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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

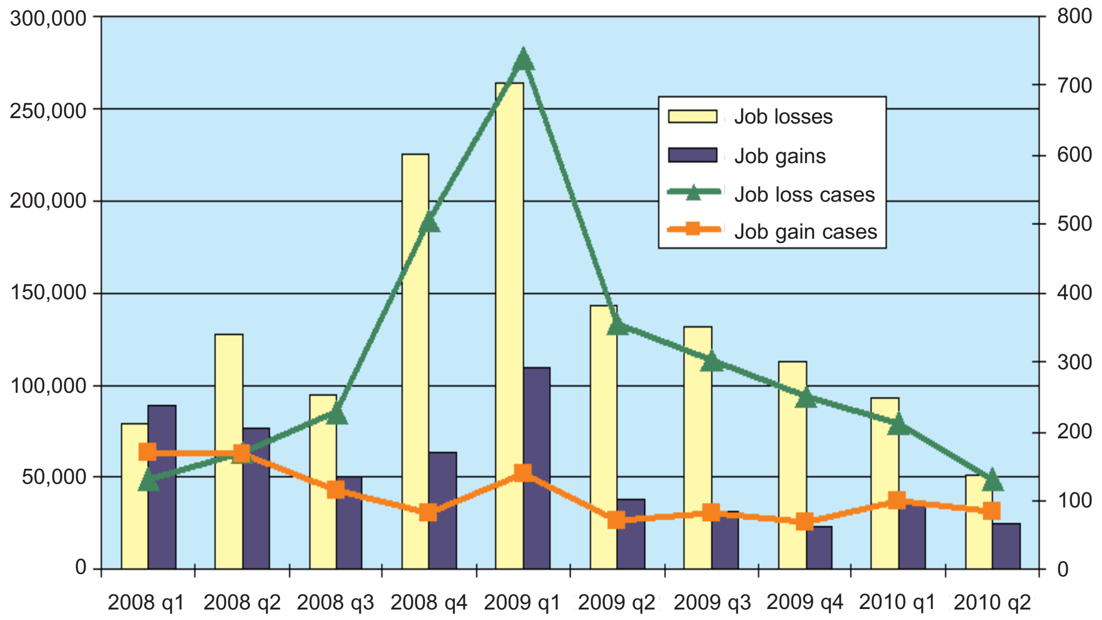
Summary

Europe continues to show signs of a tentative recovery with marginally positive growth and other economic indicators stabilising. There are however persistent concerns over levels of public debt and, to a lesser extent, over the stability of the euro. Unemployment has not risen in the last quarter (9.6%, EU27 in each of the three months February to May 2010) having increased sharply (by 3 percentage points) since the beginning of 2008.

The global economy is showing signs of a more robust recovery with the IMF revising growth predictions for this year and next upwards by about half a percentage point.[1] However, it also predicts that Europe will underperform relative to the other advanced economies and that 'downside risks have risen sharply amid renewed financial turbulence' related to concerns over sovereign debt. The weakening euro offers growth possibilities for export-oriented goods producers and may underpin private sector growth in the short term. Such growth will assume greater importance in a context of widespread cuts in public spending.

Restructuring activity as captured by the ERM continues its recent trend of decline, albeit one where job losses continue to predominate over job gains. Over the last quarter (1 April to 30 June 2010), the ERM reported 214 cases of restructuring.[2] Of these, 141 were cases of restructuring involving job loss. Total announced job losses totalled approximately 50,000 in the quarter as against announced job creation of just under 25,000 new jobs.

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



Source: *ERM*

The largest single case of job loss in the quarter was reported by the **Royal Bank of Scotland** (RBS) in the UK which announced plans to cut 2,600 insurance and retail banking jobs in the UK over the next 12 months. On a positive note, the ERM has recorded a number of cases of business expansion in the car sector where job creation was almost on a par with announced job losses (see feature on signs of recovery in car manufacturing).

1 July World Economic Outlook Update, **http://www.imf.org/external/pubs/ft/weo/2010/update/02/index.htm**

2 Additionally, there were 11 cross-national world and EU cases of restructuring. The total case count for the quarter was 225. Job loss and gain totals do not include world and EU cases in order to avoid double counting.

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Current macroeconomic trends and prospects

Based on standard economic indicators, the European economy continues to show signs of stabilisation and a gradual return to more normal patterns of growth after the extreme turbulence of 2008–9. The consequences of the economic crisis are however likely to include further episodes of small-scale crisis similar to that surrounding Greek sovereign debt in early 2010. High levels of public debt and unbalanced budgets are problems common to many Member States (including beyond those unkindly labelled 'PIGS' – Portugal, Italy, Greece and Spain) and can lead to increased volatility.

To what extent the recovery has been conditioned by the exceptional stimulus packages – and loose monetary policy – in the immediate post-crisis period is a question that is about to be tested. A number of Member States – with or without the prompting of the bond markets and sovereign debt concerns – have decided that now is the moment to reduce the levels of public support and steer government finances towards balance and sustainability. Austerity packages have not been restricted to Member States with high or sharply increased levels of sovereign debt or budget deficit; the German government agreed public spending cuts in early July 2010. While the public sector to date has served as a stabilising source of employment and consumption, it appears inevitable that shrinking budgets will translate into public sector restructuring and retrenchment in the coming years. The main question then becomes: can private sector activity grow sufficiently to prop up demand and generate growth?

There remains a polarisation of views on the timing of withdrawal of public support especially to those economies – including much of the EU – only slowly emerging from recession. In part, this is related to differing perceptions over whether the principal monetary risk is inflation or deflation. Nobel laureate economists Paul Krugman and Joseph Stiglitz have separately warned that premature withdrawal of stimulus in the US and other developed economies is self-defeating and may undo the prospects of growth on which sustainable recovery must be based.[3]

According to a June 2010 flash estimate from Eurostat, inflation in the eurozone continues to be at low levels (+1.4%), lower than in the US (2%), and reflects weak demand amidst continuing economic uncertainty. At present, inflation clearly is not a problem. In fact, in a sign of the times, increasing inflation would be a welcome sign of returning normality as well as positive in its effects on accumulated private and public sector debt.

