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Country codes

EU27

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

Other countries

NO	Norway
JP	Japan
US	United States of America

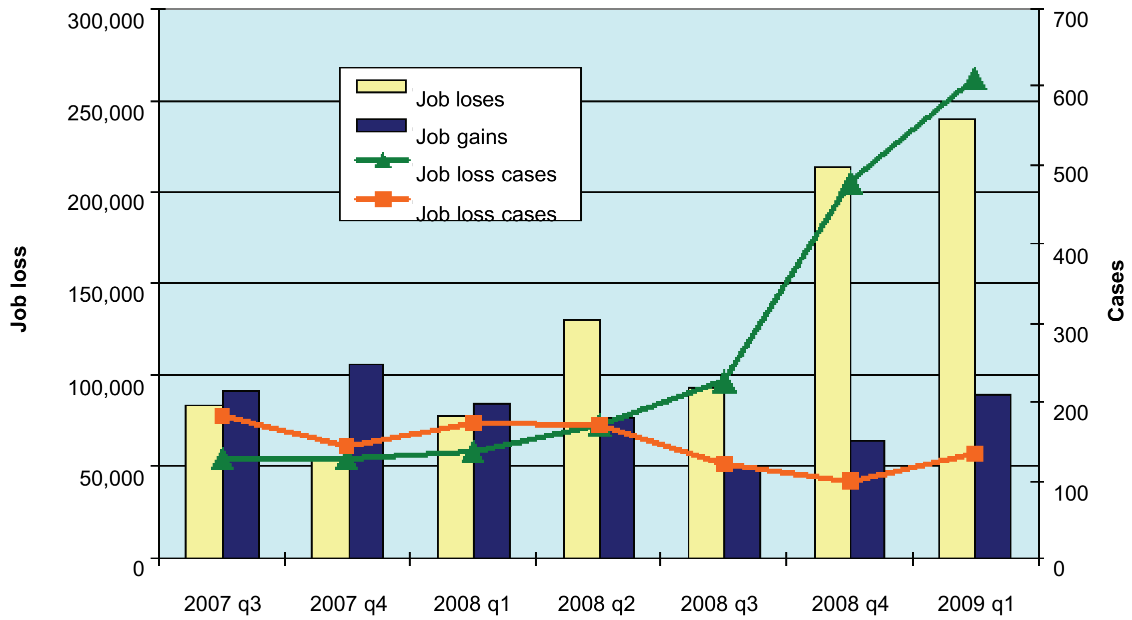
Summary

In the first quarter of 2009, most evidence points to a deepening, global recession affecting simultaneously Europe, other major developed and developing economies. Growth forecasts continue to be revised downwards while predictions regarding the inflection point marking a potential recovery of the global economy are increasingly being moved back to 2010, in some cases later.

There are ongoing efforts at coordinating responses to the global economic crisis both at national level and, more recently, at international level. Upwards of ten trillion dollars[1] has been committed with the goal of reviving the global financial system. Many hundreds of billions[2] more have been committed to economic stimulus packages. These initiatives embody the collective economic wisdom on how to prevent a major international financial crisis leading to an economic depression, based on analysis of the last major global depression in 1929–1931. It remains to be seen whether they will help avert a 1930s style depression and, if they do, what other unintended consequences may arise as a result of an unprecedented monetary expansion.

For the present however, trade volumes are in sharp decline. Fears of inflation are increasingly giving way to fears of deflation with the spectre of Japan's 'lost decade' repeating itself in other developed economies. Annual inflation in the euro zone has declined sharply from 3.3% in Feb 2008 to 0.6% in March 2009.[3] Unemployment is rising sharply after long periods of declining structural unemployment in Europe and the USA.

Figure 1: *ERM job losses / gains over the last seven quarters*



Source: *ERM, 1 Jan–31 March 2009*

The ERM recorded its highest number of cases since its inception in 2002 during the first quarter of 2009. Cases of announced job loss outnumbered those of job creation by a factor of 2.3:1. In total, 609 cases of announced job loss were recorded during the quarter, involving around 220,000 jobs. Sectors most affected by job loss were financial intermediation, auto manufacture and the retail trade. This latter sector was also one in which the highest number of announced job creation was reported and is the subject of a separate short feature in this quarterly.

[1] See e.g. **Bloomberg** on US commitments and **Telegraph** on the EU.

[2] See e.g. **New York Times** and **European Commission**.

[3] Source: Eurostat, 44/2009, 31/3/2009 (flash estimate).

Current macroeconomic trends and prospects

There are occasional glimpses of the 'green shoots of recovery' – based on recent stock exchange rallies, better than expected signals of growth from China, increased car sales in Germany inspired by scrappage premia as well as anticipation of the positive impacts of various stimulus packages. However, the depth of the current recession continues to be manifest in nearly all macro-economic indicators.

The most recent GDP data, presented in Table 1, show that in the final quarter of 2008, the EU27 suffered a 1.5% quarter on quarter contraction in output. Both the US and Japanese economies suffered even bigger output falls.

Table 1: *GDP growth fourth quarter 2008, compared to previous quarter, seasonally adjusted, %*

Austria	-0.2	France	-1.1	Lithuania	-1.4	Spain	-1.0
Belgium	-1.7	Germany	-2.1	Malta	-1.0	Sweden	-2.4
Cyprus	0.6	Greece	0.3	Netherlands	-1.0	United Kingdom	-1.5
Czech Republic	-0.9	Hungary	-1.2	Poland	0.3		
Denmark	-1.9	Ireland	-7.1	Portugal	-1.6	United States	-1.6
Estonia	-4.3	Italy	-1.9	Slovakia	2.1	Japan	-3.2
Finland	-1.3	Latvia	-3.9	Slovenia	-4.1	EU27	-1.5

Source: *Eurostat. No data for RO, BG, LU.*

Twenty Member States recorded quarter on quarter declines in GDP in 2008 Q4 while four recorded increases. The largest declines were in Ireland (-7.1%), Slovenia (-4.1%) and two of the Baltic Member States, Estonia (-4.3%) and Latvia (-3.9%). Slovakia was the Member State with the biggest increase in growth (+2.1%).

Forecasts have tended to be revised downwards reflecting worsening fundamentals. The IMF's predictions of global growth in 2009 suffered a negative shift of nearly 2% in the two-month period between November 2008 and January 2009 (from 2.2% to 0.5% growth).[4] More recent predictions from the World Bank at the end of March 2009 continue this trend and presage the first annual contraction of global output in 2009 (by 1.7%) since the Second World War.[5]

The seasonally adjusted unemployment rate for the EU27 has risen to 7.9%, according to the latest Eurostat data. Unemployment levels in the USA (8.1% in February 09) have overtaken those in the EU. There are 5.5m fewer in employment in the US now than in January 2008 (2.5m fewer since the beginning of this year alone).[6] To the extent that developments in the EU lag behind those in the US, the remainder of 2009 is clearly going to continue to be very difficult in EU labour markets.

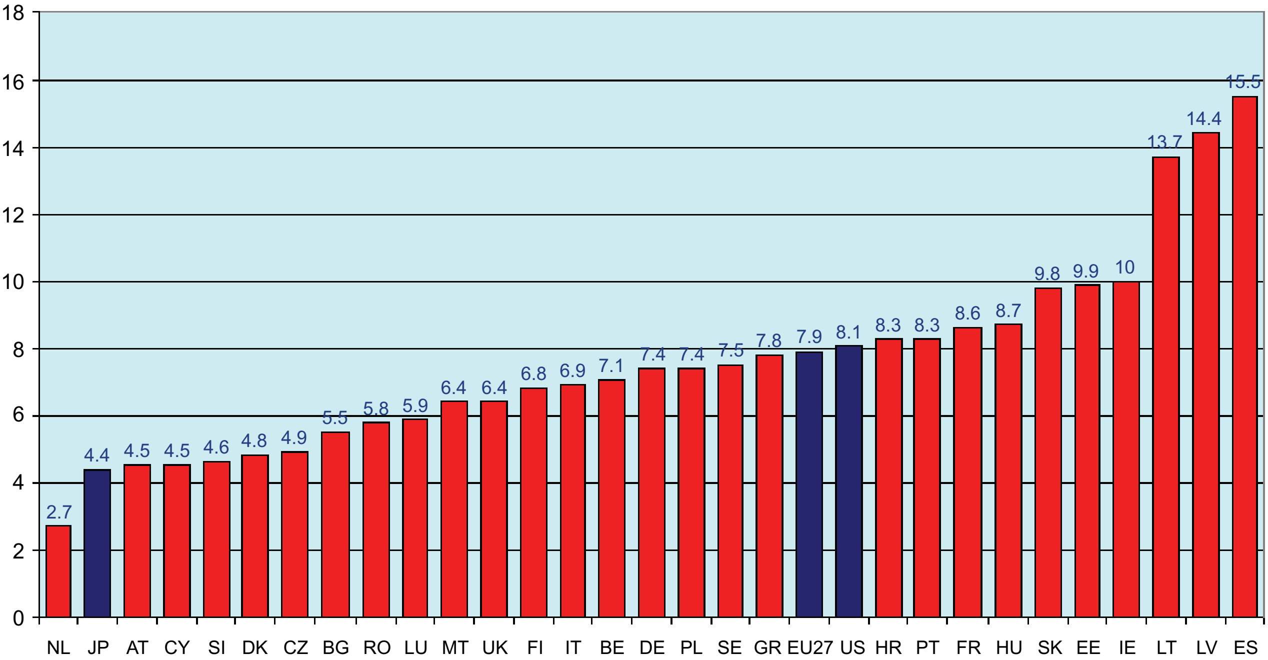
According to most recent data, lowest unemployment rates were recorded in the Netherlands (2.7%), Austria and Cyprus (4.5%). Spain, on the other hand, has endured a surge in unemployment over the last year up 6 percentage points to 15.5%.

[4] http://www.imf.org/external/pubs/ft/weo/2009/update/01/index.htm

[5] http://econ.worldbank.org/WBSITE/EXTERNAL/EXTDEC/0,,contentMDK:22122200~pagePK:64165401~piPK:64165026~theSitePK:469372,00.html

[6] At time of writing, March 2009 unemployment estimates for the US were available and showed a further increase to 8.5%. Source: US Bureau of Labour Statistics

