European Foundation for the Improvement of Living and Working Conditions

european restructuring monitor *quarterly*

Issue 1 – spring 2008

european Monitoring Centre on Change

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Summary

In a context of what DG-ECFIN have called 'strengthening external headwinds',[1] rates of growth in the European economy have begun to slow down in the first quarter of 2008. Forecasts for future growth have been scaled back. Commodity and food prices are increasing, which is reflected in rising inflation. Nonetheless, the consensus is that economic fundamentals in Europe are comparatively robust. High growth in developing economies such as India, China and South America has offered EU producers an important source of alternative demand to an ailing American economy with a depreciating currency.

The main economic news stories of the last quarter have related to troubles in the financial sector. These continue to risk spilling over into the broader economy, upsetting predictions of moderate, if declining, growth for the coming period. As reported in this issue of the ERM *quarterly*, some large cases of announced job loss in the European banking sector are clearly linked to financial market problems related to sub-prime mortgage investments. The restructurings at Northern Rock, Credit Suisse and WestLB are unlikely to be the last as the sector digests record losses – with help in some cases from the regulatory authorities and the public purse.

In the first three months of 2008, the ERM recorded 268 cases of restructuring involving 65,319 job losses and 78,412 job gains. The largest cases of job loss both involving 12,000 announced job losses over a three year period were in the UK's **Department of Work and Pensions** and in **T-systems**, Deutsche Telekom's ICT subsidiary. Two countries, Germany and the UK, accounted for over a half of all announced job losses in the quarter. The quarter repeated an established pattern of the last two years with cases of job creation especially prevalent in the new Member States. The volume of new jobs announced was highest in Poland, the UK, Romania and the Czech Republic. The sector with the greatest restructuring activity was post and telecommunications with over 20,000 announced job losses, offset by 6,770 reported new jobs.

One high profile case of transnational restructuring is featured in more detail in this issue: the announced closure of **Nokia**'s Bochum plant in Germany with the loss of over 2,300 jobs and the transfer of production to Cluj in Romania.

[1] DG-ECFIN, Quarterly report on the Euro area, March 2008

Current macroeconomic trends and prospects

In the first quarter of 2008, fears have grown that the American economy, traditionally the driver of global growth, is close to – if not already in – recession. The bursting of a speculative housing bubble in 2006 has had significant knock-on effects on the construction and financial sectors in the US. There is strong evidence that certain EU Member States – Spain, UK, Ireland – are encountering similar problems in either or both of the same two sectors. Internationally, there has been a surge in the price of commodities, notably oil, which will serve as a further drag on economic growth. The dollar has recorded new lows against the euro on a more or less continuous basis; inflation levels are beginning to rise on both sides of the Atlantic.

Events in the banking sector and in the financial markets have demonstrated the enormous power for wealth destruction – as well as creation – wielded by this important economic activity. The losses arising from the American sub-prime crisis are estimated to be over 600 billion euro, only a small proportion of which has so far been disclosed and written down by banks. Such losses cannot but have an impact on the broader economy, in the EU as well as the US, as their impact has spread throughout the global banking system, restricting the supply of credit.

Table 1: *GDP growth fourth quarter 2007, compared to previous quarter, seasonally adjusted*

Belgium	0.5	France	0.4	Netherlands	1.2	Sweden	0.8
Czech Republic	1.7	Ireland	-0.8	Austria	0.6	United Kingdom	0.6
Denmark	0.3	Cyprus	0.8	Poland	2.0	United States	0.1
Germany	0.3	Latvia	1.2	Portugal	0.7	Japan	0.9
Estonia	0.9	Lithuania	1.3	Slovenia	0.4	EU27	0.5
Greece	0.7	Hungary	0.1	Slovakia	3.3		
Spain	0.8	Malta	0.9	Finland	0.9		

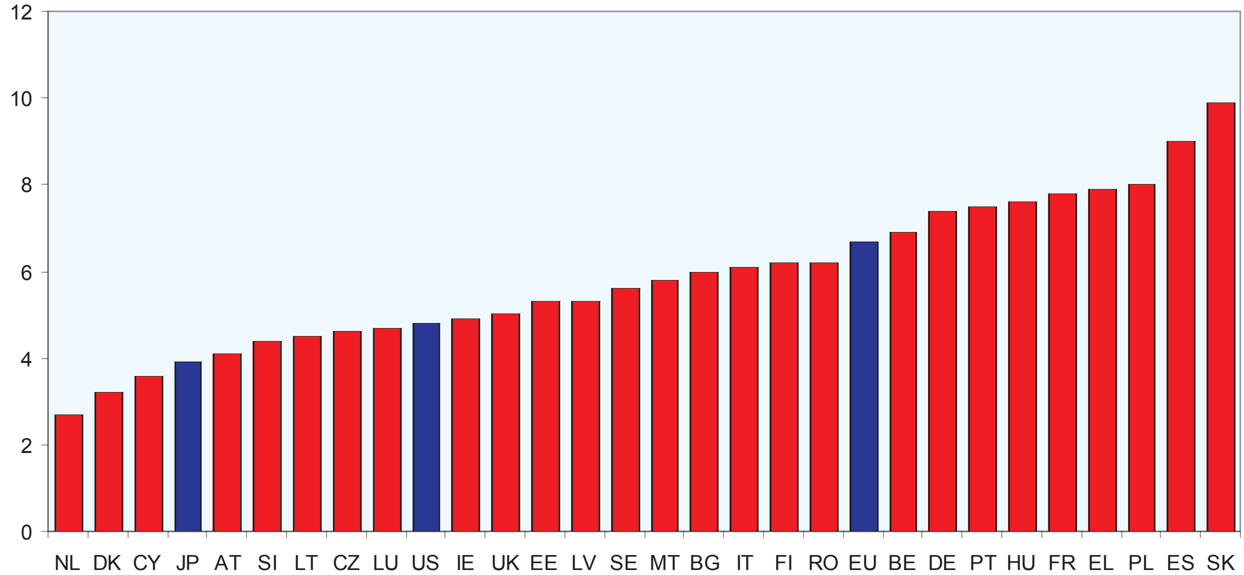
Note: *No data for Bulgaria, Italy and Luxembourg*

Despite the gloomy backdrop described above, the most recent GDP data, presented in Table 1, showed EU27 GDP up by 0.5% in the fourth quarter of 2007. This is consistent with a slowing level of overall economic growth. In its recent *World Economic Outlook* (April 2008), the IMF revised downwards growth predictions in all developed economies. They forecast growth in the Euro area of 1.4% in 2008 (0.5% in the US) and 1.2% in 2009 (0.6% US). By comparison, annual GDP growth for the EU27 was 2.9% in 2007 (3.1% in 2006) which compared favourably with growth rates in the US (2.2%) and Japan (2.1%). Growth in the most recent quarter was lower than in Japan (0.9%) but higher than in the US (0.1%).