[3] http://www.businessweek.com/news/2010-03-17/stiglitz-says-fed-stimulus-withdrawal-may-hurt-u-s-housing.html

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

Austria	**-0.1** (0.4)	Germany	**0.2** (1.5)	Malta	**0.8** (2.3)	Sweden	**1.4** (2.9)
Belgium	**0.1** (1.0)	Greece	**-1.0** (-2.5)	Netherlands	**0.3** (0.6)	United Kingdom	**0.3** (-0.2)
Cyprus	**0.1** (-1.7)	Hungary	**0.9** (-0.9)	Poland	**0.5** (2.8)		
Czech Republic	**0.5** (1.1)	Ireland	**2.7** (-0.6)	Portugal	**1.1** (1.8)	EU27	**0.2** (0.5)
Denmark	**0.5** (-0.6)	Italy	**0.4** (0.5)	Romania	**-0.3** (-3.2)	United States	**0.7** (2.4)
Estonia	**-2.0** (-2.0)	Latvia	**0.3** (-5.1)	Slovakia	**0.8** (4.5)	Japan	**1.2** (4.2)
Finland	**-0.4** (-0.6)	Lithuania	**-3.9** (-2.6)	Slovenia	**-0.5** (-0.8)		
France	**0.1** (1.2)	Luxembourg	***-0.2** (1.4)	Spain	**0.1** (-1.3)		

Source: *Eurostat EuroIndicators, 7 July 2010*
Note: No data for Bulgaria. Luxembourg, reference quarter 2009Q4.

Since the second half of 2009, the EU economy has continued to post positive GDP growth, though at 0.5% annualised growth is still well below trend levels. Some countries are in recession – Greece, Romania, Slovenia and Finland – following the standard technical definition (two consecutive quarters of negative growth) and the economy has contracted year on year in around half of the EU, including, amongst the bigger Member States, the UK and Spain. Recent GDP data continues to show the EU dragging itself out of recession (see Table 1) with other major advanced economies growing significantly faster (US 2.4% and Japan 4.2%, annualised).

Those countries that have emerged from the downturn in comparatively better economic health are Sweden, Slovakia and Poland – the only Member State not to enter recession since 2008.

Unemployment in the EU has stabilised at 9.6% (May 2010) but is nearly three percentage points higher than at its most recent pre-crisis trough in early 2008.[4] There were over nine million people fewer in work in the EU27 in the first quarter of 2010 compared to the recent peak in employment in the third quarter of 2008[5] (approximately 210 million compared to 219.5 million). The majority of job destruction has been concentrated in manufacturing and construction with consequent disproportionate impacts on younger, male, unskilled/semi-skilled workers in the private sector.

[4] Eurostat (2010), 'Euro area unemployment rate at 10.0%', **http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-02072010-AP/EN/3-02072010-AP-EN.PDF**

[5] Based on Eurostat data for employment levels for the first quarter 2010 (data for Sweden, Belgium and Malta missing)

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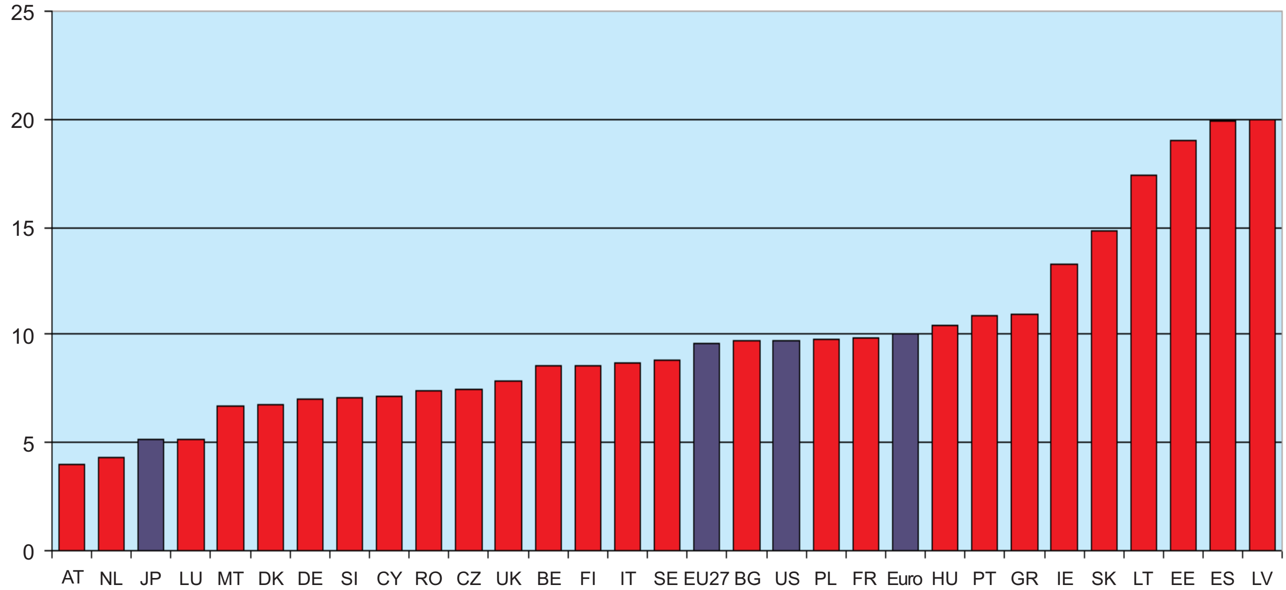
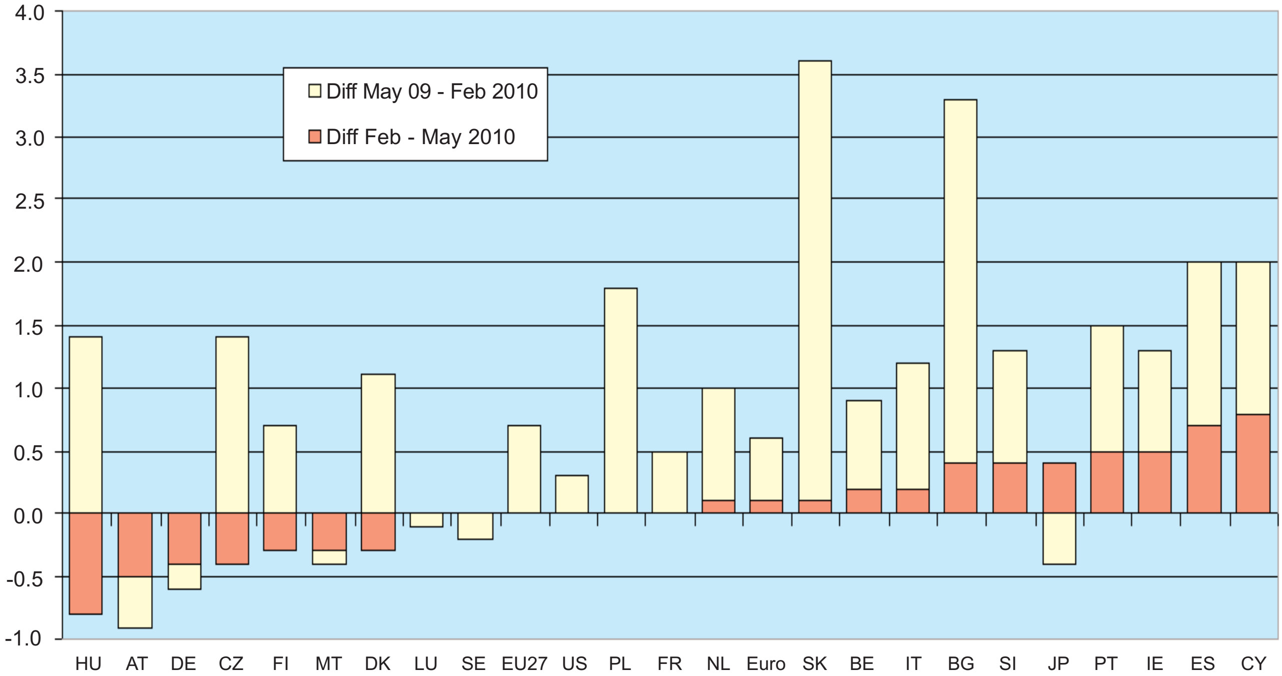
Figure 2: *Seasonally adjusted unemployment rates, May 2010 (%)*



