EMCC | European Monitoring Centre on Change

ERM quarterly

Quarter 2 July 2015

Macroeconomic trends and prospects

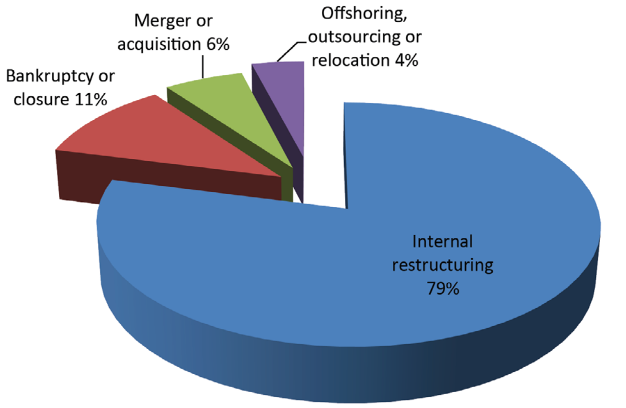
In a context of globally slow growth since the financial crisis, the EU and in particular the euro zone economies have underperformed relative to other major developed-world economies. Output in the euro zone remained lower in the first quarter of 2015 than seven years earlier, and three million fewer people are working in the EU. The post-crisis output gap between the EU and the US now amounts to around eight percentage points. In the previous quarter of 2015, there were some grounds for optimism about the modest economic recovery in the EU. A weaker euro, lower oil prices and rock-bottom interest rates – actually negative in some Nordic countries outside the euro zone – underpinned a positive increase in economic activity, with employment increasing in a majority of Member States. These factors may still be assisting in maintaining a positive outlook. But the drama surrounding a possible Greek exit of the euro zone points to deep cleavages in economic performance between European countries along north–south, creditor–debtor axes; increasing uncertainty over the future of the single currency; and the intractability of sovereign debt problems in a context of low growth and low inflation. So things may be getting better in the EU for some, but they are improving more robustly elsewhere, and the downside risks in the EU and euro zone appear to be more significantly negative.

Job creation and job loss at a glance

The ERM recorded a total of 280 cases of restructuring between 1 April and 30 June 2015. Of these, 150 were cases of announced restructuring involving job loss, and 126 were cases involving announced job creation; 4 cases involved both job loss and job creation. These cases comprised a total of 60,992 announced job losses and 38,965 announced job gains. Internal restructuring accounted for 79% of the announced job losses. The proportion of job losses attributable to bankruptcy and closure was down at 11% of the total (19% in the previous quarter), whereas offshoring and relocation accounted for a stable share of 4%. In terms of geographical distribution, the UK recorded the greatest number of announced job losses (14,520 jobs), followed by France (11,071) and Spain (7,792). The UK also recorded the highest number of job gains (10,564), followed by France (7,680) and Poland (6,452).

2015 Q1	Announced job loss	Announced job gain
EU28	60,992	38,965
EU28 change on previous quarter	8%	-53%
Big increases* by country	Romania + Spain ++ Norway ++ Austria ++	Belgium + France ++
Big increases* by sector	none	Financial services ++

Note: * Comparing the quarter to the four-quarter moving average; ++ = >100%; + = >50%; excludes country or sector if quarter average and 2015 Q2 <1,000 job losses/gains.
Source: ERM, April–June 2015.



Note: Percentages refer to announced job losses.

