RESEARCH REPORT

Eurofound

Labour market change

ERM report 2020: Restructuring across borders

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Eurofound
European Foundation for the Improvement of Living and Working Conditions

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Executive summary

Introduction

The objectives of this report are twofold: firstly, to review recent restructuring activity in the European Union up to and including the first impacts of the Coronavirus (COVID-19) crisis, and secondly, to analyse in some more depth restructuring activity of a transnational character involving multinational enterprises (MNEs). The latter analysis is prompted by the increasingly transnational perspective that these enterprises adopt when making strategic planning decisions, including determinations regarding the location of production sites and employment. In larger MNEs, decisions taken at global headquarters have a growing influence on operations at national and local levels. This poses challenges to worker representation, including European works councils (EWCs), whose purpose is to provide a setting for informing and consulting employees of MNEs on decisions that affect them.

The main source for the analysis is the European Restructuring Monitor (ERM) events database, which has collected details of over 25,000 large-scale restructurings since it began in 2002, including nearly 2,000 since the beginning of 2019. The analysis of transnational restructurings is complemented with case studies based on international relocations of production.

Policy context

EU labour markets in 2020 operate under the shadow of the first wave of the COVID-19 crisis. Initially, at least, the large fiscal response by the EU and Member States has cushioned some of the most-feared impacts. But the repercussions of the crisis, especially in the worst-affected sectors, will necessitate ongoing state support to protect households and businesses and to lay the groundwork for a sustainable recovery. In addition, strategic EU goals such as the objective of carbon neutrality by 2050 will necessitate a transformation of productive activity that will involve extensive restructuring.

MNEs are in general resilient businesses that can play an active role in the recovery and the achievement of these longer-term goals. They account for large shares of global output (28%) and employment (23%) and an even larger share of global trade. The decisions these enterprises make on where to locate their activities affect the employment status of tens of millions of Europeans, as well as the prosperity of their communities and regions. Partly in response to their growing economic influence, the EU has developed policies to support worker representation at a transnational level (the directives establishing EWCs and information and consultation rights) to rebalance social partner prerogatives, notably in the case of transnational restructurings. Retraining funding for workers made redundant as a result of large-scale restructurings has been channelled via the European Globalisation Adjustment Fund (EGF), benefiting hundreds of thousands of European workers.

Key findings

- The COVID-19 crisis has led to a doubling of restructuring job loss in the first half of 2020 compared to the rolling average. The labour market impacts have been highly selective, with two broad sectors – transport (including air transport) and hotels and restaurants – accounting for nearly half of overall announced job loss (compared to less than 10% in 'normal' times). These are the sectors that have been most disrupted by physical distancing measures adopted to stem virus transmission. A more comprehensive account of the initial impacts of the COVID-19 crisis will become possible only when the temporary fiscal-support measures adopted by governments to cushion its impacts are reduced or withdrawn.
- Around 1 in 20 cases of large-scale restructuring in the ERM are transnational, affecting activities in at least two countries. The employment effects of such cases tend to be much larger and the restructuring processes tend to be longer and more complex as a consequence. On average, each transnational restructuring case (other than those of business expansion) involves announced employment losses of over 3,000 jobs, around seven times greater than those of restructurings that take place within national borders.
- All restructuring activity is cycle-sensitive, with peaks coinciding with recessions, but transnational restructuring activity is particularly so. Both the frequency of cases and the size of job losses increase relatively faster during economic downturns, including the downturn arising from the COVID-19 crisis.
- Case studies of transnational restructurings found a variety of motives underlying MNEs' decisions to transfer production across borders, but reduced labour costs remain the most important.
- The case studies demonstrate the layering of collective representative structures between local, national, EU and global levels. This can be beneficial in reinforcing linkages and helping to coordinate information-sharing among worker representatives, and possibly action by them, but it may weaken their influence over how transnational restructuring operations are managed.

Policy pointers

- The global financial crisis of 2008–2009 impacted negatively on international investment flows as MNEs reversed trends of international expansion. Foreign direct investment flows in 2018 and 2019 were lower as a share of global gross domestic product (GDP) than in 2010. The COVID-19 crisis will likely bring a further contraction in such flows, a shortening and simplification of global value chains, and some retrenchment of economic activity within national borders.
- Given their scale and their impact across Member State borders, including their potential to give rise to cross-border disputes in cases of production transfer, there is a strong rationale for EU involvement in monitoring transnational restructurings. Funding instruments such as the EGF make provision for cross-border applications, but in practice the majority of case applications for post-restructuring active labour market interventions tend to be national.
- Another area of potential cross-border contention in transnational restructurings relates to the real or perceived use of regional or national subsidies to incentivise multinational firms to relocate production. Such aids, where they exist, undermine the sense that all companies compete on an equal playing field, as larger companies tend to be the main targets and beneficiaries of such aid. They also raise the spectre that corporate decisions that may result in significant job losses and human hardship are motivated as much by subsidy availability as other commercial considerations.
- Human resources policy in MNEs is increasingly modelled at global (rather than EU) level, while most legal requirements on employers (in relation to working time, health and safety, social security and pay) are national. While transnational restructurings fall squarely within the remit of EWCs, their capacity and rights to influence these processes are limited. These limitations are more obvious when multinational decision-making concentrates at the global level, with limited discretion for local or national management.

Introduction

This report reviews evidence from the European Restructuring Monitor (ERM) restructuring events database on recent restructuring activity in the European Union and then uses the same source to focus on the specific features of transnational restructuring events. While representing only 1 in 20 of the database's 25,000 plus records, restructuring cases affecting workplaces in different jurisdictions and involving multinational enterprises (MNEs) may be of specific interest to policymakers, notably at European level. These enterprises account for nearly a quarter of jobs globally and an even higher share of output. Their shares of economic activity have tended to grow in recent decades, and they have benefited in particular from trade liberalisation, trade-advancing technological developments and globalisation more generally.

When such companies restructure, the restructurings are bigger in scale and tend to involve much greater job losses than purely national restructurings, while the process takes longer. They are intrinsically more complex and involve many layers both of management, from the workplace or unit level to national, regional and global headquarters, and of worker representation, from local workplace representatives, national unions and works councils to union confederations and European works councils (EWCs). Managing processes of change in such organisations requires the responsible engagement of many actors. The analysis of transnational restructurings aims to provide an outline of the challenges involved in these events.

Report structure

The report is structured as follows.

