Eurofound

european restructuring monitor *quarterly*

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emcc european monitoring centre on change

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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

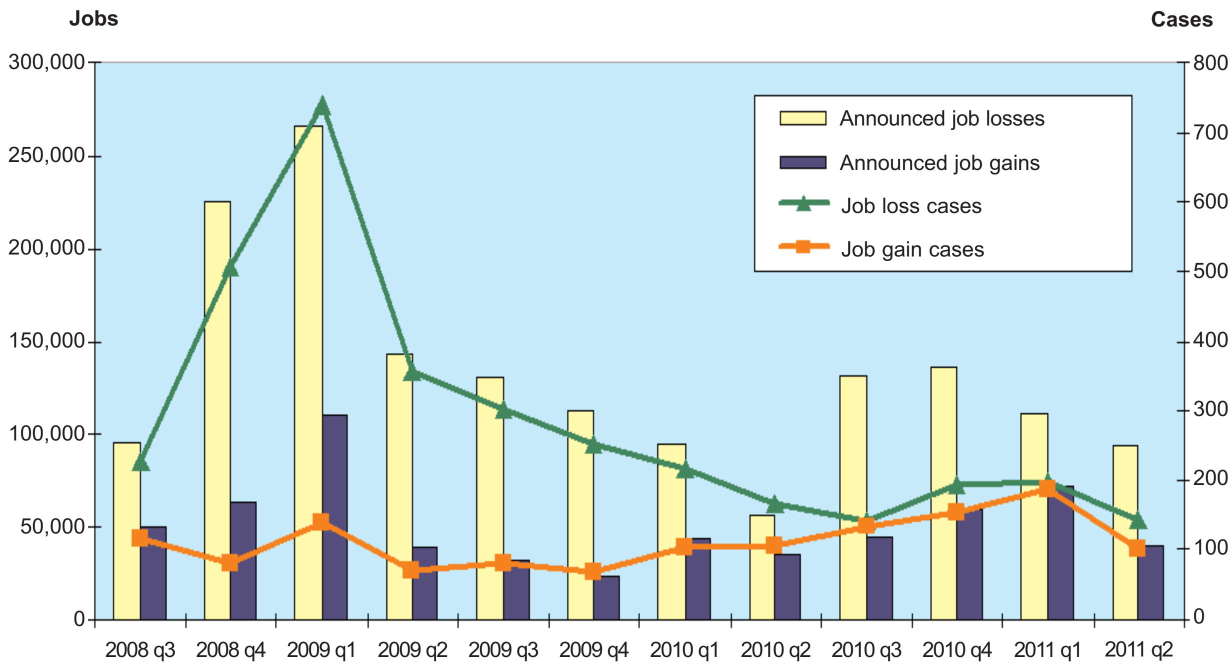
Summary

The EU economy continued to grow over the last quarter with more positive data in particular from core economies. Problems of sovereign debt management however persist in several eurozone Member States and negative economic news from other developed economies has tended to more than mitigate any positive momentum arising from the dynamism of the emerging market economies. Unemployment in the USA has begun to rise again while labour market participation rates are at their lowest level in 25 years. The Japanese economy once again entered a period of contraction following the March 2011 earthquake.

Within the EU, sharp contrasts remain between a fast-recovering, fiscally less-challenged core group of Member States and a more stagnant or recessionary periphery. Yearly growth rates within the single currency zone range from -4.8% for Greece to +4.8% to Germany. These very different trajectories of countries sharing the same currency are likely to persist in a context of acute retrenchment in public spending in countries such as Greece, Ireland, the UK, Spain and Portugal. The possible addition of Italy to the list of countries which the markets consider debt-challenged only increases the impression that the foundations of the common currency require strengthening.

Differences in overall economic performance are reflected in the labour market where the key indicator ranges from near full employment in the Netherlands, Luxembourg and Austria (all <5% unemployment) to over 20% unemployment in Spain. Aggregate unemployment in the EU27 is stable at 9.6% and has not risen in any month so far in 2011. In the most recent quarter, unemployment declines were recorded in twice as many Member States as unemploymemt increases.

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



Source: *ERM*

Over the last quarter (April 1st to June 30th 2011), the ERM reported 245 cases of restructuring[1]. Of these, 145 were cases of announced restructuring involving job loss, and 100 were cases involving announced job creation. Total announced job losses totalled approximately 93,000 in the quarter as against announced job creation of just over 40,000.

[1] Additionally, there were 8 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

The recovery in Europe appears to have been gaining traction in the most recent quarter in spite of renewed financial turbulence in peripheral countries of the Euro area. Concerns about banking sector losses and fiscal sustainability have led to widening sovereign spreads in many eurozone Member States. Thus far, damage to economic activity has been limited largely to the affected economies. Overall, growth is becoming more broad-based and self-sustaining. GDP increased by 0.8% in the EU27 during the first quarter of 2011, compared with the previous quarter. Compared with the first quarter of 2010, seasonally adjusted GDP increased by 2.55% in the EU27.[2] Due to less dynamic emerging markets and world trade, domestic demand is seen to be the main driving force of the GDP growth over the coming period.[3] The trade balance with the rest of the world in March 2011 gave a 2.8 billion euro surplus; exports rose by 1.1% compared to February 2011 and imports by 0.3%.[4] Industrial production grew by 5.6% in the euro area and by 5.0% in the EU27 in the year to March 2011.[5]

According to a June 2011 flash estimate from Eurostat, inflation in the euro area is 2.7%, the same rate as in May 2011[6]. External cost pressures are starting to ease because of oil prices stabilisation; however, some upward inflationary impulses may emerge because of the diffusion of past increases of commodity prices to core inflation.

The unemployment rate has stabilised over the past two quarters in the euro area. Compared with the same quarter of the previous year, employment grew by 0.1% in the euro area and by 0.3% in the EU27 in the first quarter of 2011.[7] Labour markets show steady signs of recovery in some countries while in others they continue to deteriorate.[8] The large variation in economic and employment performance is a primary factor behind the slow paced recovery of the unemployment rate of the continent.

