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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

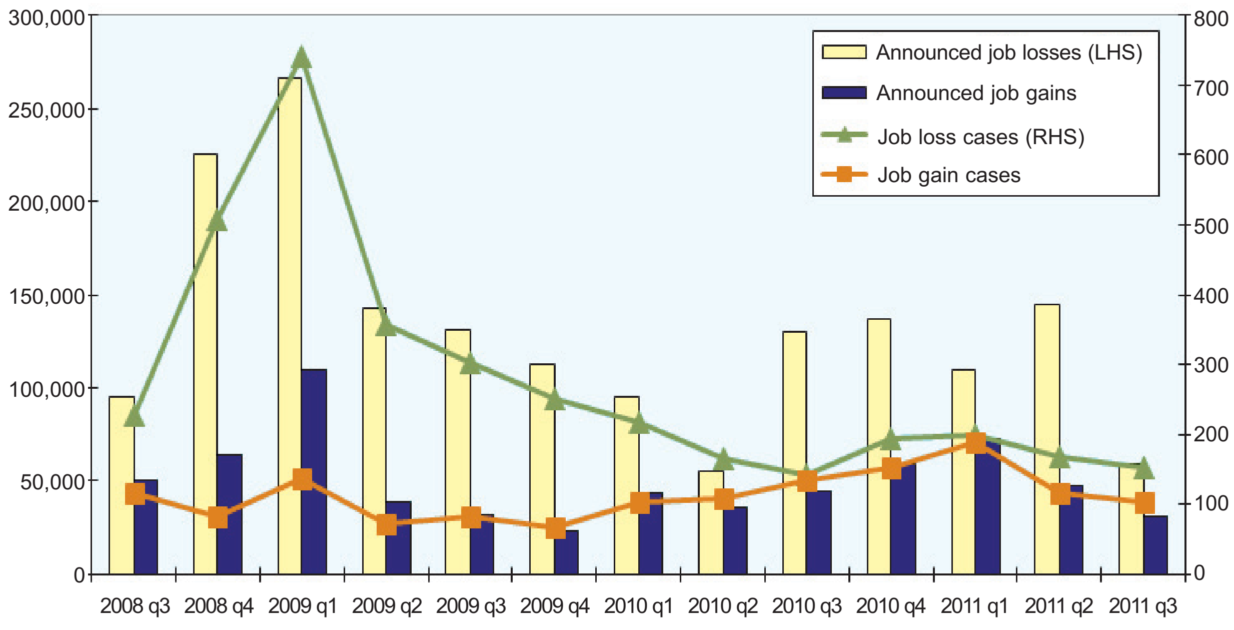
The economic situation continues to be dominated by sovereign debt problems in the eurozone countries. As these continue to remain unresolved, general sentiment has turned negative amid fears of a new second phase of the Great Recession of 2008–9.

Growth outlooks in the developed economies have recently been scaled back with below trend growth forecast for 2011–12. Austerity programmes, which have begun to negatively impact public employment, especially in local and central government administrations, have not thus far been accompanied by the hoped-for handover from public to private demand.

Within the EU, there are a number of different labour market stories reflecting very different trajectories during and after the 2008–9 crisis. Unemployment in Spain and Ireland continues to rise while other countries severely affected by the crisis – notably the Baltic states – show signs of a strong recovery. The German unemployment rate is at its lowest level in nearly twenty years (6%) despite a recent easing of growth while the UK unemployment rates is at an eighteen-year high (8.1%). Meanwhile in Greece unemployment has risen by 4 percentage points in the last twelve months.

At EU27 aggregate level, these differences cancel each other out. Employment has remained stubbornly around the 10% level for 18 months. The recovery remains not quite but nearly jobless. A net increase of one million persons in employment between mid-2010 and mid-2011 compares meekly with the five million net decline in employment during the recession.

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



Source: *ERM*

Over the last quarter (1 July to 30 September 2011), the ERM reported 254 cases of restructuring.[1] Of these, 152 were cases of announced restructuring involving job loss, and 101 were cases involving announced job creation. Total announced job losses totalled approximately 59,000 in the quarter as against announced job creation of just over 31,000. Perhaps the most emblematic restructuring announcement was that by Nokia in late September of the closure of their Jucu facility with the loss of 2,200 jobs, three years after the Finnish multinational transferred activities from Germany to the then newly constructed Romanian plant (see feature).

[1] Additionally, there were 9 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 European economy continues to tread water in the shadow of the sovereign debt/euro crisis. The IMF has recently scaled back growth forecasts for all developed economies in its World Economic Outlook,[2] partly given the risks that the debt crisis will resolve in an uncoordinated manner and partly in view of slowing growth in recently dynamic economies – including the BRICs countries and Germany. EU27 growth is now forecast to be 1.7% (down from 2.0% a quarter previously) and even lower in 2012 (1.4%).

Securing public debt sustainability remains a priority for most European economies. The largest economies in the region (France, Germany, Spain, the United Kingdom) are implementing different measures to reduce their deficits. Sovereigns that have come under market pressure (Greece, Ireland, Portugal and, more recently, Spain and Portugal), in particular, will continue with sizable front-loaded consolidation. This threatens to impact in particular on public sector employment (and, in many cases, pay). The spending plans of the UK coalition government announced in early 2011 foresee a decline in public sector employment over the coming four years amounting to half a million jobs. In Latvia, the public administration employs 30% fewer individuals than at the beginning of the crisis.

On a more positive note, some manufacturing subsectors have increased employment – car manufacturing, electronics and food – over the last year.