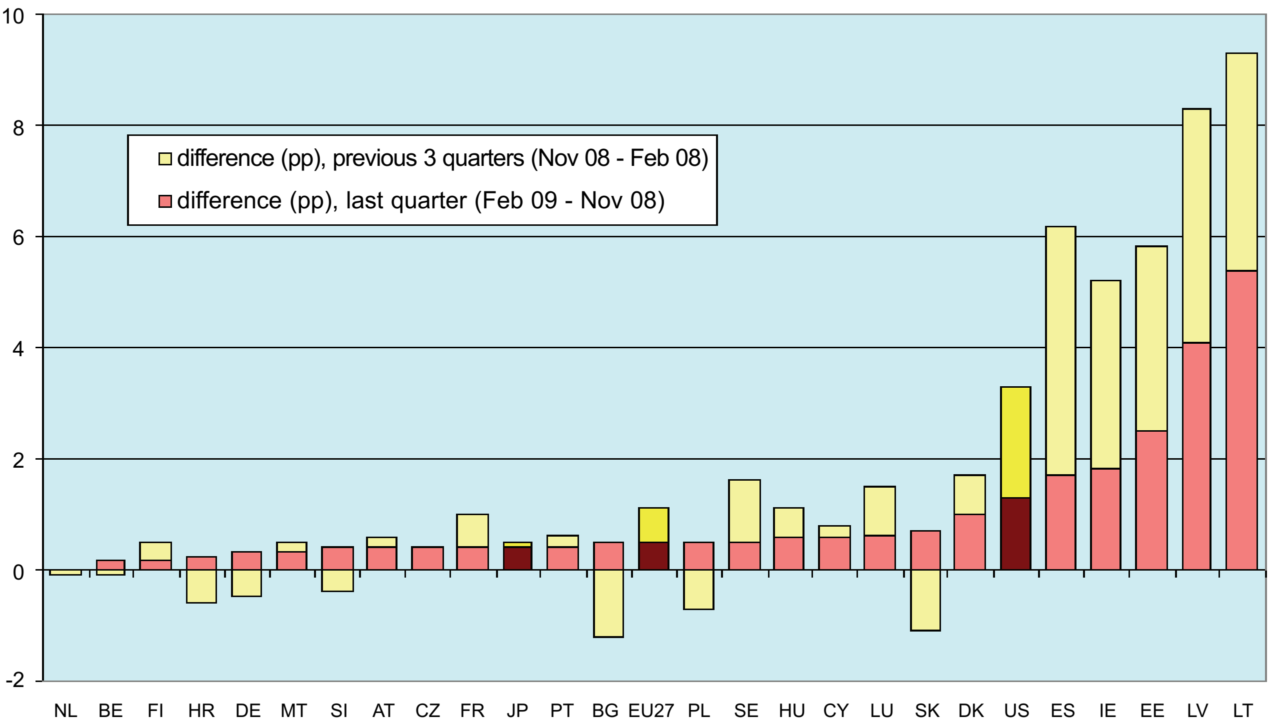
Figure 2: *Seasonally adjusted unemployment rates, February 2009, %*



Source: *Eurostat. Note: Data for GR, IT, RO, UK from December 2008.*

Unemployment has also spiked up very sharply in other Member States, notably in the three Baltic Member States (up between 6-9 percentage points over the last twelve months) and Ireland (5 percentage points). While the changes are less dramatic in remaining Member States, data for the most recent three months confirm that unemployment is increasing in all Member States with the exception of the Netherlands where it was stable.

Figure 3: *Changes in seasonally adjusted unemployment rates, in the three months and the year to February 2009, %*



Source: *Eurostat. No data for GR, IT, RO, UK.*

Unemployment rises appear to have been cushioned in Member States such as Germany, France, Austria and the Netherlands where there has been widespread recourse to short-time working, partial unemployment and other forms of working time flexibility.

Overview of ERM statistics, January to March 2009

The ERM recorded a total of 721 cases of restructuring between 1 January 2009 and 31 March 2009.[7] These cases involved 219,390 announced job losses and 89,625 announced job gains. The five most prominent instances of job reduction are listed below in two separate tables featuring national (Table 2a) and international cases of job reduction (Table 2b), while the top five cases of job creation are listed in Table 2c.

Table 2a: *Top five cases of announced job reduction (national)*

Company	Jobs	Location	Restructuring type	Sector
PKP Cargo	9,000	Poland	Internal restructuring	Land transport
Police nationale	4,800	France	Internal restructuring	Public administration
Metro Group	4,000	Germany	Internal restructuring	Retail
Alitalia	3,650	Italy	Merger/Acquisition	Air transport
Petrom	3,000	Romania	Internal restructuring	Manufacture: non-metallic mineral products

Table 2b: *Top five cases of announced job reduction (international)*

Company	Jobs	Location	Restructuring type	Sector
General Motors	47,000	World	Internal restructuring	Manufacture: auto
Caterpillar	20,000	World	Internal restructuring	Manufacture: machinery
Nissan	20,000	World	Internal restructuring	Manufacture: auto
Anglo American	19,000	World	Internal restructuring	Mining of metal ores
United Technologies Corp.	18,000	World	Internal restructuring	Manufacture: machinery

Source: *ERM, 1 Jan–31 March 2009*

The largest national case of restructuring involved **PKP Cargo**, Europe's second-largest rail freight carrier, which announced it would cut 9,000 jobs (from a total of 44,000) by the end of 2009 in its 16 plants located across Poland. Total tonnage moved by PKP Cargo fell from 145 m tonnes in 2007 to 122 m tonnes in 2008. The company's single largest customer is ArcelorMittal which has been trimming back production at its Polish and other European plants.

The concept of 'good' and 'bad banks' has been taken and adapted to the airline industry by the Italian government in its January rescue of ailing national carrier, **Alitalia**.

[7] Additionally, there were 71 World and EU cases of restructuring. Total case count for the quarter was 792. Job loss and gain totals do not include World / EU cases in order to avoid double counting.

In December, Alitalia's new owners, the Italian investor group Compagnia Aerea Italiana (CAI), acquired the 'old' Alitalia, in a EUR 1.052bn deal, and merged with Air One. CAI acquired the more profitable parts of the 'old' Alitalia, while the Italian Ministry of Treasury kept Alitalia's debts and its least profitable parts (the so-called 'bad company').

The commercial plight of Alitalia has been the subject of ongoing industrial action in recent years. To facilitate the merger with Air One which will involve 3,650 redundancies, the government and trade unions agreed recourse to the exceptional wages guarantee fund (Cassa Integrazione Guadagni Straordinaria, CIGS) for affected workers for up to four years. After this period, redundant workers will benefit for three years from a 'mobility' programme, which will support their incomes until they reach retirement age or they eventually find a new job. During this period, the state – through the National Social Security Institute (Istituto Nazionale Previdenza Sociale, Inps) – will pay an allowance equal to 80% of the average wage lost by the workers.

There were several large scale worldwide restructuring announcements in the quarter, particularly in auto and equipment/machinery manufacture. Of particular note, given the extent of its interests in the EU, was **General Motor's** announcement of 47,000 job losses in mid-February. This accounts for close to 20% of the American car manufacturer's global workforce. The company said that 26,000 of the job losses would take place in its operations outside the USA.

Volkswagen announced that it would be cutting all 16,500 temporary jobs in its worldwide operations in March. This highlights the particular vulnerability of this group of workers to crisis-related restructuring job loss.

Table 2c: *Top five cases of announced job creation*

Company	Announced job gain	Country	NACE 2
McDonald's	12,000	European Union	Hotels / restaurants
Kentucky Fried Chicken	9,000	United Kingdom	Hotels / restaurants
ASDA	7,000	United Kingdom	Retail
Subway	7,000	United Kingdom	Retail
H&M	7,000	World	Retail

Source: *ERM, 1 Jan–31 March 2009*

Of the 89,625 announced job gains in the quarter, a significant proportion were in bargain retailers and chain restaurants whose fortunes appear to prosper as those of the economy around them deteriorates.

Kentucky Fried Chicken announced plans to expand its network of fast food restaurants in the UK from 760 units to 1,060 over coming years. This will create up 9,000 new, generally low-paid, jobs. **McDonald's** Europe is also planning to expand, with 240 new restaurants concentrated in the following countries: Spain, France, Italy, Russia and Poland. **Subway**, an American-owned sandwich retailer, also announced plans to expand its activities in the UK and Ireland with 600 new outlets.

Table 3: *Job reduction, by type of restructuring*

	announced job loss 2009 Q1	% 2009 Q1	% 2002-8
Bankruptcy/Closure	38,182	17.4	15.4
Internal restructuring	169,965	77.5	72.2
Merger/Acquisition	3,850	1.8	4.2
Offshoring	5,253	2.4	5.2
Relocation	1,220	0.6	1.4
Outsourcing	0	0.0	1.1
Other	920	0.4	0.4
Total	219,390	100	100

Source: *ERM, 1 Jan–31 March 2009*

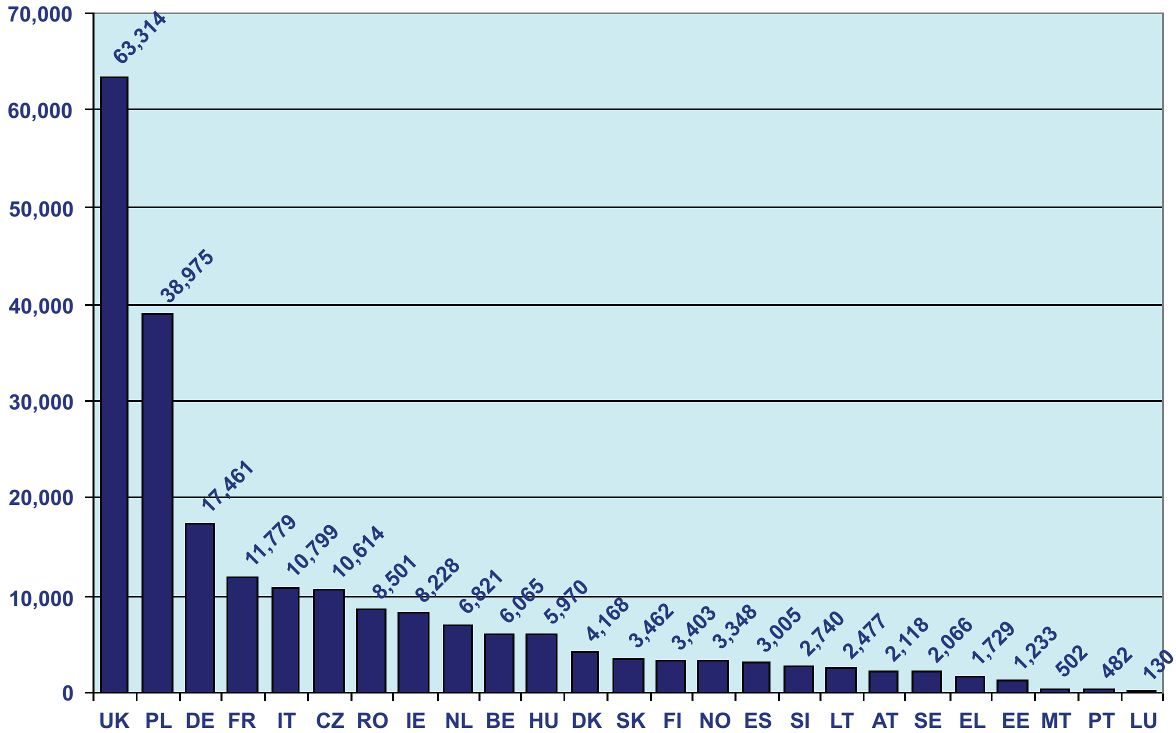
Table 3 shows the reported quarterly job losses by type of restructuring. Overall, internal restructuring accounted for 78% of the 219,390 announced job losses in the quarter compared to 72% of all previous ERM job losses. Bankruptcy also accounted for a higher than customary proportion of job losses (17%), though this figure is significantly lower than the 29% recorded in 2008 Q4. The categories of offshoring, relocation, outsourcing and merger / acquisition combined together accounted for less than half their customary share (5% v 12%).

Restructuring across countries

Job reduction

As shown in figure 4, during the first quarter of 2009, the UK recorded the highest number of announced job losses (63,314), followed by Poland (38,975), Germany (17,461) and France (11,779).

Figure 4: *Job reduction, by country*



Source: *ERM, 1 Jan–31 March 2009*

In the UK, many of the largest cases of job loss in the quarter were in financial services.

Royal Bank of Scotland announced in February that it would cut 2,300 of its 106,000 UK jobs. RBOS, one of the biggest, and most controversial, casualties of the credit crunch, announced record corporate losses of £40 billion (including write-downs) in March 2009 and is now substantially owned by the UK government. At the time of writing (13 April), the bank just made a follow up announcement of further job losses affecting up to 4,500 jobs in the UK and 9,000 worldwide. The jobs will go mainly in back office operations, purchasing and IT services.

Barclays (2,100 jobs), **Bank of America** (1,900), **HSBC** (1,200) and **Royal and Sun Alliance** (1,200) also announced major job losses in the UK during the quarter.