In 2010, government deficits in both the euro area (EA17) and the EU27 decreased compared with 2009, while government debt and debt/GDP ratios increased. In the euro area, the government deficit to GDP ratio decreased from

[2] Eurostat (June 2001), *Euro area GDP and EU27 GDP up by 0.8%*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-08062011-AP/EN/2-08062011-AP-EN.PDF

[3] EIFO Euro-zone Economic Outlook (06/07/2011) *GDP growth moderating after a strong Q1*
http://www.cesifo-group.de/portal/page/portal/ifoHome/a-winfo/d2kprog/30kprogeeo

[4] Eurostat (March 2011), *Euro area external trade surplus 2.8 bn euro*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/6-16052011-AP/EN/6-16052011-AP-EN.PDF

[5] Eurostat (June 2011), *Eurostatistics Data for short-term economic analysis*
http://epp.eurostat.ec.europa.eu/cache/ITY_OFFPUB/KS-BJ-11-006/EN/KS-BJ-11-006-EN.PDF

[6] Eurostat (June 2011), *Euro area inflation estimated at 2.7%*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-30062011-AP/EN/2-30062011-AP-EN.PDF

[7] Eurostat (June 2011), *Euro area and EU 27 employment stable*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-16062011-AP/EN/2-16062011-AP-EN.PDF

[8] European Commission (June 2011), *Monthly Labour Market Monitoring Report*
http://ec.europa.eu/social/main.jsp?langId=en&catId=89&newsId=1034&furtherNews=yes

6.3% in 2009 to 6.0% in 2010, and in the EU27 from 6.8% to 6.4%. The government debt to GDP ratio in the euro area increased from 79.3% at the end of 2009 to 85.1% at the end of 2010, and in the EU27 from 74.4% to 80.0%.[9]

Securing public debt sustainability remains a priority for most European economies. In 2011, the largest economies in the region (France, Germany, Spain, United Kingdom) will implement differenet measures (in size and composition) to reduce their deficits. Sovereigns that have come under market pressure (Greece, Ireland, Portugal), in particular, will continue with sizable front-loaded consolidation.

GDP growth is quite diverse among the EU Member States (see table 1). In France the pace of recovery of GDP over the quarters of 2010 has been significant, with a growth in the first quarter of 2011 of 1% on quarterly basis and +2.2% over the previous year. In Germany the growth has been sustained over all the quarters of 2010, to +1.5% and +4.8% in the first quarter of 2011 on quarterly and annual basis respectively. The recovery in Italy has been less pronounced as planned fiscal consolidation weighs on private demand. In the first quarter of 2011 the growth was +0.1% with respect to the previous quarter and +1% on annual basis. In the UK after the contraction in the last quarter of 2010 of -0.5% over the previous period, in the first quarter of 2011 GDP recorded a recovery of +0.5%; in the same quarter annual growth was +1.8%. The quarter-to-quarter recovery is subdued in Spain, with +0.3% in the first quarter of 2011 and +0.8% on annual basis. In general GDP growth estimates provide positive signals across Member States in the first quarter of 2011, with the exception of Denmark and Portugal (-0.5% and -0.7% on quarterly basis respectively). More serious is the plight of Greece whose GDP recorded a fall of nearly 5% on an annual basis in the first quarter of 2011.

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

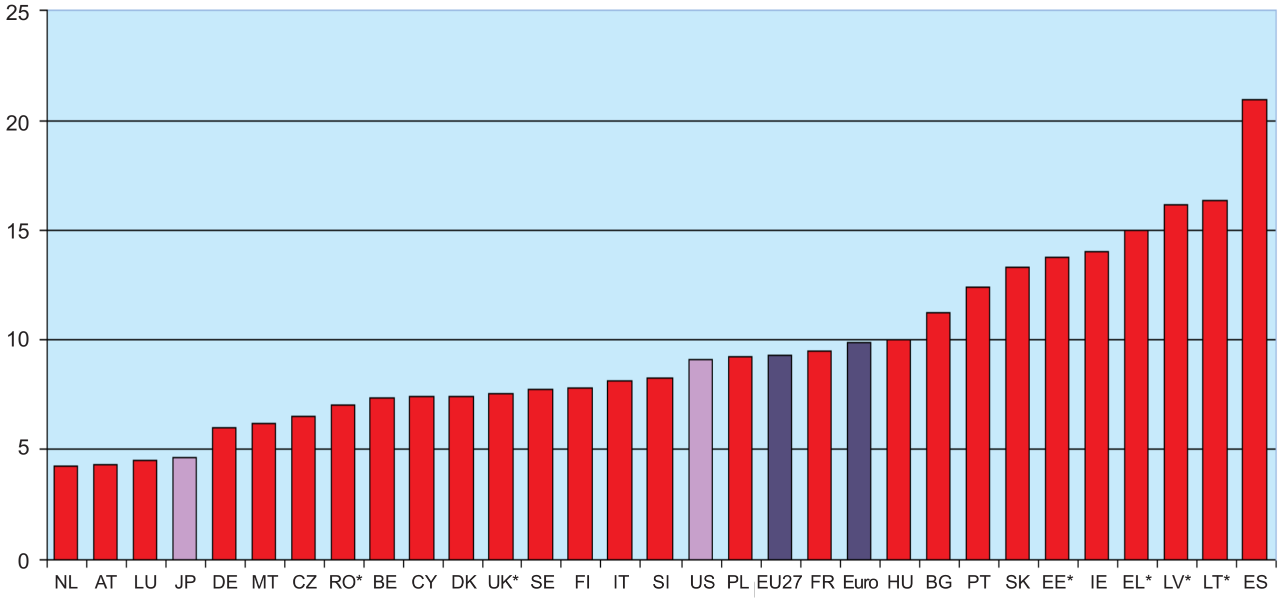
Belgium	**1.0**	3.0	France	**1.0**	2.2	Austria	**1.0**	4.0	EU27	**0.8**	2.5
Bulgaria	**0.6**	3.4	Italy	**0.1**	1.0	Poland	**1.0**	4.3	US	**0.5**	2.3
Czech Republic	**0.6**	2.5	Cyprus	**0.0**	1.7	Portugal	**-0.7**	0.7	Japan	**-0.9**	0.7
Denmark	**-0.5**	1.3	Latvia	**0.2**	3.1	Romania	**0.7**	0.3			
Germany	**1.5**	4.8	Lithuania	**3.5**	6.8	Slovenia	**0.3**	2.1	Brasil*	**1.3**	6.2
Estonia**	**2.1**	8.0	Luxembourg	**:**	:	Slovakia	**1.0**	3.6	Russia*		4.1
Ireland	**:**	:	Hungary	**0.7**	2.2	Finland	**0.8**	5.8	India*	**1.9**	7.8
Greece	**0.8**	-4.8	Malta	**:**	:	Sweden	**0.8**	6.5	China*		9.1
Spain	**0.3**	0.8	Netherlands	**0.9**	3.2	United Kingdom	**0.5**	1.8			