Growth rates continue to be highest in the new Member States with Slovakia (3.3%) recording the highest rate compared to the previous quarter and Poland the second highest (2.0%). Of the older Member States, the Netherlands posted the highest growth (1.2%). The largest Member States – Germany, UK, and France – all recorded moderate and slowing growth. The only country to record negative growth was Ireland (-0.8%), one of the EU economies that has experienced the highest level of growth over the last decade.

Figure 1 shows that according to the most recent Eurostat data, seasonally adjusted unemployment is below 10% in all Member States. The Netherlands has the lowest unemployment level at 2.7%, Slovakia the highest at 9.9%.

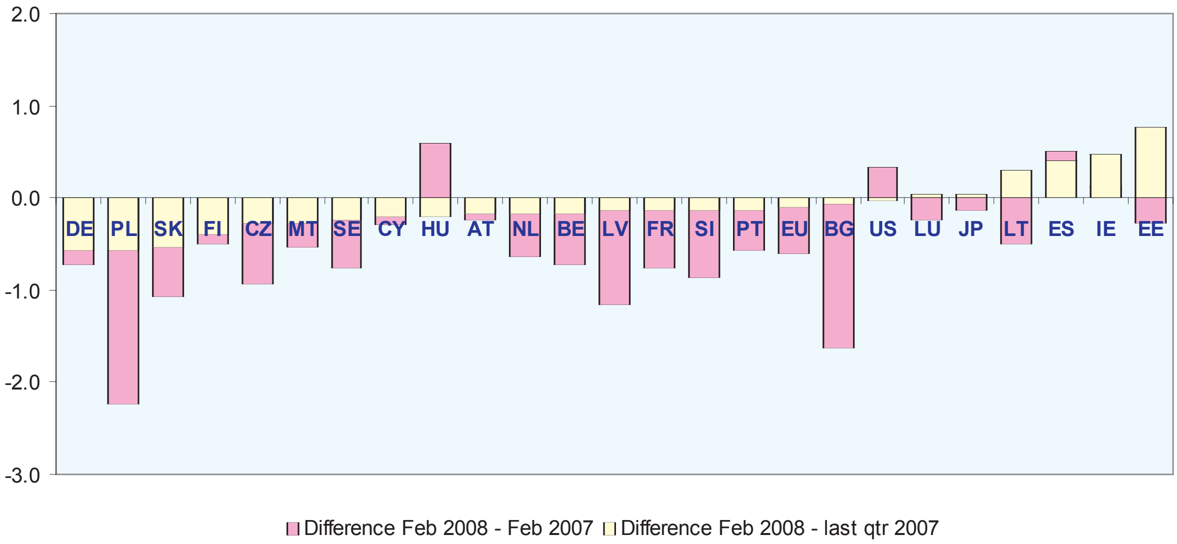
Figure 1: *Seasonally adjusted unemployment rates February 2008 (%)*



Source: *Eurostat news release 44/2008 (last quarter 2007 data for UK, DK, GR, IT, RO)*

While aggregate EU unemployment levels remain above those in the US and Japan, trends are more positive in the EU. Unemployment in the EU27 has declined by 0.2% since the last quarter 2007 and by 0.9% in the last year. Three countries have recorded rises in unemployment since the last quarter (Ireland, Estonia and Lithuania). The remaining countries have all recorded no change or declines in unemployment in the most recent quarter. The highest declines in unemployment were recorded in Poland (-0.8%) and Germany (-0.6%). These are also amongst the countries with the highest declines in unemployment over the last year.

Figure 2: *Changes in seasonally adjusted unemployment rate, from fourth quarter 2007 and from last year*



Source: *Eurostat news release 44/2008 (data unavailable for UK, DK, GR, IT, RO)*

Overview of the ERM statistics first quarter 2008

During the first quarter of 2008, the ERM recorded 268 restructuring cases. These cases announced 65,319 job losses, and 78,412 job gains (extracted on April 7th, 2008).

Top five cases of job loss and job creation

Table 2a: *Top five cases of job creation*

Company	Jobs	Location	Restructuring type	Sector
Asda	9,000	United Kingdom	Business expansion	Commerce
Kompania Węglowa	4,000	Poland	Business expansion	Extractive industries
Aida Cruises	4,000	Germany	Business expansion	Transport and storage
Automobile Dacia	3,600	Romania	Business expansion	Motor
Airbus Nantes	3,000	France	Business expansion	Transport and storage

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

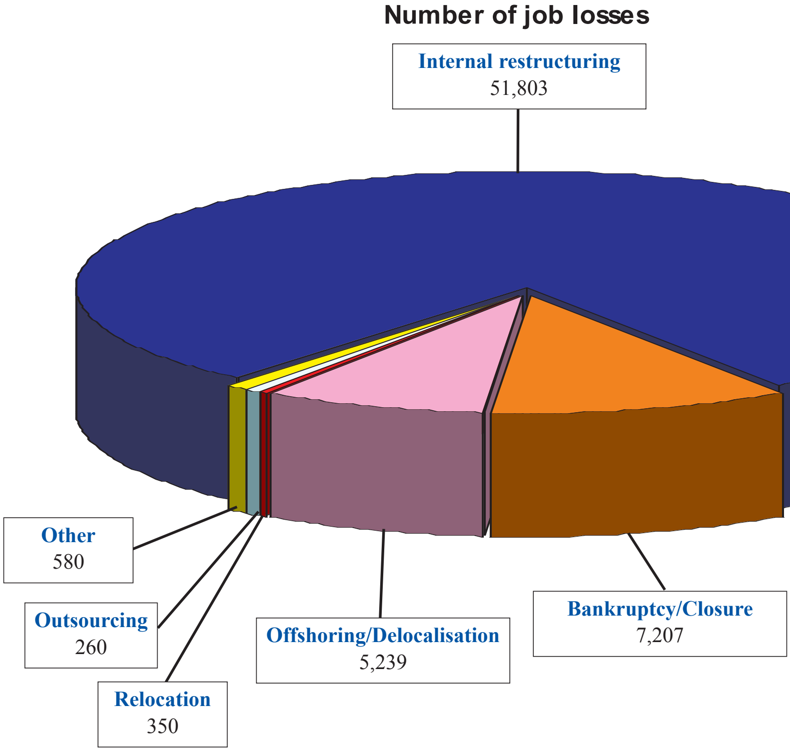
Company	Jobs	Location	Restructuring type	Sector
Department of Work and Pensions	12,000	United Kingdom	Internal restructuring	Public sector
T-System	12,000	Germany	Internal restructuring	Post and telecommunications
BMW	8,100	World	Internal restructuring	Motor
Siemens Enterprise Networks	6,800	World	Internal restructuring	Post and telecommunications
BP	5,000	World	Internal restructuring	Extractive industries