Like most other economic indicators, GDP growth shows divergent trends among the EU Member States (see table 1). The Baltic countries are managing tiger-like recoveries from their steep recent recessions, buoyed in part by demand from relatively fast-growing central European and Nordic economies. Southern Europe remains mired in very low growth (or recession in the case of Portugal and Greece) and low and slowing growth is also affecting the UK. Most recent data in September and October 2011 is notably less optimistic than that at the beginning of 2011.

Table 1: *GDP growth seasonally adjusted second quarter 2011 compared to previous quarter (bold), compared to a year earlier, i.e. second quarter 2010 (italic)*

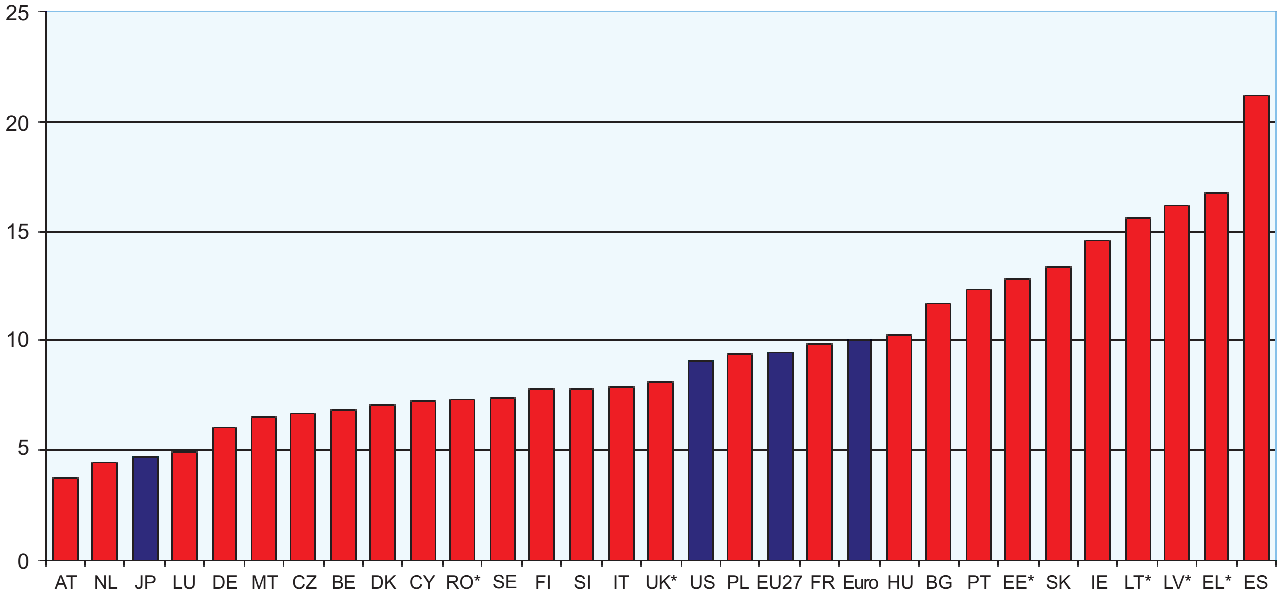
Belgium	**0.7**	*2.5*	France	**0.0**	*1.6*	Austria	**1.0**	*4.1*	EU27	**0.2**	*1.6*
Bulgaria	**0.3**	*2.0*	Italy	**0.3**	*0.8*	Poland	**1.1**	*4.5*	US	**0.2**	*1.5*
Czech Republic	**0.2**	*2.4*	Cyprus	**0.4**	*1.4*	Portugal	**0.0**	*-0.9*	Japan	**-0.3**	*-0.9*
Denmark	**1.0**	*1.9*	Latvia	**2.2**	*5.7*	Romania	**0.2**	*0.3*			
Germany	**0.1**	*2.8*	Lithuania	**0.4**	*6.2*	Slovenia	**0.1**	*1.0*	Brasil*	**:**	*3.1*
Estonia	**1.8**	*8.4*	Luxembourg	**:**	**:**	Slovakia	**0.9**	*3.5*	Russia*	**:**	*3.4*
Ireland	**:**	**:**	Hungary	**0.0**	*1.2*	Finland	**0.6**	*2.7*	India*	**:**	*7.7*
Greece	**:**	**:**	Malta	**:**	**:**	Sweden	**1.0**	*5.3*	China*	**:**	*9.5*
Spain	**0.2**	*0.7*	Netherlands	**0.1**	*1.5*	United Kingdom	**0.2**	*0.7*			

Source: *Eurostat EuroIndicators, 127/2011 except * (The Economist)*

[2] World Economic Outlook (WEO), September 2011 **http://www.imf.org/external/pubs/ft/weo/2011/02/pdf/exesum.pdf**

The EU unemployment rate remains stuck in a tight range around 9.5% since the beginning of 2010[3] with the eurozone (EA17) rate somewhat higher at around 10%, reflecting the particular public debt and funding difficulties of some Member States in the common currency. The average however conceals the high variation between Member States. Austerity programmes have contributed to a deteriorating labour market performance in Spain, Ireland and Greece. Those countries such as the Baltic Member States which were outside the Eurozone during the crisis and were compelled into earlier and in many cases even sharper public spending retrenchment are now beginning to enjoy strong employment growth. Amongst the larger Member States, labour market prospects are stagnant at best in the UK, Italy and Spain, more positive in Germany and Poland and somewhere in between in the case of France.

