French national blood donation service (**Etablissement français du sang**) presented a restructuring plan affecting at least 200 jobs. The plan outlines that in 2011 the management plans on merging the service's 14 regional laboratories into four centres based in Lille, Angers, Annecy and Montpellier.

In the construction sector, the largest case of announced job losses relates to the announcement of closure of construction group **Rok**, which will result in a total of 2,800 job losses across the UK. Another major case relates to the announcement of the largest Slovenian construction company, **SCT group**, which entered bankruptcy proceedings resulting in the dismissal of its entire workforce, 1,245 employees. SCT Group was a parent company of three subsidiaries: SCT d.d. (600 employees), SCT Gem (400 employees) and SCT Obrati (245 employees); all SCT Groups subsidiary companies were located in Ljubljana in the Osrednje-slovenska region. The entire Slovenian construction sector appears to be in difficulties: during the quarter **SGP Zasavje**, a construction company from Trbovlje in Zasavska region, declared bankruptcy resulting in the dismissal of its entire workforce, 134 employees. Another significant case relates to **Tarmac Building Products** in the UK which announced plans to cut 550 jobs and close one of its divisions.

Even if the auto manufacturing sector is slowly showing signs of recovery, the ERM continues to record a number of large cases of job losses in the sector. During the quarter, apart from the already mentioned 3,000 job losses at **Renault**, the second largest case of job losses relates to the announcement of Polish car manufacturer **Fabryka Samochodów Osobowych (FSO)** which announced a collective dismissal programme affecting 1,823 employees; the dismissals will be implemented by the end of March 2011. Other significant cases in the sector involve Swedish car manufacturer **SAAB** which announced the dismissal of 200 fixed term employees and **PSA Peugeot Citroën**, which announced the loss of 280 jobs at its Aulnay sous Bois plant in France by the end of 2011. The company's management has indicated that there will be no forced redundancies and that losses will be achieved through voluntary redundancies, or through the redeployment of staff elsewhere within the company. Last October the company terminated the contracts of 500 temporary workers (of 800) at the plant; PSA is committed to an agreement with the public authorities through which the company will receive financial support in return for its assurance that there will be no job cuts in the plant until the end of 2011. The company's management has explained that this commitment only refers to forced redundancies, and that voluntary redundancies and other measures are permitted. In the second half of 2010, PSA Peugeot Citroën has also announced over 1,000 new jobs across its French plants.

Job creation

During the quarter, over 40% of the total job creation was concentrated in the manufacturing sector (19,118 new jobs) with auto manufacturing recording the greatest number of announced job gains (7,470). As in the previous quarter, the second-ranking sector was computer and related activities with 7,121 job gains, just ahead of the retail sector recording another 6,306 new jobs. Fewer, albeit significant, job gains were also announced in other business activities (4,375 jobs) and financial intermediation (3,050 jobs).

In the last quarter of 2010, after major declines in sales and turnover during the 2008–9 recession, car makers began to recruit again. Aside from the already mentioned business expansion of Škoda Auto (1,400 new jobs) and BMW (1,300 new jobs), other significant instances of job creation include those of **Magna Steyr** announcing 1,200 new jobs at its production plant in Graz (Austria) and **Audi** unveiling plans to create another 1,200 jobs in Germany with new investments in products, technologies and the enlargement of its sites. With auto manufacturing sector employment picking up, suppliers to the automotive industry also embarked on large job-creation programmes, mainly in eastern European countries. German multinational car parts supplier **Bosch** announced the creation of 400 jobs in Wrocław (Poland) with the opening of a new factory producing filters for diesel engines, while Italy-based manufacturer of automotive brake systems, **Brembo**, announced that it will create over 440 new jobs in a new plant in Ostrava (Czech Republic).