Source: *ERM, 1 January – 31 March 08*

Type of restructuring

Of the 78,412 jobs that the ERM reported as created during the first quarter of 2008, 95.9% were attributable to business expansion. The largest case of business expansion was that of **Asda**, the supermarket chain, which announced the creation of 9,000 jobs in the United Kingdom over the coming year. 1,500 of these jobs will be in the Walmart subsidiary's extension of its home delivery service.

Figure 3: *Job reduction by type of restructuring*



Source: *ERM, 1 January – 31 March.*

Figure 3 shows reported quarterly job losses by type of restructuring. Of the 65,319 announced job losses during the quarter, 79% (51,803) were attributable to internal restructuring, compared to the previous quarterly figure of 57%.

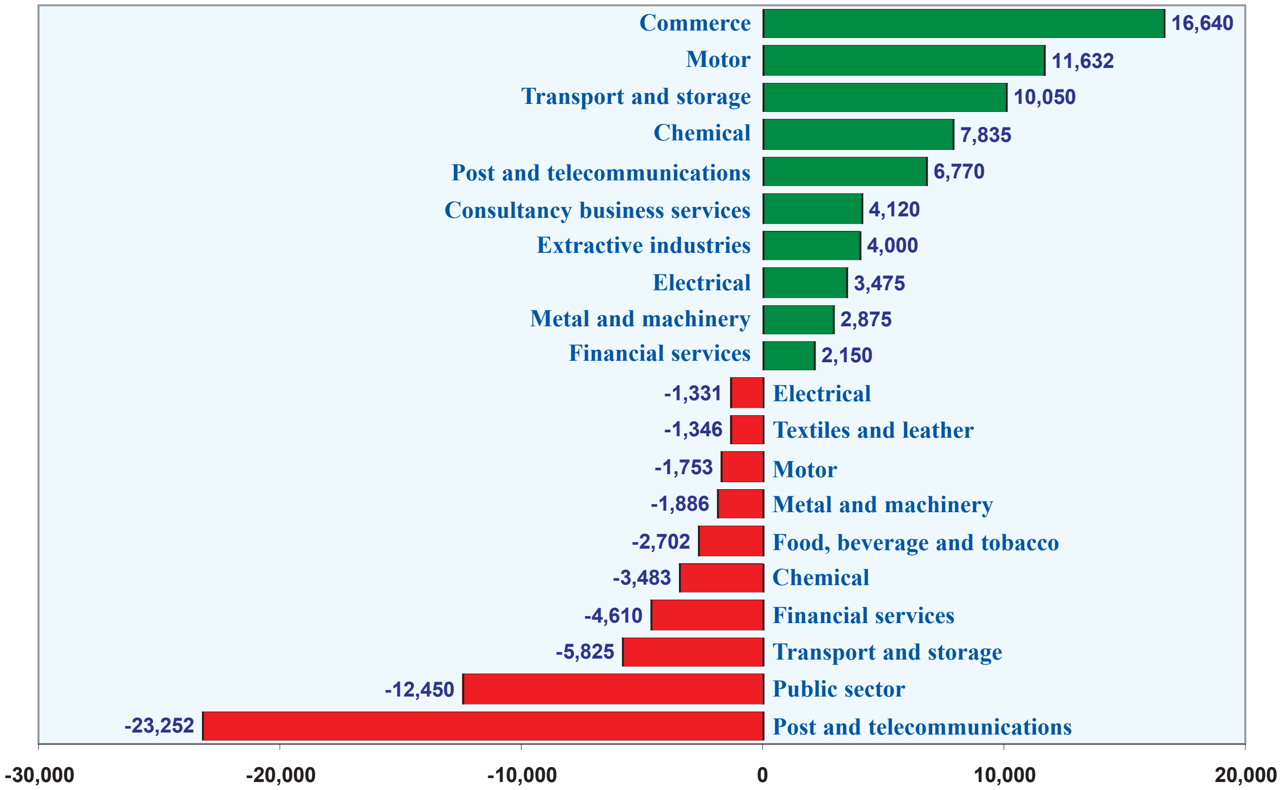
The two biggest cases of announced job loss are the **Department of Work and Pensions** (UK) and **T-Systems** (Germany). The DWP aims to reduce its staff count by 12,000 over three years though it anticipates that this may be done without recourse to compulsory redundancies. The background to the announcement is spending restrictions which target 5% cuts in the department's budget in each of the next three years. It is also reported that welfare reform proposals in the UK may lead to outsourcing of some welfare-to-work programmes to private sector providers. The other big case of announced job loss also involves 12,000 jobs. Deutsche Telekom subsidiary, T-systems, announced on 19 March that it would cut 3-4,000 workers at its German units each year until 2010. The job losses are part of a cost cutting programme which also includes a recent partnership deal with the American business process outsourcing firm Cognizant which will give T-Systems access to workforce in low-cost countries.

In the current quarter, bankruptcy/closure was the cause of 11% of jobs reported lost (7,207 jobs) and offshoring/delocalisation the cause of 8% of jobs reported lost (5,239).

Restructuring across sectors

Figure 4 plots the top ten sectors in terms of announced job losses and announced job creation in the quarter. The sector in which announced job losses were most prevalent was the post and telecommunications sector, where ERM announced 23,252 job losses in the current quarter. The post and telecommunications sector was followed by the public sector (12,450 reported job losses), the transport and storage sector (5,825 reported job losses), and the financial services sector (4,610 reported job losses).