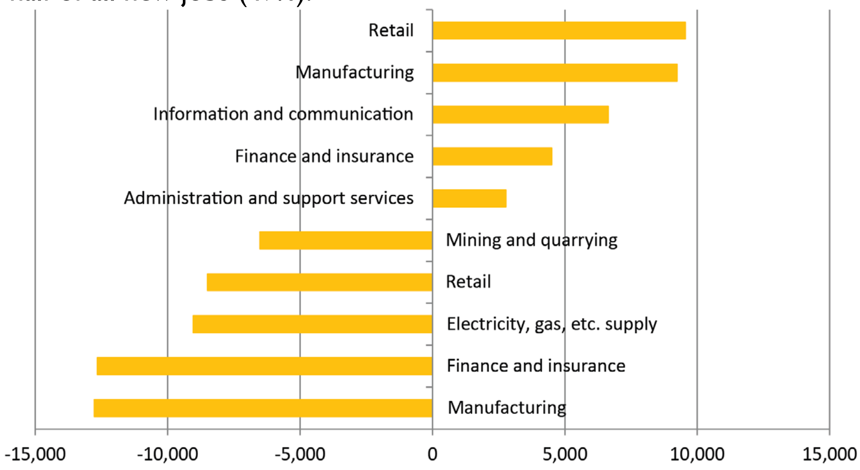
IN THIS ISSUE

- **Restructuring support measures in focus: Support for restructuring in Luxembourg**
- **Case in focus: Areva to shed at least 3,000 jobs in France**
- **Case in focus: HSBC announces major job cuts worldwide**
- **Sector in focus: The oil industry**

40 1975-2015 Eurofound

Sectoral distribution of job losses and gains

The figure plots the top NACE Rev. 2 one-digit sectors in terms of announced job loss and job creation, as reported to the ERM in the second quarter of 2015. Manufacturing accounted for a reduced 21% of total announced job losses (compared with 41% in the previous quarter) and 24% of total announced job gains. Job losses increased in both relative and absolute terms in the financial services sector, which also accounted for 21% of total losses. Announced new jobs were greatest in retail and manufacturing – over 9,000 new jobs in each, with the combined total accounting for nearly half of all new jobs (47%).



ERM-announced job losses/gains, top five sectors (one-digit), 2015 Q2

Announced job gains	
Retail	9,547
Manufacturing	9,232
Information and communication	6,637
Finance and insurance	4,505
Administration and support services	2,775
Announced job losses	
Manufacturing	12,768
Finance and insurance	12,652
Electricity, gas etc. supply	9,033
Retail	8,493
Mining and quarrying	6,513

Source: ERM, April–June 2015

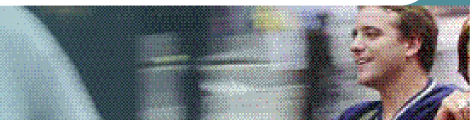
Top 5 cases of job loss and job creation

Date	Company	Job losses	Location	Sector	Type of restructuring
09/06/2015	HSBC	7,000	UK	Financial services	Internal restructuring
07/05/2015	Areva	3,000	France	Utilities	Internal restructuring
27/05/2015	Complexul Energetic Oltenia	2,133	Romania	Utilities	Internal restructuring
01/05/2015	Indra	2,000	Spain	Information/communication	Internal restructuring
29/04/2015	BBVA	2,000	Spain	Financial services	Internal restructuring

The largest-scale restructuring event reported in the second quarter of 2015 was that of global banking group **HSBC**, which announced 7,000–8,000 job losses in its UK branches and 25,000–50,000 job losses in its global workforce (see separate feature). The bank also announced that it would refocus its activities towards Asia and away from Europe. Including divestments, the restructuring plan will result in a global headcount in 2017 of around 208,000 employees, down from over 290,000 in 2010. **Areva**, the French state-controlled nuclear group, responded to large reported losses of €4.8 billion in 2014 by announcing a cut of 3,000–4,000 jobs in its French plants (see feature). There has been a declining appetite for nuclear installations internationally following the 2011 Fukushima plant disaster in Japan. In Romania, **Complexul Energetic Oltenia**, a combination of power facilities that provides up to 40% of the country's power, announced over 2,000 job cuts due to financial difficulties compounded by energy price and demand decreases. The government has approved the use of €2.8 million from the unemployment fund as severance payments for the personnel made redundant.

Date	Company	Job gains	Location	Sector
16/04/2015	Morrisons	5,000	UK	Retail
11/05/2015	Alten	2,500	France	Information/communication
28/05/2015	BNP Paribas	2,000	France	Financial services
15/06/2015	RBS	1,235	UK	Financial services
03/06/2015	Atos Poland	800	Poland	Information/communication