Source: *Eurostat EuroIndicators, 1 July 2011*
* The Economist country profiles

Meanwhile, the recoveries in the main EU trading partners have faltered somewhat in recent months. Most recent quarter-on-quarter growth was 0.5% in the United States and -0.9% in Japan – the latter in part attributable to the effects of the March 2011 earthquake. The emerging markets of China, India and Brazil continued to outperform the advanced economies.

[9] Eurostat (April 2011), *Euro area and EU27 government deficit at 6.0% and 6.4% of GDP respectively* **http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-26042011-AP/EN/2-26042011-AP-EN.PDF**

Figure 2: *Seasonally adjusted unemployment rates, May 2011*



Source: *Eurostat*
Note: Data for UK are from March 2011; data for EE, EL, LV, LT and RO are from Q1 2011

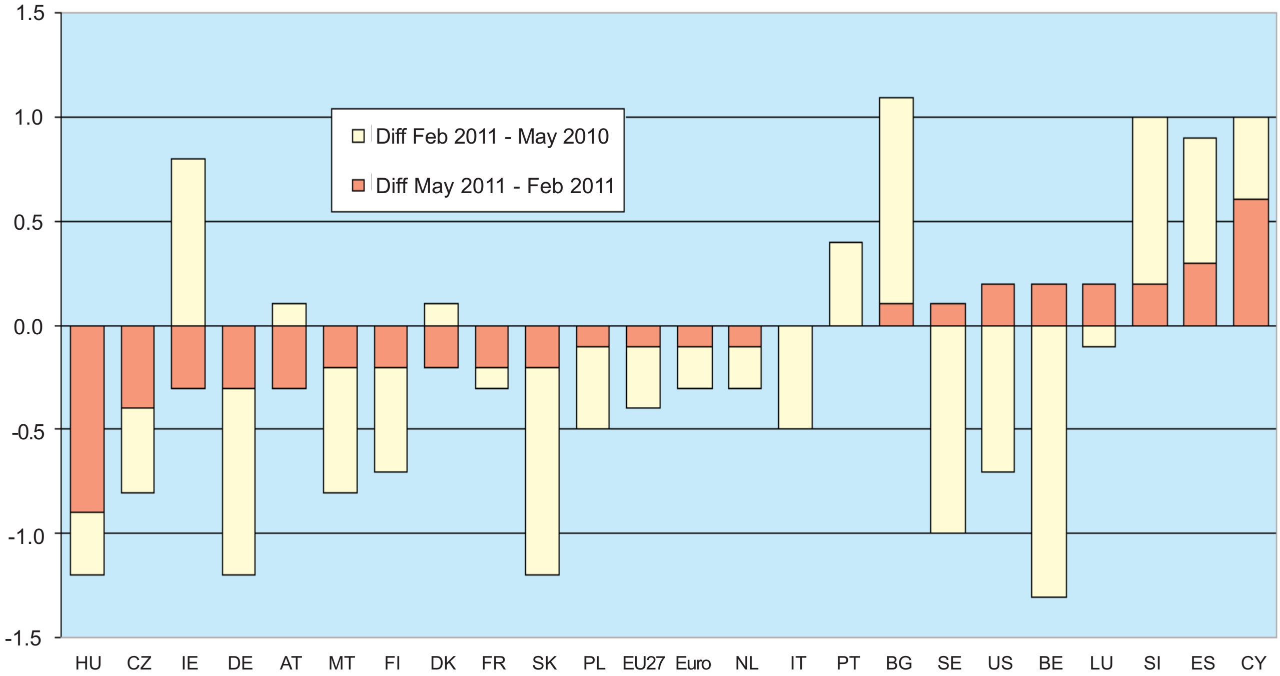
The euro area (EA17) seasonally-adjusted unemployment rate was 9.9% in April 2011, unchanged compared with March. It was 10.2% in April 2010. The EU27 unemployment rate was 9.4% in April, compared with 9.5% in March. It was 9.7% in April 2010. The unemployment rate in EU27 was marginally higher than the US rate (9.1%) and significantly higher than Japan's (4.6%, see Figure 2). As in previous quarters, the lowest unemployment rates were reported in the Netherlands (4.2%) and Austria (4.3%), followed by Luxembourg (4.5%). The highest levels were once again recorded in Spain (20.9%) and the Baltic States. Eurostat estimate that 22.547 million men and women in the EU27 were unemployed in April 2011. Compared with March 2011, the number of persons unemployed fell by 165 000 in the EU27 and by 115 000 in the euro area. Compared with April 2010, unemployment decreased by 702 000 in the EU27 and by 457 000 in the euro area. Compared with a year ago, unemployment rate fell in nineteen Member States and increased in eight. The largest falls were observed in Estonia (18.8% to 13.8% between the first quarters of 2010 and 2011), Latvia (19.9% to 16.2% between the first quarters of 2010 and 2011), Germany (7.2% to 6.0%), Hungary (11.2% to 10.0%) and Slovakia (14.5% to 13.3%). The highest increases were registered in Greece (11.0% to 15.0% between the first quarters of 2010 and 2011), Bulgaria (10.1% to 11.2%), Cyprus (6.4% to 7.4%) and Slovenia (7.3% to 8.3%).[10]