Figure 4: *Job creation and reduction by sector (top ten sectors)*



Source: *ERM, 1 January – 31 March 2008*

Aside from the T-Systems announcement, other big restructuring announcements in post and telecommunications included that of **Siemens Enterprise Networks** (SEN) and **KPN** (the Netherlands). SEN announced a 40% cut in its global workforce or 6,800 jobs, of which 2,000 will be cut in Germany. KPN announced on 5 February 2008 that it will cut another 2,000 jobs in the coming three years. These come on top of the loss of 2,500 jobs announced previously.

The public sector features prominently in this quarterly ranking of announced restructuring job losses, almost exclusively as a consequence of the UK **Department of Work and Pensions** (DWP) restructuring mentioned above. Also in the transport and storage sector, one large case accounts for the majority of announced job losses for the quarter. The Greek national railway company, OSE, has announced the loss of 3,000 jobs to stem mounting losses.

In the financial services sector (4,610 jobs reported lost in the current quarter), two cases, **Northern Rock** (2,000-2,500 announced job cuts) and **WestLB** (1,300-1,500 job cuts), account for the majority of announced job losses within the sector. Northern Rock is something of an emblematic case as it is the first financial institution to have lost its independence as a consequence of strife in the financial markets. As reported elsewhere in this issue, it is likely that the coming quarters will see increased restructuring activity in this sector.

Figure 4 also charts ERM recorded job creation on the basis of sector. The sector in which ERM records the most jobs created is the commerce sector (16,640 jobs), followed by the motor sector (11,632) and the transport and storage sector (10,050 jobs).

Within the commerce sector, the large-scale expansion plans of **Asda** in the United Kingdom (9,000 new jobs announced) have already been mentioned. Other significant job announcements were reported by **Leroy Merlin** (2,500 jobs) in Poland (the second largest restructuring case in this country) and **Morrisons** in the UK (1,000 new jobs announced). The former is a well-known DIY retail chains with stores in France, Spain, Portugal, Poland, Italy, Brazil, Russia and China while the latter is the fourth largest supermarket operator in the UK. The remaining cases of job creation in the commerce sector are related to smaller restructuring cases occurring in Austria (**IKEA**), Bulgaria (**bauMax**, **Metro Cash and Carry**, **Kaufland**), Estonia (**A-Selver**), Ireland (**Centra**), Poland (**MakroCash&Carry**, **NG2**), UK (**Home Bargains**), Romania (**ATP Exodus**), and Sweden (**Dynamate**, **Media Markt**).

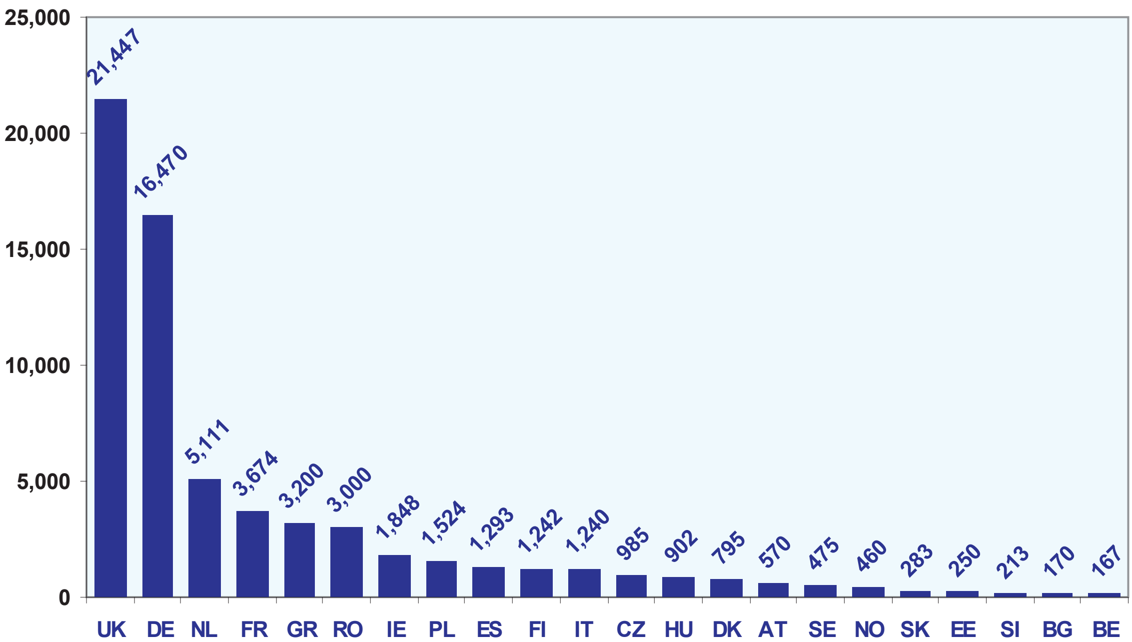
In the motor sector, a notable case is **Automobile Dacia** (3,600 new jobs announced – 3,000 in management positions and 600 in production) in Romania. The motor industry in Romania has undergone significant expansion in recent years. From 2005 to date, the ERM has recorded 25 restructuring cases (almost exclusively business expansion) with 27,550 jobs reported created. There are also a number of smaller cases of business expansion in the motor sector mainly affecting Poland and Germany.

In the last quarter, the highest number of jobs reported created in the transport and storage sector is almost wholly attributable to two large cases. The first is **Aida Cruises** – the market leader in the cruise sector in Germany – announcing the creation of 4,000 new jobs by the end of 2012. The second largest case in the sector is **Airbus Nantes** in France with 3,000 jobs expected to be created over the next three years at its St Nazaire plant and among local suppliers.

Restructuring across countries

Figure 5 shows the country distribution of restructuring cases based on announced job reductions over the first quarter of 2008. The UK reports the highest number of job losses (21,447) followed by Germany (16,470), Netherlands (5,111) and France (3,674). In total, the job losses recorded in these four countries make up over 70% of the total jobs reported lost (65,319) in the ERM in the quarter.