Source: *Eurostat*
Note: Data for EE, EL, LT, RO and UK are from March 2010.

As in previous quarters, the lowest unemployment rates were reported in the Netherlands (4.3%) and Austria (4%) followed by Luxembourg (5.2%). The highest levels were again recorded in the Baltic countries: Latvia (20.0%), Estonia (19%) and Lithuania (17.4%) as well as in Spain (19.9%).

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



Source: *Eurostat*
Note: No data for EE, EL, LT, RO and UK.

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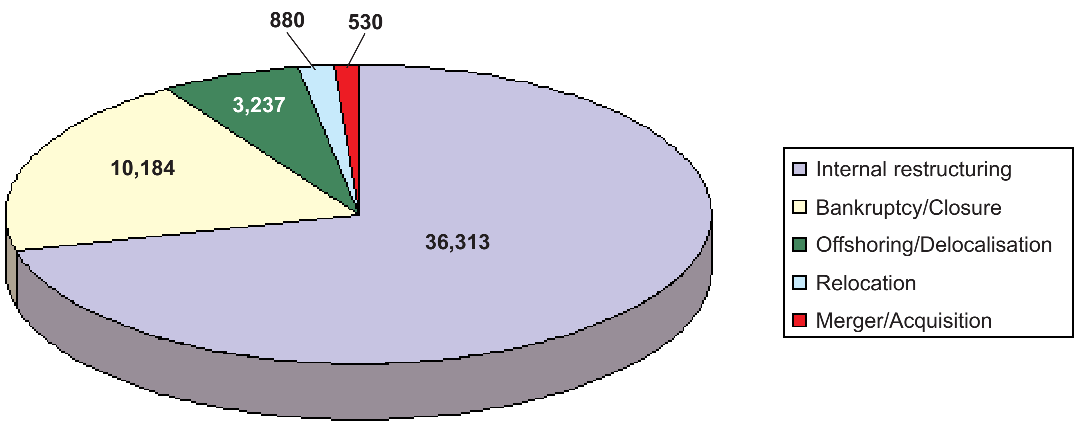
As reported in recent *quarterlies*, the labour market performance of Germany over the recession has been especially noteworthy; a huge output decline has been accompanied by only a modest increase in unemployment. This positive outcome has been attributed to the buffer effects of collectively agreed working time flexibility, flexibility for jobs accords and the availability of generous federally funded short-time working possibilities. Sceptics anticipated that unemployment would rise quickly as companies exhausted their flexible and short-time working possibilities. To date, this has not happened: German unemployment continues to decline.

In summary, global growth is picking up but Europe is trailing behind the other major advanced economic areas (Asia, US) in terms of the strength of its recovery. Fiscal tightening is likely to introduce new constraints on growth and may lead to extensive restructuring of public employment. This being the case, private sector demand – domestic consumption and export-based – will have to compensate in order for the recovery to sustain itself.

Overview of ERM cases April–June 2010

The ERM recorded a total of 214 cases of restructuring between 1 April 2010 and 30 June 2010. These cases involved 51,144 announced job losses and 24,489 announced job gains. Internal restructuring accounted for over 70% of the total announced job losses and bankruptcy/closure for nearly a quarter. Offshoring represented 6% of total announced job loss in the quarter (3,237 jobs). The extent of relocation and merger or acquisition is even more marginal (involving 880 and 530 job losses, respectively).