Chapter 1 reviews restructuring activity in the 18 months from January 2019 to June 2020, based principally on the 1,908 large-scale restructuring events reported in the media, as recorded by the Network of Eurofound Correspondents. Specific thematic inserts cover restructuring in postal services, the rapid growth of online retailer Amazon and a first analysis of the restructuring impact of the COVID-19 crisis.

The remaining chapters focus on the transnational restructuring activity of MNEs.

Chapter 2 provides a descriptive analysis of the 1,059 cases of transnational restructuring recorded in the ERM from 2005 to 2020 and highlights how these differ from national, within-borders restructuring cases. The chapter also highlights how a small number of large transnational enterprises account for a large share of both national and transnational restructuring cases: individual groups such as Siemens and Bosch are represented in the ERM dataset over 100 times.

Chapter 3 summarises the findings of nine company case studies carried out by Eurofound's national correspondents. These are intended to cast light on one manifestation of transnational restructuring: the decision of firms on where to locate or relocate production.

Chapter 4 offers summary conclusions.

1 Restructuring activity in Europe, 2019–2020

Employment and unemployment figures continued to point towards an improvement of the EU labour market during 2019, before the onset of the Coronavirus (COVID-19) crisis in 2020. The employment headcount for the EU27 grew steadily up to the end of 2019. Unemployment declined on aggregate, from 6.9% in December 2018 to 6.5% in December 2019. Year-on-year full-time employment growth has exceeded that of part-time employment since the beginning of 2014 but had been trending downwards since the first quarter of 2018 (Figure 1).

The impact of the pandemic and the associated containment measures will only begin to be observed in the EU Labour Force Survey (EU-LFS) data towards the end of 2020, too late for the current report.

The immediate reaction of Member States to cushion the labour market impacts of the crisis was to enact measures to support short-time working and temporary layoffs, in an effort to retain the important link between employers and employees. At present, conventional labour market indicators such as the unemployment rate are of limited usefulness as they are subject to reporting lags as well as definitional issues; to be considered unemployed, one should be actively seeking employment, which is practically very difficult in a context of mandated closures of many activities.

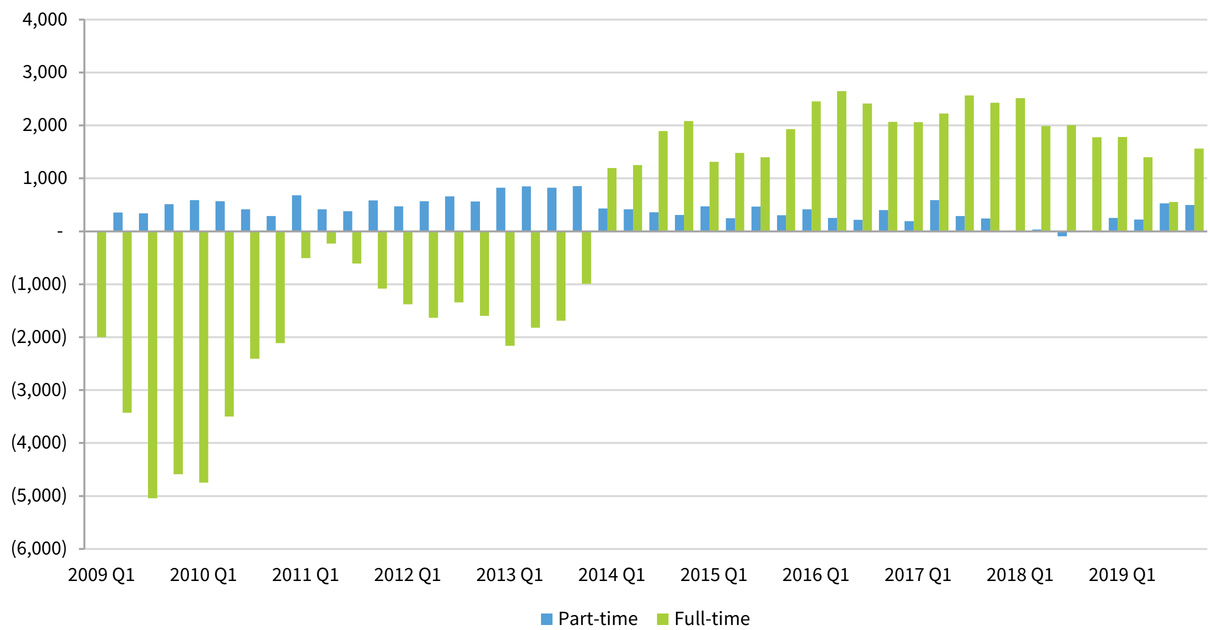
ERM findings 2019–Q2 2020

The ERM records announcements of large-scale restructuring events across Europe (see Box 1 for details on the criteria for inclusion), and the absolute number of announcements from January 2019 to June 2020 highlights a prevalence of job losses over job creation.

Box 1: ERM events database – Data collection

The ERM covers cases of large-scale restructuring involving both job loss and job gain ('business expansion'). The ERM defines job loss at restructuring in a similar way to the Collective Redundancies Directive (98/59/EC) in that it refers to intended redundancies. However, the intended redundancies do not have to be notified to any public authority but rather 'announced', as subsequently covered in media reports. The threshold for a case to be included in the ERM dataset is that it should either involve the reduction or creation of at least 100 jobs or affect at least 10% of the workforce in establishments employing at least 250 people. The data are collected by the Network of Eurofound Correspondents and edited and published daily on the Eurofound website. Unlike the directive, however, there is no stipulation regarding the time frame in which the intended job loss is to occur.

Figure 1: Change in full-time and part-time employment (in thousands), quarterly year on year, 2009–2019, EU27



Source: Eurostat lfsq_eftpt

From Q1 2019 to Q2 2020, the ERM recorded 1,808 restructuring cases in the EU27, Norway and the United Kingdom: 979 cases of job loss only, 732 cases of job creation only, and 23 cases of both job loss and job creation. In addition, there were 74 transnational cases.[1]

Cases by sector

In the combined area of the EU27, Norway and the United Kingdom, the manufacturing sector suffered the most job losses over 2019 and the first semester of 2020, with 185,876 jobs lost (Figure 2 and Table 1). The top three cases of manufacturing job loss were all in the German automotive sector, currently undergoing a period of intensive transformation (see Box 2): Audi (7,500 job losses), Ford (5,000) and Volkswagen (5,000), giving a total of 17,500 announced redundancies. Manufacturing was also the second sector in terms of net new jobs announced; 9 out of the top 10 cases (involving around 1,000 jobs each) were concentrated in eastern Europe. Six of these cases were in the automotive sector.