UK supermarket chain **Morrisons** announced 5,000 new retail jobs in April as part of a restructuring that also envisages the loss of 720 mainly management jobs, as the group seeks to simplify its management structure. The trend of 'delayering' management in major retail groups, disproportionately affecting middle management positions, was first observed in **Asda's restructuring in July 2014**. French IT and engineering consultancy firm **Alten is expanding** and will take on 2,500 mainly high-skilled new employees during 2015. Edinburgh-based **Royal Bank of Scotland (RBS)** announced the creation of 1,235 new jobs in late May 2015. As part of European regulatory requirements imposed on RBS following the UK state bailout of GBP 45.5 billion (€64.2 billion as at 27 July 2015) during the financial crisis, the bank is required to fully divest its challenger bank, Williams & Glyn, by the end of 2017. It has been reported that the majority of the jobs in Williams & Glyn will be based in Manchester, Edinburgh and London. While the bank has returned to profitability since the bailout, it remains 80% publicly owned. Around 40,000 workers lost their jobs following nationalisation in 2008.



RESTRUCTURING SUPPORT MEASURES IN FOCUS

Support for restructuring in Luxembourg

Luxembourg, which in the second half of 2015 **holds the presidency of the Council of the EU**, provides a variety of public and social partner-based instruments to support companies and employees in restructuring.

To anticipate change, several observatories regularly monitor economic and labour market developments. The Competitiveness Observatory, for example, **collects, analyses and compares data on economic and social issues**, while the Employment Observatory – RETEL carries out studies and surveys to both **describe the current labour market situation** and provide forecasts.

To prepare the workforce for future skills needs, a number of training initiatives are in place. Workers who have been employed in their current job for at least six months are entitled to **individual training leave of up to 20 days** in a two-year period. During this leave, employers continue to pay their employees' wages, for which they are reimbursed from national funds. Employers may also receive support in the form of a financial contribution to the training costs, as is the case, for example, in the **co-funding of continuing vocational training.** Furthermore, a range of support instruments is available to foster companies' innovation activities. In addition to financial assistance, companies are provided with networking opportunities. In **the innovation club in the craft sector**, for instance, entrepreneurs can meet peers to exchange experiences about innovation in management, marketing and technical areas.

In relation to managing restructuring, **partial unemployment support can be offered** if companies, in order to avoid redundancies, reduce the working hours of their staff for a limited duration and partly compensate them for their loss in income. With a similar intention, the **temporary sublease of employees** – in specific circumstances – gives employers (that are not temporary work agencies) the option to send their staff to work for another company or a public authority rather than having to resort to lay-offs.

Support is also available for managing specific types of restructuring. For business transfers, for example, the successors' bourse of the Chamber of Skilled Crafts **facilitates the matching of potential buyers and sellers of companies**, while the transfer loan provides buyers of small or medium-sized enterprises with access to finance to buy assets.

More information on public and social-partner-based measures supporting companies and employees in restructuring is available at **Eurofound's restructuring support instruments database**.

CASE IN FOCUS

Areva to shed at least 3,000 jobs in France

In April 2015, French nuclear group Areva announced that it would cut its worldwide workforce significantly between 2016 and 2017. The group, in which the French state retains an 87% stake, intends to reduce staff costs by about 18% internationally. The restructuring will involve mainly French and German plants. The group at present employs 44,000 workers, the majority (28,500) in France.

Areva has started negotiations with social partners regarding implementation of the cuts in France, where it plans to cut 3,000–4,000 positions in the next two years. Management has announced that the plan will involve several measures affecting employment headcount, compensation, the reorganisation of production and working time. The precise impact on employment will be the subject of discussions with unions and will depend 'on the savings achieved by each of the other measures'. The management says it will do 'everything possible to ensure that any workforce optimisation will be done on a voluntary basis'. Consultations with employees' representatives and unions will take place at group level and then at site level. The first stage of negotiations was due to take place during May and June and will be followed by an information and consultation phase with the relevant labour organisations. The first job cut measures could start by October 2015.

In Germany, the company has announced 1,500 job cuts out of a total workforce of 5,000. The job reduction will mainly affect the group's site in Offenbach, which Areva intends to shut down by mid-2016. Activities and employees will be moved to Erlangen and Karlstein.

The announcement in April is the latest in a series of large job cuts at the group since 2011, when Areva launched a restructuring project for the period 2012–2015; this has already led to 1,570 job losses in Europe and the closure of the Belgian plant at Dessel.