Figure 4: *ERM job losses by type of restructuring, April–June 2010*



Source: *ERM*

Looking at the spread of job losses across countries in the last quarter, the UK was on top of the list with 10,318 announced job losses, followed by Italy (7,245 jobs), France (5,948 jobs) and Poland (4,754 jobs). In the same period, the country with the highest number of announced job gains was Romania (4,895 jobs) ahead of the UK (3,785 jobs). Ireland and Slovakia follow with 2,930 and 2,890 announced job gains, respectively.

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

Company	Jobs	Location	Restructuring type	NACE code (sector)
Royal Bank of Scotland	2,600	United Kingdom	Internal restructuring	Financial services (66)
Polish Army	2,400	Poland	Internal restructuring	Public administration (75)
Telecom Italia	2,200	Italy	Internal restructuring	Transport / communication (64.2)
Draxlmaier Romania	2,100	Romania	Internal restructuring	Auto manufacture (34.3)
Bank BPH	1,514	Poland	Internal restructuring	Financial services (65)

Source: *ERM, 1 April–30 June 2010*

The largest case of job restructuring reported in the ERM is the plan of **Royal Bank of Scotland** (RBS) to cut 2,600 insurance and retail banking jobs in the UK over the next 12 months. Some 2,000 positions from 16,777 will be lost from its insurance division, with the remaining 600 job losses concentrated in RBS retail banking head offices in Edinburgh and London. This latest announcement comes after the group had already announced approximately 20,000 job cuts worldwide following the financial crisis and the ill-fated acquisition of Dutch bank ABN Amro. The bank has received state aid as part of the UK government's support to its banking system in the wake of the 2008 financial crisis. Conditions attached to this state aid included obligations to sell off some insurance activities and reduce its high-street banking presence. Management indicated that everything would be done to keep compulsory redundancies to a minimum.

In Poland, **Bank BPH** announced up to 1,514 redundancies by the end of 2011; last year it cut almost 930 jobs (**factsheet**).

Another large case relates to the announcement of a major restructuring plan in the **Polish Army**, envisaging 2,400 job losses by the end of 2010. In a first phase, employees from over 80 units will lose their jobs, while in a second phase jobs from various military districts will be eliminated. Although the Polish Army plans to cut a total of 4,500 jobs by the end of 2010, only 2,400 job cuts have been confirmed so far.

Telecom Italia, the Italian leading telecommunications company, announced its 2010–2012 reorganisation plan envisaging 2,200 job cuts by the end of 2012. According to the company, the redundant workers may benefit from economic incentives for voluntary dismissals and other measures in order to avoid direct lay-offs. On almost the same scale is the plan of **Draxlmaier Romania**, a manufacturer of motor vehicle components and part of the German group Draxlmaier, to collectively dismiss 2,100 employees in 2010.

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

Company	Jobs	Location	Nace code (sector)
Bosch	1,500	Hungary	Manufacturing (34.3)
Continental Romania	1,400	Romania	Manufacturing (34.3)
AU Optronics	1,300	Slovakia	Manufacturing (32.1)
ASOS	1,000	United Kingdom	Retail (52)
Department of Education	1,000	Ireland	Education (80)

Source: *ERM, 1 April–30 June 2010*

During the quarter, the three largest instances of job creation were in manufacturing. After a series of headcount reductions in recent years, the car supplier **Bosch** announced the creation of some 1,500 new jobs in Hungary. Another

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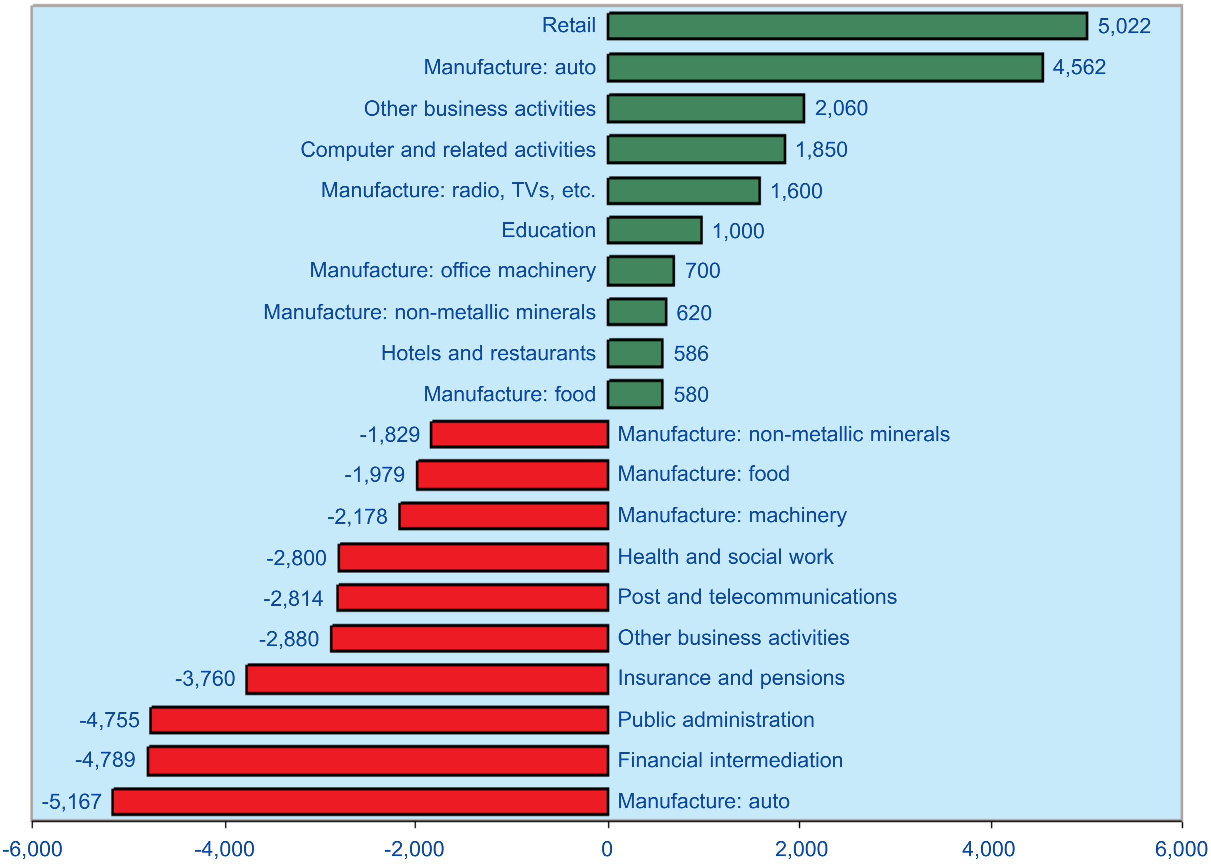
1,400 jobs – mainly in R&D – were announced by the German automotive parts supplier **Continental** with the expansion of its production sites in Sibiu and Timişoara (Romania). The third large case is from Slovakia where the electronic company **AU Optronics** will receive an investment incentive in the form of state aid and create 1,300 new jobs at a new production plant near Trenčín.