Over the 18-month period, retail ranked second in terms of announced job losses (84,756 jobs lost and 55,494 jobs created). Four out of the top 10 cases concerned the supermarket chain Tesco in 2019, with 2 cases in the United Kingdom leading to 13,500 job losses and 2 cases in Poland leading to 2,471 job losses.

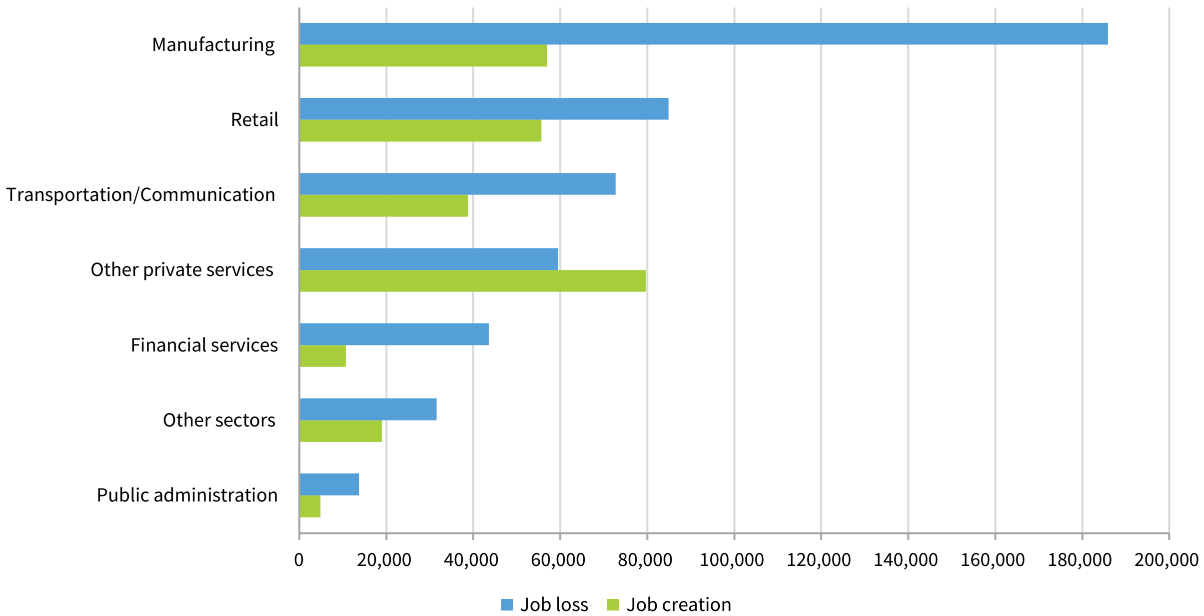
The 'other private services' sector – a broad category comprising legal services, engineering, consultancy, media, hotels and restaurants, and other professional and administrative services – had the strongest performance in 2019 (62,323 jobs created), while retail created the most jobs in the first semester of 2020 (25,703). Job creation announcements in other private services continued in the first half of 2020 (17,157 jobs) despite the COVID-19 pandemic, although 22,950 jobs were lost.

The information and communication sector continued to perform well, creating the most new announced jobs in France (34 cases and 7,312 new jobs), Ireland (12 cases and 4,960 new jobs) and the United Kingdom (13 cases and 4,717 new jobs).

The performance of the transportation and storage sector, where 31,222 jobs were created and 16,953 jobs were lost in the period, took a turn for the worse in 2020; the majority of cases of job loss occurred in 2020 during or after the enactment of COVID-19 measures. In terms of job creation, the top five job creation cases in this sector include three cases from the postal and courier activities subsector: Deutsche Post (Germany), Croatian Post (Croatia) and InPost (Poland) (see Box 3 for a detailed discussion of developments in this subsector).

The second quarter of 2020 has been characterised by the disruption of the transportation (commercial air transport particularly), hospitality and tourism sectors, and services related to these activities. Within the geographical area of the EU27, Norway and the United Kingdom, only public administration recorded more job creation announcements than job loss announcements in the first half of 2020 (Table 1). In just the EU27 and Norway, retail recorded almost as many jobs created (20,318) as jobs lost (20,755). This sector includes many types of activities, and while some of them closed for good during the COVID-19 emergency, those dealing with the sale of food and beverages have been deemed 'essential services', which has increased demand and led to an increased share of business expansion cases.

Figure 2: Announced job loss and job creation, by broad sector, EU27, Norway and the UK, 2019–Q2 2020



Source: ERM

1 Transnational cases are not taken into account when reporting on national cases to avoid double counting.

Table 1: Announced job loss and job creation, by broad sector, EU27, Norway and the UK, 2019–Q2 2020

Sector	2019		Q1–Q2 2020		2019–Q2 2020	
	Job loss	Job creation	Job loss	Job creation	Total job loss	Total job creation
Manufacturing	107,450	39,458	78,426	17,391	185,876	56,849
Retail	48,300	29,791	36,456	25,703	84,756	55,494
Transportation/ Communication	16,953	31,222	55,639	7,430	72,592	38,652
Other private services	36,432	62,323	22,950	17,157	59,382	79,480
Financial services	32,988	7,905	10,410	2,620	43,398	10,525
Other sectors	18,671	6,636	12,763	12,165	31,434	18,801
Public administration	13,559	1,600	0	3,100	13,559	4,700

Source: *ERM*

Cases by restructuring type

For each case, the ERM records the type of restructuring, the main types being internal restructuring, bankruptcy, closure, merger or acquisition, and offshoring or delocalisation.

Internal restructuring

As Figure 3 shows, the biggest share of restructuring cases entailing job loss during 2019–Q2 2020 falls into the category of internal restructuring (74%), accounting for 364,772 job losses (655 cases).

