

## Macroeconomic trends and prospects

Prospects for growth in the EU are improving thanks to the combination of a smaller fiscal drag, stronger external demand and a gradual improvement in private sector lending conditions. The International Monetary Fund (IMF) forecasts that output will increase in the euro zone by 1.1% in 2014 after a 0.3% decline in 2013.<sup>1</sup> Eastern Europe still faces a constrained recovery as a consequence of its dependence on the euro zone as its principal export market. Poland's growth rate is expected to slow further to 1.25% in 2013 due to 'lacklustre private consumption', declining demand from core European partners and a drop in EU-funded public investment. Hungary faces difficulties due to high public and external debt as well as lower levels of confidence and investment.

Labour market lagged adjustments show wide variations among the Member States for 2013. Spain and Greece still have the highest unemployment rates (close to 27%), while Austria, Luxembourg and Germany have the lowest (less than 6%).

Overall, the employment rate is expected to decrease by 0.5% in the EU and 0.75% in the euro zone. Forecasts for the unemployment rate foresee an increase in the figures in both areas. Despite the negative prospects, hiring intentions seem to be improving in some sectors, such as manufacturing (due to the high export share), services and the construction sector (a domestic demand-led effect).

<sup>1</sup> IMF (2013), 'Country and regional perspectives', *World economic outlook: Hopes, realities, risks*

## Job creation and job loss at a glance

The ERM recorded a total of 250 cases of announced restructuring between 1 July and 30 September 2013. Of these, 155 involved job loss, 93 involved job creation, and 2 involved both job loss and job creation. There was a significant fall in both job-loss and job-gain restructuring activity compared to the previous quarter, but this is customary in the seasonal summer lull.

The restructuring cases involved 57,081 announced job losses and 27,792 announced job gains. Internal restructuring accounted for almost 70% of the job losses. While the incidence of job loss due to bankruptcy (18%) increased notably compared with the previous quarter, the incidence of closure (11%) and offshoring or delocalisation (2%) decreased.

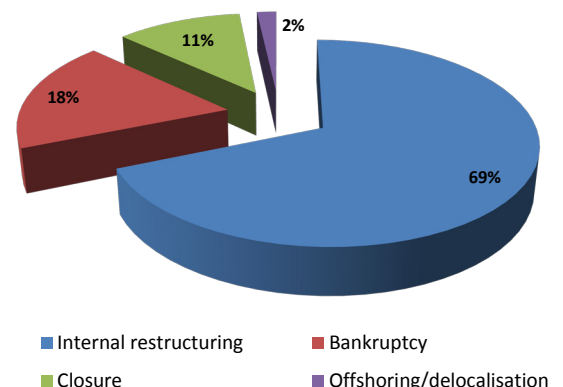
In terms of geographic distribution, Spain recorded the greatest number of announced job losses (6,741 jobs), followed by France (6,454), Germany (5,629), the Netherlands (5,138) and Romania (4,805). Poland recorded the highest number of new jobs (6,320), followed by Romania (4,465), the Czech Republic (3,179), Hungary (2,396) and the United Kingdom (2,300).

2013 Q3	Announced job loss	Announced job gain
EU27	57,081	27,792
EU27 change on previous quarter	-46%	-38%
Big increases* by country	Austria ++ Romania ++ Hungary +	Hungary ++ Czech Republic +
Big increases* by sector	Transportation and storage +	

\* Comparing the quarter to the four-quarter moving average; ++ = >100%; + = >50%; excludes country or sector if quarter average and 2013 Q3 <1,000.