Another notable case is that of the online clothing retailer **ASOS** in the UK announcing the creation of up to 1,000 new jobs by moving from its current distribution centre in Hemel Hempstead to premises in Barnsley. Finally, the creation of more than 1,000 new teaching jobs by Ireland's **Department of Education** seems to be counter to the trend towards job reduction in the public sector, especially in education, in other European countries. Although Ireland's public finances have seriously deteriorated, the new teaching jobs have been approved because of a substantial increase in the number of persons in full-time education for both demographic reasons and because the lack of jobs is persuading many to remain in education.

Restructuring across sectors

Figure 5 plots the top 10 NACE 2-digit sectors in terms of announced job loss and job creation, as reported to the ERM in the second quarter of 2010.

Figure 5: *Job gains and reduction for top 10 sectors (Nace 2-digit, revision 1.1)*



Source: *ERM, 1 April–30 June 2010*

Job reduction

As in the previous quarter, auto manufacture is the sector reporting the greatest job loss (5,167 jobs) in this quarter. The second ranking sector is financial intermediation with 4,789 quarterly job losses, followed by public administration / defence (4,755 jobs) and insurance and pensions (3,760 jobs).

The auto manufacturing sector has recorded fewer job losses in the last three months compared with previous quarters. The largest case involved the announcements already mentioned by **Draxlmaier Romania**. Another significant case of job reduction concerned the Japanese parts manufacturer **Yazaki Wiring Technologies** which announced the closure of its plant in Prievidza, Slovakia, where wire harnesses for the car industry were produced. All 1,208 jobs are to go and dismissed employees will receive redundancy pay of between six to eight months wages depending on the number of years in service for the company. Dismissals were expected to take place in May and June 2010. The company management offered 300 redundant employees a job in the Yazaki plant in Michalovce, eastern Slovakia.

Around the same time, **Delphi Packard Electric CZ**, a subsidiary of Delphi Automotive Systems which is a global supplier of electronics for the automotive industry, announced 700 job cuts at its plant located in Česká Lípa by the end of 2010 due to the termination of customer order contracts with Audi and BMW. In April, the management of the **Delphi** plant in Strasbourg, France, producing hydraulic pumps for the auto sector and employing 324 workers, announced the closure of the factory by 30 November 2010. During the same month, automotive supplier **Mahle** announced the cut of around 800 jobs in Germany. The cuts are part of a restructuring programme to dismiss 1,400 workers in western Europe as the company seeks to counter the steep decline in sales due to the economic crisis. Remaining Mahle employees in Germany are to work short-time hours in the second quarter of 2010.

In the financial intermediation sector, the biggest case reported relates to the above mentioned case of job loss announced by **Bank BPH**. Another significant case is that of banking group **Société Générale** which announced it will cut 900 positions across its retail banking network over the next three years. Reductions will be carried out through non-replacement of employees who retire in its 3,000 branches nationwide. In spite of these job cuts, the company spokesperson said that the recruitment plan announced by the group earlier in the year is not suspended; the group intends to recruit 1,200 employees across its banking network by 2012.

In the UK, two big cases of job restructuring in the financial intermediation sector were reported during the month of June: Newcastle-based nationalised bank **Northern Rock** announced the cut of 650 jobs by the end of 2010. These cuts are on top of the 2,000 positions already lost since 2008. While **Nationwide Building Society** announced the closure of several branches across the UK by 2012; this will result in 565 job losses. Meanwhile, 150 jobs will be created as Nationwide's branch in Dunfermline becomes a dedicated administration centre and a further 90 jobs will be created in Nationwide's Swindon and Northampton offices. Meanwhile, in Spain, **Unnim**, created by the merger of savings banks Caixa Sabadell, Terrassa and Manlleu, announced that within two years it will reduce its staff by 530 employees, mainly through early retirement.

In the insurance and pension sector, other than the above mentioned job losses relating to the Royal Bank of Scotland announcement, other significant cases involve the announcement of 900 job losses at privately-owned Irish company **Quinn Insurance Ltd** which entered into administration in March 2010. The administrators proposed, at the end of April 2010, a major restructuring plan envisaging 900 job losses over the next 12 to 15 months, representing 37% of the company's 2,450-strong workforce. Initially, 350 redundancies should go in a first phase by July, while the remaining redundancies will be implemented in the following 12 months. The biggest losses will be at the company's branches in Ireland with at least 640 job losses envisaged, while at least 260 jobs are expected to be lost across the **UK**.