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

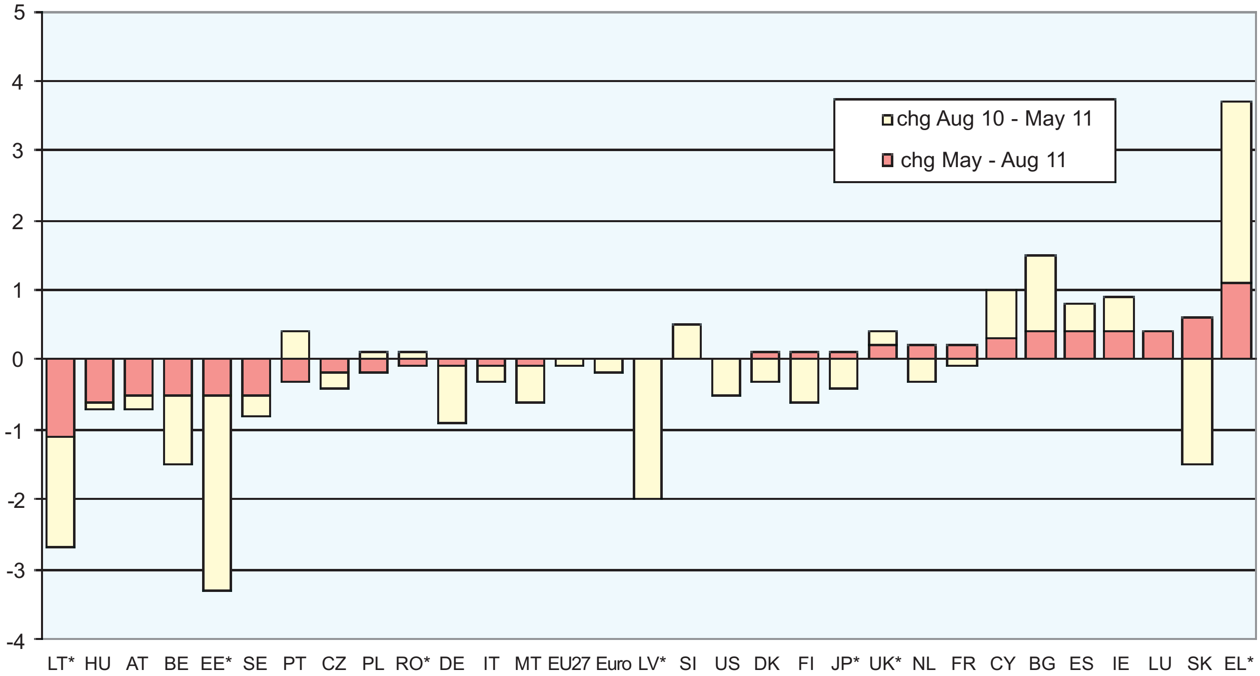


Source: *Eurostat, ONS (UK)*
Note: data for EE, EL, LV, LT and RO are from June 2011, JP from July 2011

Compared with a year ago, the unemployment rate fell in sixteen Member States, increased in ten and was unchanged in one. The largest falls in the last twelve months were observed in Estonia, Latvia, Lithuania (around 3 percentage points in the last year though up-to-date (August 2011) not available for these countries), Belgium (from 8.3% to 6.8%), Germany (6.9% to 6.0%), Sweden (8.2% to 7.4%) and Slovakia (14.3% to 13.4%). The highest increases were registered in Greece (13.0% to 16.1%) and Bulgaria (10.2% to 11.7%).

[3] Euro area unemployment rate at 10%
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-30092011-BP/EN/3-30092011-BP-EN.PDF

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



Source: *Eurostat*
Note: data for EE, EL, LV, LT and RO are from June 2011

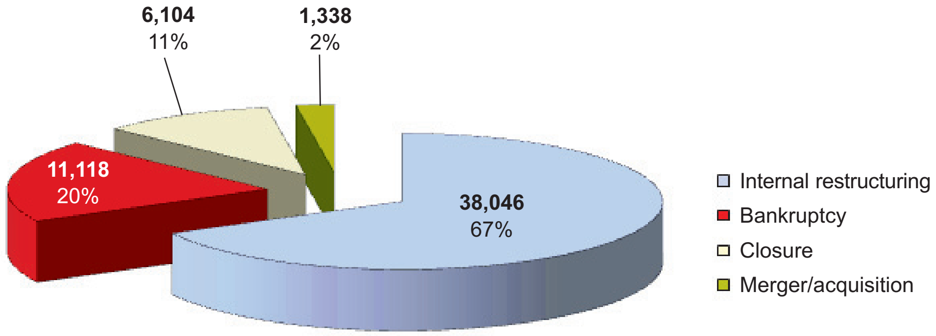
According to a September 2011 flash estimate from Eurostat, inflation in the euro area continues to rise and is now at 3%[4] – above its target rate but nearing levels at which it could assist in the unwinding of public and private debt loads. Interest rates remain low (ECB lending rate: 1.5%) but weak demand and a fearful financial system mean that this is not feeding through into growth. Uncertainty prevails. The priority of stabilising the common currency – and public finances – appears now to be a necessary condition of sustainable future growth of output and employment.

[4] Eurostat (October 2011), *Euro area annual inflation up to 3.0%*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-14102011-BP/EN/2-14102011-BP-EN.PDF

Overview of ERM cases July – September 2011

The ERM recorded a total of 254 cases of restructuring between 1 July 2011 and 30 September 2011. These cases involved 58,796 announced job losses and 31,066 announced job gains. Internal restructuring accounted for almost 70% of the announced job losses. Compared to the previous two quarters of 2011, the ERM recorded an increase in the restructuring job losses attributable to bankruptcies (20%) and closures (11%), while mergers and acquisition remained stable (2%).