Source: ERM, July–September 2013

Announced job losses by cause



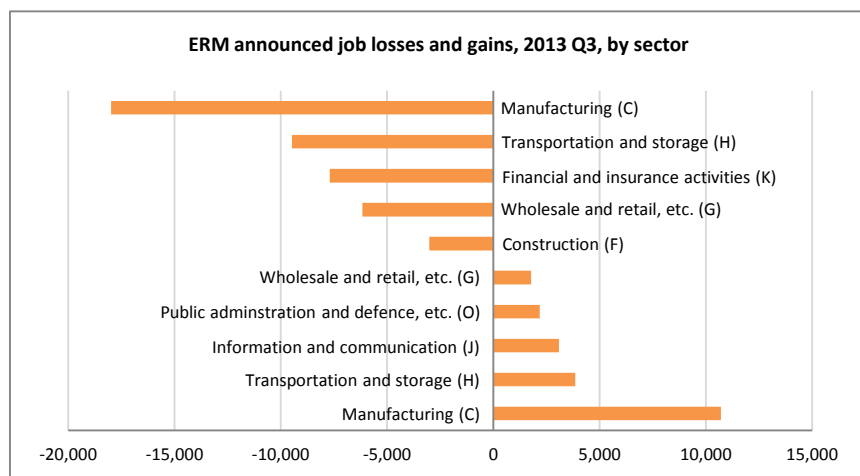
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## Sectoral distribution of job losses and gains

The chart plots the top NACE 2 one-digit sectors in terms of announced job loss and job creation. Manufacturing experienced most restructuring activity, both in terms of announced job losses and job gains. It accounted for over 30% of total job losses and almost 40% of total job gains.



### Announced job losses

Manufacturing (C)	17,983
Transportation and storage (H)	9,466
Financial and insurance activities (K)	7,694
Wholesale and retail, etc. (G)	6,156
Construction (F)	3,008

### Announced job gains

Manufacturing (C)	10,710
Transportation and storage (H)	3,856
Information and communication (J)	3,090
Public administration and defence etc. (O)	2,180
Wholesale and retail, etc. (G)	1,775

Source: ERM, July–September 2013

## Top five cases of job loss and job creation

Date	Company	Job losses	Location	Sector	Type of restructuring
18 July 2013	Posta Romana	3,650	Romania	Transportation and storage	Internal restructuring
12 July 2013	Dayli	3,468	Austria	Wholesale and retail, etc.	Bankruptcy
31 July 2013	Air France	2,800	France	Transportation and storage	Internal restructuring
1 August 2013	Catalunya Banc	2,453	Spain	Financial and insurance activities	Internal restructuring
19 July 2013	Piraeus Bank Group	2,182	Greece	Financial and insurance activities	Internal restructuring

The largest case of job loss recorded in the quarter was that announced by the national postal service in Romania, Posta Romana, which plans to cut 3,650 jobs by September 2013. Job losses were also announced in Austria following the bankruptcy of drugstore chain Dayli in July. As no investor has been found, the company will be liquidated and permanently closed, resulting in the dismissal of its 3,468 employees. Air France announced that it will open a voluntary departure plan in 2014, downsizing its workforce by 2,800 employees. The number of job cuts initially envisaged was 2,500. Large losses were also announced in the financial sector: Catalunya Banc announced 2,453 job losses and the closure of 450 offices (initially the bank had envisaged 2,250 job cuts), while Piraeus Bank Group launched a voluntary redundancy plan for 2,182 employees in Greece. Redundancies will be implemented after September 2013.

Date	Company	Job gains	Location	Sector
17 July 2013	Lotos Group	2,000	Poland	Manufacturing
8 July 2013	Center Parcs UK	1,500	UK	Accommodation and food service activities
26 Sept 2013	Agentia Nationala de Administrare Fiscala	1,181	Romania	Public administration and defence
19 July 2013	Royal Dutch Shell	1,000	Poland	Manufacturing
8 July 2013	Sólyom Hungarian Airways	700	Hungary	Transportation and storage

The largest case of job gain recorded in the quarter was announced in July by Polish fuel producer and distributor Lotos Group, which plans to create between 2,000 and 3,000 jobs by the end of 2015. Holiday company Center Parcs UK announced that it has started recruiting for its new holiday village in Bedfordshire, which is due to open in spring 2014 and will employ 1,500 people. All positions will be filled by January 2014. Agentia Nationala de Administrare Fiscala (the Romanian National Agency for Fiscal Administration) announced the recruitment of 1,181 employees for its General Department of Fiscal Fraud Prevention. Anglo-Dutch oil company Royal Dutch Shell announced plans to create 1,000 jobs across Poland by the end of 2014. Finally, Sólyom Hungarian Airways, a new Hungarian passenger airline, announced it will soon be operational, with a fleet of six aircraft. It plans to hire 700 people in the first year.