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In public administration, the biggest case of job loss is the above mentioned announcement of the Polish Army. As in the previous quarter, announcements of restructuring-related job losses continue in city councils and local governments: the **local government of Rotterdam** announced it will cut 1,000 jobs (out of a total of 14,000) in the coming years, while in the UK up to 500 jobs over the next three years will go at **Carmarthenshire Council** (councillors stated that at most 160 jobs would be lost each year over a three-year period with the first cuts taking effect by March 2011), up to 500 jobs will be lost at **Bolton Council** and 200 jobs at **Blackpool Council**. In Romania, the Authority of State Assets, **Autoritatea pentru Valorificarea Activelor Statului**, announced the collective dismissal of 155 employees taking effect on 1 June 2010.

FIAT: Future of FIAT plant in Pomigliano D'Arco still uncertain

The relaunch plan put forward by FIAT to boost productivity at its plant in Pomigliano d'Arco near Naples has received considerable media attention over recent months. In exchange for more flexibility from workers, the management is ready to move production of the new Panda model from Poland to the Pomigliano plant and invest €700 million to ensure the survival of the plant. In spite of the large productivity differential between the Polish and Italian plants, FIAT management has committed to investing in its home country facilities but on condition that investment is matched by changed work practices. According to the proposed plan, the plant would operate 24 hours a day, six days a week with 18 eight-hour shifts. The plan also envisages shorter work breaks, sanctions against absenteeism, reduced compensations for sick leave and measures to restrict strike actions.

This case has raised many concerns especially among the unions and workers' representatives. According to FIOM, one of four major unions representing workers at Pomigliano, FIAT's plan infringes on workers' rights to strike and sick leave (**Corriere della Sera**, 15 June 2010). The fear is also that, if the 'Pomigliano model' becomes operational, it could be extended to other Fiat plants and, possibly, find broader application; other companies in Italy may follow the example set by Italy's largest private sector employer.

In late June, 62% of the 5,300 workers at the plant voted in favour of Fiat's relaunch plan with all but one of the four unions supporting the management proposals. This result was below the 80% threshold indicated by FIAT management. In a statement, FIAT management said that 'the company will work with those trade union organisations that have accepted the agreement to jointly identify and implement the conditions necessary for the realisation of future projects'. Fiat is considering a number of options, including the closure of the plant and a possible reopening, this time, on Fiat's terms. According to the **Financial Times**, FIAT is seen as 'a test case in how Italy handles industrial relations at a national and local level'.

Job creation

The retail trade continues to lead in job creation with 5,022 new jobs announced in the second quarter of 2010. The second ranking sector in job creation is auto manufacturing with 4,562 job gains, followed by other business activities (2,060 new jobs) and computer and related activities (1,850 new jobs).

In the retail sector, aside from the 1,000 new jobs announced by the online clothing retailer **ASOS**, the second large case concerns the electronics retailer group **Media Markt-Saturn** with the creation of 800 new jobs over the next two to three years. The trend towards expansion among large low-cost supermarket chains continues with **Tesco** creating 700 new jobs in Slovakia and German food retailer **Kaufland** (part of the group LIDL & Schwartz) announcing 500 new jobs with the opening of new stores in Romania.

The auto manufacturing sector recorded a greater number of job gains in the last three months compared with the last quarter of 2009 (1,859 jobs) with firms taking advantage of increased demand including from various scrappage

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incentive schemes. The **Bosch** and **Continental** cases already mentioned are by far the largest cases recorded in the sector during the quarterly period.

In the other business activities sector, the largest cases of job creation involved the creation of call centre jobs. **Computer Generated Solutions Romania** announced the creation of 500 jobs at its call centres in Bucharest and Braşov. More jobs were also announced in Ireland by call centre operators **Stream Global Services** (400 new jobs in Dublin) and **Abtran** (300 new jobs in Cork).

Most of the job creation in the computer and related activities sector is attributable to two relatively large cases of business expansion. In April 2010, the IT consultancy **Ausy** announced the creation of 700 new jobs for computer specialists in France. Around the same time, **ComPlus Consulting** unveiled plans to create 700 new jobs at its data processing and client support centre in Tallinn, Estonia. The company will use subsidies offered by the government to companies that create jobs for the unemployed.

Sector in focus: Signs of recovery in car manufacturing

The European motor industry is slowly recovering through 2010 with industry data indicating that vehicle production increased by 34% in the first quarter of 2010 compared to 2009.[6] In some Member States the level of growth over this period was dramatic: production rose in the UK by 72.2%, in Romania by over 60% and by over 40% in Austria, France and Spain on the year before.[7] This increase in production marked a rebound from a historically low level in 2009 and was driven by greater demand, with the registration of new cars across the EU increasing by 9.2% in the first quarter of 2010 compared to 12 months previously.[8]

The return to growth after 18 months of crisis has inspired a number of manufacturers to hire – or rehire – workers. The period may prove to mark a turning point after a flood of large job losses since late 2008. A total of 10 cases of business expansion in the motor industry were recorded by the European Restructuring Monitor (ERM) in the second quarter of 2010 compared to just seven cases of bankruptcy/closure or internal restructuring.

Swedish manufacturers were the most active recruiters in the period, although all three cases involved companies that had undergone major restructuring over the past two years. Having cut over a thousand jobs since 2008, **Saab** announced in April that it would recruit 337 new employees at its Trollhättan site. Despite around 50% fewer new Saab cars being registered in the first five months of 2010 than the same period of 2009,[9] the group plans to increase production in June 2010. Of the new staff, 187 are to be production line workers rehired from those made redundant.

Volvo Trucks similarly had shed over 4,000 jobs since September 2008 at its sites in Gothenburg and Umea but defied the expectations of many analysts by returning to profit in the first quarter of 2010. Since the start of the year it has hired 729 workers, the latest 200 recruitments of which were announced at the end of April and are to come from those

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[6] European Automobile Manufacturers' Association, 7 July 2010
http://www.acea.be/index.php/news/news_detail/vehicle_production_picks_up_compared_to_low_2009_levels

[7] Ibid.