In the computer and related services sector, in addition to the job creation resulting from the merger of Atos Origin and Siemens IT Solutions and Services (1,600 new jobs), large scale job recruitments were announced by the IT company **Business et Decision** which is to hire 1200 new people in France by the end of 2011 and the American **DayBreak Data** which will soon start operating from Malta and create some 1,000 qualified jobs between the end of 2011 and 2014. High skilled jobs are also being created by computer multinational Hewlett Packard in **Ireland** (105 new jobs), **Slovakia** (200) and **Romania** (600).

In the retail sector, the biggest case of job creation is that of the supermarket chain **Iceland** (2,000 new jobs) as already indicated. Another notable instance of job creation concerned the German discount store chain **Lidl** which announced the creation of 1,200 jobs across Bulgaria with the opening of new stores. Meanwhile, in Spain, **El Corte Ingles** is set to recruit 863 people for its new shopping centre in Tarragona. Recruitment will be targeting women and younger people, according to media reports.

In the other business activities the largest cases of job creation concern big consultancy firms which are seeing new opportunities as businesses seek advice as they emerge from the financial crisis. The auditing and advisory company **KPMG** announced that it would hire 1,000 new staff for its units in Berlin and Frankfurt, while the auditing company Deloitte disclosed plans to create 500 jobs (of which 300 will be for young graduates) in **Belgium** and another 250 jobs in **Italy** across the group's operations. Ernst & Young plans to create 200in **Poland** and 500 in **Ireland**.

Finally, the big bulk of the job creation in the financial intermediation sector is attributable to two large cases: the business expansion by the already mentioned BNL-BNP Paribas resulting in the creation of 1,500 new jobs in Italy and the internal restructuring announced by the Italian banking group **Unicredit**, which plans to create 1,000 new jobs in Italy while simultaneously trimming its workforce. The bank also envisages 'stabilising' the employment relationship of workers with apprenticeship contracts (1,077) by offering them open-ended contracts.

Dexia: more restructuring on the way

Dexia, the world's biggest lender to local authorities, was severely hit by the financial crisis. At the end of 2008, the bank, which had received state aid from the Belgian government, as well as France and Luxembourg, announced plans to restructure its global operations and reduce its cost base by €600 million by 2011.

In Belgium, between **300 and 400** jobs were cut in January 2009 with further **445** job cuts announced in September of that year. Around the same time, Dexia announced the cut of another **143** jobs in Luxembourg. Following negotiations with unions, forced dismissals were avoided and the job cuts were implemented through voluntary measures (e.g. voluntary departures, outplacement, early retirement, natural retirement, etc).

In February 2010, after carrying out an in-depth investigation into Dexia's restructuring, the European Commission published its decision regarding the extension of the aid guarantee to the bank. As a result of the EC ruling, Dexia was required to continue its restructuring efforts and implement further cutbacks which would inevitably result in further job reductions across the group.

According to recent news in the Belgian press, Dexia announced another restructuring programme in September 2010 involving the loss of a further **665 jobs** across the EU (of which **385** in Belgium, **140** in Luxembourg and 70 in France) by the end of 2011. The management also announced their intention to discuss the job cuts with trade unions in order to avoid direct dismissals as much as possible.

Sources: **ERM**, **EMCC case study: DEXIA Bank (Belgium)**

Sector in focus

Postal sector liberalisation

The European postal sector has undergone considerable restructuring in recent years largely due to the liberalisation of the sector, which EU15 Member States (with the exception of Greece and Luxembourg) were obliged to complete by 31 December 2010 by abolishing all legal monopolies on postal services. The deadline for nine Member States that joined the EU after 2004 and for Greece and Luxembourg is 31 December 2012. The postal sector is important to the EU economy, as it is estimated to generate around 1% of EU GDP and employs some 1.7 million workers.

Postal market reform began in the early 1990s, as part of efforts to create a European single market. The aim was to open up national monopolies to competition in order to make postal services cheaper, faster, more efficient and more innovative and to respond to the rise in electronic alternatives to mail, which, it was feared, would lead to a decline in physical mail volumes. However, in reality, it is estimated that domestic letter post volumes have remained stable since 2002.