Figure 4: *ERM job losses by type of restructuring, July– September 2011*



Source: *ERM (European Restructuring Monitor), July-September 2011*

In terms of geographic distribution, the countries which recorded the greatest number of announced job losses were the United Kingdom (9,256 jobs) and Netherlands (8,024 jobs), followed by Romania (6,575 jobs), Italy (4,525 jobs) and Poland (4,002 jobs). The United Kingdom and Romania also featured on top of the countries with the highest job creation (5,597 and 4,456, respectively) without, however, job gains outnumbering total job loss. A comparatively high number of new jobs were also announced in France (4,005) and the Czech Republic (3,268).

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*

Announced	Company	Announced job losses	Location	Sector	Type of restructuring
8/7/2011	Focus	3,100	United Kingdom	Retail	Bankruptcy
26/8/2011	ABN Amro	2,350	Netherlands	Financial intermediation	Internal restructuring
29/9/2011	Nokia Romania	2,200	Romania	Manufacturing	Closure
5/7/2011	Ruch	2,070	Poland	Retail	Internal restructuring
15/9/2011	Campania public transport sector	2,000	Italy	Transport/communication	Internal restructuring
1/7/2011	Ministry of Internal Affairs	2,000	Netherlands	Public Administration	Internal restructuring

Source: *ERM, July–September 2011*

The largest case of restructuring-related job losses in the ERM relates to UK DIY retailer **Focus** which announced in July 2011 that it had gone into administration with the loss of 3,100 jobs across 122 stores; 54 stores have been purchased by other retailers, saving a total of 900 jobs.

Large job losses have also been announced at **ABN Amro** as the banking group announced it will cut 2,350 jobs in the Netherlands by the end of 2014. ABN Amro already cut more than 6,000 jobs over the past two years after its merger with Fortis. The majority of the announced job losses will take place at the head office (administrative functions), the IT department and in retail and private banking departments.

Nokia Romania announced in September 2011 its intention to close its factory in Jucu (Cluj, Romania), dismissing all 2,200 employees. The measure is part of a group level restructuring plan which aims to concentrate activities in its Asian units (see feature). Large losses have also been announced at Polish press distributor **Ruch** which announced the restructuring of its activities implementing 2,070 job cuts by the end of 2011.

Further losses have also been announced at the **public transport division of the Campania region** (Italy). Following the latest economic measures approved by the Italian government envisaging heavy financial cuts for public transport, the Campania region announced the need for around 2,000 job cuts in the sector (out of around 14,000 employees). Regional authorities and the social partners reached an agreement that envisages economic incentives for voluntary dismissals and a regional fund with the aim of supporting public transport at local level.

Other substantial losses have been announced at the **Dutch Ministry of Internal Affairs** where 2,000 out of 11,000 jobs will be cut in the coming four years. The decision was made due to budget cuts which are aimed at saving €546 million per year. A large part of the jobs will be scrapped at the Immigration Authority (IND) and at the Government Housing Board (Rijksgebouwendienst).

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

Announced	Company	Announced job gains	Location	Sector
28/07/2011	Skoda Auto	2,168	Czech Republic	Manufacturing
15/09/2011	Kingfisher	1,100	United Kingdom	Retail
14/09/2011	John Lewis	1,100	United Kingdom	Retail
22/09/2011	Yazaki Romania	1,000	Romania	Manufacturing
16/09/2011	Kia Motors Slovakia	1,000	Slovakia	Manufacturing
20/07/2011	Jaguar Land Rover	1,000	United Kingdom	Manufacturing

Source: *ERM, July–September 2011*

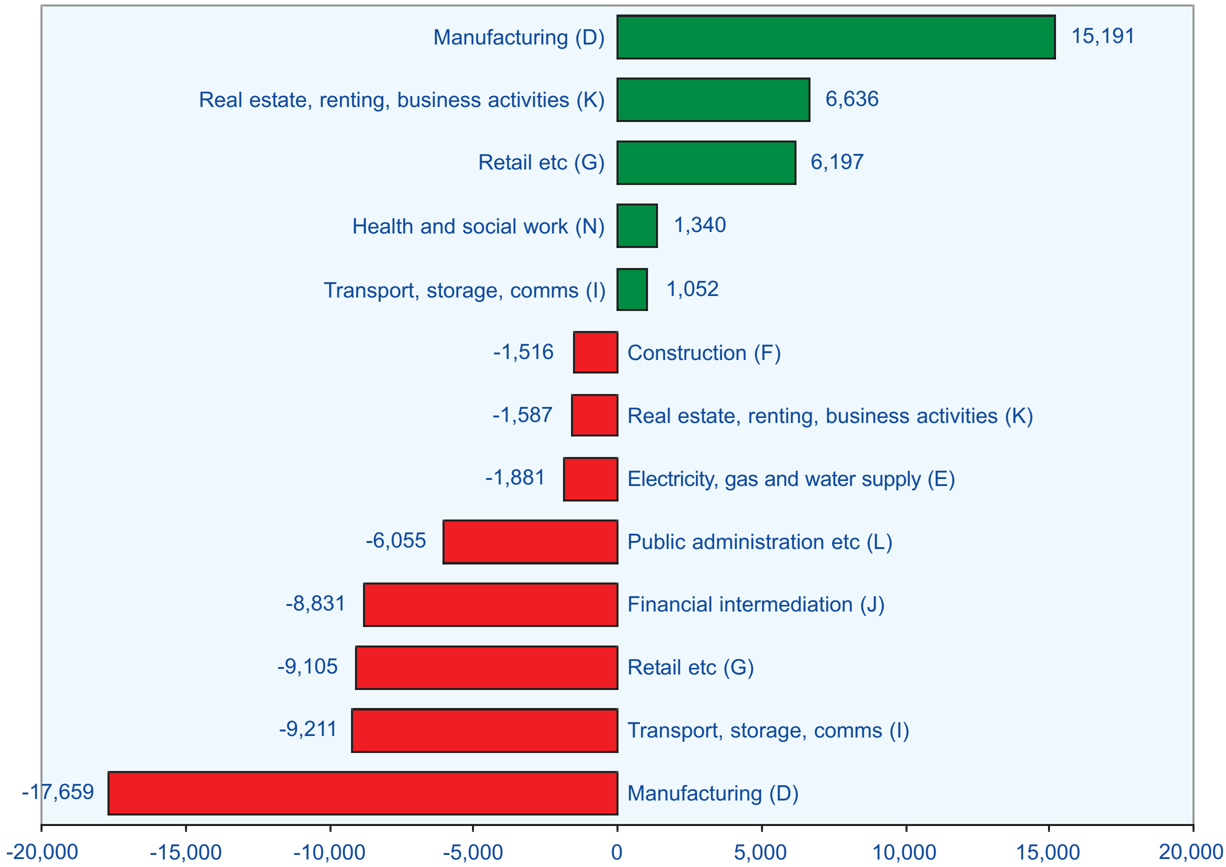
The largest instance of job creation during the quarter was that of Volkswagen's Czech unit **Škoda Auto** announcing 2,168 new jobs. The company is looking to launch several new models and double production by 2018. This new recruitment drive comes after Skoda had cut many jobs in the period 2009–2010. The second largest case of job creation concerns retailer **Kingfisher** with 1,100 new jobs for its B&Q and Screwfix stores as profits at its UK and Irish Republic business improved. Having opened 13 new outlets this year, the retailer expects to open another 40 by January 2012. In spite of 'extremely challenging' conditions, another UK-based retailer **John Lewis** has recently experienced an increase in sales and announced the creation of another 1,100 jobs in the UK. The other large cases of job creation relate to business expansions announced by manufacturers operating in the car industry.