After the collapse of **Woolworths** with 27,000 job losses in December 2008, there was further evidence of weakness in the retail sector in a context of depressed high street sales. **Stylo**, a retailer which owns the Barrat and PriceLess shoe chains, announced it would close 220 stores with the loss of 2,500 jobs. The company, which operated a total of 545 stores and employed 5,500 people, went into administration in January 2009. 325 stores have been sold on, retaining 3,000 jobs. The remaining stores were due to be closed by the end of February.

In Poland, aside from the major restructuring announcement at **PKP Cargo** (9,000 jobs), two other substantial cases involved the large shipyards at Szczecin and Gdynia. In January, the **Szczecińska Nowa** shipyard launched a voluntary redundancy programme for its employees. Approximately half of the 4,000 employees have already agreed to terminate their employment contracts. Within days, 1,500 employees at the **Gdynia shipyard** (of an aggregate workforce of 4,500) agreed to terminate their employment relations by the end of April 2009. In both yards, workers qualified for severance benefits of between PLN 20,000 and PLN 60,000 (approx 4,500–13,500 euro).

Hundreds of thousands of German autoworkers are on short-time working (Kurzarbeit) in the face of sharply reduced demand from export markets. Restructuring job losses in the first quarter were largely in supplier firms rather than in car manufacturers themselves. Car radio manufacturer **Harman/Becker** announced 950 job losses in March, engine producer **Deutz** 600 jobs in March and gear/transmission producer **Getrag** 345 jobs in January.

A partial exception was the restructuring of Karmann cars. Despite being a producer of the classic Karmann Ghia, a main plank of Karmann's business has been in contract manufacture to bigger auto manufacturers – a particularly exposed subsector given retrenchment / insourcing at the bigger companies. The company announced in February its withdrawal from car manufacturing to concentrate on parts manufacture at its Osnabrück plant. The restructuring was to involve 1,390 jobs. However, in early April 2009, in the face of continuing declining sales and unable to pay the costs of the restructuring plans agreed with unions, the company filed for bankruptcy despite having little or no debt, according to the Guardian.[8] While operations continue for the present, the fate of the company's 7,000 strong workforce is now dependent on external intervention.

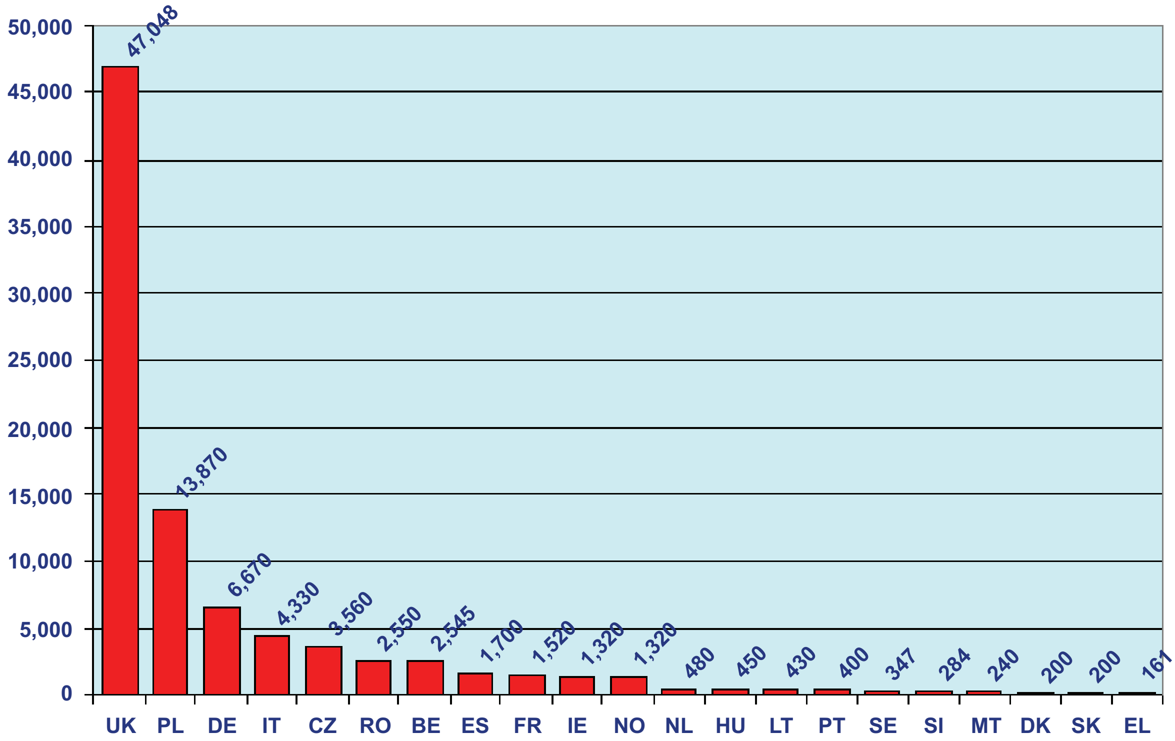
Job creation

As shown in figure 5, during the first quarter of 2009, the UK recorded the highest number of announced job gains (47,048) followed by Poland (13,870), Germany (6,670) and Italy (4,330).

[8] http://www.guardian.co.uk/business/2009/apr/08/daimler-workers-protest

The expansion of low-cost operators has already been noted and is illustrated again in some of the larger job creation cases. In the UK, **Ocean Parcs**, a holiday company that operates Pontins, is to create 2,000 jobs at its holiday parks across the UK. The company is experiencing increased demand for its low cost UK-based holidays. Poundland, a retailer, is to create 1,000 jobs across the UK during the next year as it opens 30 new discount stores.

Figure 5: *Job creation, by country*



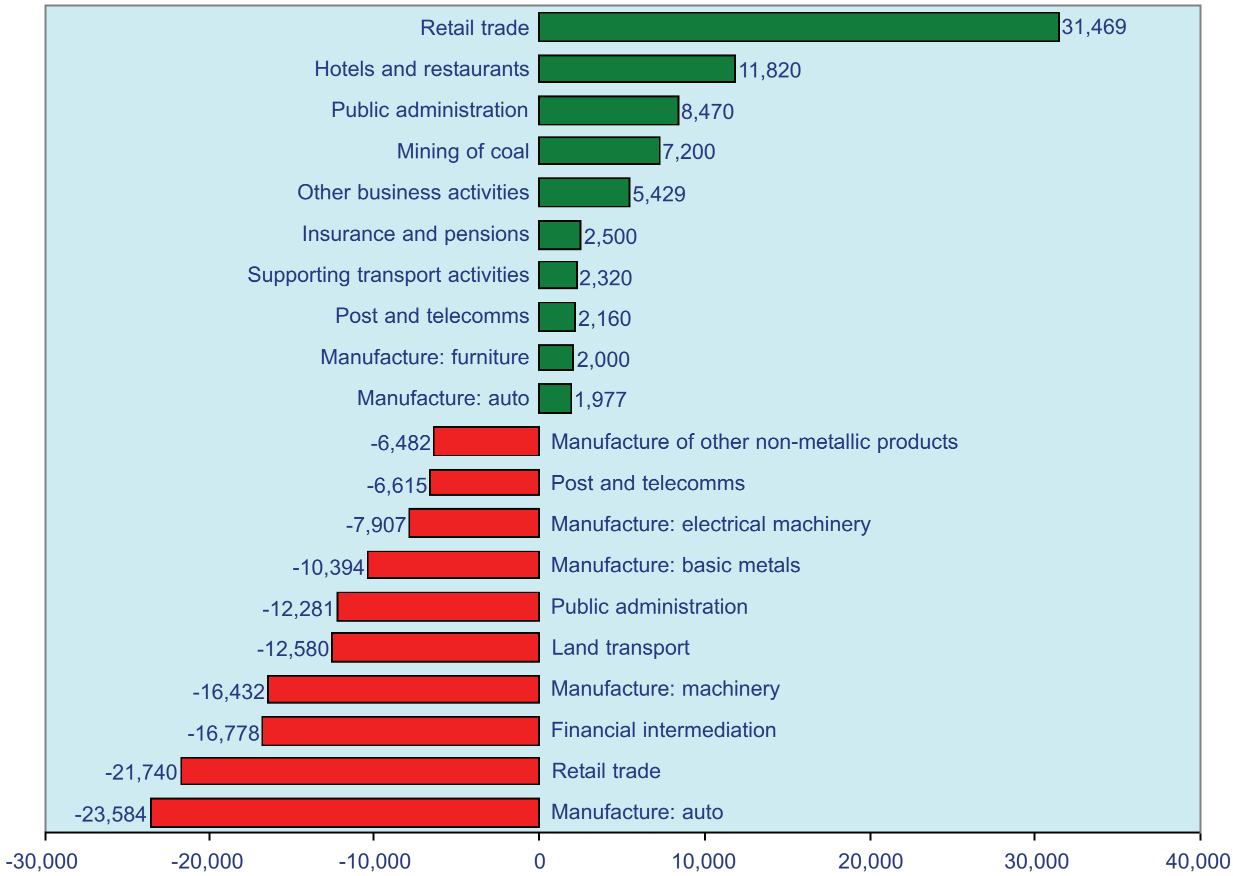
Source: *ERM, 1 Jan–31 March 2009*

Two cases of job creation involve significant recruitment from the ranks of the long-term unemployed. In the context of announced job cuts (of 4,800 jobs), the French Police Nationale simultaneously announced 1,400 new posts in 2009 as ‘adjoints de securite’, law-and-order personnel. It is reported that the job cuts will be achieved through a policy of non-replacement of employees who leave through retirement or transfers. The ‘adjoints de securite’ posts are reserved for the long-term unemployed. 3,000 of the 7,000 new jobs announced by UK supermarket Asda in January will also be targeted at the long-term unemployed based on the company’s local employment partnerships with Remploy, a UK employment service provider. The new jobs will be created by the end of 2009.

Restructuring across sectors

Figure 6 plots the top 10 NACE 2-digit sectors in terms of announced job creation and job loss reported to the ERM during the first quarter of 2009. For the third quarter in a row, auto manufacture is the sector with the greatest reported ERM job loss (23,584 jobs). Other sectors with large restructuring-related job loss were retail (21,740) and financial intermediation (16,778) and machinery manufacture (16,432).

Figure 6: *Job creation / destruction by sector (NACE 2)*



Source: *ERM, 1 Jan–31 March 2009*

Job reduction

Japanese car manufacturer **Nissan** announced at the turn of the year that it is to cut 1,200 jobs from its site in Sunderland in the North-East of England. The company currently employs 5,000 people at the site with 3,800 working in manufacturing. 400 temporary manufacturing workers will lose their jobs as well as 800 permanent manufacturing staff. The company attributed the cuts to the reduction in demand for new cars. Nissan has also been negotiating with unions at their Spanish sites in Barcelona and Montcada since October 2008 where it estimates that it needs to reduce its workforce by 1,400. Thus far, just over 200 workers have opted for voluntary redundancy.

At Cowley in the English Midlands, **BMW** caused controversy in mid-February by laying off 850 temporary agency workers at very short notice. The German company cancelled the weekend shift and moved from a 7-day to 5-day production week. The facility had been on full production in recent years to meet demand for the new Mini model which has sold successfully. A recent fall-off in sales of the model was cited as the reason for the job cuts.

DAF Trucks announced it was cutting 873 permanent jobs in its Westerloi plant in Belgium in February. The company had previously not renewed the employment contracts of 750 temporary workers in November 2007. Demand for trucks and trailers has been even more severely affected by the economic crisis than that for cars. Production at the unit has been cut from 240 to 100 units a day.