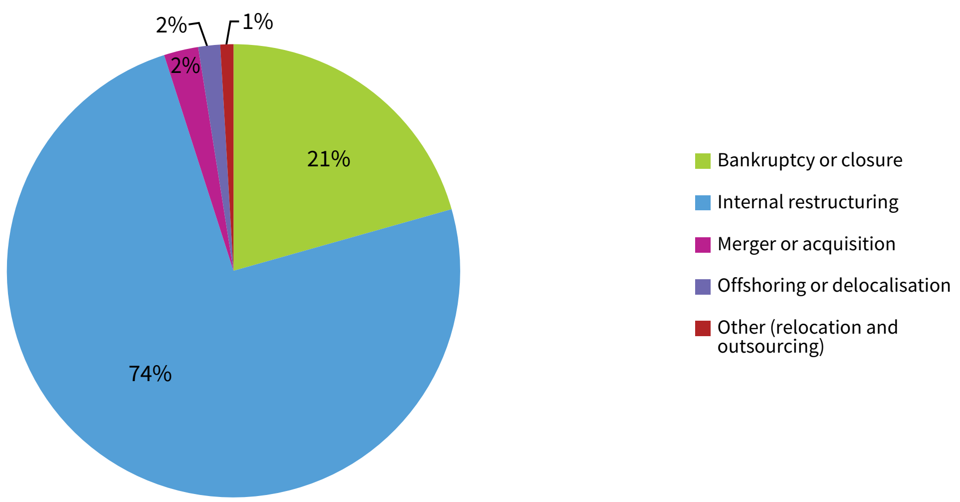
Bankruptcy or closure

Bankruptcy or closure accounted for 21% of cases, but ERM data-gathering criteria mean that closures of part of a business are often recorded as internal restructuring, because they occur in the context of a wider reorganisation plan. The highest number of bankruptcy cases were recorded for the United Kingdom (47 cases, of which 9 led to over 1,000 job losses), France (18 cases), the Netherlands (7 cases) and Poland (4 cases). The biggest case was the liquidation of Vortex, in France, which specialised in the transport of people with disabilities and employed up to 2,500 people on a part-time basis. The company was already facing financial issues, but the situation worsened following the closure of schools as a result of governmental COVID-19 mitigation efforts and the resulting collapse in demand for transport for students with disabilities.

Merger or acquisition

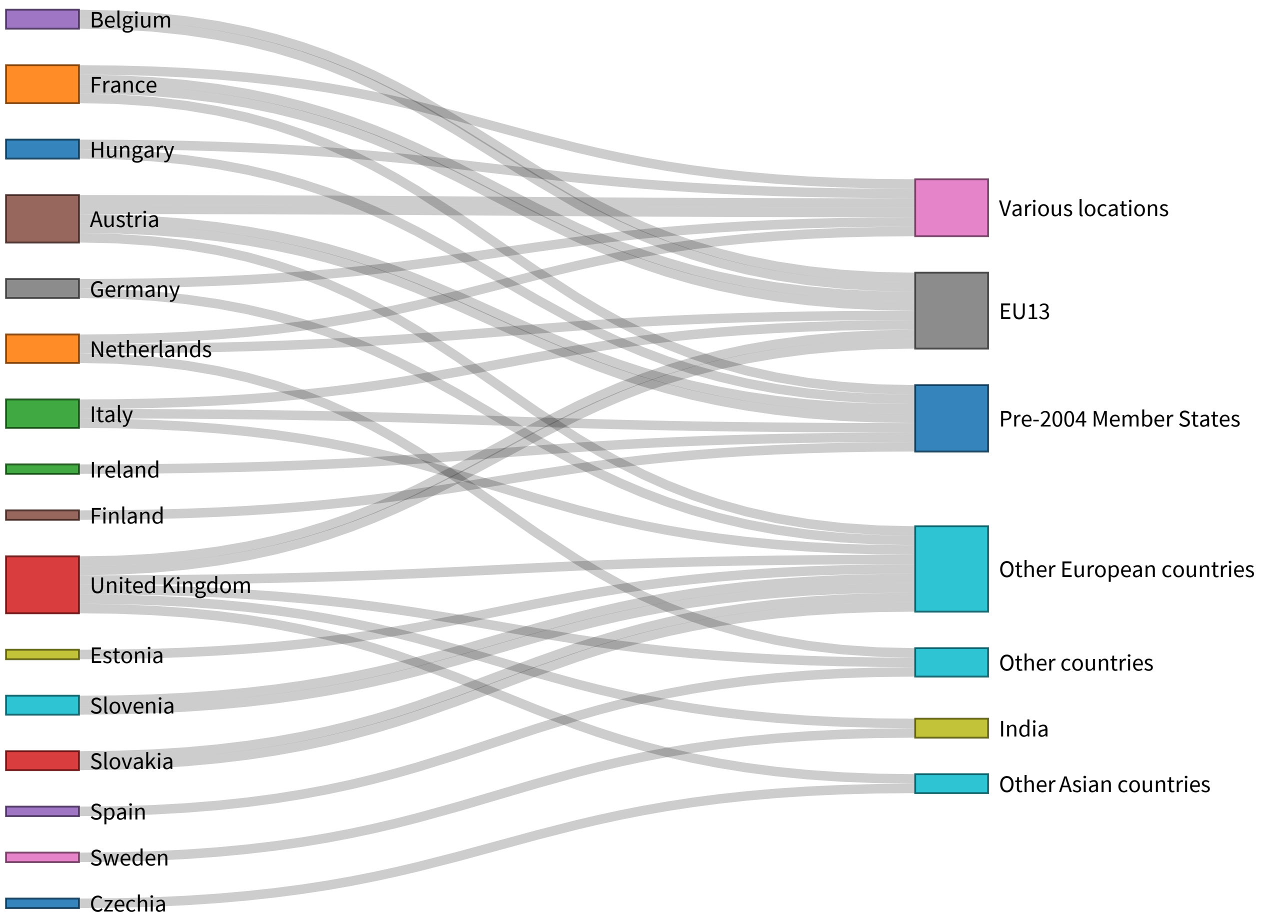
Job losses due to merger or acquisition announcements declined by 5 percentage points as a share of cases from 7% in 2018 to 2% in 2019–Q2 2020. The biggest case of merger or acquisition in the EU27 was recorded in the Netherlands, where Intertoys, a nationwide toy-store chain, announced the closure of at least 90 stores, resulting in the dismissal of up to 2,200 employees. The chain was declared bankrupt in February 2019 due to decreased sales and was then acquired by the Portuguese investment fund Green Swan. After negotiations with franchisees and the sites' landlords, the company decided to keep 230 branches open. Green Swan has also acquired other toy-store chains in Belgium, Portugal and Spain.

Figure 3: Announced job loss cases (%), by restructuring type, EU27, Norway and the UK, 2019–Q2 2020



Source: ERM

Figure 4: Origin and destination countries for offshoring, selected Member States and the UK, 2019–Q2 2020



Note: Offshoring origin countries are on the left of the figure and offshoring destination countries are on the right. One flow= one case.