## CASES IN FOCUS: AIRLINE RESTRUCTURING

**Air France**

On 31 July 2013, Air France, a subsidiary of the Air France-KLM airline group, unveiled its plans to implement a voluntary departure plan for 2014 that could affect 2,500 jobs, part of a range of cost-saving measures in the framework of the previously announced restructuring plan Transform 2015.<sup>1</sup> With a goal to decrease its total workforce from 106,300 in 2012 to 98,000 by 2015, the company already implemented an initial job reduction programme covering 5,122 jobs in 2012 and 2013.

In September this year, the company updated the details on the voluntary departure plan, increasing the numbers affected to 2,800 – 1,800 ground staff and 1,000 (full-time equivalent) pilots and cabin crew.<sup>2</sup> A consultation meeting with Air France's Central Works Council was planned for October 2013.

<sup>1</sup> L'expansion (2013), 'Video. Air France va supprimer 250 postes de plus en 2014', 31 July.

<sup>2</sup> Les Echos (2013), 'Air France va encore perdre 2.800 postes et nombre de vols', 19 September.

**Lufthansa**

Air travel is highly seasonal and the labour market in Germany is increasingly flexible. This is the background to a restructuring announcement in early September by Lufthansa, the German commercial airline, indicating that it would recruit 500 flight attendants on a new type of work contract to cover the peak summer months. The main innovation is that recruits will work full time from March to October and be free for the remainder of the year. They will complete the same basic 12-week training as regular flight attendants and be hired initially on a two-year contract, renewable once for four years.

The company said in a press release that 'the new annual working time model provides an ideal opportunity, especially for students and young professionals, to work as a flight attendant for a specified period of time'.<sup>1</sup> The new contracts arise out of a collective agreement with the main cabin crew union in November last year that included a 4.6% pay increase for 2013 and enables the company to use a different pay model for new employees.<sup>2</sup>

<sup>1</sup> Lufthansa (2013), 'Lufthansa to hire more than 500 new flight attendants', 4 September.

<sup>2</sup> Bloomberg (2013), 'Lufthansa hires temporary staff as cabin crew for new aircraft', 4 September.

## SUPPORT MEASURES IN FOCUS

**Lithuania**

Lithuania, which currently holds the EU Presidency, was severely affected by the global economic recession in 2008–2009. Annual growth fell from a buoyant +10% in 2007 to a dreadful -15% in 2009. This resulted in many adjustments in the public sector, and many restructurings were undertaken by private enterprises.

Among the restructuring measures funded by the Lithuanian government are several surveys to provide local intelligence on ongoing labour market developments. This information aids enterprises and other stakeholders to anticipate restructuring and develop plans to mitigate its negative effects.

- The monthly business trends survey, while not conducted with the purpose of anticipating change and restructuring, provides valuable broad indicators in this area.
- The labour market forecasting survey, which is more specifically future-oriented and run directly by the Lithuanian Labour Exchange, the public employment service, monitors employers' hiring and firing intentions. It also aims to identify the occupations that will be most and least in demand in the coming years.
- The part-time employment survey gives a good overview to stakeholders of the enterprises that retain a high proportion of employees working on a part-time basis, including those that were forced to turn to part-time schedules or unpaid leave as a result of the economic downturn.

Lithuanian enterprises undergoing restructuring can avail of a variety of support measures to manage the process. As an example, a company facing mass lay-offs has the option to set up a mini labour exchange. A temporary branch of the labour exchange office is set up within the enterprise to offer the same services as a conventional labour office would provide. The added value is that the mini labour exchange can provide more direct and personal communication and involve the regional actors in the process. Trade unions are sometimes involved, which results in more effective outcomes. The office offers, among other services, lists of relevant vacancies; individual or collective consultation about active labour market measures; and organisation of visits to local companies in order to facilitate information exchange on upcoming vacancies. The initiative is entirely funded by the Lithuanian government.