Liberalisation of the sector is based on three EU Directives:

- **Directive 97/67/EC** of the European Parliament and of the Council of 15 December 1997 on common rules for the development of the internal market of Community postal services and the improvement of quality of service;

- Directive **2002/39/EC**, which amends the 1997 Directive by defining further steps in the process of gradual and controlled market opening and further limiting the service sectors that can be reserved; and
- Directive **2008/06/EC**, which defines 2010, and for some Member States 2012, as a final step in the process of gradual market opening.

The liberalisation of the postal sector has been the cause of a significant level of restructuring in individual EU Member States and 2010 saw widespread reorganisation of national postal services in anticipation of the December 2010 deadline, although falling market shares and decreasing revenues were also given as reasons for restructuring. Because the sector is labour-intensive – more so than other formerly state-owned utilities – liberalisation has been accompanied by significant job losses in the incumbent monopoly service-providers, compensated to varying extents by job creation in new competitor firms. While universal service provisions have been a cornerstone of the liberalisation directives, commercialisation has in most countries been accompanied by a reduction of service outlets, especially in rural areas.

The ERM captures many recent examples of postal service restructuring and rationalisation. For example, in December 2009, the Irish state postal company, **An Post**, announced 1,300 redundancies from its overall workforce of 10,000 over three years as part of a cost-cutting plan head of full liberalisation of the Irish postal sector. A drop in postal volumes was also cited as a reason for the cost-cutting. In Sweden and Denmark, **Posten Norden**, which is the merged national postal organisation for both countries, announced in February 2010 plans to cut between 1,000 and 2,000 jobs during 2010 in order to streamline the organisation and cut costs in response to falling volumes, due to the crisis and customers' increased use of internet services.

In Austria, the national postal service **Österreichische Post** announced in March 2010 that it intended to cut between 800 and 900 jobs in 2010, following the loss of 1,081 jobs in 2009. The organisation cited the erosion of revenue due to competition from e-mail, downward pricing pressures in the parcel business and impending competition from private providers as the reason for the measures, which aim to cut costs and improve efficiency.

In some countries, agreements on restructuring ahead of liberalisation have been concluded between postal organisations and trade unions. In Italy, for example, in July 2010, representatives from the national postal organisation Poste Italiane Spa and sectoral trade unions signed an agreement to reorganise Italy's postal services in the anticipation of full liberalisation of the postal market. Under the agreement, 5,850 workers will be reallocated within the company, new work organisation patterns will be introduced and new services developed (**IT1010019I**). In Belgium, as part of the final stage before full liberalisation, Belgian Post (De Post/La Poste), reached a new company collective agreement with trade unions in the summer of 2009 (**BE0912029I**), although there was some industrial unrest, largely around the role of new part-time, lower-paid delivery worker. However, in December 2009, the Belgian government published rules governing the liberalisation of postal services and the ending of the monopoly of Belgian Post, including a clause stating that, in order to avoid social dumping practices, only employees can deliver post, although the transport of mail can be undertaken by self-employed persons.

Although liberalisation of the postal services in the newer EU Member States is a few years away, national postal organisations in many countries are already beginning cost-cutting exercises in anticipation. In the Czech Republic, the state-owned **Česká pošta** announced in September 2010 that it was to cut 180 jobs by the end of 2010 as part of a restructuring exercise in the run-up to liberalisation. This organisation is one of the largest employers in the country, with around 35,000 workers. In Poland also, in March 2010, **Poczta Polska** announced its intention to cut at least 1,100 jobs during 2010.

Overall, it would seem that although full liberalisation of the postal sector is, as of 1 January 2011, in place in 13 EU Member States, the sector still faces continuing turbulence as the market opens up, increasing competition and exerting pressure on the large former incumbent monopolies. This has tended to impact in particular on employment and working conditions of employees as increased shifts in employment towards more casual contractual relationships ('casualisation') and lower wage rates in the emerging providers puts pressure on the established operators. Industrial disputes have focused on pay rates and methods, employment status and collective bargaining coverage. These have prompted some measure of reregulation of pay in both the Netherlands (see **recent article** from the EIRO Dutch correspondent, 'Continuing uncertainty in postal markets') and in Germany (via the contested extension of sectoral minimum wages to all provider firms). One of the larger emerging cross-national firms in the sector, TNT, has withdrawn from postal market activities in a number of Member States citing cost reasons while at the same time expanding in courier and express services.