Figure 5: *Job reduction by country*



Source: *ERM, 1 January – 31 March.*

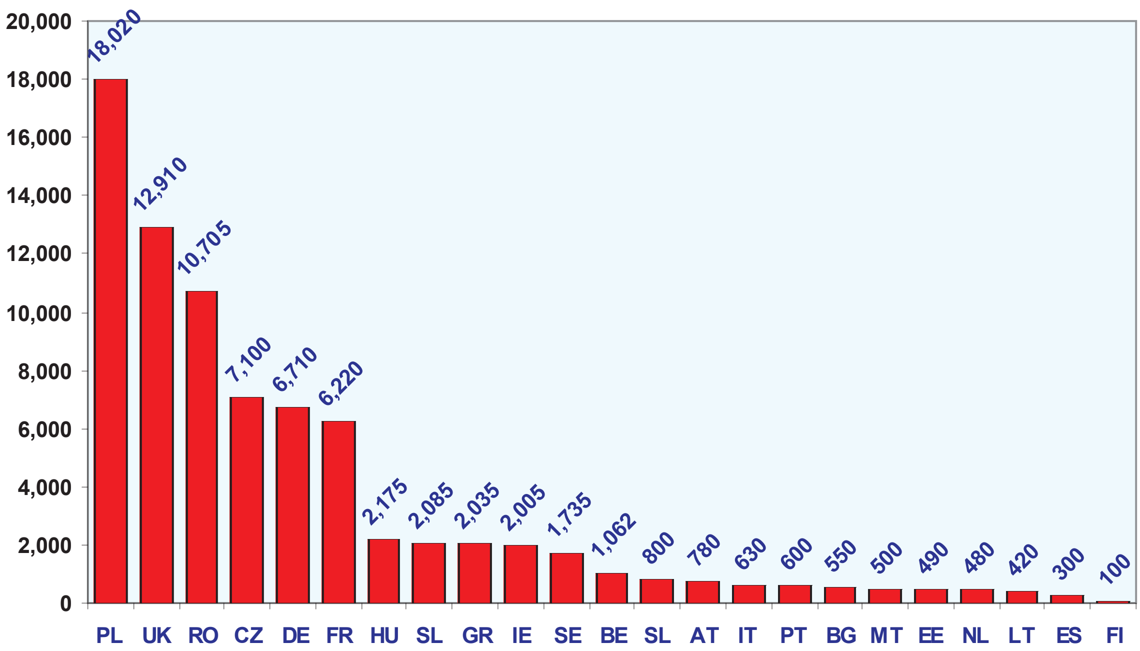
In the UK, in addition to the **DWP** and **Northern Rock** cases, **BP** have announced the loss of 1,150 in its UK operations as part of an overall cut of 5,000 workers from its 115,000 global workforce . The remainder of the quarterly job losses recorded in the UK consists of smaller cases (involving from 100 to 600 jobs reported lost).

The second highest number of job cuts has been reported in Germany, mainly as a result of a large restructuring case, **T-system** (Deutsche Telekom's IT services arm), resulting in the loss of 12,000 jobs to be implemented by the end of 2010. Another notable instance of restructuring is the case of **Nokia** (2,300 jobs reported lost) with implications for other countries (Finland, Hungary, and Romania). This case is dealt with in more detail elsewhere in this issue of the quarterly.

France continues to feature as one of the top four countries in terms of jobs reported lost, with eight small-sized restructuring cases and one medium-sized case – **SNCF**, the French railway company – announcing the continuation of its restructuring programme in SNCF Fret (the freight division of SNCF) with 1,500 job losses.

Turning to the announced job creations on a country-by-country basis during the last quarter (figure 6), Poland (18,020 jobs reported created) is the country with the highest number of job creations followed by UK (12,910 jobs reported created) and Romania (10,705 jobs). The combined total of the jobs reported created in these countries accounts for over 50% of the total job creations reported (78,412) by the ERM in the quarter.

Figure 6: *Job creation by country*



Source: *ERM, 1 January – 31 March.*

In Poland, a large number of small restructuring cases have been announced with only two large cases – **Kompania Węglowa** (4,000 jobs reported created) and **Leroy Merlin** (2,500 announced new jobs). In both of these cases, the new jobs are expected to be created in 2008.

Conversely, the 12,910 announced new jobs in the UK during the last quarter are mainly attributable to a large restructuring case – **Asda**, the UK's second largest supermarket chain – involving the creation of 9,000 new jobs by the beginning of 2009.

Finally, in Romania the largest cases were **Automobile Dacia** (part of the Renault-Nissan group) and **BYD Electronics** Romania with the creation of 3,600 and 2,000 jobs, respectively. In addition to these larger cases, the rest of the quarterly job creations (16 cases) in Romania comprise smaller cases ranging from the 985 planned new jobs at **Casa Noastră** to the 100 planned new jobs at **Nobel Plastiques** (a French manufacturer of plastic components for the Automobile Dacia plant).

Restructuring in the financial services sector

Unease in the financial services sector, as reported in recent editions of the ERM *quarterly*, continued to grow in the first quarter of 2008. There have been headline cases of banks rescued from collapse by intervention from the public authorities (Northern Rock in the UK, Bear Sterarns in the US). French bank Societé Générale suffered the biggest ever 'rogue trading' loss of nearly 5 billion euro. More generally, a combination of losses and write-downs on mortgage-backed investments is set to lead to losses of upwards of $945 billion or €600 billion according to the IMF[2] with Goldman Sachs, the investment bank, placing the figure closer to $1.2 trillion or €760 billion.[3] According to a report released by Morgan Stanley and Oliver Wyman, the investment banking industry is in its worse crisis in 30 years.[4]