Source: ERM

Offshoring or delocalisation

Offshoring or delocalisation accounted for 38 cases (involving 7,641 job losses) in the period 2019–Q2 2020. In 15 cases, the offshoring destination was a location in another Member State. In eight cases, companies in countries that were Member States prior to 2004 (including the United Kingdom) offshored to newer Member States (the EU13). In a further eight cases, companies in the Member States and the United Kingdom offshored to countries located in Europe but not in the EU (in three cases to Serbia), indicating reasons of cost, principally lower labour costs. One such case was that of I.C.A., an Italian-owned textile company located in Svidník, Slovakia, which announced a cut of around 75% of its workforce (103 employees) in May 2019 as a result of the transfer of most of its production to Serbia. The company's chief executive officer (CEO) attributed the move to increasing production costs, which the company was unable to cover.

In the remaining cases, multiple offshoring locations were cited, mainly due to reorganisations at global level. Figure 4 illustrates the origin and destination countries for offshoring over 2019–Q2 2020.

Twenty-five cases out of the 38 affected the manufacturing sector, 3 cases concerned administrative services companies, and 2 were in the information and communication sector. Of the five non-manufacturing cases, one took place in the EU27, in Sweden's information and communication sector (the remaining four were UK cases). In that case, the Indian IT consulting company HCL, which acquired Volvo IT in 2016, formally submitted a notification to the Swedish Public Employment Service, notifying it of the termination of 250 positions in the company's subsidiary Global Shared Services (GSS). To the best of Eurofound's knowledge, no media source reported the outcome of the social partner negotiations. The company expected the final number to be lower than that announced. The job reductions were aimed at reducing GSS production costs, to address the company's financial challenges. It is expected that the positions will be offshored to India.

The largest offshoring case in 2019–Q2 2020 took place in Hungary, where domestic appliance manufacturer Electrolux announced a production decrease in vacuum cleaners and refrigerators at its Jászberény plant, affecting

800 jobs (Table 2). Production at the Hungarian site entails the assembly of intermediate products received from external partners in Asia. The company plans to further save on production costs by outsourcing the assembly line to these external partners, taking advantage of cheaper labour costs. No explicit reference was made in the source media article to the wage growth that Hungary has experienced in recent years. According to the management, the company was willing to pay severance payments that are higher than the minimum required by the Labour Code to discourage employees from leaving their positions before the restructuring kicks in.

In the other four of the top five cases, multiple offshoring locations were cited, mainly due to reorganisations at global level (Table 2).

Table 2: Top five offshoring cases, EU27, 2019–Q2 2020

Company	Announcement date	No. of announced job losses	Country	Sector	Offshoring location(s)
Electrolux Lehel Hűtőgépgyár	10 September 2019	800	Hungary	Manufacturing	Various
Apollo Vredestein	5 March 2020	750	Netherlands	Manufacturing	EU13
Mahle	23 October 2019	452	Italy	Manufacturing	EU13
Bekaert	28 March 2019	281	Belgium	Manufacturing	EU13
Agio Cigars	23 April 2020	280	Netherlands	Manufacturing	Various

Source: ERM

Box 2: Early signs of electric vehicle disruption in value chains

During 2019, the ERM captured early signs of disruption to economic activities related to the production of components for the automotive sector (Eurofound, 2020b). Greening and environmental sustainability policies, caps on carbon emissions and bans on diesel are nudging vehicle manufacturers to switch to the production of hybrid or electric engines. This shift implies an overhaul of production lines, since an electric engine requires fewer components than a combustion one. The number of components required has been calculated as 17% fewer for certain models (UBS, 2017). The reorganisation of the sector to manufacture a different type of engine results in employment adjustments not only because of the different skills required for handling high-voltage batteries but also because of the progressive automation of production lines.

Within the manufacturing of motor vehicles sector (NACE 29) in 2019, half of large restructuring cases involving job loss and more than 75% of cases involving job creation took place in the car components subsector (NACE 29.3). The majority of these cases took place in western Europe or in companies based in other Member States but linked to the German automotive sector (which had the highest number of cases involving job loss – see Table 3).

The level of restructuring in this subsector is consistent with previous years. One new development is that manufacturers are clearly pinpointing the shift to electric engines as a cause for reorganisation. During 2019–Q2 2020, 91 cases were recorded in the ERM under the NACE code 29.3 ‘Manufacture of parts and accessories for motor vehicles’(the figure was 61 in 2019). In 51 cases, job losses amounted to 19,170, while the other 40 cases entailed business expansion for a total of 11,720 announced new jobs; among these, 10 explicitly mentioned electric car components production. Job creation is occurring especially in eastern European locations, as manufacturers set up electric or hybrid car and vehicle-battery production plants.

At the same time, the evidence from the strategic plans of Europe’s largest car producer, Volkswagen, is that German plants will be the main beneficiaries as regards production of the newer electric and hybrid car models. The company plans to invest €60 billion up to 2025 in developing more environmentally sustainable cars. Within the EU, so-called e-vehicle production will be concentrated in one eastern European site – Mladi Boleslav in Czechia – and five German sites – Zwickau, Emden, Hannover, Zuffenhausen and Dresden (Volkswagen, 2019).

Table 3: Cases of announced job loss and job creation in the car components subsector in Member States and the UK, 2019–Q2 2020

Country	No. of cases of job loss	No. of announced job losses	No. of cases of job creation	No. of announced jobs created
Germany	19	10,690	2	730
Bulgaria	2	1,969	3	1,750
France	5	1,329	1	270
Poland	6	1,152	10	3,670
Czechia	4	1,030	2	450
Italy	2	870	0	0
Sweden	3	605	1	100
United Kingdom	4	570	0	0
Slovakia	2	398	6	820
Hungary	2	301	5	940
Belgium	1	171	0	0
Netherlands	1	85	0	0
Croatia	0	0	1	100
Lithuania	0	0	1	130
Romania	0	0	5	2,060
Slovenia	0	0	2	250
Spain	0	0	1	450
Total NACE 29.3	51	19,170	40	11,720
Total NACE 29 (for comparison)	95	70,651	53	20,560