In 2010, the employment rate for persons aged 20 to 64 was highest in Sweden (78.7%), the Netherlands (76.8%), Denmark (76.1%), Cyprus (75.4%), Germany and Austria (both 74.9%). The lowest rates were recorded in Malta (59.9%), Hungary (60.4%), Italy (61.1%), Spain (62.5%) and Romania (63.3%). The employment rates for women aged 20 to 64 ranged from 41.4% in Malta and 49.5% in Italy to 75.7% in Sweden and 73.1% in Denmark, while for men in this age group it varied between 63.6% in Lithuania and 65.1% in Latvia, and 82.8% in the Netherlands and 82.5% in Cyprus. The male employment rate was higher than the female rate in 2010 in all Member States with the exception of Lithuania.[11]

[10] Eurostat (May 2011), *Euro area unemployment rate at 9.9%*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-01072011-AP/EN/3-01072011-AP-EN.PDF

[11] Eurostat (June 2011), Labour Force Survey Employment rate for those aged 20 to 64 in the EU27 decreased to 68.6% in 2010
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-29062011-AP/EN/3-29062011-AP-EN.PDF

Figure 3: *Changes in seasonally adjusted unemployment rates (percentage points), in the three months and the year to May 2011*

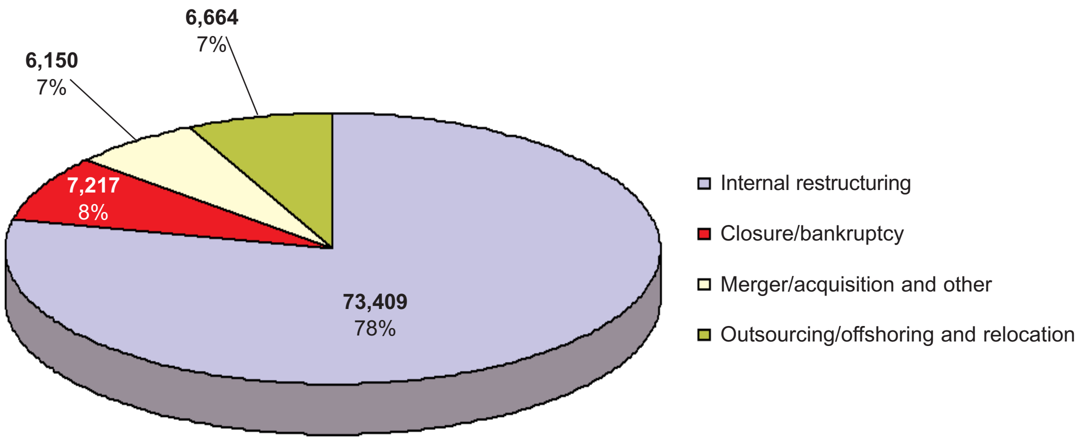


Source: *Eurostat*
Note: Data missing for EE, GR, LV, LT, RO and UK

Overview of ERM cases April – June 2011

The ERM recorded a total of 245 cases of restructuring between 1 April 2011 and 30 June 2011. These cases involved 93,440 announced job losses and 40,183 announced job gains. Internal restructuring accounted for 78% of the announced job losses. Closures (6%) and bankruptcies (3%) remained stable compared to the first quarter of 2011. Outsourcing, offshoring and relocation accounted for 7% of announced job losses.

Figure 4: *ERM job losses by type of restructuring, April – June 2011*



Source: *ERM (European Restructuring Monitor), April - June 2011*

In terms of geographic distribution, the countries which recorded the greatest number of announced job losses were the United Kingdom (21,231 jobs) and the Netherlands (19,700 jobs), followed by Italy (12,969 jobs) and Spain (8,532 jobs). France was by some margin the country with the most announced job gains (12,220 jobs). Further new jobs in the quarter have been announced by Poland (7,059 jobs), Slovakia (3,680 jobs), the Czech Republic (3,490 jobs) and Germany (3,350 jobs).

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
Ministry of Defence	12,000	Netherlands	Public administration
Ministry of Defence	11,000	United Kingdom	Public administration
Intesa Sanpaolo	10,000	Italy	Financial intermediation
KPN	4,000	Netherlands	Transport / communication
Southern Cross	3,000	United Kingdom	Health / social work

Source: *ERM, April –June 2011*

The two largest cases of restructuring in the ERM relate to the announcement of job losses in public administration. The Dutch government announced it would cut about 12,000 jobs at the **Dutch defence ministry** as part of an austerity plan. Of these losses, 2,300 jobs will be eliminated by not refilling vacant positions and another 4,000 jobs will disappear through natural wastage. A similar number of losses has been announced by the UK government which plans 11,000 redundancies in the **UK armed forces** before 2015. In a press release the UK Ministry of Defense stated the need to implement 43,000 job cuts by 2015 and at least 11,000 of these will be lost through redundancies while the rest will be achieved through a decrease in recruiting and not replacing those who leave. Cuts include 5,000 Royal Air Force roles, 5,000 Navy personnel and 7,000 army personnel as well as 25,000 civilian Ministry of Defence staff. The British army has said that it would lose 1,000 personnel and the navy 1,600 in this year's round of job losses; the Royal Air Force announced plans to lay-off 2,700 in this round of redundancies.

Job losses have been announced also at Italian banking group **Intesa San Paolo**, which announced its 2011-2013 industrial plan envisaging a wide reorganisation of branches and a significant cost reduction programme involving 10,000 job losses by the end of 2013.

