



# ERM annual report 2013: Monitoring and managing restructuring in the 21st century

## Executive summary

### Introduction

The 2013 annual report from the European Restructuring Monitor (ERM) presents a retrospective of over a decade of measuring the impact of large-scale restructuring activity in Europe. It summarises restructuring trends based on a restructuring database that includes details of over 16,000 large-scale restructuring events – each generally involving at least 100 job losses or gains. In particular, the report focuses on comparing activity in the pre-crisis period (2003–2008) with the post-crisis period (2008–2013) in order to identify changes in the prevalence of different restructuring practices, and to show which sectors have been disproportionately affected, in employment terms, by the global recession. The report also includes a critical assessment of all ERM activities including the two newer policy-oriented databases: public support instruments and restructuring legislation. Finally, the report places the spotlight on the phenomenon of offshoring, charting the decline in offshoring activity by European firms since the onset of the crisis.

### Policy context

In January 2013, the European Parliament endorsed a report urging the European Commission to propose a law on the management of change and restructuring. The report, drawn up by Alejandro Cercas MEP, included recommendations on informing and consulting workers as well as on the anticipation and management of restructuring. The European Commission has since indicated its plans for a 'Quality framework for restructuring and anticipation of change', which would frame the current EU legislation and initiatives in this field, and present the best practices to be implemented by all stakeholders.

As part of the Europe 2020 strategy, the European Commission has renewed its commitment to work to:

*promote the restructuring of sectors in difficulty towards future oriented activities, including through quick redeployment of skills to emerging high growth sectors and markets.*

The Commission added that Member States will need to:

*work closely with stakeholders in different sectors ... to identify bottlenecks and develop a shared analysis on how to maintain a strong industrial and knowledge base.*

### Key findings

- The extensive documented use of the restructuring events database by policymakers and researchers attests to its value as a unique source of cross-national data on the impact of large-scale restructuring on employment over the last decade.
- Currently there are six million fewer Europeans in employment than at the outset of the economic crisis. The crisis has resulted in an increasing polarisation of labour market performance across the EU, with unemployment rates ranging from below 5% (in Austria) to nearly 28% (in Greece).
- The crisis and post-crisis periods have seen a notable increase in the share of restructuring job loss attributable to bankruptcy or closure, and a decrease in the share attributable to offshoring or relocation as well as mergers and acquisitions.

- In sectoral terms, the destruction of employment has been felt most acutely in manufacturing and construction. Together, these two sectors account for well over 100% of the net employment losses experienced since 2008.
- Employment has held up relatively well – and indeed has even grown – in some knowledge-intensive service sectors (health, education, IT and information services, and professional, scientific and technical activities) before, during and after the crisis.
- Austerity policies have meant that employment resilience has shifted from predominantly publicly funded sectors in 2008–2010 to private service sectors from 2010 onwards. Many of the largest ERM restructuring cases since 2008 have been implemented in public administration, which has accounted for a much higher share of overall announced job loss since 2008.
- The auto/transport sector is one of the few major manufacturing sectors in which employment levels have grown over the past decade. Nearly all of the net gains have come in eastern European countries, confirming an eastward shift in production.
- The crisis has significantly reduced the rate of offshoring in Europe. The offshoring share of ERM restructuring job loss peaked before the 2008–2009 crisis (quarterly range: 6%–12%) and has been lower since (quarterly range: 2.5%–6%).
- Half of offshored jobs remain in Europe. The main destination country grouping are the 2004–2007 enlargement countries, which account for one-third of relocated jobs. Another third of jobs offshored from Europe go to Asia.
- At least one in every six jobs (17%–18%) lost through restructuring in Denmark, Ireland and Portugal was offshored, much higher than the EU average of 6%.

- Manufacturing accounts for the majority of offshored jobs in all Member States except the UK, where services offshoring predominates.
- Over a quarter (28%) of offshoring job losses in non-domestic, EU-owned firms were a consequence of either full reshoring or partial reshoring to the country of ownership. German and Italian firms were those most likely to reshore.

## Policy pointers

In the wake of budgetary consolidation and austerity, restructuring activity is equally, if not more, prevalent in the public sector than in the private sector. Given the features of public sector employment – such as higher levels of collective representation and greater employment protection – the nature of adjustments that are negotiated there can be instructive in identifying forms of restructuring that do not necessarily involve large-scale redundancies.

The plight of the construction sector, where employment has been cut by more than half in some of the Member States acutely affected by the financial crisis, underlines the importance of anticipating and discouraging unsustainable growth patterns in sectors strongly affected by credit-cycle conditions.

Offshoring activity appears to be relatively pro-cyclical. While restructuring job losses attributable to offshoring declined since 2008, a resumption of growth at customary levels could signal an upturn in offshoring, especially services offshoring, which to date has been comparatively marginal.

Good-quality data are important for policymaking, and the ERM plays an important role in sharing information and data on restructuring trends and policy developments among policymakers at European and national level. However, developing common European policies to deal with increasingly divergent national labour markets is a challenge for the future.

### Further information

The report, *ERM annual report 2013: Monitoring and managing restructuring in the 21st century*, is available at <http://www.eurofound.europa.eu/publications/htmlfiles/ef1380.htm>

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