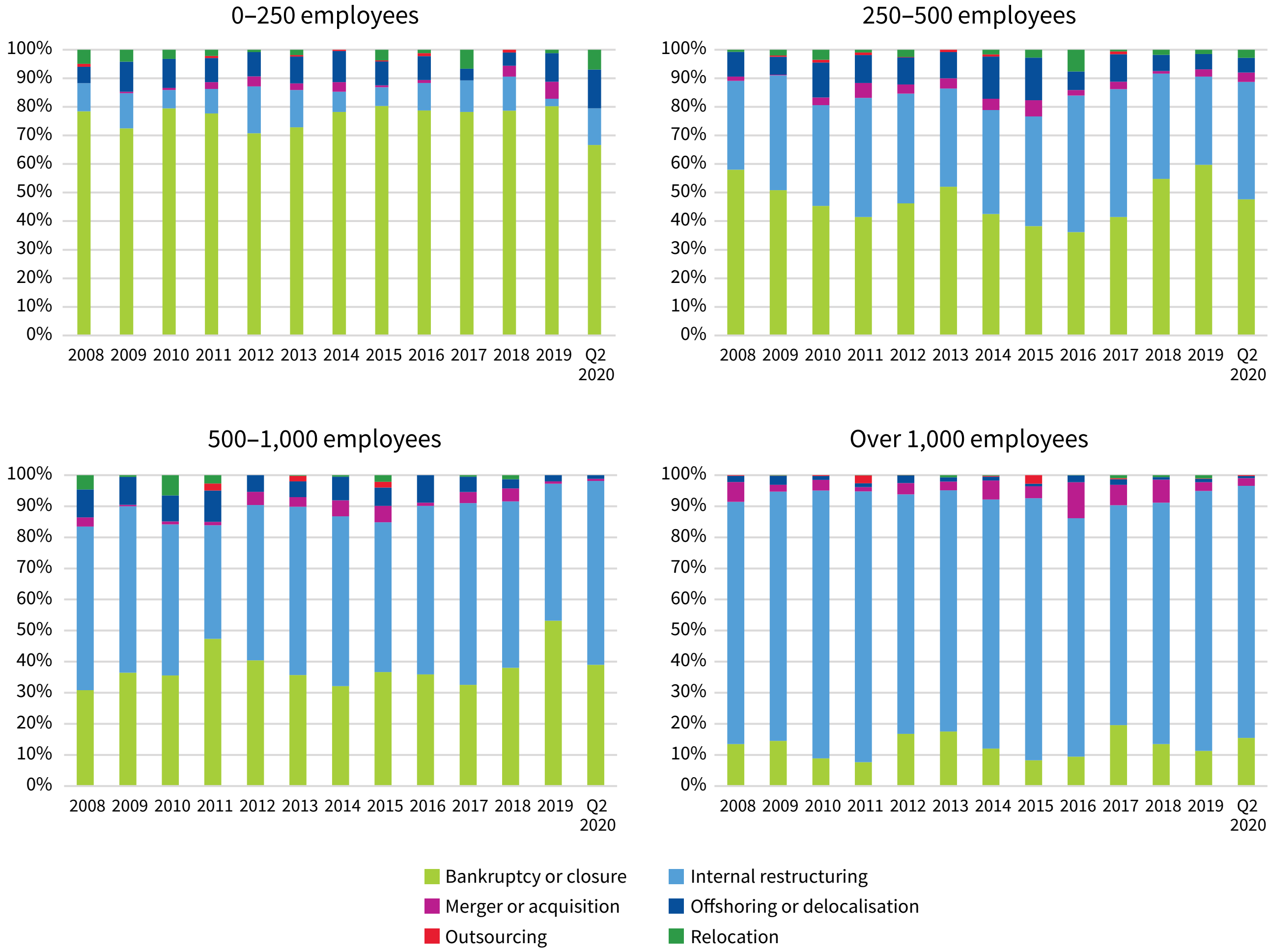
Source: ERM

Restructuring type and company size

The type of restructuring activity varies by establishment size. Figure 5 illustrates these differences, showing an analysis of ERM data going back to 2008. Out of 10,424 cases of job loss in the period, 8,834 provide information about the number of people employed in the company. The breakdown by company size in Figure 5 displays similar patterns across years (note that the sources do not provide full information on all the cases).

Bankruptcy or closure is the most common cause of job loss for small and medium-sized enterprises (SMEs) – businesses employing up to 250 people – and accounts for 70–80% of these restructurings. This is partly due to the ERM threshold of 100 plus job losses or at least 10% of a workforce of 250. Large-scale job losses in smaller companies are much more likely to result from business failure rather than a planned internal restructuring. Internal restructuring is more likely to be indicated as a reason for redundancies by companies with 500–1,000 employees and by companies with more than 1,000 workers (around 80% of cases). These patterns can partly be explained by size-specific enterprise dynamics: large companies are more likely to implement one or more type of restructuring under one reorganisation plan; hence, cases are classified as 'internal restructuring' according to ERM criteria, while restructuring in medium-sized and especially small enterprises is often less planned, more urgent and may affect the entirety of a company's operations.

Figure 5: Breakdown of restructuring type by company size, EU27, Norway and the UK, 2008–Q2 2020



Source: ERM

Box 3: Reorganisation of postal services in the EU

The European postal sector (NACE 53) is being transformed by recent digitalisation trends as well as the need to adapt to the opening and liberalisation of the postal market. These developments affect employment in the industry in contrasting ways: traditional roles such as mail sorters and postal delivery staff are being eliminated alongside the creation of new roles such as express couriers. In 2019 and the first six months of 2020, ERM cases in the sector accounted for 9,756 job losses (in 11 cases) and 10,330 job gains (in 13 cases).

According to a recent study initiated by the European Parliament Committee on Transport and Tourism (2019), digitalisation is the primary driver of restructuring and expansion in the postal sector. On the one hand, digital communication channels are increasingly replacing letters, resulting in a decline in letter circulation. The consequent decrease in employment affects sorting centres, post office branches and administrative offices. There are, however, country differences in this regard. In countries that have high rates of postal exchange between public bodies and citizens, such as Germany, letter post has declined less markedly. Employment has been affected more in countries that have adopted e-communication strategies, such as Czechia and Denmark (Copenhagen Economics, 2019).

But while increasing online communication is reducing demand for letter services, the growth of online shopping and the option to have goods delivered to one's home or office is increasing the demand for parcel transportation and delivery services. Thus, most employment expansion in the sector is occurring in companies that have specialised in parcel delivery or reoriented their business towards it. However, high shipping volumes usually require investments in the automation of letter and parcel sorting, which creates new forms of work organisation. For example, this has resulted in the development of centralised postal processing, downsizing of local branches and introduction of self-service centres (Syndex and Uni Global, 2018).

In addition, the sector's development is impacted by changes in market and labour regulations that aim to encourage market competition and to improve the quality of courier services while reducing costs. Despite market liberalisation and the entry of non-EU companies into European markets (for example, US-owned FedEx and international courier company TNT), recent data show that barriers to entry may prevent growth of competitors' networks and strengthen the success of regionally established companies that can afford modernisation of their work organisation (Syndex and Uni Global, 2018). More permissive labour legislation has led to more flexible working schedules, creating more part-time, temporary and occasional employment opportunities for low-skilled profiles. In addition, in many countries, a large number of traditional post offices have been replaced by parcel access points located in shops, kiosks and petrol stations, which decreases the demand for new recruits, despite stable or growing demand (Syndex and Uni Global, 2018).