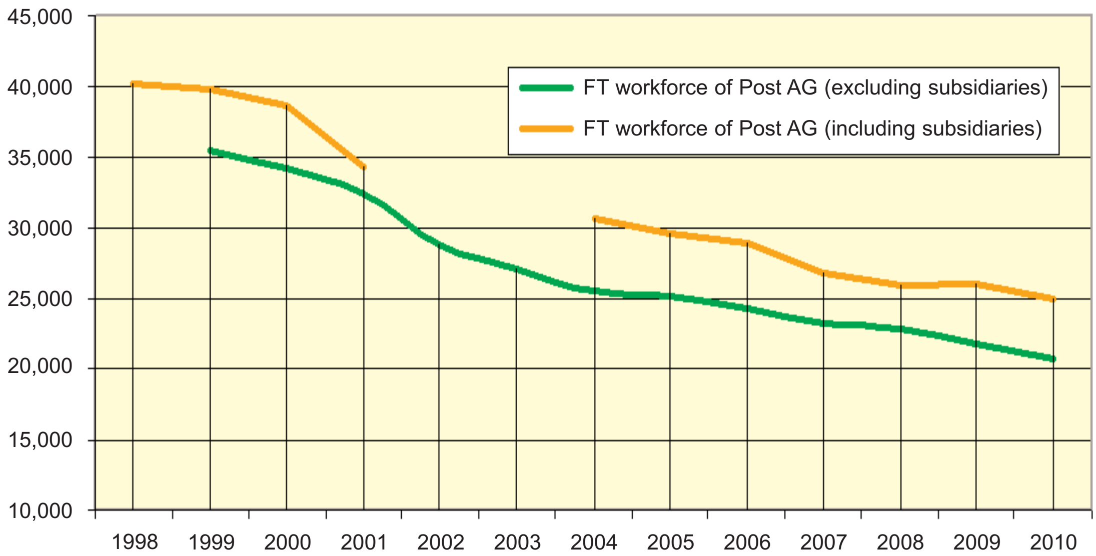
In general, however, competitive pressures are increasing in the sector for both established and newer companies who also need to address market changes resulting from an increased use of electronic forms of communication and trade.

Restructuring at Österreichische Post AG

The case of Austrian Post AG is illustrative of the pressure being faced by established incumbent postal service providers throughout the EU while also indicating some innovative paths to restructuring in former state monopolies.

From 2001 to 2005, the number of employees at Post AG was cut by almost 6,600.[13] An even larger scale restructuring plan was introduced in late 2008 with the intention of shedding 10,000 jobs out of a total workforce of nearly 24,000 by 2015[14] (see Figure 6). High labour intensity of postal services has meant that the principal means of reducing costs has been through layoffs and changes in employment conditions. The company's policy is to downsize personnel by facilitating early retirements, so-called 'golden handshakes', attrition as well as the transfer of Post AG workers with civil servant status to the interior ministry for administrative police work.

Figure 6: *Full-time employment trend in Post AG (1998–2010)*



Source: *Austrian Post AG Press Releases, EIRO (2007) on fulltime (FT) workforce data including subsidiaries for 1998-2004*
Note: chart is indicative only given discrepancies in data from different sources; no data found for overall employment level in Post AG group in 2002/3; large drop in personnel from 2000-2005 was partially due to the 2002 sale of the Postbus business

[13] EIRO (2007) *Industrial relations in the postal sector — Austria*
http://www.eurofound.europa.eu/eiro/studies/tn0704018s/at0704019q.htm