Telecommunications company **KPN** announced it will cut between 4,000 and 5,000 jobs in the Netherlands in the coming four years. A large proportion of these jobs will be outsourced to India.

Southern Cross, a care home provider, has announced plans to cut 3,000 jobs by October, after a period of consultation with unions. Unions called for the government to step in with financial support. Southern Cross has already deferred 30% of its rent to landlords of its 750 homes as it tries to avoid bankruptcy.

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

Company	Jobs	Location	Sector
SNCF	8,000	France	Transport / communication
Jeromino Martins	4,000	Poland	Retail
Audi	1,200	Germany	Manufacturing
Steria	1,200	France	Real estate / business activities
BMW	1,000	Germany	Manufacturing

Source: *ERM, April - June 2011*

In terms of job creation, the largest case relates to the French national rail company **SNCF** announcing a plan to hire 8,000 employees by the end of 2011. Half of these new jobs will be based at the parent company and the other half at SNCF's private subsidiaries. While the total workforce in the parent company has been steadily diminishing and the yearly balance between hirings and layoffs is negative with more than 1,800 layoffs planned in 2011, employment levels in the private subsidiaries continue to grow.

Another notable instance of job creation is that of Portuguese retailer **Jeromino Martins** unveiling plans to create 4,000 jobs in Poland in 2011. The company which operates in Poland through the Biedronka chain store has 1,658 stores across the country and employs overall 30,000 people.

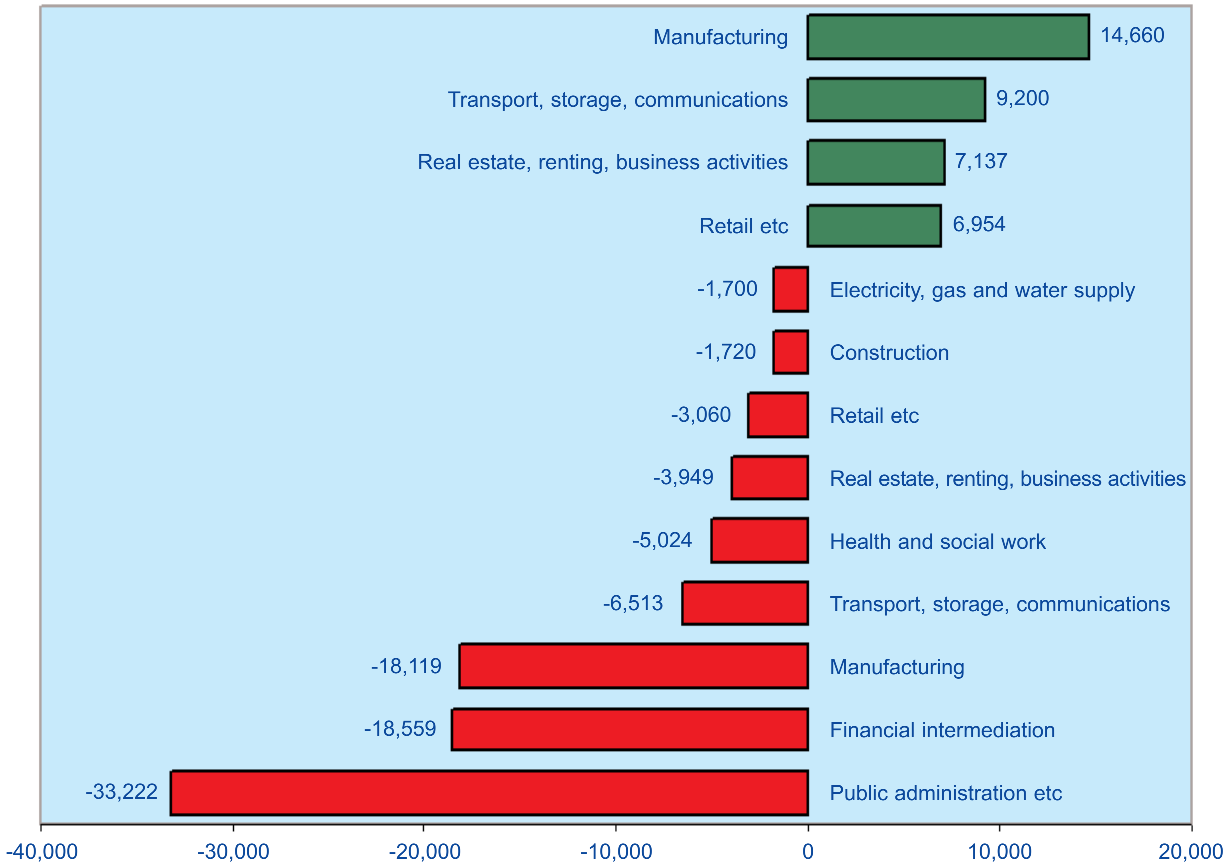
A much lower volume of new jobs, albeit significant, were announced by car manufacturer **Audi** recruiting 1,200 new staff as well as 700 apprentices in Germany throughout 2011. The company will also convert the employment contract of 300 temporary agency workers into a standard contract. Audi expects to create about 10,000 new jobs worldwide before 2020 due to ongoing business expansion especially in electric car production. Around the same time, another car maker **BMW** announced 2,000 new jobs worldwide in 2011, of which 1,000 jobs will be in Germany. The company also stated that it will continue using temporary contracts in order to react flexibly to market fluctuations.

Meanwhile, in France, IT consultancy **Steria** announced the recruitment of 1,200 new employees in 2011, 95% of whom will be offered an indefinite contract. Two thirds will be recruited in the Ile-de-France region and the rest in different sites across France. According to media reports, more than half of the jobs will be for young graduates, interns and apprentices.

Restructuring across sectors

Figure 5 plots the top NACE 1-digit sectors in terms of announced job loss and job creation, as reported to the ERM in the second quarter of 2011.