[8] European Automobile Manufacturers' Association, 16 April 2010
http://www.acea.be/index.php/news/news_detail/passenger_cars_registrations_up_92_over_first_quarter

[9] European Automobile Manufacturers' Association (ACEA)
http://www.acea.be/index.php/news/news_detail/new_vehicle_registrations_by_manufacturer/

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previously made redundant. **Scania** also announced in May that it would hire 300 workers in Sweden and 200 elsewhere in the EU as it plans to increase production in the third quarter of 2010. Again, priority is to be given to former employees – the company agreeing to rehire from redundant workers in the case of future expansion was common to all of the large restructuring agreements made at the three firms in the past two years. Scania's Executive Vice-President Anders Nielsen confirmed in a press statement that 'it is a major advantage to be able to recruit employees with previous experience of Scania's working methods'.

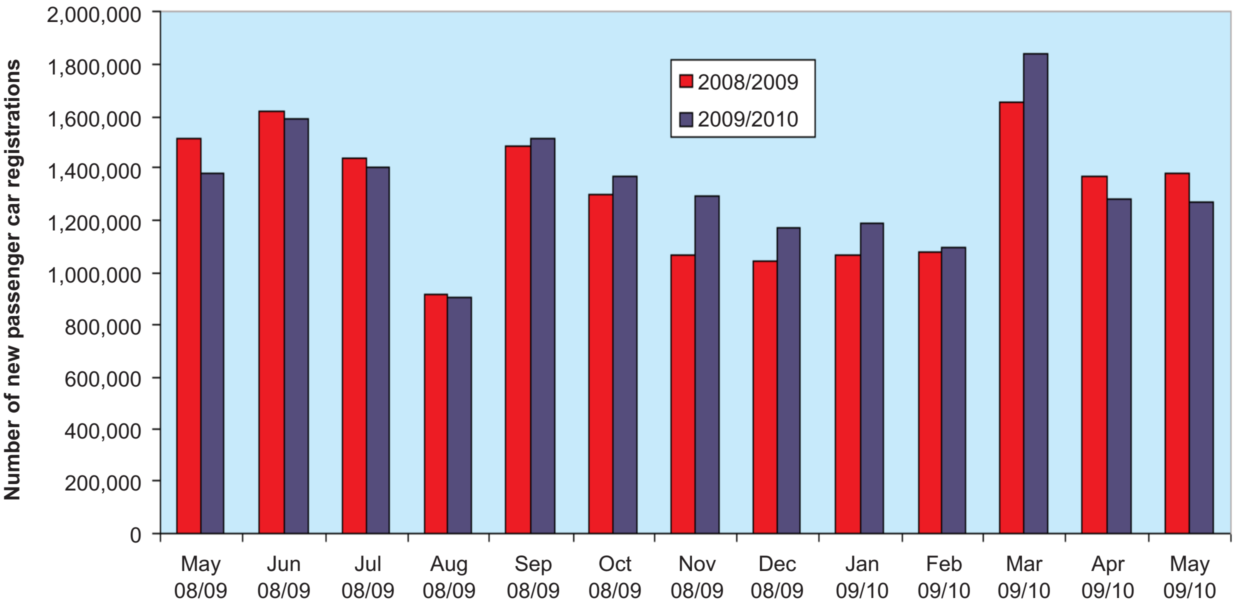
After increasing their European production and planning to make 30,000 of their new S60 model by the end of the year, **Volvo** announced in June that it would hire 250 new production staff at their Ghent unit in Belgium, thereby reinstating some of the 1,000 jobs lost there during the crisis. **Landrover** in the UK is another manufacturer benefiting from increased demand. The group are currently enjoying the highest UK sales figures in their 62-year history and as a result have decided to expand production and hire 275 new workers. Registrations of new Landrover vehicles were up some 67% in March 2010 compared to March 2009.

Makers of car components have in turn been able to benefit from the renewed confidence in the motor industry. Tyre producer **Continental** is bouncing back from the recession by restoring 100 of the 190 jobs that it had cut at its Púchov plant in Slovakia along with launching a major €70 million research and development investment in **Romania** that will create up to 1,400 jobs by the end of 2010. **Bosch** is investing in production in Hungary, with 1,500 new jobs set to be created over three plants that produce ignition systems, gearboxes and windscreen wipers. Company employment levels in Hungary are likely to be higher at the end of 2011 than prior to the crisis in 2008.

Car component company **Miba** is also due to recruit 100 workers at a Slovakian plant while car part firm **Grammer** is to create 250 jobs as it ups production at Tachov in the Czech Republic.

These business expansions across the EU are an encouraging sign for the car industry although the third and fourth quarters of 2010 remain a crucial period. Sales of new cars have dropped in major European markets following the recent cessation of state-supported scrappage schemes in many Member States. A fact that highlights this decline in sales is that the UK was the only major car-buying nation in which more cars were sold in June 2010 than in June 2009.

Figure 6: *Car registrations in EU – dipping again post-stimulus*



Source: *ACEA*

Consumer sales (or exports) will need to rise in the second half of the year if the industry is to engage in more sustainable employment creation especially as labour hoarding through working time flexibility and short-time working has been widespread in the sector and constitutes a substantial reservoir of underutilised labour.

Sector in focus: Developments in the media and broadcasting sector

The past few months have seen a substantial level of restructuring activity in the media and broadcasting sector across Europe. Organisations in the media and broadcasting sector have, over the past few years, had to come to terms with significant changes in the way that their markets are structured due to the move to more online information provision and, in the case of radio and television, a move to digital services. This has posed a number of major challenges both in terms of the organisation of services and the cost implications of this. In addition, the continuing economic difficulties resulting from the financial crisis and the recession have hit the media sector harder than many other sectors, due to large falls in circulation figures and advertising revenue. Nevertheless, the impact of the crisis has been somewhat uneven – while some organisations have had to cut costs and shed jobs, others have continued to expand, partly due to the new technology on offer. Restructuring and change in the media and broadcasting sector is therefore driven partly by the crisis and partly by the need to innovate to keep pace with change.