[14] EIRO (2008) *Restructuring plans provoke unrest among postal workers*
http://www.eurofound.europa.eu/eiro/2008/12/articles/at0812029i.htm

A major element of Post AG's restructuring plans was the closure of up to 70% of the country's post office network and the outsourcing of their main activities to petrol stations and small retailers. After trade union protests coordinated by Union of Post and Telecommunications Employees (**Gewerkschaft der Post- und Fernmeldebediensteten**), however, management withdrew this restructuring programme from the agenda of a supervisory board meeting in November 2008. Nonetheless, recent reports in 2010 indicate that Post AG has succeeded in transferring the core activities of over 700 post offices to so-called 'post partners' in August 2010.[15]

The volume of Austrian postal items shows a declining trend resulting in shrinking revenue.[16] The mail and letter market yields nearly 60% of Post AG revenue.[17] The prospect of losing its monopoly on standard post (up to 50g letter deliveries) will impact severely on the income which currently finances the provision of universal postal service as well as labour costs, Post AG's largest single operating expense at around 48% total revenue.

Due to the earlier monopoly status of Post AG there has never been a sector-wide agreement in the postal sector. Instead the employees had 'undismissable' status as civil servants until 1996 when a company labour agreement was implemented.[18] Since then new Post AG employees have been joining the company under private law and have been covered by the sector-wide agreements. Additionally, since early 2000 there has been an increase in atypical employment in the company including self-employed delivery services as well as a growth of part-time employment.

The level of civil servants at Post AG has declined from 63% in 1999[19] to 44% in 2009 and company policy is to step up the reduction in this share. Civil servant contracts generally contain prescribed benefits and wage increases due to seniority which make their posts comparatively expensive. A cost reduction programme announced in November 2009 approved the potential transfer of civil servants working for Post AG and whose jobs are threatened to the federal government. Initially it was envisaged that transfer to Ministry of Internal Affairs would take place exclusively on a voluntary basis. The Austrian police force is experiencing staff shortages and was keen on acquiring new staff. An incentive for the police management to take on the postal workers was that staff costs of transferred workers would be covered by Post AG until June 2014.[20]

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15 Austrian Times (Aug 2010) *Post AG restructuring to continue*
http://www.austriantimes.at/news/Business/2010-08-11/25897/Post_AG_restructuring_to_continue

16 Copenhagen Economics (Nov, 2010) *Main Developments in the Postal Sector (2008-2010) Final Report*
http://ec.europa.eu/internal_market/post/doc/studies/2010-main-developments-country_en.pdf

17 Post AG Press Release (Nov, 2010) Austrian Post Q1-3 2010
http://www.post.at/en/presse_detail.php?lan=eng&meldung=433

18 Pique (Nov, 2006) *Liberalisation, privatisation and regulation in the Austrian postal services sector*
http://www.pique.at/reports/pubs/PIQUE_CountryReports_Post_Austria_November2006.pdf
The abolition of self employed workers in postal service in 2010 was favourable for Post AG as these atypical contracts were widespread in rival companies, such Redmail. The benefits of using self employed were lower wages as usually they were not covered by the sector-wide collective bargaining agreements .

19 Post AG Press Release (May 2000) *Geschäftsjahr 1999: Start für Umbau erfolgt! (Annual report 1999)*
http://www.post.at/en/footer_about_us_press_press_releases_2000_3354.php

20 Post AG Press Release (Nov 2009) *Austrian Post Reaches Agreement with the Austrian Government on Basis for Transferring Civil Servants to the Police Force* **http://www.post.at/en/presse_detail.php?lan=eng&meldung=382**

While it has been envisaged that 1,000 Post AG employees might switch to the police by 2014 only 57 post workers initially applied which led to a further initiative in early 2010 including a €10,000 'transfer fee'.[21] Those who joined the training schemes received an initial €2,000 instalment while the remaining €8,000 of the bonus is due upon official transfer to the Interior Ministry.