Japanese car components manufacturer **Yazaki** is to create 1,000 new jobs at a new production unit in Caracal (Romania) while **Kia Motors Slovakia** announced the creation of another 1,000 jobs with the expansion of its business in Žilina. Meanwhile, in the UK, **Jaguar Land Rover** has announced that it intends to recruit 1,000 engineers for its Solihull, Halewood and Castle Bromwich plants. It is reported that the firm is encouraging Derby-based Bombardier workers recently made redundant to apply for engineering jobs at the Gaydon-based car maker.

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 third quarter of 2011.

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



Source: *ERM, July–September 2011*

Job reduction

During the third quarter, manufacturing reported the largest number of announced job losses (17,659 jobs) on the ERM followed by transport/communications (9,211 jobs), retail (9,105 jobs) and financial intermediation (8,831 jobs).

In addition to the job losses at **Nokia Romania**, aircraft and rail manufacturing giant **Bombardier** announced in July its decision to cut 983 contractors and 446 permanent staff from its plant in Derby (UK) where the company employs around 3,000 people. In aeronautical manufacturing, **Alenia**, part of the Italian Finmeccanica group, announced its 2012–2013 reorganisation plan envisaging about 1,200 job cuts. The plan is the result of the merger between Alenia and its subsidiary Aermacchi. The plan provides for closure of the plant located at Casoria (near Naples) and the transfer of several employees from the Pomigliano and Nola plants to Rome. The restructuring plan also envisages the outsourcing of stock management activities, affecting 500 employees. According to the reorganisation plan, redundant employees will benefit from some ‘social shock absorber’ measures.

Steel manufacturer **Tata Steel IJmuiden** announced 1,000 cuts in the Netherlands in the coming four years. The company stated it plans to apply restructuring measures that do not involve forced dismissals. More losses in the sector have also been announced at **Upetrom**, a manufacturer of machinery for the oil extractive industry, which announced in August its intention to dismiss 744 employees in Romania in September 2011. Car supplier **Ymos** filed for insolvency for six of its affiliates in Germany, resulting in 690 job losses (more than 300 in Idar-Oberstein and around 290 in Prenzlau). However, production is still running and the group hopes to sell off parts of the business. Finally, during the quarter, Finnish electronics company **Elcoteq**, notified the local labour office and unions of its plan to dismiss 680 employees at its plant in Pécs, Hungary.

In the transport sector, the largest announced job losses relates to the job cuts affecting 2,000 employees at the **public transport sector division of the region Campania** mentioned above. Other substantial losses in the quarter include the announcement at Romanian National Railway operator **Societatea Nationala de Transport Feroviar de Calatori** at the beginning of July of the dismissal of 1,000 employees by the end of the month. Large losses have also been recorded as the commercial court of Bobigny, France, announced at the end of September the liquidation of freight transport group **Mory** that employed 5,300 people and had been placed in receivership in June. Under the court decision the company was split into two companies which will take over its activities. Investment fund Caravelle took over the express transport activities, Mory Team, and it aims to preserve 2,800 jobs out of a total of 3,500. In total, the social plan affects over 800 Mory employees. Other job losses have been announced as Slovenian logistics company **Viator & Vektor Logistika** filed for bankruptcy on 31 August, resulting in the dismissal of its entire workforce (550 employees).