Figure 5: *Announced job gains and job reductions for top sectors (Nace 1 -digit, revision 1.1)*



Source: *ERM, April - June 2011*

Job reduction

During the quarter, the public administration sector reported the largest number of announced job losses (33,222 jobs) followed by financial intermediation (18,559 jobs), manufacturing (18,119 jobs) and transport and communications (6,513 jobs).

As in previous quarters, the largest share of job losses announced is in public administration. Apart from the above mentioned cases of restructuring at the **Dutch defence ministry** and at the **UK armed forces**, several losses have also been announced in Romania. Here the government announced it will cut 2,787 jobs at the **Agentia Nationala de Administrare Fiscala** (National agency for fiscal administration) and 713 job losses at the **Garda Financiara** (Financial Guard).

Further losses have also been announced by **Rotterdam city council**, which announced it is cut 2,000 jobs due to budget cuts by the national government, and by the **Catalan Government (Generalitat)** which announced it will dismiss 1,000 employees working in its public enterprises. This measure is included in the Catalan Government's plan to cut the public deficit and will affect public enterprises, entities and foundations where the Catalan Government has more than 50% of ownership. According to this cost savings plan, the Government is to reduce the total wages by 6% or dismiss 5% of the staff employed in its enterprises before June 30th. The direct dismissals will affect 1,000 employees, while other measures include working time reduction and non-renewal of temporary contracts. More losses have been announced at **DAK**, the second largest public health insurer in Germany, which plans to cut 800 jobs in 2011.

Large job losses in the quarter have been recorded in the financial intermediation sector, where apart from the afore mentioned job losses at Italian banking group **Intesa San Paolo**, several losses have been recorded at Spanish banks, in particular in the local savings banks (cajas). Caja Sol, Caja Navarra, Caja Canarias, and Caja de Burgos have signed a merger agreement in order to handle the negative consequences of the financial crisis, creating a new bank called **Banca Cívica**. The merger agreement envisages the implementation of a redundancy plan affecting 1,000 employees; redundancies will be implemented through voluntary early retirement and will only affect workers older than 55 years. Currently, 995 workers have accepted to join the scheme. **Nova Caixa Galicia**, the saving bank created in 2010 from the merger of Caixa Galicia and Caixanova, announced its plans to cut another 250 jobs after revising upwards the redundancies announced in 2010 (which affected **1,200 employees**). Saving Bank **CAM** (Caja del Mediterraneo) presented a redundancy plan affecting 973 employees. The job cuts will be mainly implemented through early retirement (accounting for 850 of the total job losses). The restructuring will result in the closure of 120 branches located in different cities (Alicante, Valencia, Murcia, Balearic Islands, Sevilla).

More losses in the sector have been announced at **Allied Irish Bank (AIB)** which announced 2,000 redundancies by end of 2012, after a record €10.4 billion net loss on continuing operations last year. The former leading Irish private bank is now over 99% publicly owned. Job losses were also announced at **West LB Bank**, the saving bank of North-Rhein Westphalia (NRW), which will be restructured resulting in up to 1,800 job losses. WestLB is owned by the federal state NRW and is the first bank of this type that will go through a defragmentation process in order to fulfill the requirements of the European Commission. The bank received a 58 billion euro public guarantee during the financial crisis. The current restructuring plan foresees that WestLB shall be reduced to a central bank of the regional savings banks; moreover the real estate company of the bank and two other business units shall be sold to private investors.

In manufacturing, large job losses where announced at telecommunications manufacturing company **Nokia** which announced plans to cut up to 2,900 jobs in Finland, through dismissals and outsourcing. The announced job losses include 1,400 lay-offs and the transfer of 1,500 employees to software development firm Accenture. Nokia's cuts are linked to its declining market-share in smart-phones and the resulting strategic partnership with Microsoft. Nokia announced also 700 job cuts in **the UK** as part of plans to **reduce its global workforce** by 7,000 employees within two years. The cuts will be mainly in research and development as well as in software divisions.

More losses in the sector have been announced in pharmaceutical manufacturing. Pharmaceutical giant **Pfizer** has announced that it is to close its plant in Sandwich, UK, with the loss of 2,400 jobs, while **Warner Chilcott**, a worldwide pharmaceutical company, announced a Europe-wide restructuring plan which will result in the loss of 500 jobs in Germany, France, Italy, Belgium, Netherlands and Switzerland. In **Italy**, the company is closing its Italian subsidiary (ex Procter Pharma), with the consequent loss of 151 jobs, while in **Spain** Warner Chilcott will dismiss 120 employees working in pharmaceutical sales. Furthermore, **Takeda**, the French subsidiary of the Japanese pharmaceutical group, announced its plan to cut 195 out of its 443 jobs (115 sales representatives and 25 from the head office) and not to fill 55 vacant positions. The workforce reduction is mainly due to a reduction in sales of 30% within the last four years as well as the loss of some important patent protections.

In the communication sector, the largest case of announced job losses relates to the aforementioned announcement at Dutch telecommunications company **KPN**. Other losses in Dutch telecommunications operators have been recorded during the quarter as **T-Mobile**, a company belonging to the Deutsche Telekom group, announced its decision to concentrate its operations at its site in The Hague, resulting in 150 job losses at its offices in Amsterdam and its call center in Breda. In Malta, **GO**, the leading telecommunications company in the country, announced it plans to reduce its workforce by 100 employees. In the transport sector, **Air Malta**, Malta's state-owned national airline, confirmed on the 24th of June a restructuring plan resulting in 511 direct job losses. Employees have been informed that these job cuts shall affect all sections but specific details regarding the number of job losses per section have not been disclosed. On the 9th of June, 58 employees working at Air Malta's hotel subsidiary had been made redundant. In February 2011, Air Malta had anticipated a restructuring plan envisaging up to 600 job losses with the total number of job losses to date being 569 jobs. More losses have been announced at Finnish airline carrier **Blue1**, which announced plans to reduce its services and lay off up to 85 employees. Several losses have also been announced at **Medcenter Container Terminal (Mct)**, one of the main maritime container terminals in southern Europe located in the Gioia Tauro port in Italy, which is to cut 467 jobs out of 1,067. According to the company, the job cuts are mainly due to the decision taken by Maersk (the main customer of Mct) to change its routes and lessen its reliance on the Gioia Tauro terminal.