These developments are reflected in the ERM. In 2019, the second-biggest restructuring programme was reported in Czechia, where the national postal service **Česká pošta** announced the downsizing of its workforce by 7,000 positions by 2025 (almost a quarter of its workforce), with a commitment to reduce employment without recourse to compulsory redundancies. The company plans to introduce automation for some tasks while retaining the annual pay budget, so that it can provide better services and higher wages, according to company representatives. In Finland, **Posti** is cutting 438 jobs (from a total of around 13,500) in order to reduce costs and create a more flexible work organisation. The Hungarian national postal company **Magyar Posta** plans to phase out 410 administrative and management positions (from a workforce of 31,000), with the aim of reducing bureaucracy and optimising the business. Similar programmes have been announced in Ireland (216 job losses), Sweden (200 job losses) and Lithuania (120 job losses). In Lithuania, **Lietuvos pastas** started offering a new service in rural regions involving 'mobile postmen/women' who visit villages without a permanent post office at scheduled time slots to enable residents to send and receive registered post, subscriptions and payments.

During 2019 and the first half of 2020, the ERM recorded cases of business expansion in postal services in Croatia, Germany, the Netherlands, Poland and Slovenia. In Germany, **Deutsche Post**, which incorporates global courier services firm DHL, announced an employment campaign creating up to 5,000 new jobs for 1,000 new parcel stations and 500 new partner contracts. The campaign included the recruitment and training of 500 truck drivers. The Polish public post company **Poczta Polska** also started recruitment drives in different regions in the country, including Białystok, creating up to 670 new positions in total, according to the media; 400 of the vacant positions were to be offered to candidates with disabilities. The private courier firm **Inpost** announced plans to hire up to 1,000 employees in Poland during 2019, following new business opportunities. In the Netherlands, **PostNL** underwent rapid expansion due to growth of online shopping and announced the opening of two new distribution centres in Almere and Tilburg, which created 1,300 positions across the country. Other expansions have been reported by the main national postal services in Croatia (1,400 job gains) and Slovenia (120 job gains) and in Ireland by the private courier company DPD (190 job gains).

The COVID-19 pandemic has boosted demand in the courier business, given its importance for online trade following the confinement measures imposed by the European governments in response to the outbreak of the disease. For example, parcel and courier firm **DPD** announced a recruitment drive for 300 new jobs in France in June 2020, while **Hermes UK** opened a new distribution centre in Nottingham in May 2020. Both cited increases in online shopping and parcel deliveries as the motivations for the new jobs.

Large national restructuring cases

Top five cases of job loss

Table 4 summarises the five largest cases of announced job loss in the EU27 from January 2019 to June 2020.

The largest restructuring case was that of German vehicle manufacturer Audi. In November 2019, the management and the works council agreed a 10-year programme, 'Audi. Zukunft', which will cut at least 7,500 positions by 2025 and excludes direct dismissals until 2029. According to the employee representatives, the reduction does not include permanent positions. It is likely that the programme will affect temporary agency workers and that the job reduction will be achieved through natural wastage, early retirement and voluntary termination of contracts. The company is also set to create some new jobs. The management and the works council expect that the current shift to electric vehicles will create 2,000 new jobs over the next six years, supported by an investment of €300 million.

Table 4: Top five cases of announced job loss, EU27, 2019–Q2 2020

Company	Announcement date	No. of announced job losses	Country	Sector
Audi	26 November 2019	7,500	Germany	Manufacture of motor vehicles, trailers and semi-trailers
Česká pošta	26 June 2019	7,000	Czechia	Postal and courier activities
Air France	17 June 2020	7,000	France	Air transport
Ministère de l'Action et des Comptes publics	3 September 2019	5,800	France	Public administration and defence; compulsory social security
UniCredit	3 December 2019	5,500	Italy	Financial service activities, except insurance and pension funding

Source: ERM

The second largest national case is that of the Czech state-owned postal company Česká pošta, which announced 7,000 redundancies over 2019–2025. The postal service and courier sector is undergoing deep transformation due to e-commerce and digitalisation (see Box 2). The company is going to be divided into three separate units to increase its profitability and its contribution to the state and will continue operating in 3,200 branches. The staff reduction will take the form of voluntary departure, retirements and non-replacement of departing staff. The company wants to keep the current volume of wages at CZK 13 billion (€497 million as at 4 August 2020). This would make it possible to increase the average wages of the remaining employees by a quarter. In line with staff reductions, the volume of work will be reduced, because some tasks will be automated. The trade unions opposed the decision, claiming that the plan will lead to a deterioration of the services offered. They also argue that the company has been mismanaged.

Commercial aviation has been among the sectors most severely affected by the COVID-19 crisis, with flight frequency reduced to around 5% of normal volumes during spring 2020. The largest job loss case reported in the first six months of 2020 involved Air France, which announced 7,000 job losses in addition to the 1,510 previously announced in early February 2020. Air France stated that the reduction in staff numbers will be achieved through voluntary departure and retirements. The reorganisation affects all positions: 100–400 pilots and some 2,000 flight attendants and stewards are expected to leave the company. But the ground staff will pay the heaviest price, with nearly 6,000 job cuts. Half of the jobs to be lost are in support functions (quality control, human resources and sustainable development), while the other half affect workers assigned to French airports (boarding staff, ramp agents and similar positions). These cuts to ground staff will result from the reorganisation of the short-haul business, which was heavily loss-making during the second quarter of 2020.

In Europe, but outside the EU, the biggest job loss for the period considered took place on 25 June 2020, with the announcement by British Airways International of plans to cut 12,000 jobs and the initiation of redundancy consultations with trade unions. The proposed cuts will reduce the workforce by 30% and affect pilots, cabin crew and engineering staff.

In September 2019, the French Minister of Action and Public Accounts announced a reduction of 5,800 posts in the ministry's workforce over the three years between 2020 and 2022. According to the minister, the decision is the consequence of the implementation of administrative measures aimed at simplifying the lives of French citizens, such as the withholding tax and the abolition of small taxes. These measures have come hand in hand with automation of workflows, thus reducing the number of employees needed. The five trade unions involved argued that the tax changes and the automation of processes did not reduce the number of tasks that employees have to do. A strike day was organised to protest against the decision.