In communications, the largest losses announced was at **Itella**, formerly the Finnish postal service, which announced in August its intention to cut up to 430 jobs, as it plans to shift towards electronic communication. After mandatory negotiations with employee representatives, Itella announced in September it decided to expand the lay-off negotiations thus pursuing a further 430 dismissals. This brings the total number of planned redundancies to 860 job losses. Large losses in the sector have also been announced at telecommunication company **Talk Talk**, which stated in September it was to close its Waterford call centre on 6 October 2011, resulting in 575 job losses. About 80 positions have been made available to staff willing to move to Talk Talk UK operations. More announced job losses in the quarter resulted from Romanian telecommunication company **UTI Facility Management**'s notification to the Labour Inspection Office of its dismissal plan affecting 505 employees at its Bacău unit. In the postal sector, **Royal Mail** announced its plans to cut more than 500 jobs in the UK midlands affecting 182 jobs at Derby, 280 at Leicester and 97 in Worcester. The company hopes to implement the planned redundancies via voluntary means, redeployment and natural wastage.

In financial intermediation, the largest announced job losses relate to the afore mentioned announcement at **ABN Amro** involving over 2,300 job losses in the Netherlands, while more losses in the country have been recorded at **Rabobank** which announced it will cut 1,230 jobs at its head office in Utrecht by the end of 2013. Several losses have also been announced in Portugal, following the sale of **Banco Português de Negócios** to the Angolan Bank (BIC), which will result in 830 job cuts. Other large losses have also been announced at **Co-operative Financial Services (CFS)** (670 jobs, UK), **HSH Nordbank** (550 jobs, Germany), **Nordea** (2,000 jobs across Scandinavia by the end of 2012). The group estimates that about 500–650 jobs will be lost in **Denmark**, **Finland** and **Sweden** respectively, while a further 200–300 jobs will be lost in **Norway**.

In the retail sector, the largest announced job losses were those already mentioned at **Focus** and **Ruch**. In addition, Liverpool-based retailer **TJ Hughes** went into administration in August, putting up to 4,000 jobs at risk. So far 1,068 jobs have been lost, but it is anticipated that more will follow as acting administrator, accountancy firm Ernst and Youngm, announced that at least 21 of its 57 stores will close across the UK. Other substantial job cuts have been recorded as Swedish home electronics retailer **OnOff** filed for bankruptcy in July resulting in the closure of its 67 stores and in the dismissal of the entire workforce, 900 employees. In Greece, **Atlantic** supermarket chain declared bankruptcy at the beginning of September resulting in the dismissal of its 800 employees.

Job creation

As in the previous quarter, the manufacturing sector recorded the highest number of announced new jobs (15,191). This represents nearly half of the total new jobs in this quarter. Job creation in manufacturing continues to be concentrated in auto manufacturing with 9,398 announced new jobs. The second-ranking sector was retail (6,197) followed by real estate and business activities with 6,636 new jobs.

In the manufacturing sector, aside from the large cases already mentioned, other notable instances of job creation concern companies operating in the car industry. German car parts supplier **ZF Friedrichshafen** announced its intention to employ 900 workers and eventually expand its business in the wind energy industry while Japanese car maker **Toyota** unveiled plans to create 500 new jobs in France for the production of a new car model. In the latter case, although the new hires are to be recruited on temporary contracts, these may be converted to permanent contracts in the future.

In the retail sector, besides the Kingfisher and John Lewis cases (each announcing 1,100 jobs in the UK), one of the largest instance of job creation was announced by French retailer **Carrefour** with the opening of three new stores, each creating 300 new jobs. During this quarter, the ERM has recorded three announcements of job creation by supermarket chain Tesco with the opening of new stores in **England** (350 jobs), **Scotland** (117 jobs) and **Hungary** (100 jobs). Tesco has been hiring around 1,500 new employees per year. Meanwhile, Swedish furniture retailer Ikea continues recruiting new staff in various countries – namely **Portugal** (350 new jobs), **Bulgaria** (350) and **Spain** (300) – as it continues to open new stores.

Over 20% of the job creation in the real estate and other business activities concerns call centre jobs. One of the largest cases is outsourcing services provider **Aegis** with the opening of a new customer centre in Manchester (UK) that is creating 600 jobs. The decision to start business in the city followed consultation with local businesses and civic leaders.

French phone operator **Free Mobile** announced the hiring of 200 employees for its new call centre in Vitry-sur-Seine (France). The recruitment process was managed jointly by the company and the employment public service (Pôle Emploi). Public authorities also played a big role in the recruitment announced by call centre operator **Webhelp** for their new site in Montceau-les-Mines (France). The company plans to hire 150 employees and will receive a subsidy of €5,000 for each new job created. Another 145 new jobs will come on stream at their site in Étrelles. Webhelp is recognised for its strong HR policy with a high level of training, particularly for their new hires.

Almost a third of the job creation announced in the real estate and other business activities is concentrated in the IT sector, where public funding has supported job creation efforts. In their recent announcement, game development company **BioWare** acknowledged the state support for the recruitment of 200 workers for their operation in Galway, while software firm **Red Hat** received a CZK 100 million grant from which contributed to the creation of 150 new software and developer jobs at its technological centre in Brno.

Skilled labour shortage: a hurdle to boost production

Despite the overall decline in employment, some companies are struggling to find skilled labour. Skills shortages tend to concentrate in the IT industry though some companies operating in the manufacturing sector are also reporting similar problems.

Swedish car manufacture Volvo has been struggling to recruit the 1,000 engineers it needs to meet its increased production. Around 400 engineers are expected to be recruited by the end of 2011 but the recruitment process has turned out to be long and difficult due to shortage of engineers in Sweden. For this reason, the company has started to recruit staff from southern Europe.

The same problem is reported by UK oil company BP which is now looking to recruit between 150 and 300 new employees per year. The company's efforts to increase production in the North Sea are being threatened by a shortage of skilled engineers.