In the financial services sector, alongside the UK cases already mentioned, Dutch banking group ING announced large job losses throughout the quarter. In its home market, the company announced 2,700 job cuts in January of which 1,700 will occur through non-renewal of temporary contracts. This is part of a worldwide restructuring programme which will result in the loss of 7,000 jobs worldwide (over 5% of the company's global workforce). **ING** also announced its intention to **cut 315 jobs** in Belgium in February and to **relocate 100 jobs** from its investment management unit in Brussels back to the Netherlands.

Job creation

The sectors enjoying the largest announced job creation during the quarter were retail (31,469 – see separate feature on the retail sector in the following section), hotels / restaurants (11,820) and public administration (8,470). One small ray of light in recent ERM data is that levels of announced job creation have grown in each of the last two quarters and are now nearly double the level they were at their recent low point in the third quarter 2008 (90,000 v 50,000).

Most of the job creation in the hotels / restaurants sector is accounted for by expansion plans of fast-food conglomerates, as already noted. Bargain operators in many retail / service areas are often the ones to benefit in economic downturns. Declining spending power serves to expand market share by bringing in new 'downshifting' customers. **McDonald's** has announced a major expansion in Europe involving 12,000 new jobs. At national level, the biggest expansion plan was that of **Kentucky Fried Chicken** in the UK with 9,000 jobs to be created over the next 3–5 years. Meanwhile, American coffeehouse chain **Starbucks** – targeting a more aspirational market – has seen its sales and profits decline and announced at the end of January the closure of 300 stores worldwide (half outside the USA) with the loss of 6,700 jobs.

One sign of the times: the biggest case of job creation recorded in March 2009 was that announced by the German **Federal Employment Agency** (BAA). The BAA said it would be recruiting 5,000 new workers to deal with the rising volume of unemployment claims. This accounts for the majority of the new public administration jobs announced in the quarter.

Restructuring in the retail sector

In 2009, the effects of the economic crisis on the retail sector are becoming more and more evident. The impact of the crisis on the purchasing power of consumers is affecting working conditions of the more than 30 million workers in the European commerce sector. Store closures, layoffs, and bankruptcies among retailers underscore the seriousness of the economic downturn in EU Member States.

In the UK, the retail sector is facing decreasing sales and profits as a result of weak consumer confidence, tight credit and rising unemployment. The crisis of the retail sector has important implications for the broader economy, as consumer spending accounts for 65% of British gross domestic product. Furthermore, retail is the third-largest source of employment after business services and health care. The slowdown of the retail sector thus translates into lower economic performance, declining tax revenues and higher spending on unemployment benefits.

A concrete case example is the clothing and food seller Marks & Spencer. In January 2009, **Marks & Spencer** announced plans to close 27 outlets and lay off 1,230 workers. Woolworths closed the last of its 807 British outlets in January 2009, putting 27,000 employees out of work. The music emporium **Zavvi** has closed 22 of its 114 outlets as management struggles to sell the business. During the last quarter, other large retail chains including **Adams** (children's wear, 850 jobs), **Celebrations Group** (cards/stationery, 1,400 jobs) and **Stylo** (shoes, 2,500 jobs) have all gone into administration with the loss of some or all of the companies' jobs. Altogether, nearly 2,000 retailers are already in bankruptcy proceedings in Britain. According to the Centre for Economics and Business Research, up to 135,000 retail workers could lose their jobs by the end of 2009. In order to help the retail sector the UK government cut value-added tax before Christmas as part of an overall stimulus package. According to analysts, however, this intervention is unlikely to have more than a very marginal impact on sales.

Major cases of retail sector restructuring have been reported also in Germany. In January 2009 the **Metro Group** launched its 'Shape 2012' programme. The targets for profit improvements by 2012 and beyond amount to € 1.5 billion. Half of the amount should result from cost savings. The remaining amount is to be obtained through improved productivity and other profit-enhancing measures. By 2012, about 15,000 jobs will be affected worldwide. According to the Metro Group, the adjustments to be made over the next three years will be carried out as much as possible through normal fluctuation without recourse to compulsory redundancies.

At the end of 2008, the retail group Arcandor AG launched its 'pact for the future' which aims at saving staff costs of € 115 million annually over three years. The 'pact for the future' was drawn up in two weeks of negotiations with employee representatives and the ver.di service workers' union. According to the pact – which does not include job cuts – employees earning an annual €18,000 or less will not be affected. Those who earn more will waive an average of between 7 and 12% of their annual income. Managers will forego 20% of their salary and management board members will waive 30%.

Despite the crisis the market research company GfK delivered a relatively favourable prognosis for the German retail market. GfK sees a more positive outcome for products belonging to the short and mid-term demand categories – e.g. groceries and clothing; by contrast, the situation for luxury products will become more precarious in 2009. GfK also indicates that in face of the current financial pressures, high-volume chain-store retailers will continue to perform well, to the detriment of traditional single product-line retailers.

Overall, with its relatively consistent performance in Germany, the retail sector is considered a stabilising force amidst an otherwise troubled economy. By contrast, EuroCommerce and Uni-Europa Commerce, the social partners in the commerce sector at European level, seem to be more worried. They are critical that so far too little attention has been given to the consequences of the crisis for the commerce sector. According to Uni-Europa Commerce, the bankruptcy of small and big retail businesses, cuts in working hours, lack of implementation of collective agreements and employers' refusals to initiate collective agreement negotiations, investment cuts and more precarious jobs are some of the symptoms of the troubles in the sector.

As a first step, EuroCommerce and Uni-Europa Commerce adopted a joint statement on 18 December 2008 aimed at raising awareness of European institutions on this issue. The social partners in the commerce sector welcomed the urgent measures agreed in the December European Council to restore the good functioning of the financial system and the confidence of economic actors. The joint statement, however, also expresses deep concern about the consequences of the lack of available credit. As loans fuel the economy, reduction in credit is having a major knock-on effect in all sectors in the economy and on consumers' purchasing power. Major job losses are also cutting the purchasing power of consumers and directly affecting turnover in retail and distribution.

Collective redundancy notifications as a potential data source on restructuring in Europe

One potential source of official data on restructuring in Europe complementary to that provided in the ERM are the data collected by member state authorities on collective redundancy notifications. Subject to certain thresholds, employers in all Member States are subject to notification requirements in situations where they are contemplating laying off employees. Procedures to be followed are set out in national transpositions of EU Directive 98/59 (‘*on the approximation of the laws of the Member States relating to collective redundancies*’). In principle, the national administrations capture this data which allows them – or associated regional agencies, public employment services etc – to deal with the consequences of large scale lay-offs.

The principal objective of the notification requirements is to facilitate consultation and negotiation between worker and employer representatives – as well as competent public authorities – and to explore possibilities to mitigate the negative effects of planned restructurings. For this reason, the Directive provides that notifications take place well in advance of dismissals (a minimum of 30 days, longer in some countries[9]).

Collective redundancies: procedures and thresholds

According to the Directive, employers are obliged when contemplating collective redundancies to hold consultations with workers' representatives with a view to reaching an agreement. These consultations should cover means of reducing or mitigating the consequences of the planned redundancies. The specific procedures to be followed are as follows:

1. Employer notifies the competent authority in writing of planned collective redundancy
    - number to be made redundant,
    - number and category of workers normally employed
    - reasons for redundancy
    - timeframe for implementation of redundancies
    - criteria used to select workers to be made redundant
    - method used to calculate compensation
2. Employer forwards a copy of the notification to workers' representatives.
3. Consultation / negotiations take place between employers, worker representatives and competent public authorities
4. Following consultation / negotiations, collective redundancies may take effect at the earliest 30 days after the original notification.

[9] Though ‘Member States may grant the competent public authority the power to reduce the period' (Article 4 (1)). Also, in cases where cessation of activity arises as a result of judicial decision, the requirement for a notice period is waived.

The Directive only applies to collective redundancies of a certain size:

(i) either, over a period of 30 days:

- at least 10 in establishments normally employing more than 20 and less than 100 workers,
- at least 10% of the number of workers in establishments normally employing at least 100 but less than 300 workers,
- at least 30 in establishments normally employing 300 workers or more,

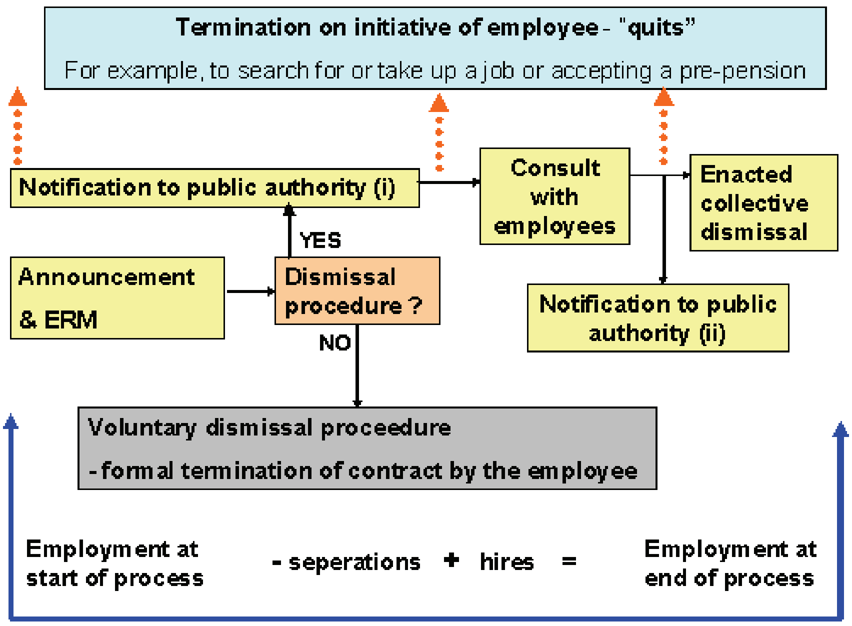
(ii) or, over a period of 90 days, at least 20, whatever the number of workers normally employed in the establishments in question.

Collective redundancies: what to measure?

It is an interesting exercise to model the collective redundancy process in light of the Directive's provisions and to ask what the comparative merits and demerits of data collected at various stages of the process are. Eurofound has always followed a policy of transparency in acknowledging potential biases in the ERM data on restructuring events (where data is collected at announcement stage, which is likely in most cases to coincide with original notification to the public authority). Certainly any interpretation of ERM data should always be qualified with reference to the method of collection of data (media reports), the phenomenon captured (*announced* job losses) as well as various potential biases arising from country-level factors (media coverage of restructuring, size of country etc) and company-level factors (firm size, sector).

But analysis of the collective redundancy process and assessment of the value of data that could be captured at different steps in the process underline that there are inherent weaknesses in using any specific stage in the process as an accurate measure of redundancy headcounts. For example, voluntary redundancies are likely to be more or less systematically missed in any 'enacted collective dismissal' totals, even though they may clearly constitute one component of the overall employment effect of a restructuring.

Figure 7: *a stylised collective redundancy process.*



To the outside observer the first indication that the firm is to reduce its workforce is the announcement.[10] If the legally defined path of collective dismissal is to be followed as stipulated in the European Directive, the next step is notification of the relevant public authority followed by some form of negotiation or consultation. Finally, there may be another notification to public authority and enactment whereby the employer terminates the employment contract.

Which of these three states – announcement, notification (at some stage) or enacted collective dismissal – is the 'best' measure of job loss following restructuring? While this may vary from case to case one can make some general observations.

Is the number of enacted collective dismissals (far right box in figure 7) likely to give a good measure of the number of jobs lost due to restructuring? Almost certainly not. In many cases the major discrepancy between the dismissals enacted by the employer and those initially included in some tally of projected dismissals is due to the employee serving notice of termination of employment contract. Employees who know of the impending dismissals and believe that they may become the ones dismissed may search and find jobs elsewhere. Moreover, workers with some form of work disability or older workers may be able to avail of some publicly and/or enterprise-financed pension scheme. Both these forms of employee exits from the process are indicated by the arrows at the top of the figure.