In addition to restructuring its workforce, Post AG is diversifying business activities in order to ensure profitability. Apart from establishing a close cooperation with BAWAG bank[22] (owned by Post AG's predecessor up to 2002) in order to offer a full range of postal and banking services at over 500 locations in Austria, Post AG is also investing further to expand its business operations in European markets.

Table 4: *Austrian mail market segmentation and levels of market opening*

Segment	Percentage opened to competition		Competing Companies
	Under National/ EU Law	Actual level of competition	
Addressed items	100%	Emerging	Redmail, MediaPrint, MailAustria Group, Tirolmail
Letters	100%	Emerging	Redmail till 2010, then entirely shifted their focus towards the distribution of publications*
Publications	100%	Emerging	Redmail (TNT and Styria Media Group)*
Unaddressed Items	100%	Substantial	Feibra (from 2005 a subsidiary of Post AG) & Redmail* Mediaprint***, MailAustria Group***, Tirolmail***
Cross-border	100%	Intense	UPS, Spring (TNT), DHL, SPI, La Poste (France), IMX, De Post/La Poste (Belgium) ***
Express	100%	30%	DHL, FedEx, TNT, UPS, DPD, Primetime, Railcargo
Parcels	100%	30%	DHL, FedEx, TNT, UPS, DPD, Hermes
Total	**100%**	**-**	**-**

Sources: *Copenhagen Economics (Nov, 2010) Main Developments in the Postal Sector (2008-2010) Country Fiches*[23]
* Copenhagen Economics (Nov, 2010) Main Developments in the Postal Sector (2008-2010)
** Pique (Nov, 2006) Liberalisation, privatisation and regulation in the Austrian postal services sector
*** ECORYS (Sep, 2008) Main developments in the postal sector (2006- 2008)[24]

Clearly the transition to a fully competitive letter market will take many years in Austria as in other Member States. Postal sector studies suggest that Post AG retains a dominant market share in all except express and parcel segments where all major international parcel companies compete (see table 4).

[21] Austrian Times (Feb, 2010) *Post to pay employees huge bonus for police work* **http://www.austriantimes.at/news/Business/2010-02-09/20462/Post%20to%20pay%20employees%20huge%20bonus%20for%20police%20work**

[22] Post AG Press Release (Oct 2010) *BAWAG P.S.K. and Austrian Post expand and deepen their cooperation* **http://www.post.at/en/presse_detail.php?lan=eng&meldung=422**

[23] Copenhagen Economics (Nov, 2010) *Main Developments in the Postal Sector (2008-2010) Country Fiches* **http://ec.europa.eu/internal_market/post/doc/studies/2010-main-developments-country_en.pdf**

[24] Ecorys (Sep, 2008) *Main developments in the postal sector (2006- 2008)* **http://ec.europa.eu/internal_market/post/doc/studies/2008-country_sheet_summaries.pdf**

Restructuring research notes

Research brief: *recent work on dual labour markets during the crisis and single employment contract proposals*

Summary: labour market performance has varied widely from Member State to Member State during the 2008–9 'great recession'. What accounts for these differences? Trying to explain changing (un)employment levels on the basis of output declines has been problematic: unemployment in Germany barely rose even as GDP declined by 5% in 2009 while Spanish unemployment leapt despite a comparatively modest drop in output. Institutional features of the different national labour markets appear to have had a stronger influence on employment. For example, the cushioning impacts on unemployment of negotiated working time flexibility as well as the federal short-time working scheme in Germany have been well documented. Another important determinant of employment performance has been the degree of dualism of national labour markets, i.e. the share of non-permanent workers in the workforce and the extent to which the employment protections (including dismissal costs) offered to permanent and temporary workers differ.

Bentolila, Cahuc et al analyse the strikingly different response of unemployment to the 'great recession' in France and Spain. The two country's labour market institutions are similar and their unemployment rates before the crisis were both around 8%. Nonetheless in France unemployment increased by two percentage points during the recession whereas in Spain it had increased to 19% by the end of 2009 – and over 21% at the time of writing. Using a calibrated search and matching model, the authors estimate that about 45% of the relative increase in Spanish unemployment was attributable to the larger gap between the dismissal costs of permanent and temporary contracts and the less restrictive rules regarding the use of temporary contracts in Spain.