Plans to take on 400 new employees announced by Polish shipyard manufacturer Crist are proving equally difficult. The company is now looking for new workers outside Poland, hoping that this will help to find a solution to this pressing problem.

Sources: *Dagens Industri*, 25 August 2011; *Independent*, 15 August 2011; *Strefa Biznesu*, 25 September 2011.

Restructuring at Nokia Romania

When in January 2008 mobile-phone manufacturer giant Nokia announced its decision to close its German manufacturing plant in **Bochum** as production was to be offshored in large part to a new plant in Jucu (Romania), no one would have imagined that Nokia's experience in Jucu would be so short-lived.

At its peak in 2002, Nokia contributed 21% of all of Finland's corporate tax revenue.[5] While still the world's largest manufacturer of mobile phones, Nokia's leadership in the market has been seriously challenged since 2007. Its market share dropped from an estimated 40% in 2008[6], to 33% last year and 29% this year.[7]

Nokia's decision to close its Bochum manufacturing site in 2008 was controversial. It led to 2,300 direct job losses and a further 2,000 job losses among temporary agency workers and in supplier companies. Authorities questioned whether Nokia was liable for the repayment of investment subsidies the company had received in 1998 and 1999 from the North Rhine-Westphalia (NRW) regional government and the German Federal State.[8] NRW authorities maintained that Nokia did not fulfil the conditions under which the subsidies were granted, pointing towards Nokia's failure to create a minimum agreed number of permanent jobs between 2002 and 2005.[9] Nokia cited market changes, requirements for global cost efficiency and flexible capacity growth as reasons behind its restructuring plan and, in particular, low Romanian labour costs (reportedly around one tenth of German labour costs) as reasons for its decision to offshore production to a new site in Romania.[10]

[5] **http://www.businessweek.com/magazine/content/11_24/b4232056703101.htm**

[6] Internazionale, Il futuro dei telefonini e l'avventura di Elop, n. 903, 24-30 June 2011, p.49

[7] **http://www.ft.com/intl/cms/s/0/d4fc7fd0-6c08-11e0-b36e-00144feab49a.html#axzz1aa0cqmT6**

[8] **http://www.eurofound.europa.eu/eiro/2008/05/articles/de0805019i.htm**

[9] **http://www.eurofound.europa.eu/emcc/erm/templates/displaydoc.php?docID=46**

[10] **http://www.ft.com/intl/cms/s/0/d2a85cf6-c632-11dc-8378-0000779fd2ac.html#axzz1aa0cqmT6**

Only three years later, Nokia's Bochum experience seems destined to repeat itself in Jucu. Built over seven months at a cost of $88 million, the Jucu factory was opened to facilitate transfer of production from Bochum in 2008. The plant specialised in the production of low-end mobile phones. In September 2011, Nokia announced its decision to close its **plant in Jucu** by the end of the year, resulting in 2,200 job losses. The European market has dramatically shifted towards smartphones, whereas 'feature phones' are predominantly used in Asia. Nokia decided to move production to its Asian plants in China, South Korea, and India and to a new facility that the company is building in Vietnam, in order to create greater scale and proximity benefits by using its Asian factories.[11]

Nokia's announcement of the Jucu factory closure is part of a **worldwide restructuring plan** announced in September. This plan envisages a total of 3,500 job losses across Nokia's operations in Romania, Germany and USA (Pennsylvania). In addition to the 2,200 jobs at Jucu, a further 1,300 jobs will go at logistics and sales divisions in Bonn (Germany) and Malvern (Pennsylvania, United States) by the end of the year. With this round of cuts Nokia aims to shrink its 'devices and services' division workforce which stood at 59,150 at the end of June, by approximately 18% throughout next year.[12]

This is the second world-wide restructuring announcement made by Nokia during 2011 and these 3,500 job losses announced in September come on top of **7,000 job cuts** across its sites in Finland, Denmark, India, Romania, the UK and the US announced in April 2011. Around 4,000 employees will be made redundant and of these around 1,400 jobs will be lost in Finland,[13] while **120 employees** were made redundant in Romania as the research division of the Jucu factory was closed at the end of September. The remaining 3,000 jobs instead are to be transferred to Accenture, the consulting and technology services group, under an outsourcing deal, in order to initially work on software development and support services.

These restructuring plans follow a decision taken in February 2012 to team up with Microsoft in the smartphone market in order to equip Nokia handsets with Microsoft's windows phone operating system rather than Nokia's own Symbian software. This is an attempt to a mount a challenge to the dominance in the smartphone market of Apple and others.[14] Nokia has struggled to produce smartphones to match Apple's iPhone and devices featuring Google's Android software. Its shares have fallen 70% since Apple launched the iPhone in 2007.[15]

The darkest days might not be over yet, however, for Nokia's workforce as the transition from Symbian to Windows Phone is expected to take almost two years to complete. The company is already warning that there might be further job losses announced in the first quarter of 2012 as it restructures production at its factories in Salo (Finland), in Hungary and Mexico.[16]

[11] **http://www.ft.com/intl/cms/s/2/619bc988-ea7a-11e0-b0f5-00144feab49a.html#axzz1ZRqmTrOr**

[12] **http://www.nytimes.com/2011/09/30/technology/nokia-to-cut-3500-more-jobs.html?_r=1**

[13] **http://www.ft.com/intl/cms/s/2/cb36bad8-70ae-11e0-9b1d-00144feabdc0.html#axzz1KnqaNl00**

[14] **http://www.ft.com/intl/cms/s/0/d4fc7fd0-6c08-11e0-b36e-00144feab49a.html#axzz1aa0cqmT6**

[15] **http://www.ft.com/intl/cms/s/2/cb36bad8-70ae-11e0-9b1d-00144feabdc0.html#axzz1KnqaNl00**

[16] **http://www.ft.com/intl/cms/s/2/619bc988-ea7a-11e0-b0f5-00144feab49a.html#axzz1ZRqmTrOr**

Restructuring in the education sector

Recent months have seen restructuring and warnings of more change to come in the education sector, linked mainly to cuts in public spending, but also to demographic trends such as reduced student numbers. Public spending cuts and forecast job losses have triggered protests by teaching staff in some countries.