The restructuring is linked to the difficult economic condition of the group: Areva has recently announced a loss of almost €4.8 billion for 2014. The company has not sold a new nuclear reactor since 2007 and faces sharp competition from US, Russian and South Korean companies. Furthermore, the dramatic decrease in demand for nuclear power stations since the

Fukushima disaster in Japan has seriously hit the company. Both Germany and Japan have shifted their energy policy away from nuclear power, while the USA is developing a gas industry to produce electric energy, constantly reducing the use of nuclear energy. Areva has also failed to complete a new third-generation (EPR) nuclear power station in Finland (after 10 years' delay the plant is still not finished) and is dealing with construction problems at the French site in Flamanville.

CASE IN FOCUS

HSBC announces major job cuts worldwide

The largest case of job loss during the second quarter of 2015 was that involving global banking group HSBC. In June 2015, it announced a plan to cut unprofitable branches, leading to a reduction of 7,000–8,000 jobs in the UK out of a total workforce of 48,000. The reduction will see one in six employees losing their jobs and the closure of hundreds of high street branches.

The restructuring is part of a plan to reduce the company's global workforce by 25,000–50,000 by the end of 2017. This is the second round of job cuts since the new CEO arrived in 2011. The aim is to shift the bank's focus towards Asian markets and to extend the use of digital technology.

The bank is also considering relocating its global headquarters from the UK back to Asia, to increase its business there, particularly in China. HSBC originally moved from Hong Kong to London in 1992. A key factor in this decision has probably been the recent changes in UK banking law. The new legislation obliges HSBC to separate its UK retail banking operations from its investment banking business by 2019. HSBC has currently ruled out breaking up the UK business in order to comply with the regulations, saying that a new ring-fenced UK retail business will be headquartered in Birmingham and trade under a different name; it is likely to employ around 26,000 workers.

SECTOR IN FOCUS

The oil industry

The European oil extraction and related services industry has been shedding significant numbers of jobs in recent months, due largely to falling prices for crude oil and the resulting decline in extraction activities. For example, Schlumberger, the world's largest provider of oilfield services, announced in April 2015 that it intended to cut 11,000 jobs worldwide. The company had already announced 9,000 job cuts in January 2015. It is estimated that this will reduce the company's workforce by 15%. Overall, Schlumberger employs around 115,000 workers in over 85 countries.

The Norwegian oil industry has experienced particularly high levels of restructuring and job loss in recent years. The Norwegian oil company Statoil announced in June 2015 that it intends to cut between 1,100 and 1,500 jobs by the end of 2016 as part of a restructuring plan first announced at the beginning of 2014. Since that time, the company has implemented several rounds of restructuring. This latest cut will affect permanent employees and 525 consultants hired on a long-term basis. So far, Statoil has cut 1,340 permanent jobs and 995 consultant posts by ending external hire contracts, internal relocation, natural wastage, early retirement and severance packages. It hopes to avoid compulsory redundancy in this latest round of job cuts.

Other recent job losses include 190 at the Norwegian petroleum services company Subsea 7, announced in May 2015. This company has seven Norwegian offices in Stavanger, Oslo, Kristiansund, Grimstad and Tromsø. It is likely that a large proportion of the cuts will be made in Stavanger. This is a response to a drop in crude oil prices and a decline in demand. Furthermore, the Norwegian drilling contracting company Dolphin Drilling announced in April 2015 its intention to cut 180 jobs in Norway, due to a slowdown in the oil rig market. In particular, one of its rigs will be off contract at the end of this summer; the company has said that temporary lay-offs of staff are not viable, although the market is expected to pick up again before 2017.

The Norwegian petroleum sector has experienced at least 15,000 job losses since 2013. It is estimated that up to 30,000 jobs related to the petroleum industry in Norway may be cut overall by 2018.

About the ERM

The European Restructuring Monitor (ERM) is a unique EU-wide dataset on larger-scale restructuring events. It monitors the announced employment effects of restructuring in the EU28 and Norway. The ERM is updated on a daily basis and data can be used for statistical analysis. It relies on reports in selected media titles. The data for this report were extracted on 16 July 2015. For more, visit the **European Restructuring Monitor web page**.

This issue is based on contributions from Valentina Recalcati, John Hurley, Irene Mandl and Andrea Broughton (EU-level correspondent).

EF/15/47