The mention of pre-emptive voluntary quitting along the collective dismissal process underlines the fact that the employer may actively induce quits and may even circumvent the formal dismissal process entirely as indicated by the lower half of the figure. It needs to be emphasised that there is nothing necessarily improper about such behaviour. Indeed, as the employer may provide economic compensation to train for a new job or grant lump sum payments to induce quits or funds to complement an early pension, this may be an attractive option for many employees.

It is of course important to emphasise that even if these individuals are not formally dismissed, their pre-emptive quitting is still in large part a consequence of the restructuring and should be counted as such. Thus it should be very obvious that measuring job loss due to restructuring by 'enacted collective dismissals' is totally inappropriate. Moreover, it is difficult to conceive of any administrative source that would provide statistics combining the number of enacted collective dismissals with pre-emptive quits and other forms of employee exits or any survey of employee responses that could differentiate among the legal complexities.[11]

What then about the number notified to the public authorities early on in the process, in compliance with the requirements of EU directive 98/59? As this occurs quite early on in the process, it is likely that appreciably fewer employees have left the work place by that time in expectation of dismissal.[12] However, the notification data may exaggerate actual job loss. The employer may withdraw some of the intended dismissals due to an unexpected upturn in the

[10] This is what is picked up in the European Restructuring Monitor

[11] This discussion underlines the major advantage of the ERM approach, namely that it occurs very early in the dismissal process and will capture both those who come to leave very early in the dismissal process and voluntary redundancies. It will, however, almost certainly overestimate the actual number affected by the restructuring. The early warning feature of the ERM is also one of its major strengths and may serve to draw policy attention to the cases. However, just as measurement at the first notification occasion will tend to inflate the actual figure of people losing their job due to economic problems in the firm, so ERM will tend to also do this. While the ERM does require the correspondents to update any subsequent revisions of announcements, these revisions are much less likely to be covered in the media.

It should finally be noted that in contrast to the ERM, the notification data will only cover collective dismissals as defined by the Directive. If the employer chooses to follow the voluntary redundancy route, it is only the ERM that picks up such events.

[12] Note that the selection of employees to be dismissed is generally not known at the time of notification and indeed this is often an important issue in the negotiations with employee representatives. Obviously the larger the share of employees notified, the more likely that they will believe that they will lose their jobs.

business cycle. The lengthier the dismissal process the more likely this may occur. The most obvious shortcoming of the number notified is that as this precedes the negotiation or consultation stage, these negotiations may lead to a reduction in the number of intended dismissals. Indeed, in the light of the forthcoming consultations with the employee representatives, the employer may have tactical reasons to notify more redundancies than are in fact intended. They are likely to report maximum numbers in order to give themselves room to manoeuvre in negotiations and also to make sure that they do not have to start the notification process again if 'real' estimates have to be adjusted upwards due to changing circumstances.

Nevertheless, in most cases one has reason to believe that the notification data will be more accurate than the number of legally enacted collective dismissals. Also in practical terms the notification is more interesting than enacted dismissals as the European Directive requires that notification be reported to the appropriate public authorities and thus may provide the basis for statistics.

Collective redundancy notifications: some preliminary data analysis

With the support of the Commission (DG-EMPL), Eurofound has established a network of national experts to help gather the collective redundancy data from the relevant national authorities and to explore the possibility of using the data to cast further light on restructuring activity in the EU. It should be stressed that the main obligation of the Directive falls on employers (to notify regarding planned redundancies) and not on competent Member State authorities (to process the resulting data). Nonetheless, based on the provisions of the directive, it is interesting to see to what extent national authorities are capturing and processing notification data and breaking it down by sector, by occupation or type of jobs affected, reasons for restructuring, measures taken, time trends in terms of redundancies etc.

There is no central coordination in terms of data processing at EU level and this means that Member States are left to their own devices as to how (and whether) they process the data received from employers. In practice, there is a wide variety of means of capturing, processing and disseminating the data and little harmonisation. In some Member States with a federal structure, for example Belgium and Germany, it is our understanding that data processing is, at best, at regional level only and no overall national level data has been made available as a result. In other Member States, data is collected non-electronically and is not compiled in a central database; either because there are alternative national monitoring tools on collective redundancies, because resources are not available to process and make use of the data or because limited analytical value is attached to the data.

And even in those countries that do collect the data centrally in electronic format, there are differences in terms of the stage of collective redundancies at which data is captured (first stage – initial notification of redundancies, second stage – post-negotiation notification of dismissals or final stage – redundancies actually enacted).

In some countries, differences relate to the specificities of national legislative frameworks governing collective redundancies – for example, in Spain, where under the rules governing 'EREs' (*expedientes de regulacíon de empleo*), collective redundancies require official sanction in the event of non-agreement between social partners over the terms of the redundancies.[13] There are also differences in terms of periodicity of the data and detail of job loss (gender, occupation, sector, reasons for collective redundancy).

Nonetheless, Eurofound has proceeded with the help of its national level partners to compile redundancy data from the competent national authorities and despite all of the caveats indicated above, some data of potential policy interest has been uncovered. What follows is a brief overview of the national level data that has been compiled along with some preliminary analysis.

[13] It is worth pointing out that in Spain, even though the autonomous regions are responsible for data collection in many cases, there is a central processing of data at national level based on common data parameters. The Spanish authorities also actively disseminate the aggregate data, see **http://www.mtas.es/estadisticas/reg/welcome.htm**.

Table 4: *Overview of data made available by Member State authorities*

Country	Data refers to…	Frequency	Breakdowns	Date range	Comments
Denmark	Collective redundancies	Quarterly	• Regional • Due to closure or reduction • No. of jobs and cases	2005–8 (Q3)	
Estonia	Collective redundancies	Monthly	• No. of jobs and cases ('applications') • Approved or not by labour inspectorate	2008–2009 (Feb)	Very summary
Lithuania	Collective redundancies	Yearly	• Name of company • Sector/occupation • NUTs • Reason • No of jobs/cases	2006–8 (up to Nov 2008)	Enacted redundancies, 'no. of employees made redundant'
Latvia	Notified redundancies	Monthly	• Name of company • Location • Job function • Reason	2007–9 (up to Jan)	
Ireland	Actual redundancies	Monthly	• Sector (1 digit) • Gender • Region	2007–9 (up to Jan)	Very summary; sent monthly
Hungary	Collective redundancy data received by PES	Monthly	• Sector (1 digit at best) • No. of jobs/cases • Reasons • Region	Various timeframes for different variables, back to 1991 for topline data	Detailed data
Spain	Final outcomes of 'expediente de regulacíon de empleo' (ERE) process recorded	Yearly / monthly	• Very detailed with categories based on 'expedientes de regulacíon de empleo' so… • Agreed / not agreed reductions / non-authorised cases / withdrawn • Region • Reason • Size of company • Sector • Gender / cases / workers	1999–end 2008 (last 18 months)	Detailed data
Sweden	Notified redundancies	Yearly + monthly	• No. of jobs / cases • Dismissals (total + due to closure) • Sector	1992–2008	Includes also short-term working / temp lay offs; rich data
Slovakia	All stages covered	Six monthly worksheets	• Name of firm • No. of jobs in firm • No. of jobs threatened / lost • Date collective redundancy reported and timeframe • Status of collective redundancy	2006–7 complete 2008 to October	Rich data which covers all stages of process
Slovenia	Estimates of future redundancies	Report text based on survey of employer intentions	• Intentions of firms to let go workers • Sector (1 digit) • Skill level (7 cats, ISCED based)	2007	Not comparable

As anticipated at the outset of this exercise, the majority of Member States that have provided or already disseminate data arising from the collective redundancies directive requirements do so at aggregated levels. Most include data on the number of establishments giving notification and on the number of intended or enacted redundancies. Details of sector, occupation (both mainly at broad, 1-digit level) and location/region are also generally presented.

Only in Latvia, Lithuania and Slovakia does the data include the name of the firm in which the redundancies have been notified / enacted. In general, this information is considered confidential. In some Member States even accessing data at regional level is not permitted, given that it could permit the identification of restructuring companies. Considerations of confidentiality are especially strong in Member States like the UK where companies often give notification well in advance of intended restructurings (i.e. with longer periods of notice than those required by the Directive) and where the data is as a consequence considered commercially sensitive.

Direct circumstances of the redundancies are recorded in five of the countries covered – Hungary, Latvia, Lithuania, Slovakia and Spain. The main categories are closure or job reduction (without closure). Some countries also include the principal reasons cited by employers for collective redundancies. These can include internal restructuring, lack of orders, poor financial situation, bankruptcy, liquidation as well as more one-off causes such as fire damage, 'inadequate occupational exposure standards' etc.

It is not always made clear at what stage of the reporting process the processed data is sourced from. In some cases the data appears to correspond to the initial notification by the employer of the intention to make workers redundant (Denmark, Sweden). In others, it is clear that the data corresponds to the final stage of the process, i.e. actual enacted redundancies (e.g. Ireland). Only in a small number of the Member States for which we have data are there separate data points mapping the evolution of the cases.

The Slovakian data represents a best case example in this regard: the date of the original notification is given as well as the start/end date of the collective redundancy. Totals are also given for the notified job losses ('reported number of endangered jobs') and the enacted job losses ('number of jobs discontinued') as well as the current status of each company case. The Spanish data is also quite detailed and reflects the specificities of the collective redundancy regime in this member state; variables covered include the number of cases (*expedientes de regulacíon de empleo*) submitted to the authorities for consideration, the potential number of workers affected, the cases/redundancies authorised both with and without prior social partner agreement as well as those that were not authorised and those that were withdrawn.

In Ireland, the data published are basic – a broad sectoral level, region and gender of those made redundant – and relate to actual redundancies, i.e. they relate only to the last stage of the process and not to original company intentions (or as subsequently modified following consultations with worker representatives).[14] Until at least 2003, the Irish authorities released data on notified redundancies. It appears that criticism regarding the lack of correspondence between notified and actual redundancies led to their changing to report actual redundancies.[15]

In Slovenia, the redundancy data provided comes from a source unconnected to the Directive. The Employment Service of Slovenia surveys all business entities employing ten or more persons on changes in their employment levels during the current year and their forecasts for the following year. The survey (LPZAP) is carried out in December each year.[16]

[14] In Ireland, employers who pay the statutory redundancy entitlement and give proper notice of redundancy are entitled to a 60% rebate from the Social Insurance Fund (SIF) into which they also make regular payments themselves through pay-related social insurance contributions. Also, in the event that an employer is unable to make statutory redundancy entitlements, the SIF assumes the responsibility.

[15] http://www.eurofound.europa.eu/eiro/2003/11/tfeature/ie0311203t.htm

[16] In Germany, too, the principal source of data on potential cases of restructuring is also an employer survey.

The most recent exercise for which information is available took place in December 2007, had a response rate of around 80% and reflected high levels of optimism about economic prospects at the time; less than 10% of the respondent firms (603 of 7,248 firms) indicated intentions to lay off personnel in 2008 and the number of forecast redundancies was down 25% on the already lower than long-run annual average forecasts of the previous year.

However, as with many forecasts, the predictions tend not to be accurate. In 2007 the forecast figure of 5,068 redundancies corresponded to an actual out-turn of 10,354 redundant workers (8,504 long-term redundancies and 1,850 job losses due to employer's bankruptcy) though there are indications that the under-estimation is at least partially systematic and explainable. The forecasts are broken down by sector, region and also by education level (ISCED 1-6) of the jobs but the Slovenian expert comments that 'the data are considered too fluctuating to be relevant for any serious analysis'.