They conclude that this analysis lends further support to the proposal of a single labour contract which has been championed recently by a number of European economists (Blanchard, Boeri, Cahuc etc). This would address the permanent-temporary contract divide by eliminating temporary contracts and instituting a common contract where permanent status would be automatic after a given period, say three years, and where severance entitlements would also accrue with seniority.

A related VOX website research brief by Maurizio Bovi extends the focus on dual labour markets to deal with the informal economy. Using data from 1980–2009, Bovi concludes that the share of workers in undeclared work in Italy has been relatively steady despite increasing dualism in the Italian labour market over the period. Temporary employment has tended to be much more volatile and cycle-sensitive than both permanent work and undeclared work, suggesting that informal workers may occupy a more secure, less vulnerable labour market position than temporary workers. Regularisation of the informal economy and resolving labour market dualism may be linked issues requiring a co-ordinated approach.

References

Two-Tier Labor Markets in the Great Recession: France vs. Spain by S. Bentolila, P. Cahuc, J.J. Dolado and Th.Le. Barbanchon (Centre for Economic Policy Research, Dec 2010). Available online at
http://www.cepr.org/pubs/new-dps/dplist.asp?dpno=8152.asp

Dual (sometimes threefold) labour markets in Europe, by Maurizio Bovi (VOX website, Nov 2010). Available online at
http://www.voxeu.org/index.php?q=node/5766

ERM: note on methodology and interpretation of data

The European Restructuring Monitor (ERM) is a tool that monitors the announced employment effects of large-scale restructuring events in the EU27 and Norway. The monitor relies on reports in selected media titles (three to five per country) covered by a network of 28 national correspondents as well as an EU-level correspondent covering large, cross-national restructuring cases. 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 ERM database is updated on a daily basis. Readers can access more details of individual cases cited in this issue using the search tools at **www.eurofound.europa.eu/emcc/erm** (click 'Factsheets'). ERM also enables the compilation of aggregate data (click 'Statistics') based on the information available in the database (11,000+ restructuring cases covering 2002 to date) broken down by the following independent variables: sector, type of restructuring, country as well as time-period. 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 events are not considered in order to avoid double counting.

Given that the ERM relies on selected media titles, its coverage of restructuring activity in each Member State is **indicative and cannot be considered representative**. In view of size thresholds for case inclusion, the monitor reports almost exclusively on restructuring in medium and larger sized firms; this size bias in turn leads to an over-representation of the manufacturing sector where company size tends to be larger. Variability of national-level media coverage of restructuring events from country to country leads also to country biases. This is reflected in higher levels of ERM reporting in some Member States (e.g. UK, Poland) and lower levels in others (e.g. Greece, Bulgaria).

In spite of these biases, ERM data does generate a picture of labour market restructuring especially in relation to sectoral restructuring activity that is broadly consistent with data coming from more dedicated sources such as the ELFS. It has also tended to anticipate reasonably well overall trends in (un)employment in European labour markets while providing unique data on the proportion of overall larger-scale restructuring-related job loss accounted for by different forms of restructuring (offshoring, internal restructuring etc). Other positive advantages of the ERM as a data source are its timeliness, its identification of individual cases of restructuring based on publicly available information and its uniqueness as a EU-wide dataset of larger-scale restructuring events.

The data for this report was extracted on 6 January 2011. As the ERM continually updates cases in light of new information on recent cases, data reported here may not correspond exactly to later extractions. For previous editions of the quarterly as well as other ERM-related publications, you can visit the website at **www.eurofound.europa.eu/emcc/erm**.

This issue was written by **John Hurley**, **Sara Riso**, **Lidia Salvatore**, **Marius Miginis** and **Andrea Broughton** (ERM EU-level correspondent).

EF/11/08/EN