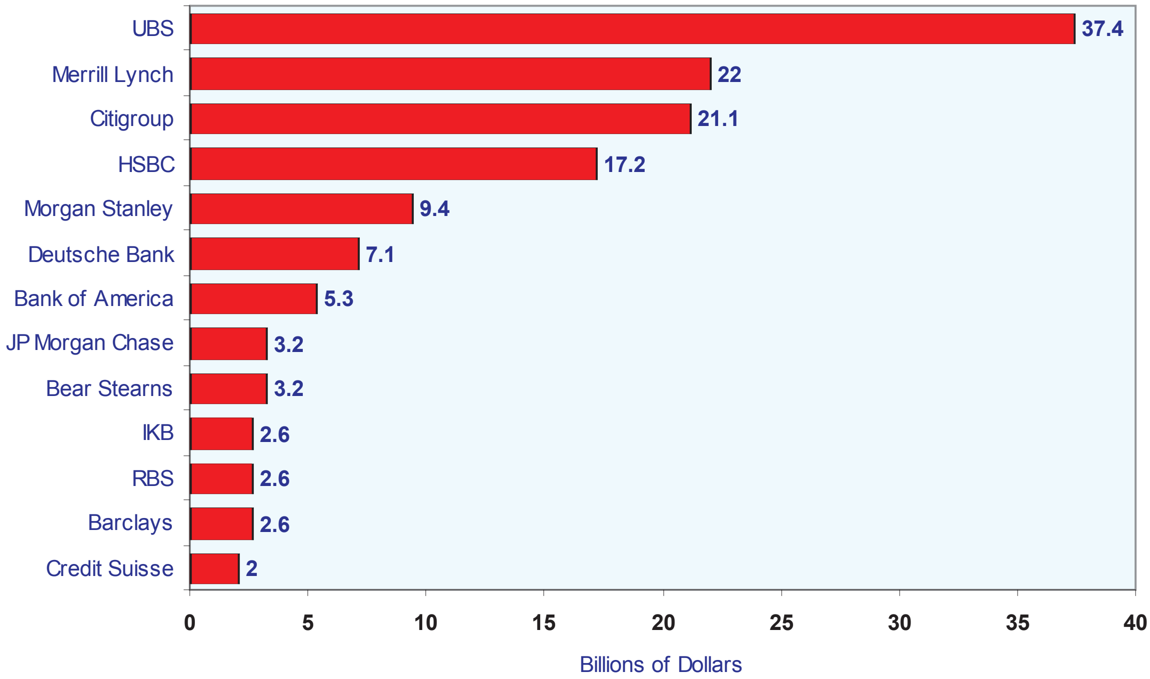
Problems in the financial sector date back to the end of the 'housing bubble' in the US in 2006 when home sale prices reached a plateau after a 126% increase in home values between 1997 and 2006. The impact of dipping property prices in the United States has been magnified manifold by lax lending standards and widespread rebundling or securitisation of precarious, sub-prime mortgage debt. The impact has been felt principally by the financial and construction sectors with a slump in housing starts in the US and huge write-offs by many large banks linked to investments in exotic new mortgage-backed financial products.

[2] IMF, *World Economic Outlook*, April 2008

[3] **http://news.bbc.co.uk/1/hi/business/7313637.stm**

[4] Financial Times, 1 April 2008

Figure 7: *Main credit crunch losses (by bank reporting)*



Source: *BBC* [5]

While the origins of the current crisis lie in the United States, its impact has been felt elsewhere, notably in Europe. Integration of capital and investment markets, the lure of new, highly leveraged and initially profitable forms of financial engineering, and a large dose of imprudence, have helped spread American sub-prime losses throughout the global financial system. As the figure above demonstrates, some of the biggest losses have been recorded by banks with headquarters in Europe. In early April, Swiss bank UBS announced that it was doubling write-downs concerning sub-prime mortgage related investments to $37.4 billion (23.3 billion euro). German, French and UK banks are also amongst those that have reported multi-billion euro losses.

Looking to the ERM, in the current quarter the financial services sector has recorded a total of 4,610 announced job losses, a level consistent with that recorded in previous quarters.

In Germany, **WestLB** bank announced in February that it would cut between 1,300 and 1,500 jobs as part of a general restructuring programme intended to save the bank 300 million euro. The announced job cuts came in a context of announced losses of 1.6 billion euro in 2007 linked largely to sub-prime investments. The bank which is owned in part by the North-Rhine Westphalia federal state has also had to receive guarantees from its state stakeholders to cover even greater potential sub-prime losses.

[5] **http://news.bbc.co.uk/2/hi/business/7323809.stm**

A direct consequence of the sub-prime crisis has been reluctance of banks to extend credit to each other in order to avoid the risk of lending to counterparties with unknown and potentially huge liabilities. The result has been steeply rising interbank lending rates, now significantly higher than interest rates set by the major central banks. One UK bank heavily reliant on interbank lending for its business model, **Northern Rock**, was effectively transferred to temporary public ownership in February. The UK government has committed around 40 billion euro of public money to date in order to shore up the mortgage lender's balance sheet. **Northern Rock** announced in March that it would cut 2,000 to 2,500 of its 6,500 strong UK workforce, largely concentrated in the north of England.

Other notable cases of job reduction in the financial services sector in the current quarter include **Credit Suisse** which announced in January that it planned to cut 500 jobs among its 44,871 worldwide workforce. This follows returns in their investment banking division falling from $653 million to $5 million. **Friends Provident**, a UK firm operating in the insurance sector, announced in the end of January that it planned to cut 600 jobs from its UK workforce of 4,000, again following a decline in annual profits.

As of late March, the large losses reported by banks and other financial institutions appear to have had only minor direct impact on employment in the sector in Europe. The level of restructuring recorded in the sector on the ERM is similar to that in recent quarters. This however may change in the remainder of 2008. Financial markets have yet to stabilise despite large injections of liquidity from central banks and reducing interest rates (or deferred increases in the case of the ECB). According to Bloomberg, 25,000 jobs have already been lost in the American financial services sector in the second half of 2007.[6] Experian, a financial data company, predicted in January 2008 that 10,000 to 20,000 of London's 400,000 financial services jobs could be lost over the next 18 months.[7]

Nokia closes its Bochum plant

On Tuesday, 15 January 2008, Finnish mobile phone producer **Nokia** announced the closure of its Bochum site in Germany by mid 2008 in order to 'to move manufacturing to its other, more cost-competitive sites in Europe', principally to its newly built site in Cluj, Romania. The closure of Nokia Bochum not only raised protest among workers of the Bochum site, local authorities and the German government, but also several debates on issues regarding restructuring in general: the feasibility of state subsidies, the effectiveness of existing institutions of employee representation, and the lack of international solidarity between trade unions and employee representatives across Europe.

The planned closure of the Bochum site affects approximately 2,300 Nokia employees, some 900 third-party employees working in the plant, and about 1,000 workers in local suppliers. Most of the plant's production will be outsourced to a newly built site in Jucu near Cluj, Romania, where 3,500 workers will be employed by the end of 2009 for an average monthly salary of €219.