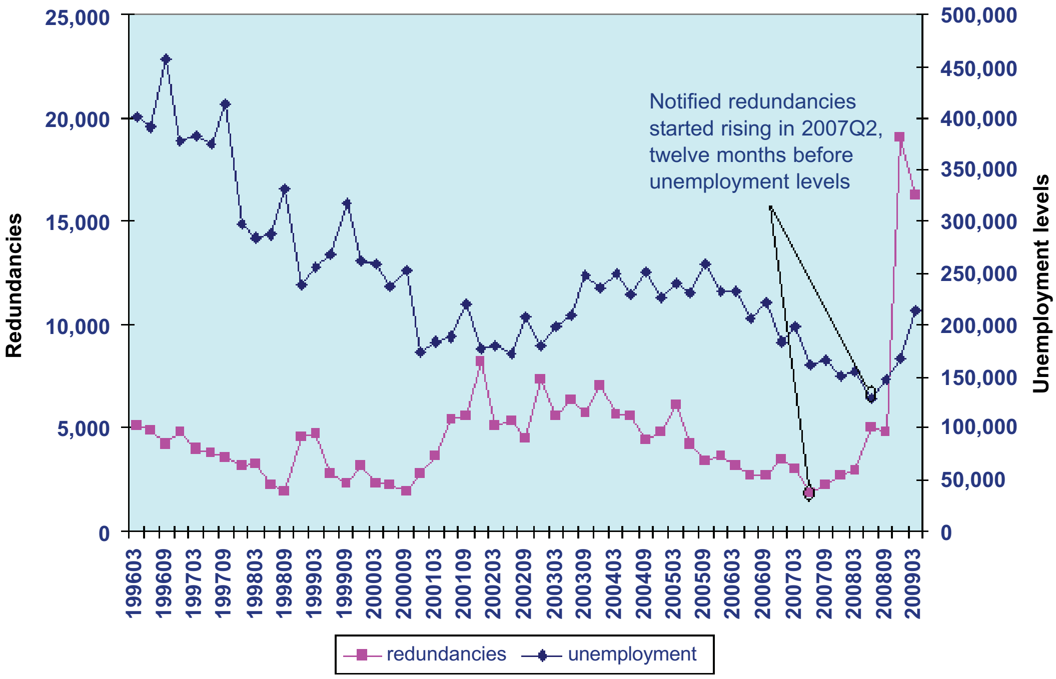
The following sections take a preliminary, exploratory look at some of the notification data from three Member States – Sweden, Slovakia and Hungary.

Country data for Sweden

In Sweden, employers planning to cut five to 25 jobs must inform the County Labour Board at least two months in advance of the planned termination, rising to four months for 26 to 100 redundancies, and six months for more than 100. The basic idea is that the local job centres can start as early as possible finding new jobs for the redundant workers. The National Labour Market Board (Arbetsmarknadsstyrelsen, AMS) oversees the County Labour Boards, which in turn oversee 325 local job centres.

The Swedish collective redundancy data is made publicly available every month on the Arbetsformedlingen website (**http://www.ams.se**). The data refers to notified redundancies. Aside from giving public authorities and social partners sufficient time to put in place mitigating measures, capturing data as early as possible in the process may also provide a good leading indicator of unemployment.

Figure 8: *Redundancy notifications and unemployment, Sweden 1998–2009*

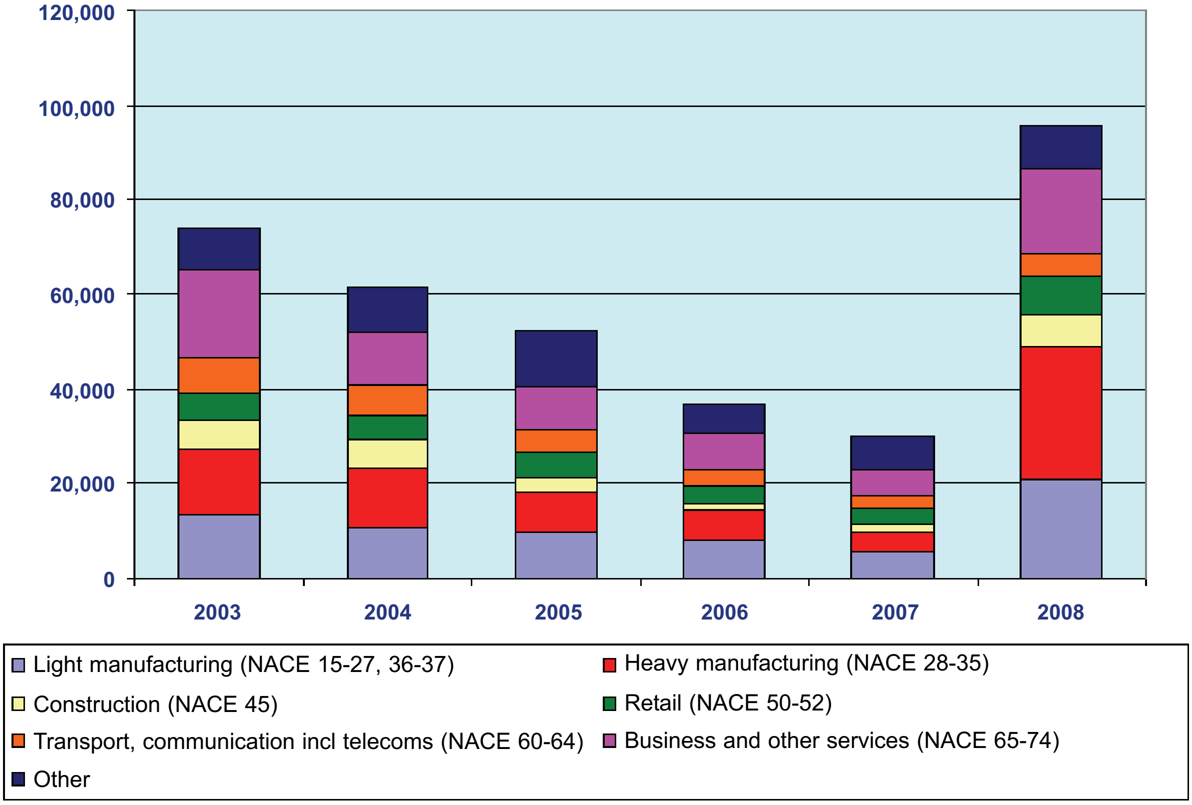


Source: **http://www.ams.se**

The above chart maps trends in quarterly notified redundancies against quarterly registered unemployment levels for the period 1996 to date and includes four quarter moving averages. For the first five years, there is little movement in the level of redundancy notifications in a context of quite steeply declining unemployment levels. This is consistent with an underlying steady level of redundancies even in a context of sustained employment growth and reducing unemployment (1996–2001 in above chart). Unemployment levels bottom out a number of quarters after notified redundancies rise. For example, in the above chart a steep rise in notified redundancies starting in 2000 Q3 anticipates a rise in unemployment almost two full years later, starting 2002 Q2. The lag appears to have decreased somewhat in more recent years. The most recent low-point in notified redundancies (2007 Q2) corresponds to a low-point in unemployment a year later (2008 Q2). The very rapid rise in notified redundancies in 2008 Q4 – the quarterly total is almost three times greater than the previous quarterly high recorded over the twelve years – points to a deteriorating employment situation in 2009 and possibly beyond.

Aside from showing the abrupt increase in notified redundancies in 2008, sectoral breakdown of the data[17] confirms that manufacturing (in particular heavy manufacturing including car production) has been especially affected by the increase in 2008. Light manufacturing accounted for a 22% share of all notified redundancies in 2008 (compared to 19% in 2003–7) while heavy manufacturing accounted for 29% (compared to 18% in 2003–7).

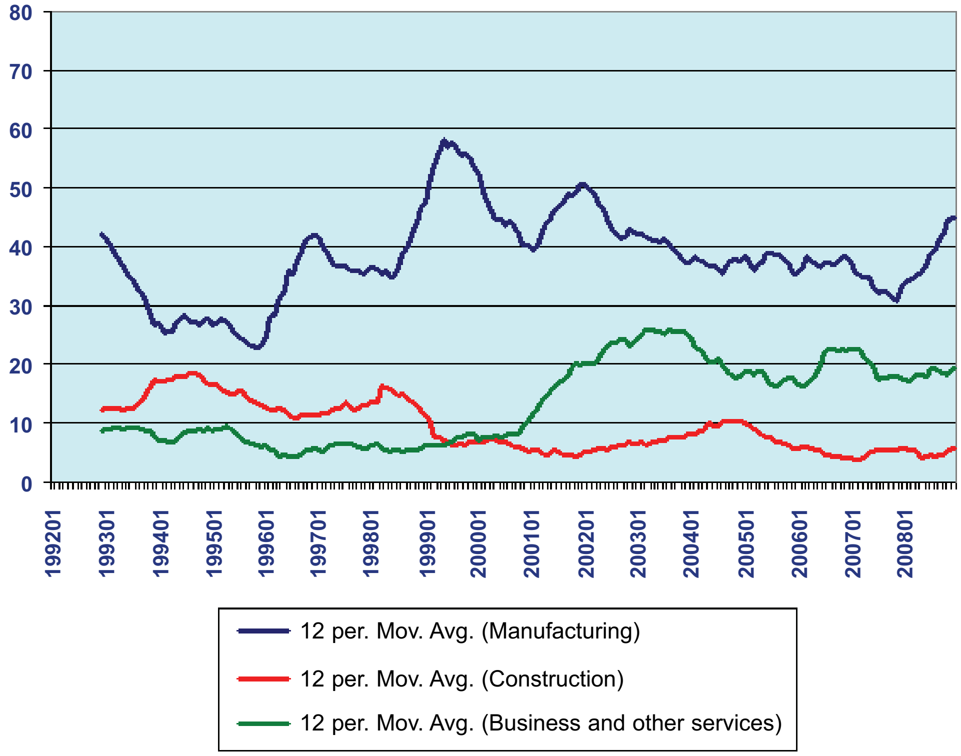
Figure 9: *Notified redundancies by sector, Sweden 2003–8*



Business and other services (NACE 65-74) was the other sector contributing a high proportion of redundancies (19%) but this represented a marginal decline in its trend share.

[17] Based on SNI-Kod which corresponds closely to NACE rev 1.1

Figure 10: *% of redundancy notifications by major sector group, 1992–2008*



Looking at trends in the sectoral composition of redundancies in a more long-term perspective (1992–2008), we can observe the following patterns:

- Manufacturing (light and heavy) accounts for the biggest single major sector share of redundancies. It accounts for at least 20% and as much as 60% of overall redundancy notifications in any given period.
- The share of redundancies in business and other services accounted for less than 10% until 2000 but rose to over 25% in 2000–2 and has stabilised at around 20% subsequently. This appears to have been a structural shift.
- Construction accounts for a declining proportion of notified redundancies (down from nearly 20% in the early 1990s to 5% in recent years).
- The variation by year in the data suggests stronger cyclical patterns in redundancy notifications in manufacturing than in the other major sector groupings. Sharp increases in the manufacturing share of notifications took place in 1996, 1998 and to a lesser extent in 2001. In the subsequent period, the manufacturing share decreased steadily from 50% to 30% before the recent spike upwards beginning in late 2007.

Country data for Slovakia

The Slovakian collective redundancy data is made available in the following format. It is one of the few Member States – together with Lithuania and Latvia – to publish the identity of the restructuring company or organisation.[18]

Table 5: *Collective redundancy in Slovakia, example of reporting format*

Office of LSAF - region	Employer	NACE	Cause of CR	Date Reported	Date of		No. of employees	Reported No. of Endangered Jobs	No. of Jobs Discontinued	CR Status
					Start of CR	End of CR				
Bratislava	Slovak Telecom a.s.	64	Organisational changes	11/30/ 2005	1/1/ 2006	12/31/ 2007	5,290	1,468	1,014	Performed

Source: *Ministry of Labour, Social Affairs and the Family, Slovakia.*
Notes: *NACE=sector code, (NACE rev 1.1), CR=collective redundancy.*

The main reasons indicated for the collective redundancies are internal restructuring / internal reorganisation and winding up of the employer / bankruptcy. Together these account for around 80% of the cases and of the enacted redundancies.