The Spanish economy and labour market is suffering particularly badly from the crisis and its aftermath, with an unemployment rate of 21.2% in August 2011, compared to an EU27 average of 9.5%. Regional governments who are responsible for education spending have been ordered to cut budgets, and this has meant cuts in public service workforces, including the education sector. It has been estimated that in September, at least one in six of newly unemployed people in Spain were regional and municipal workers from the health, education or social services sectors. Most recently, in Madrid, schoolchildren, parents, and teachers have been holding protests against the regional government's plans to enact spending cuts in the education sector, scheduled to take effect towards the end of October 2011. They maintain that the cuts will result in an increase in weekly teaching hours and cuts in class preparation time, and are concerned that this will damage the quality of secondary education and mean less work for support teachers.

In Italy, teachers have also been protesting against cuts in public spending, alongside the country's other public sector workers. A total of three million public sector workers, including teachers, took strike action in September 2011, with major demonstrations in many cities, including Milan, Naples and Rome. The teachers are protesting against public spending cuts of around €47 billion which are expected to result in lower pay and pensions, fewer teachers, larger class sizes and the increased casualisation of the teaching labour force. This will add to cuts of more than 140,000 teaching posts over the past three years in Italy.

In France, public and private sector teachers participated in mass national protests on 27 September 2011. Trade unions were protesting against the planned abolition of 14,000 teaching posts nationally, adding to the 80,000 posts that have already been cut or will be cut between 2007 and 2012. Unions argue that this makes no sense, since student numbers are actually increasing in France.

Similarly, in Poland, it is reported that some district authorities are planning to make up to 30% of their staff redundant, due to budget cuts and a reported drop in student numbers. However, unions counter that the district authorities are using the demographic slump as a pretext for cutting teaching posts in order to save money, and are also planning to reduce teachers' pay and increase their working hours.

In other new Member States, such as Lithuania, the education sector has been going through particularly difficult times. The economic crisis brought long-standing problems to a head in 2010, resulting in wage cuts and job losses. This sector is one of the most heavily unionised in Lithuania and the social partners have finally succeeded in setting up a Committee on Education within the country's Tripartite Council, which it is hoped will help to resolve the sector's problems though social dialogue. Romania has also been experiencing significant and on-going unrest in its education sector, following significant cuts introduced by the government at the end of 2009 in public funding for primary and secondary schools. Education trade unions challenged the constitutionality of the cuts in January 2010.

In the UK, cutbacks in the education sector will take effect over a four-year period from 2010, which is expected to have a severe impact on the workforce and the country's school building programme. Education sector trade unions have been opposing the cuts and planned changes in teachers' pensions. Public sector unions in the UK, including teachers' unions, are currently balloting on industrial action to protest against planned cuts in public sector pensions.

Higher education is also suffering from government spending cutbacks in many countries. In Poland for example, in June 2011, the Technical University of Radom announced plans to cut 100 jobs among technical and administrative staff, due to a perceived need to rationalise the workforce and to cut the costs of running technical and administrative services. In the Netherlands, Hogeschool InHolland announced in September 2011 its intention to cut 470 jobs, including around 70 teaching posts. Here, however, the cuts are motivated less by the recession and more by doubts about the quality of some of the courses offered by the school during recent years, which has resulted in a 30% decrease in the number of new students. Finally, the UK's higher education sector is undergoing a significant period of change and restructuring, following a planned increase of student fees to up to £9,000 a year from 2012, and significant cutbacks in government funding of around £940m to capital budgets and teaching, announced by the Higher Education Funding Council for England (Hefce) in April 2011.

Restructuring research notes

* **Conference brief:** Globalisation and labour market outcomes, ILO, Geneva, June 24–25 2011.

Summary: A short synopsis of contributions to a major ILO conference earlier this year looking at the impacts of globalisation on labour markets, especially developed economy labour markets. Findings from research presented included:

- Losses in economic efficiency arising from trade-induced increases in welfare spending are of the same order of magnitude as US consumer gains from trade with China. Over 40% of US manufacturing sector employment decline (2000–7) was attributable to Chinese import competition (David Autor).
- Wage declines of those leaving the US manufacturing sector to take up jobs in the US services sector in the range 6–22% (Margaret McMillan).
- Globalisation is associated with a re-allocation of workers across sectors and occupations. Re-allocation of workers across sectors associated with 2–4% decline in wages, across occupation by a 3–11% decline in wages (Ebenstein et al, 2011, cited by McMillan).

For a full set of presentations and papers from the conference, see links below.

Reference: Becker, S., Jansen, M. and Muendler, M. (2011), 'Making globalisation work for workers'.
Links: **http://www.voxeu.org/index.php?q=node/7048**, see also
http://www.ilo.org/employment/Whatwedo/Eventsandmeetings/WCMS_156332.

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 EU-27 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'). The ERM also enables the compilation of aggregate data (click 'Statistics') based on the information available in the database (13,000+ 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 (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 representative sources such as the European Labour Force Survey (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 7 October 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** and **Andrea Broughton** (ERM EU-level correspondent).

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