Citing high personnel costs in Germany and a 'lack of competitiveness', Nokia has refused to back down from its decision to move its production to Romania. According to the Executive Vice President Veli Sundbaeck, one of the

[6] http://www.bloomberg.com/apps/news?pid=20601087&sid=aAM0j9ONhoB0&refer=home

[7] http://news.bbc.co.uk/1/hi/business/7212545.stm

problems 'is that subcontractors, whose proximity is important for a Nokia factory, have not wanted to come to Germany because of high costs'.[8] Nokia hopes to establish a strong industrial base in Romania, with access to lower-cost suppliers and subcontractors.

Nokia employs 112, 262 workers (including Nokia Siemens Networks) worldwide, with 52% of its personnel based in Europe.[9] With a share of 28% of the European market, and 40% of the global market share, Nokia is the world's leading mobile phone provider.[10] Nokia reported a fourth quarter profit in 2007 of 1.84 billion dollars – a 44% increase from the fourth quarter in 2006 – and a 34% increase in its sales from the same quarter in 2006.[11]

The announced closure at Bochum follows major restructuring activity in 2007 involving the same company. In the wake of the merger of the network equipment divisions of Nokia and German multinational Siemens to form NSN (see ERM *quarterly* autumn 2007), NSN management announced its intention to shed 9,000 jobs worldwide by 2010 because of overlaps in the product portfolio of the merged companies. 2,900 of these job losses were to occur in German units of the Finnish multinational.

Debate about state subsidies

The closure of Nokia Bochum provoked a debate about state subsidies due to the fact that Nokia received German state subsidies for its production in Bochum and will be exempted from the real estate tax in Romania, while the infrastructure for its new plant in Cluj was subsidised by Romanian and EU funds.

German state and federal governments are dissatisfied with Nokia's decision, and while the federal government does not plan to ask for reimbursement of subsidies, the state of North Rhine-Westphalia (NRW) is seeking complete reimbursement from Nokia.[12] Between 1998 and 1999, Nokia received approximately €41.3 million in investment subsides from the state of NRW[13], and an additional €28 million from the federal government.[14] The state of NRW maintains that Nokia did not fulfil the conditions under which the subsidies were granted, citing Nokia's failure to create a minimum number of permanent jobs between 2002 and 2005, hiring 'between 200 and 400' fewer people than the 2,860 it had promised.[15]

8 *Helsingin Sanomat*, International Edition, 26.2.2008

9 **http://www.nokia.com/A4126479**

10 **http://www.nokia.com/A4136001?newsid=1184821**

11 Nokia, *Quarterly* and *Annual Information*, extracted on 22.2.2008

12 **http://www.hs.fi/english/article/Merkel+Germany+unlikely+to+demand+that+Nokia+pay+back+RD+investment+subsidies/1135234184301**

13 Ibid.

14 **http://www.dw-world.de/dw/article/0,2144,3063626,00.html**

15 **http://news.bbc.co.uk/2/hi/business/7232367.stm**

According to Nokia, an annual average of 3,200 workers were employed at its plant in Bochum, above the amount they were obliged to provide.[16] Nokia was 'astonished' by the state's demand to return the money, noting that their taxes and social payments to the city of Bochum, as well as to the state and federal governments, were close to the total amount of subsidies received in that time.[17] It has been pointed out, however, that Nokia includes about 900 temporary workers in its count of total Bochum employment.[18]

German politicians (responsible at least in part for the subsidies Nokia received in Germany) called the feasibility of state subsidies into question. In an interview with German newspaper *Welt am Sonntag*, Industry Commissioner Günter Verheugen said that 'Nokia's behaviour is the product of a new religion which idolises shareholder value' and argued that instead of paying subsidies to attract companies it makes more sense to invest in education and infrastructure.[19] German Finance Minister Peer Steinbrück accused Nokia of a 'caravan capitalism' that 'upsets peoples' trust in the economic order'. Members of the German government called for a boycott of Nokia's products.

Another issue related to public subsidies is the question of whether the EU should help Nokia workers by means of the **European Globalisation adjustment Fund** (EGF). Already on the weekend of 19/20 January 2008, Commission President José Manuel Barroso hinted that the EU may offer funding for initiatives to compensate Nokia workers set to lose their jobs.[20] 'It is precisely because we know how difficult transformation is that we mobilise our social and globalisation funds so that Member States do not have to absorb these changes on their own', he said in an interview with *Wirtschaftswoche*.

Efficiency of existing institutions for employee representation

In a press release of 15 January 2008, Nokia announced that they would 'start consultations with the employee representatives as soon as possible', implying that employee representatives were not consulted on the closure beforehand. Both the works council of the Bochum plant and the European Works Council (EWC) later complained that they had not been informed prior to this press release. The consultation begun by Nokia on 20 February 2008 did not relate to the decision to close the Bochum site, but only to the way the closure could be organised in a socially acceptable form.[21]

Information and consultation about restructuring processes – particularly when they include the closure of a whole site – are central tasks of **European Works Councils**. For the European Trade Union Congress (ETUC), the bypassing of the EWC in the Nokia case demonstrates the 'urgent need to revise the EU directive on European Works Councils'.[22]

[16] Nokia, Press Release, 6.2.2008

[17] Ibid.

[18] **http://www.businessweek.com/globalbiz/content/mar2008/gb20080311_833979.htm**

[19] *Die Welt*, 19.01.2008

[20] **http://www.euractiv.com/en/socialeurope/germany-nokia-workers-may-receive-eu-help/article-169749**

[21] **http://pressbulletinboard.nokia.com/2008/02/20/nokia-and-employee-representatives-started-negotiations-about-the-plan-to-close-the-nokia-site-in-bochum/**

[22] **http://www.etuc.org/a/4474**

A particular problem is raised by the temporary workers employed in the Bochum plant. As third-party employees they appear not to be covered by the measures that are negotiated between the works council and the management. Nonetheless they worked in the Nokia plant on a quasi-permanent basis and were included in Nokia's employee counts used to prove compliance with the terms attaching to the subsidies received from local and federal German authorities.

The local works council presented several proposals to save the Bochum site. All have been rejected by the Nokia management. The consultations between works council and management focused on how to find alternative employment for Nokia's Bochum personnel.[23] On 8 April 2008, according to the *Financial Times*, management and the local works council announced an agreement about a social plan for the 2,300 Nokia workers costing the company some €200m.[24] The agreement includes €185m in compensation for the staff, and €15m for a so-called transfer company designed to find the workers new jobs. Employees will receive €80,000 on average. Nokia also intends to redeploy around 300 Bochum workers in its other German operations.