Table 6: *Reasons cited for redundancies, Slovakia*

Reason for redundancies	Cases	% of cases	% of jobs discontinued
Winding up of the employer	50	33.8	42.7
Internal restructuring	67	45.3	39.7
Poor financial situation, insolvency etc	26	17.6	14.6
Other	5	3.4	3.0
Total	148	100.0	100.0

One of the advantages of the Slovakian data is that it allows tracking the evolution of a restructuring case from the initial notification ('date reported', 'reported number of endangered jobs') to the start of the collective redundancy process ('start of CR') through to its conclusion ('end of CR', 'number of jobs discontinued'). This allows, for example, checking the de facto period between reporting / notification of an impending collective redundancy and the commencement of dismissals.

[18] We are grateful to Dr Maria Buchtova at the Ministry of Labour, Social Affairs and Family of the Slovak Republic for making the Slovakian collective redundancy data available to us. For the purposes of this preliminary analysis, we have combined data from three six-monthly excel data sheets covering the period 2007 to the end of the first semester of 2008, removing duplicates and incomplete observations. This gives us a mini-dataset of 190 individual restructuring events notified to the Slovakian authorities. Of these, the 'status' of the restructuring was categorised as 'cancelled' in 14 cases, 'planned' or 'reported' in 5 cases and 'discussed' in 23 cases. The remaining 148 cases were categorised as 'performed' or 'completed'. It is these 148 cases that we analyse in the text. It should be noted that the cases include public and private sector cases; redundancies in schools, state agencies etc are included as well as those in private firms.

Table 7: *Notice (days) of impending collective redundancy, Slovakia*

Days between case reported and CR commencement	No of cases	%of cases
<0	7	4.7
0–29	32	21.6
30–60	96	64.9
>60	13	8.8
Total	148	100.0

On average, 36 days notice was given by employers prior to the enactment of redundancies in Slovakian restructuring cases from 2007–8. In seven cases, reporting to the authorities took place after the commencement of redundancies while in just over a quarter of the cases covered, less than thirty days elapsed between notification and the commencement of the redundancies. In the majority (nearly two-thirds) of the cases, notification preceded enactment by between 30 and 60 days.

In terms of the duration of the collective redundancies enactment, the range is – as expected – much greater. On average, just over six months elapsed between the start and the end of the collective redundancy (139 days).

Table 8: *Timeframe of collective redundancy, Slovakia*

Start to end of CR (days)	No of cases	%of cases
> 1 year	7	4.7
6 months – 1 year	25	16.9
3 months – 6 months	39	26.4
1 month – 3 months	43	29.1
Less than 1 month	29	19.6
Data not available	5	3.4
Total	148	100.0

As already indicated, one of the advantages of the Slovakian data is that it allows us to track the evolution of the case from initial notification to final enacted dismissals. In particular, given the rationale of the Directive (to facilitate consultations / negotiations between employers and worker representatives in order to mitigate negative consequences of the restructuring), it is interesting to see to what extent the number of redundancies enacted differed from those originally notified.

In the 148 cases featured, employment at the firms / organisations totalled 145,671 persons. Notified redundancies totalled 16,632 over the eighteen month period while the number of jobs discontinued amounted to 11,342 or 68% of those notified. Bearing in mind earlier discussion about how voluntary quits (incentivised or not) can be expected to take place following an announcement regarding an impending collective redundancy, it is of course not possible to say what proportion of the 5,300-odd jobs ‘saved’ are due to the notification requirements and the obligations on employers to consult with worker representatives.

In two cases, more employees were dismissed than originally notified, in 44 cases all notified redundancies were enacted while in 52 cases (35% of total), more than 30% of the notified redundancies were not enacted in the end.

Table 9: *% of jobs discontinued, i.e. redundancies enacted, Slovakia*

Difference between jobs threatened (notification) and redundancies enacted	Cases
> 70% reduction	27
>30% and <70% reduction	25
>10 and <30% reduction	30
< 10% reduction	20
As notified	44
More redundancies than notified	2
Total	148

There is no obvious systematic relationship between firm/organisation size and the shift between notification and enactment of redundancies, though in the small firms (<50 employees, n=18 only), there was a greater match between the notified and enacted redundancies.

Table 10: *Organisation size and % of redundancies enacted*

Firm/organisation size	Cases	Redundancies enacted as % of those originally notified
>1000	35	73
250–999	47	58
50–249	48	73
<50	18	88

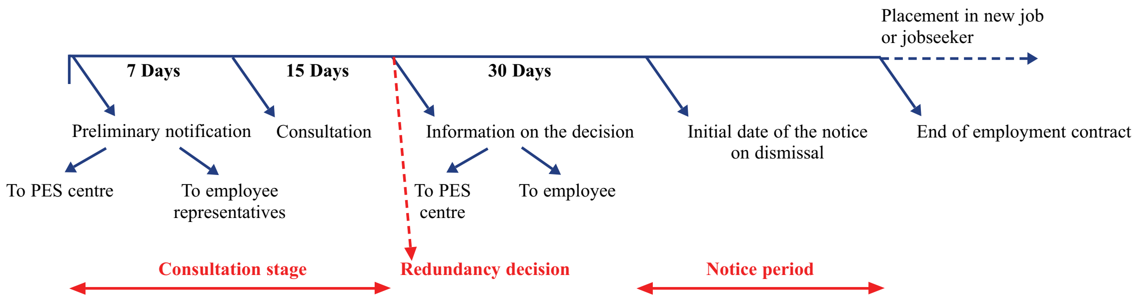
It might also have been expected to see the timeframe of collective redundancies vary based on the numbers finally dismissed (larger numbers made redundant, longer timeframe) but no such relationship emerges in the sample. Smaller organisations laying off few employees tend to take as long as larger companies laying off a greater number.

Country data for Hungary

In Hungary, before making collective redundancy decisions, an employer is obliged to follow a more detailed procedure than that foreseen in the EU directive. He/she must

1. communicate in writing to worker representatives, and in parallel to the Public Employment Services (PES), various data relating to the intended redundancy (reason of the redundancy; number of staff affected; planned implementation schedule etc.) no later than 7 days before commencing consultations with the worker representatives;
2. initiate consultation with the representatives of the employees no later than 15 days before taking its decision concerning a collective redundancy,
3. if he/she decides to proceed with the collective redundancy, notify the PES and employees concerned at least 30 days before the communication of the legal statement terminating the employment relation.

Figure 11: *Timeline of collective redundancy in Hungary*

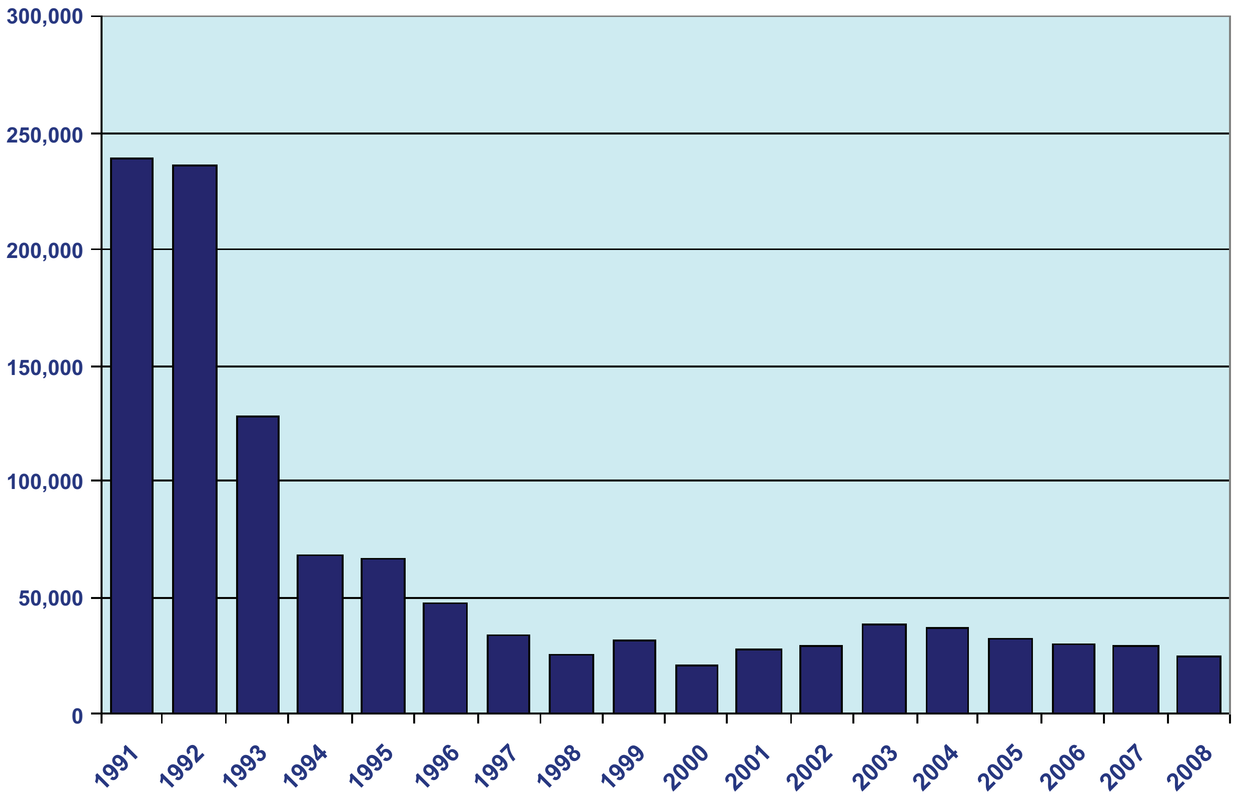


Source: *Hungarian Ministry of Social Affairs and Labour*

One of the implications is that there must be a period of at least 52 days (7+15+30) from the announcement of the collective redundancy to the commencement of the first ordinary dismissal of an employee.