Learn more about support instruments in Lithuania on Eurofound's website at:

[www.eurofound.europa.eu/emcc/erm/supportinstruments/](http://www.eurofound.europa.eu/emcc/erm/supportinstruments/)

## SECTOR IN FOCUS

**Recent restructuring activity in the postal services sector**

The past few months have seen significant restructuring in the postal services sector in many EU countries, largely due to the effects of EU liberalisation. Full liberalisation of the sector came into force at the end of 2010 in 16 Member States, which together account for 95% of the EU's internal postal market. The remaining 11 Member States were required to liberalise their postal services by the beginning of 2013. These are largely the newer Member States from central and eastern Europe, plus Greece, Italy and Spain, which have been working to restructure and streamline their national postal services in order to meet the challenge of increased competition as a result of liberalisation. Only Finland, Sweden and the UK had fully opened their postal service markets to competition ahead of the EU-wide liberalisation.

In Hungary, the national postal service Magyar Posta announced in mid-August that it had cut 875 jobs in the first quarter of 2013. This was carried out not through a restructuring plan but by means of a series of gradual job-reduction measures on the basis of mutual agreement. The focus for the organisation during 2013 has been to transform itself into a more effective, flexible and profitable company in the context of the increased competition it is likely to face following the enactment of legislation to end its monopoly in December 2012. The company previously opened a centralised logistics centre at Budapest airport in 2011, with the creation of around 270 new jobs. This centre replaced a series of smaller logistics units at the airport and around Budapest, which were closed, resulting in a loss of 140 jobs in 2010.

Posta Romana, Romania's national postal service, announced in mid-July 2013 that it intended to cut its workforce of almost 33,000 employees by 3,650 from the beginning of September. This follows a previous restructuring plan under which the organisation cut around 600 jobs in early 2012 in an effort to reduce costs. Conversely, in April 2013, the private postal services company Total Post announced the creation of 180 new jobs as a result of network expansion. The company was set up in 2009 and has grown fast. With the opening to competition of small letter post in 2013 in the Romanian market, its prospects for further growth appear good.

In Spain, which also opted to defer liberalisation for two years, Unipost announced in July 2013 that it would apply for a redundancy procedure that would result in around 450 job losses, or 18% of its workforce, accompanied by a pay cut of 9.5% for the remaining workers. Unipost is a private company set up in 2001 and is a subsidiary of the Deutsche Post.

Italy's main postal services provider, Poste Italiane, announced in July 2012 that it planned to close 83 branches in Lombardy, with the loss of 1,000 jobs. It also has a wider national-level restructuring plan under way, which is expected to result in many more job losses. Furthermore, in December 2012 it announced plans to cut up to 233 jobs at its distribution centre in the province of Venice as part of a restructuring plan to move activities to a centre in Padua.

The most recent announcement in the sector illustrates the internationalisation that has followed liberalisation. Dutch firm TNT Post announced on 30 September the creation of 1,000 jobs as part of its rollout of services in Manchester, UK. With some exceptions, such as Unipost, new private entrants in newly opened markets are expanding activities and employment at the expense of previous national operators constrained to shed their workforces.

**About the ERM**

The European Restructuring Monitor (ERM) is a unique EU-wide dataset on larger-scale restructuring events. It monitors the announced employment effects of restructuring in the EU28 and Norway. The ERM is updated daily and data can be used for statistical analysis. The monitor relies on reports in selected media titles (three to five per country). 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. 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. Nevertheless, ERM data do generate a good picture of labour market restructuring that is broadly consistent with data coming from more representative sources such as the European Union Labour Force Survey. The data for this report were extracted on 7 October 2013. 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, more details of ERM data collection and other ERM-related publications, please refer to the website at [www.eurofound.europa.eu/emcc/erm/info.htm](http://www.eurofound.europa.eu/emcc/erm/info.htm)

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