Examples of expanding organisations include that of the digital television provider Sky, which has expanded its workforce by around 70% over the past six years and is expected to increase its staff further during 2010.

Many public service broadcasters, on the other hand, have had to restructure and cut jobs over the past few months. In the UK, the public service broadcaster BBC, which is one of the largest media organisations in the world and offers radio, television and digital services, announced at the end of October 2009 that it intended to cut more than 100 senior management and executive director jobs across the organisation in a drive to reduce costs. No time line was given for the job cuts: it is expected that these cuts will save the BBC almost £20 million. At the time of this announcement, the BBC had 643 senior management and executive director posts. The BBC's decision was criticised for relying on job cuts rather than tackling the issue of cutting management salaries, which had been the subject of media scrutiny with the public perception being that management salaries at the organisation were too high. The BBC will carry on recruiting staff, but at a pay rate that will be below what staff could expect in the commercial sector. Staff turnover is said to be uneven at the BBC with relatively high turnover in its online services and lower turnover among journalists.

British TV news provider ITN has also suffered from the recession, cutting around 120 jobs over the past two years, around a sixth of its workforce. The organisation has frozen recruitment and introduced a pay freeze in 2010, together with the introduction of a flatter career hierarchy which the organisation admits may make it difficult to attract and retain talent.

Other public service broadcasters that have undergone restructuring in recent months include the Polish national television organisation Telewizja Polska (TVP), which in July 2009 announced plans to reduce employment by at least 500 posts by the end of 2009. The job cuts were set to affect TVP's main unit in Warsaw as well as its branches around the country.

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Czech Television (Česká televize), which is the country's public service broadcaster, announced towards the end of October 2009 that it was launching a cost-saving plan that would entail 120 jobs cuts, to be carried out by the end of March 2010. At the time, it was expected that the restructuring, which began on 1 November 2009, might affect up to 30% of the organisation's staff, which would be up to 690 jobs.

In Belgium, the Brussels-based Flemish radio and television organisation Vlaamse Radio- en Televisieomroep (VRT) announced in mid-March 2010 that it intended to make 279 job cuts by the end of 2010. It has stated that this decision was motivated by the need to cut costs – the organisation estimates that it needs to make savings of €65 million over the coming year. According to VRT, the redundancies will be voluntary only – in the first instance, 90 workers have indicated that they will accept voluntary redundancy. In addition to these job cuts, the company intends to save costs by limiting recruitment. The restructuring plans have come up against some opposition on the part of trade unions.

The most recent restructuring announcement among public service broadcasters comes from Italy, where the state-owned public service broadcaster RAI announced in early June 2010 details of its 2010–2012 industrial plan which will involve between 750 and 1,000 job cuts. RAI hopes that the costs savings that this will generate will contribute to ending the 2012 financial year without a loss. RAI has around 11,500 employees and so this is a significant number of job losses for the organisation. The plan is to be discussed with trade unions. RAI intends to put in place a package of measures to help those workers who will lose their jobs, in order to mitigate the negative social effects of this restructuring.

In the print publishing sector, the magazine publisher Condé Nast announced at the beginning of October 2009 that it intended to close four magazines – Gourmet, Modern Bride, Elegant Bride and the parenting lifestyle magazine Cookie – with the loss of 180 jobs. The organisation has around 1,200 employees in total.

At Reed Business Information (RBI), the Anglo-Dutch media group which publishes a range of business titles including New Scientist, the past 18 months have been dominated by restructuring and job losses, following the closure and sale of a range of the organisation's titles. RBI's human resources director has described the media recession as the worst in the sector's history. There is little sign that the restructuring at this organisation is at an end, however; in its review of its financial performance in 2009, RBI states that its priorities are: to continue restructuring its magazine business and advertising driven portfolio, to align the cost base with reduced revenue expectations, and to further grow its data services business.

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Restructuring research notes

Research brief: 'The predictive power of Google data: new evidence on US unemployment', Francesco D'Amuri, Juri Marcucci. Posting on VOX website, December 2009 (**http://www.voxeu.org**).

A summary of recent research using Google search-term data to assist in predicting labour market developments. The hypothesis – supported thus far – is that word search frequency reflects developments on the ground in, for example, unemployment claims. In view of reporting lags (around two months) for standard administrative labour market data, search engine data can provide useful, real-time indicators of labour market movements and help to make forecasting models more accurate.

Some findings

- Precision of unemployment forecasts both at federal and state level in the US is dramatically improved when the Google job search index is used as a leading indicator.
- Using Google Index was even more successful in increasing predictive power for models forecasting unemployment levels in Italy.
- Potential issues with methodology:
  - use of job search terms can be driven by on-the-job search as well as unemployed job search
  - selection bias: not all workers have access to internet.

Reference: **http://www.voxeu.org/index.php?q=node/4385** for article and related links.

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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 (between three and five per country) covered by a network of 28 national correspondents. 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 daily. Readers can access more details of individual cases cited in this issue by going to **www.eurofound.europa.eu/emcc/erm** and clicking on 'Fact sheets'. The ERM also enables the compilation of aggregate data: to do this, click 'Statistics' on the same web page. These statistics are based on the information available in the database (over 11,000 restructuring cases, covering 2002 to the present) broken down by sector, type of restructuring, country and time period. Only those fact sheets in the ERM database that refer to a specific country are included in the statistical analysis. Fact sheets referring to European or worldwide restructuring 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 ERM reports almost exclusively on restructuring in medium-sized and larger 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 (such as Poland, or the UK) and lower levels in others – Greece and Bulgaria, for instance.

In spite of these biases, ERM data does generate a picture of labour market restructuring, especially in relation to sectoral restructuring activity, which is broadly consistent with data coming from more dedicated 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 data source 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 2nd July 2010. 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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