Some of the Hungarian collective redundancy data is of special historical interest as it dates back to 1991, soon after the collapse of the former Communist regimes in eastern Europe.[19] The extent of the shock therapy visited on the Hungarian labour market is evident in the collective redundancy data. There were six times as many collective redundancies in the first two years recorded (1991–92) than has been the average in recent years.[20]

Figure 12: *Notified collective redundancies, Hungary 1991-2008*



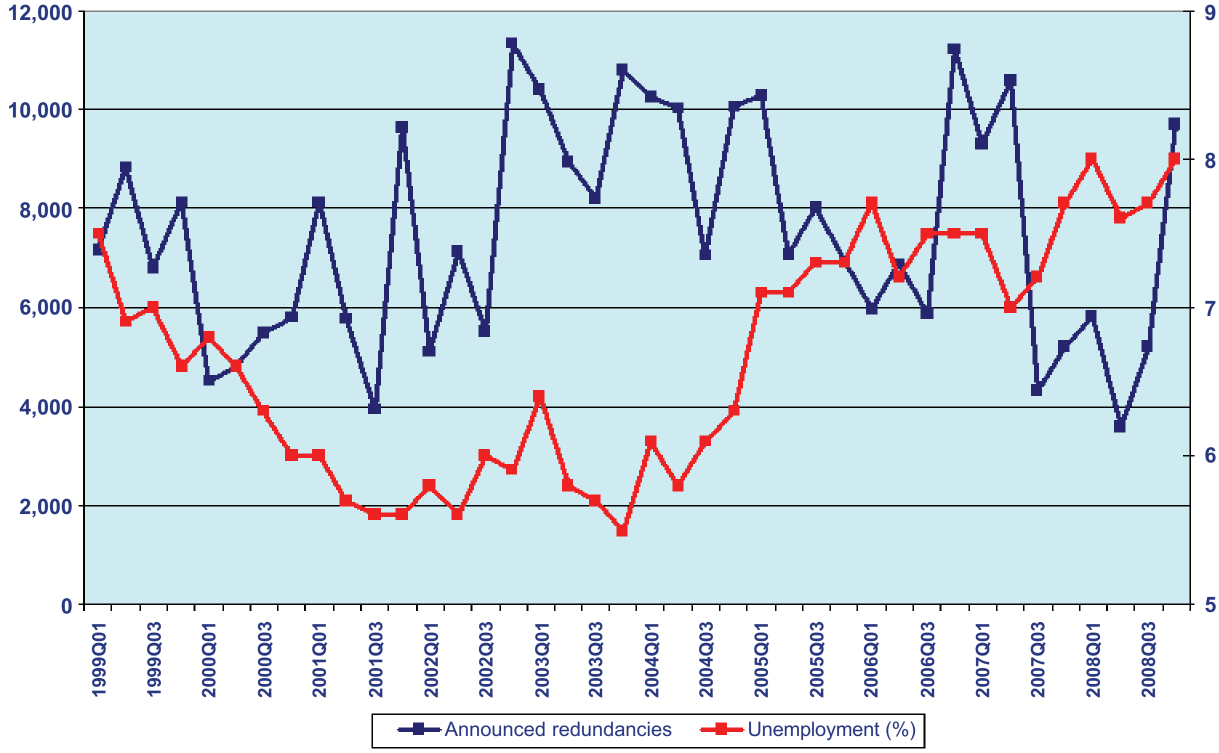
Source: *Hungarian Ministry of Social Affairs and Labour*

[19] We are grateful to Iren Busch and her colleagues in the Ministry of Social Affairs and Labour for providing us with the Hungarian collective redundancy data.

[20] The severe Swedish recession in the early 1990s is reflected in the redundancy data in a similar, if less extreme, pattern. In a context of annual average notified redundancies of around 50,000, there were 180,000 redundancies in 1992 and 120,000 in 1993.

Though the year on year trend for announced redundancies has been in decline since 2003, most recent data available indicates rising levels towards the end of 2008.

Figure 13: *Announced redundancies and unemployment levels, Hungary 1999–2008*

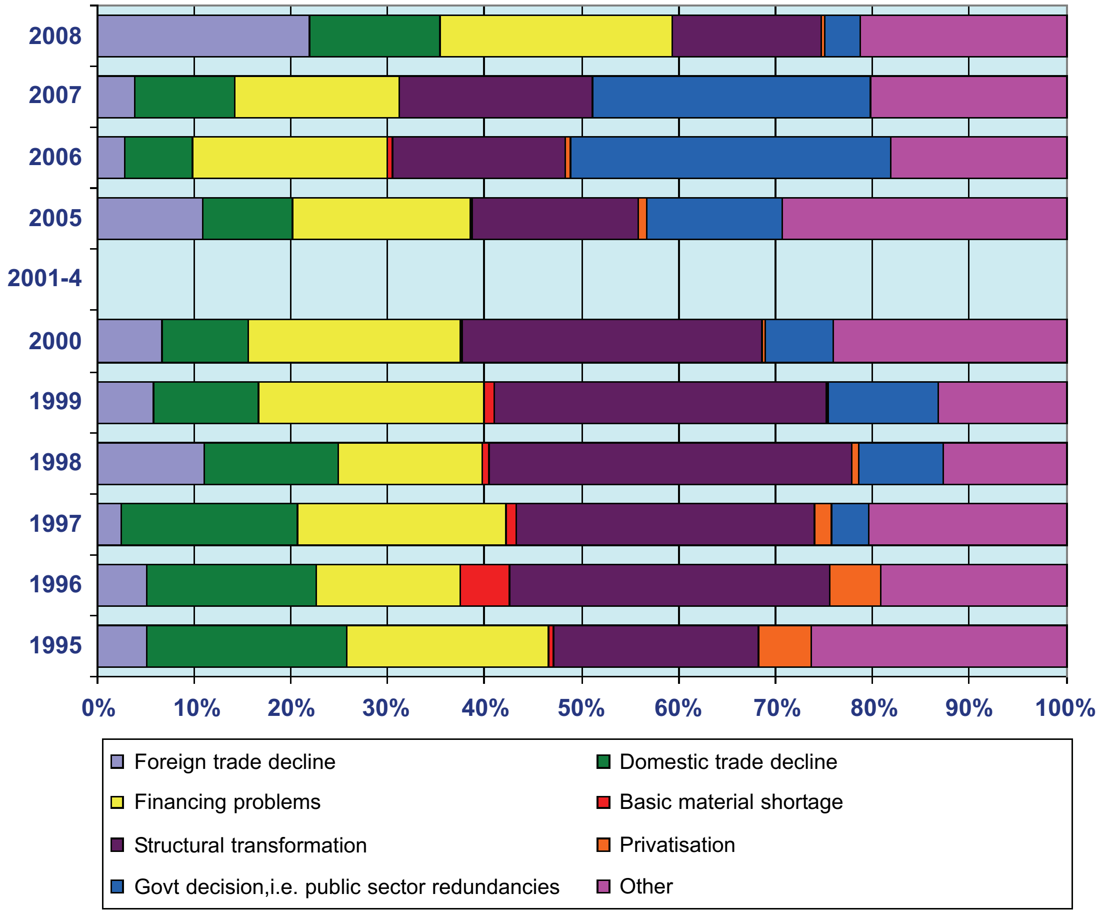


Source: *Hungarian Ministry of Social Affairs and Labour, Eurostat*

Possible use of announced redundancies as a lead indicator of unemployment appears less promising with the Hungarian than with the Swedish data. There is a high level of quarter on quarter fluctuation in the redundancy data and tracking or correlation between the two measures is sporadic at best.[21]

[21] Though this may be in part due to the fact that for Sweden, the measure of unemployment used was registered unemployment (i.e. those receiving unemployment benefits) whereas in Hungary, unemployment rates were used. Registered unemployment would include persons more likely to have experienced a dismissal than those measured by the ILO definition of unemployment which includes for example many first time job seekers or new re-entrants to the labour market.

Figure 14: *Announced redundancies by main reason cited by employers, Hungary 1995-2008*



Source: *Hungarian Ministry of Social Affairs and Labour*

The Hungarian authorities also collect data on the main reasons for announced redundancies but data is only available for two periods 1995–2000 and 2005–8. Ignoring a residual 'other' category which accounts for between 15% and 30% of redundancies in each year, the most cited reason for redundancies, especially prominent in the earlier 1995–2000 period, was 'structural transformation'. In more recent years the state itself has been a significant contributor to collective redundancies accounting for around 30% of redundancies in 2006–7. It is noteworthy that already in 2008 'trade decline', domestic or foreign, emerged as a growing factor behind redundancies as did 'financing problems', presumably demonstrating the impact of tightening credit.

Some conclusions

Despite the fact that there is no obligation on Member States to process collective redundancy data, many nonetheless have identified a value in the data and make available or publish summary statistics alongside more traditional labour market data (unemployment etc). Lack of central coordination is however reflected in the variety of variables covered, different periodicities and different levels of aggregation etc. A comparative analysis on such disparate data is unlikely to be easy. Nonetheless, in the exploratory (and superficial) analysis of notification data from three Member States in this section, we have been able to:

- test one hypothesis – that collective redundancy notifications might be a good lead indicator of unemployment levels / rates (with promising results for Sweden, less so for Hungary),

- put recent rises in collective redundancies in Hungary and Sweden in historical perspective (recent increases, while steep, have yet to reach the scale of redundancies experienced by both countries in the early 1990s),
- identify the reasons cited for collective redundancy job losses in Slovakia and Hungary, and,
- give some estimates on what happens during the collective redundancy process based on a recent sample of Slovakian data
  - how much notice is given (average 36 days) before collective redundancies commence,
  - how long does enactment of redundancies take (average 20 weeks),
  - what proportion of employees end up being made redundant compared to the original number notified (68%).

These are, as indicated, the results of initial forays into analysing collective redundancy data restricted to three countries. Future quarterlies will, with the assistance of the Eurofound national network of contacts, be presenting data from other Member States as we seek to extend our understanding of this potentially useful source of data.

Restructuring in Cyprus and Malta

Due to the size of the Cypriot and Maltese economies, there are very few cases of restructuring that meet the ERM threshold. Summarised below in brief are developments in both Member States over the last quarter.

Malta

Most of the job losses in the first quarter of 2009 in Malta were registered in the manufacturing sector.

Woodware, chair manufacturer and exporter, has laid off 30 of its 40 employees due to a loss of a major UK client and a consequent 70% fall in production. FAL Malta, which specialises in wireless telecommunication technologies, was closed down in February due to heavy financial losses, which resulted in 27 layoffs. Also Pamargan, a producer of accessories for the automotive industry, reduced employment by 48 persons. In February, the largest employer in Malta, **ST Microelectronics**, announced cuts of between 400 and 450 jobs at its plant in Kirkop, most of them (250–300) through retirement schemes or non-renewal of temporary contracts. The cuts are blamed on the forecasted sharp drop in demand and high labour costs in Malta in comparison to China.

On a more positive note, Pharmacare Premium Malta is to set up a new pharmaceutical plant. The site is expected to start operating in 2010 with about 60 employees and increase the number of workers to 120 within three years. About 10 million euro will be invested.

In the services sector, the management of Go, Malta's major telecommunication company, declared it would reduce its workforce by 350. To avoid dismissals, the company is encouraging its employees to use early retirement schemes. Fraser Eagle Malta, specialising in transport, travel and logistics solutions has closed down resulting in 34 redundancies. Melita Mobile has announced the creation of 120 jobs. Also Maitland Group, a company operating in the financial sector, is to expand its operations creating around 100 new jobs.

Cyprus

The international financial crisis has had a limited impact thus far on the Cypriot economy and labour market compared to other EU Member States. According to the European Commission, Cyprus will continue to generate a positive GDP growth rate of 1.1% in 2009. The unemployment rate is expected to rise by 1.2 percentage points in comparison to 2008, but it will remain low in relation to the average of the Euro area (5.1% in Cyprus compared to 9.3%).

The impact of the crisis seems to be most pronounced in the construction sector. In March 2009, the number of unemployed in the construction industry jumped to 2,376 compared to an average of 902 in 2008.

Note on ERM methodology

The European Restructuring Monitor (ERM) is a tool that records industrial restructuring cases as reported in selected media titles (3–4 per country) as identified 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 cases are identified through a review of daily papers and the financial press in the EU27 and Norway.

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 **http://www.eurofound.europa.eu/emcc/erm/index.htm** (click 'Factsheets'). ERM also enables the compilation of statistics based on the information available in the database (9,000+ restructuring cases covering 2002 to date) broken down by the following independent variables: sector, type of restructuring, country as well as time-period.

Only those fact sheets in the ERM database which refer to a specific country are included in the statistical analysis. Fact sheets referring to European or worldwide restructuring events are not considered in order to avoid double counting.

For previous editions of the quarterly as well as other ERM-related publications, you can visit the website at **http://www.eurofound.europa.eu/emcc/erm/index.htm** or send a request to the e-mail address erm@eurofound.europa.eu

The data for this report was extracted on April 1st 2009. As the ERM continually updates cases in light of new information on recent cases, data reported here may not correspond exactly to later extractions.

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