Lack of international action

Despite Nokia's failure to inform the European Works Council prior to the decision to close Nokia's Bochum plant, the members of the EWC were not able to agree upon internationally coordinated actions against Nokia's management. Although the European Metalworkers Federation (EMF) tried to coordinate its affiliates, the only outcome of these efforts was a joint declaration on 13 February 2008 by trade union leaders from Metalli, TEK, UIL, TU, the IG Metall, and EMF demanding 'fair information, consultation and negotiation', 'exclusion of any kind of social and tax dumping', and 'a future for the Nokia Bochum workers'.

Finnish members of the European Works Council were considered as signalling their acceptance of the closure decision.[25] The German works council defended the profitability of the Bochum plant against the Nokia sites in Hungary and Romania. The Romanian trade union Cartel Alfa accused Nokia of a 'new form of slavery' as the company was reported to be trying to convince Romania's Labour Minister Paul Pacurasu to make the legal limit of 48 working hours a week more flexible.

Commentary

The Nokia case raises several questions about national and European restructuring policies as well as the ability of trade unions to transcend their national perspectives.

It seems odd enough that free market proponents such as Günter Verheugen and Peer Steinbrück should use phrases such as 'share holder value idolatry' and 'caravan capitalism' in their criticisms of Nokia. Their argument that Nokia's behaviour undermines peoples' trust in 'social market economy' is unconvincing given that private companies cannot be blamed when they make the most efficient use of state subsidies in order to maximise their profits. When this leads to 'subsidy hopping' this can be considered instead the failure of government policies.

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[23] http://www.industryweek.com/ReadArticle.aspx?ArticleID=15803

[24] http://www.ft.com/cms/s/0/516d1a28-05cf-11dd-a9e0-0000779fd2ac.html

[25] http://www.wsws.org/articles/2008/feb2008/noki-f05.shtml

In addition, the fact that German authorities made their charges against Nokia only after the decision to close the Bochum plant raises suspicions that Nokia's deliberately flexible interpretation of 'full-time, permanent employment' – for which quantitative targets had been set in the original subsidy agreement with the Finnish multinational – had been tolerated up to that point.

Nokia has been criticised for opportunism in its approach to subsidies, disregard for provisions relating to information and consultation with worker representatives in advance of the announced closure as well as 'playing off' against each other union interests in different jurisdictions.

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 are developments in both Member States over the past quarter.

Cyprus

Interesting developments have occurred in the semi-state sector in Cyprus. Following lengthy efforts by the unions, the Boards of Directors of some semi-state organisations, among them the **Electricity Authority of Cyprus** and the **Cyprus Telecommunications Authority**, proceeded to hire a total of around 150 employees. The jobs involve employees who were already working for public enterprises through sub-contractors. It is expected that they will be engaged by the organisations under open-ended private-law contracts. This development is worth noting since it differs from the management practices in several public or former public utilities and services in Europe where restructuring tends to involve job cuts and outsourcing of non-core activities.

The supermarket chain **Orphanides** recently opened two new stores in the Nicosia area (Yeri and Dali), hiring a total of approximately 50 new employees.

Malta

Malta's unemployment level is currently one of the lowest among the EU27 Member States. In February, the president of the Federation of Industry (FOI) said that companies are struggling to find skilled employees to meet their growing businesses.

In January, the German manufacturing company **Mc Neill**, which produces school bags, announced that is will be closing down its Maltese plant on 30 April. As a result of this, about 80 workers, 15 of them with special needs, will be made redundant. **Banif Group**, a Portuguese banking group, opened its first retail branch in Malta. The bank plans to have about 30 branches within five years. The new branch in St Julians is already employing 38 workers in Malta, with the intention of increasing this figure to between 300 and 350 over the next five years.

The French company **CMA CGM**, the world's third largest container shipping company, was authorised by the Maltese government to manage and develop the Malta Freeport Terminals Ltd. under a 30-year privatisation deal signed in October 2004. Since then it has invested around €45 million in the Malta Freeport Terminals Ltd. The company committed itself, under the liability of penalties, to create 500 new jobs over five years.

In February, the **Malta Police Force** recruited 55 new police constables. The organisation has nearly 1,970 officers, the largest number in its history. **Datatrak IT Services**, a software company based in the Mosta Technopark specialising in geocoding and mapping, inaugurated a research and development branch in Gozo, employing 25 persons. **Aurobindo Pharma**, a leading Indian pharmaceutical company which operates in over 100 countries, announced that it would set up a manufacturing plant in Malta. The company, which employs about 7,000 people worldwide, intends to start operating from Malta later on in 2008 and plans to 'eventually employ 120 people'.

In the beginning of March, the government announced that **Aspider**, an international mobile telephony firm was going to set up a facility in Malta. It services clients in Europe and North Africa. Malta's Aspider facility will create about 50 posts including engineers, system architects and call centre representatives.

It was also announced that **Besedo**, a Scandinavian company specialising in internet security, especially for gaming and financial services, will invest in Malta. The company plans to open a call centre and a content management centre, thus creating around 200 new jobs. **Hilton Malta**, which forms part of the international hotel chain, announced that it was in the process of recruiting 150 employees to be added to the 360 already on its payroll. In mid March, **Infratec Pro**, a producer of electronic parts currently employing 55 persons, announced an investment of €2 million in new machinery which will create 25 new jobs.

Finally, at the end of March, the manufacturing company **Consolidated Biscuits Co**. stated that it is preparing to increase its workforce by 50, from 150 to 200, by the end of 2008. The anticipated increase is related to the diversification of its products in the local market and new opportunities arising from Malta's membership of the European Union.

Note on methodology

The European Restructuring Monitor (ERM) is a tool that records industrial restructuring cases reported in the press 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. ERM enables the compilation of statistics based on the information available in the database on each restructuring case.

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 activities are not considered in order to avoid double counting.

If you would like more information on the European Restructuring Monitor, you can visit the website at **http://www.erm.emcc.eurofound.eu.int** or send a request to the e-mail address erm@eurofound.europa.eu

The data for this report was extracted on **7 April 2008**. 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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EF/08/05/EN