Fincantieri withdraws its restructuring plan avoiding 2,551 job losses

After intensive talks with national authorities, Italian shipbuilding giant Fincantieri withdrew its restructuring plan affecting 2,551 employees.

In May 2011, Fincantieri announced its 2010–2014 restructuring plan envisaging a total of 2,551 job losses. The plan provided for the closure of the shipyards at Sestri Ponente (province of Genoa) and at Castellamare di Stabia nearby Naples resulting in 1,400 job losses, while a further 1,151 jobs were to be lost through the reorganisation at other Fincantieri Italian sites.

At the beginning of June 2011, after a meeting between the management of Fincantieri and the Minister of Economic Development, the company has withdrawn its restructuring plan, with a consequent halt to the job cuts. In the coming months, social partners, local authorities and Fincantieri will be involved in negotiations in order to find solutions to relaunch the shipyards in Sestri Ponente and Castellamare di Stabia. Trade unions, which had organised a large protest in Rome during the meeting between the company's management and national authorities, were satisfied with the decision to revoke the restructuring plan; at the same time, they expressed concern regarding market difficulties and the recent fall in demand.

Source: *Il Sole 24 Ore*, **Stop Fincantieri al piano esuberi**, *4 June 2011*.

Job creation

During the quarter, the manufacturing sector recorded the highest number of announced new jobs (14,660). This represents over 36% of the total job creation in this quarter. As noted in recent quarterly periods, also in this last quarter, job creation in manufacturing tended to be concentrated in auto manufacturing with 9,200 announced new jobs. The second-ranking sector was transport and communications followed by real estate and business activities with 7,137 new jobs, just ahead of the retail sector reporting another 6,954 jobs.

In the manufacturing sector, aside from the job creation announced already mentioned at Audi and BMW, the largest cases concern other car makers which have started to recruit again after cutting many jobs during the recession. The rest of the announced manufacturing jobs were spread among a large number of cases from a variety of industries.

In auto manufacturing, **PSA Peugeot Citroen** announced the creation of 900 new jobs at its subsidiary in Trnava (Slovakia) for the production of a new car model while French car parts producer **Faurecia** announced the intention to increase the production of dashboards and create 700 new jobs at its subsidiary in Kosice (Slovakia). Another 700 new jobs were announced by American car maker **Ford** (including 500 posts for engineers) in Germany within the coming twelve months. Also **Seat**, wholly owned by the German Volkswagen Group, announced the hiring of 700 workers at its site in Martorell (Barcelona) for the production of the new car model Audi Q3.

The job creation recorded in the transport and communications sector is mainly attributed to the French national rail company **SNCF** case announcing 8,000 new jobs by the end of 2011. Only two other instances of job creation were reported in this sector: one is the American clothing company **TJX Europe** creating 900 jobs with the opening of a new distribution centre in Wrocław and the other concerns the creation of 300 new jobs announced by **Brussels Airport** with the increase of cargo flights.

In the real estate and other business activities, large consultancy firms continue to contribute to the overall job creation in the sector. The recent job creations announced by consulting companies **Steria** (1,200 new jobs) and **SII** (850 new jobs) in France and **PriceWaterhouseCoopers** (500 new jobs) in Luxembourg are cases in point. Other notable instances of job creation in the real estate sector are that of **Remax**, a Czech subsidiary of an international real estate network, announcing the recruitment of 800 agents and **Serco** which is to create 600 new jobs with the opening of a new call centre in Cardiff.

Finally, in the retail sector, aside from the **Jeromino Martins** case (4,000 new jobs in Poland), the rest of the job creation is spread across a number of comparatively smaller cases, mainly in the eastern European countries. For example, in this quarter, Tesco announced the creation of **600 new jobs** in Slovakia and another **100 jobs** in the Czech Republic with the opening of a new hypermarket.

Huis Clos' HR policy: hire and train

French manufacturer of PVC joinery and heating systems Huis Clos announced that it will recruit between 400 and 500 employees in 2011. Although the positions are for skilled workers, the company is ready to hire unskilled workers and offer them training to develop the required qualifications. For a wide circulation of the recruitment announcement, the company has concluded an agreement with the French employment public service, Pôle Emploi.

Since the company entered the renewable energy market in 2006, it has established a training programme with AFPA (an accredited training provider) to provide training to the new hires in refrigeration and air conditioning installation and services. Back then, the company embarked on this initiative after failing to find workers with relevant skills; there are no signs indicating that the company will abandon this strategy which has proved to be successful in overcoming the shortage of skilled labour.

Source: *L'usine Nouvelle*, **Huis Clos recrute massivement**, *25 May 2011*

Restructuring activity in the UK public sector

The past few months have seen a spate of announcements involving significant job cuts in the UK public sector, largely in local government organisations – city and county councils – throughout the country, but also in other areas of the public sector such as central government, schools, colleges and the police force. These announcements are the direct result of the government's budgetary cuts announced in its comprehensive spending review in October 2010. The review, containing cuts hailed as the most drastic in living memory, aims to cut a total of £81 billion over four years, the equivalent of 4.5% of projected 2011–15 GDP. It foresaw budget cuts of 30% in local government and 16% in the police force.

Figures from the UK Office for National Statistics (ONS) show that a total of 132,000 jobs were lost in the public sector over 2010. The most recent figures from the ONS, released in June 2011, show a continuing overall downward trend. During the year up to the first quarter of 2011, public sector job loss is accelerating, with 143,000 jobs lost overall in the public sector – 88,000 in local government and 37,000 in central government. On a quarterly basis, public sector employment decreased by 24,000 overall, to 6,162 million, compared with the previous quarter. Local government employment fell by 27,000, although central government employment actually rose by 4,000, while employment in public corporations fell by 1,000. However, the ONS notes that the level of public sector employment will fall further once those employed on temporary contracts until the end of June 2011 (in order to work on the UK population census) are taken into consideration. This will bring the total quarterly decrease to 39,000.

The UK government is remaining upbeat about the labour market, expecting that private sector employment will increase, thus counteracting the fall in public sector employment. Commenting on recent unemployment figures, employment minister Chris Grayling stated that there had been a 'welcome drop in the number of people on benefits, and the increase in full-time private sector jobs is a step in the right direction. But the rise in overall unemployment is a real concern and underlines the need to press ahead with policies which will further stimulate growth in the private sector.'

However, trade unions representing public sector workers have been voicing their concerns about the job losses. Dave Prentis, general secretary of Unison, has stated: 'the cuts in local government are biting even harder now. When jobs disappear, communities lose essential services such as home care, day-care centres and libraries. And local businesses lose the spending power of council workers. It's time for the government to think again about the downward direction they are taking the country. There are alternatives to cutting jobs so fast and so deep'.

The PCS trade union, which also organises public sector workers, has also come out strongly against the public sector job cuts, questioning the government's strategy and putting forward an alternative. It has stated that 'if the government cuts more jobs, this will only exacerbate the deficit crisis – more people will be unemployed and there will be less revenue. The answer to the crisis is therefore to create jobs not cut them. Currently there are less than 500,000 vacancies, while 2.5 million people are unemployed. 'Getting tough' on welfare will not work since there are not the jobs available. It will simply cause more misery – which is the only possible outcome of the coalition government's policies. This is why we must resist this government's policy of savage cuts […] we need a new economic strategy based on public investment, job creation, and tax justice.' Public sector trade unions organised a strike on 30 June 2011 in protest against cuts in pensions and pay and job losses in the public sector.

Despite trade union objections, it is likely that this trend of cuts in the number of public sector job will continue in the future. It is estimated that in the spring of 2011, some 170,000 local government workers were issued with 'at risk' (of redundancy) notices, which will still take some months to translate into actual redundancies. Furthermore, in line with the October 2010 spending review, every UK government department currently has a target to cut at least 30% of its central costs by 2015, which has ongoing implications for the size of the workforce.

Against the backdrop of almost daily job loss announcements and industrial unrest, there is currently heated debate about the likely extent and impact of future job cuts in the UK public sector. Most recently, the independent Office for Budget Responsibility predicted on 30 June 2011 that some 600,000 public sector jobs will be lost between 2011 and 2016. However, it is also expected that around 1.34 million jobs will be created over the next six years in the UK economy as a whole. The Chartered Institute for Personnel and Development (CIPD) estimates that government plans will result in a total of 350,000 job cuts in the public sector overall between 2010/11 and 2014/15.

Restructuring research notes

* **Research brief:** Short-term work as a policy instrument to cushion employment effects during the recent crisis

Summary: The paper deals with the mild response of the German labour market to the severe shock that occurred in the aftermath of the financial crisis. The authors analyse short-time work as an instrument to cushion the impact of the crisis on the labour market. Unemployment in Germany barely rose even as GDP declined by 5% in 2009. The authors argue that without the extensive recourse to short-time work, unemployment in Germany would have risen steeply – in absolute terms around twice as much as it actually did. As such, extending subsidies for a temporary reduction in working hours helped German companies in preventing dismissals and made them better prepared for a post-recession resumption of demand growth. Brenke et al conclude that short-time work is an instrument which can be used by firms to react flexibly to changing economic circumstances. The social blow of lost working hours can be cushioned and the necessary personnel are readily available when the situation improves. At the same time, the authors lay emphasis on the fact that the success of this policy is context-specific. In the German situation, its success is due to the fact that the recent crisis has mainly affected export-oriented sectors, particularly the manufacturing industry. But short-time work could also be observed in industry sectors that were not expected to be confronted with a loss of working hours due to the recession and may as a result lead to deadweight losses. Brenke et al. advocate a narrower interpretation and a consistent application of the laws, together with tighter controls to overcome these shortcomings.

Reference: Brenke, K., Rinne, U. and Zimmermann, K.F. (2011), Short-time work: the German answer to the Great Recession, IZA Discussion Paper No. 5780. Link: **http://ftp.iza.org/dp5780.pdf**.

* **Research brief:** labour hoarding as a rational reaction to the financial crisis

Summary: Möller challenges the view that the combination of employment protection regulation and short-time work schemes alone work as effective instruments to cushion the negative employment impact on the German labour market. The author finds empirical evidence that the main victims of the recession were exporting firms in manufacturing and regions with a high share of those firms. He points out the fact that these firms were the engines of growth and had suffered from a shortage of qualified professional workers before the crisis. As a consequence, companies had a high interest in retaining their core workforce. In a recovery, search, hiring and training costs for professional workers are by no means trivial. When faced with a temporary demand shock they will likely choose a strategy of labour hoarding which was further incentivised through the generous short-time work scheme. Möller concludes that employment protection is not a major factor in explaining the shock absorption capacity of the German labour market during the recent recession. It was rather labor hoarding – promoted by labor market policies – that played the dominant role.

Reference: Möller, J. (2010), The German labor market response in the world recession – de-mystifying a miracle. Link: **http://www.empiwifo.uni-freiburg.de/lehre-teaching-1/winter-term-10-11/materialien-oekonometrie/German_labor_market.pdf**

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 (3–5 per country) covered by a network of 28 national correspondents as well as an EU-level correspondent covering large, crossnational 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 (12,000+ restructuring cases from 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 (eg. UK, Poland) and lower levels in others (eg. 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 representative 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 datasource are its timeliness, its identification of individual cases of restructuring based on publicly available information and its uniqueness as an EU-wide dataset of larger-scale restructuring events.

The data for this report was extracted on 5 July 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**.

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