Finally, UniCredit bank announced 5,500 job cuts in Italy due to the digitalisation of its services – a common theme in recent restructurings involving retail banks. Financial services, the fourth broad sector of the economy in terms of volume of job loss in ERM cases, registered 48 large restructuring cases (9% of the total) during 2019. In its 2019–2023 industrial plan, the Italian bank stated that it would close 500 branches. Overall, the company plans to reduce its international workforce by 8,000; apart from Italy, the redundancies will be mostly concentrated in Austria and Germany, involving an overall reduction of 12% of personnel and 17% of branches in these two countries. The company has indicated that it will act in a socially responsible way, but the trade unions deemed the plan unacceptable since the job reduction is in addition to the already initiated wave of 2,600 job cuts agreed for the period 2017–2024.

Top five cases of job creation

Table 5 summarises details of the top five cases of announced job creation in the EU27 from January 2019 to June 2020. The two largest cases involved one former and one current German national state monopoly in the transportation and storage sector. The publicly owned German railway operator Deutsche Bahn (DB) announced in February 2020 that it would expand its workforce with 5,000 new positions. DB is mainly looking for new train operators, dispatchers, railway maintenance staff and IT specialists, and around 4,700 of the new roles are for apprentices and trainees. In total, the company plans to hire 25,000 employees in 2020 to take account of fluctuation in employee numbers due to retirement and other reasons. The company is in an expansion phase and increased its overall workforce by 8,000 employees in 2019. Just over 200,000 people work for the company.

Deutsche Post, privatised in 1995 and fully independent since 2000, continues to strengthen its position as one of the main postal and courier services in the EU and globally. The company, which owns the global courier company DHL, announced the creation of 5,000 new jobs in Germany during 2019. These include 450 jobs for truck drivers, to be trained and afterwards recruited by Deutsche Post. Furthermore, Deutsche Post is creating 500 new partner branches and 1,000 new parcel stations. The company announced an investment of €150 million in automation and the expansion of its post and parcel delivery infrastructure to improve the 'last-mile' step in the delivery process.

Italian retail chain PAM launched an expansion plan in southern Italy in June 2020, saying it will create around 3,000 new jobs over a two-year time frame. Over 100 stores will open, mainly in Campania, where the group also plans to locate its southern headquarters. A large distribution centre will also be located in the same region. Currently, the PAM Group has over 1,200 sales outlets located across Italy.

The Czech police force, Policie ČR, plans to increase the number of service posts by 3,000 within the next three years, according to a government announcement in March 2020. The first 500 vacancies should be filled by the end of 2020. Territorial police directorates will gain the biggest share of the new positions (about 1,700). Around 830 of the new regional police officers will work in patrols, with the declared aim of responding within 10 minutes after an incident report. A further 300 posts will be placed at regional units to combat illegal migration, while 750 positions will be created in the highway police departments. Police departments have experienced workforce shortages for some time: around 2,800 positions were vacant in 2019.

The fifth largest case is located in Germany, where in summer 2019 the US online retail giant Amazon announced the creation of 2,800 new jobs by the end of 2019. Amazon was looking for workers due to the opening of a new logistics centre in Mönchengladbach. The majority of positions were for warehouse workers, but highly specialised profiles were also sought, such as software developer and language specialist (see Box 4).

Table 5: Top five cases of announced job creation, EU27, 2019–Q2 2020

Company	Announcement date	No. of announced jobs created	Country	Sector
Deutsche Bahn	10 February 2020	5,000	Germany	Transportation and storage
Deutsche Post	5 March 2019	5,000	Germany	Transportation and storage
PAM	11 June 2020	3,000	Italy	Retail
Policie ČR	2 March 2020	3,000	Czechia	Public administration
Amazon	14 July 2019	2,800	Germany	Retail

Source: ERM

Box 4: The rise of Amazon in Europe

As Europe turns towards e-commerce, automation and digitalisation, the US online retail giant Amazon remains the dominant player reshaping the retail sector. While the COVID-19 crisis appears to have accelerated its dominance of online retail, Amazon's impacts are unlikely to be confined to one sector alone.

The European market is a major part of Amazon's international business, and since 2010, the company has significantly expanded its presence, investing heavily in infrastructure, real estate, services and jobs. Between 2010 and June 2020, the ERM recorded a total of 75 national restructuring cases within the company in Europe, which involved the creation of just under 75,000 positions. All but one were cases of business expansion; a single case of 150 job losses occurred in the United Kingdom following Amazon's acquisition of Whole Food Markets in 2017. In total, about 115,000 out of Amazon's 840,000 global headcount are based in Europe across the company's nearly 80 EU-based fulfilment centres. The United Kingdom and Germany are the two biggest markets in Europe (Table 6).

Table 6: Amazon full-time employee headcount, selected Member States and the UK, 2020

Country	No. of full-time employees
United Kingdom	29,500
Germany	20,800
Poland	14,000
France	9,300
Spain	7,000
Italy	6,900
Czechia	4,500
Ireland	2,500
Luxembourg	2,000
Slovakia	1,800
Romania	1,000

Source: *Amazon*

In 2019 and the first six months of 2020, the company expanded its business in six European countries (Czechia, France, Germany, Poland, Spain and the United Kingdom), creating 14,000 jobs in 15 cases of business expansion. Most of the new positions are permanent and full-time, and the roles vary depending on the site's activities. The company operates fulfilment centres, corporate offices, customer service centres, delivery stations and development centres across these countries. Thus, according to needs, it is hiring across the occupational range from blue-collar workers and drivers to managers, IT software engineers, network engineers, data specialists, human resources personnel, clerks and financial specialists.

These expansions come at a time when European e-commerce is showing strong growth, estimated to be in the range of 7–16%, depending on Member State (Charged, 2019). This growth accelerated during the COVID-19 period of confinement measures and closures of non-essential high-street retail outlets. Amazon aims to take advantage of this rising consumer spending through its ability to offer a wide variety of items that can be shipped quickly. Almost five in six shoppers in Denmark (as well as in Switzerland and the United Kingdom) use Amazon, and an increasing share have access to its Prime subscription service, which facilitates quick delivery.

Working conditions questioned

Concerns have been raised regarding the company's working conditions. In November 2018, strikes were held across Europe by Amazon employees demanding better working conditions and wages and protesting against the company's refusal to negotiate with them. In the past, Amazon has been criticised for suppressing trade union activity. Nonetheless, Amazon workers have found more success in Europe than elsewhere: Eurofound's EurWORK observatory recorded the establishment of trade unions at Amazon's centres in Czechia in the first quarter of 2018 and Slovakia in the third quarter. In Spain, Amazon workers received union support as they organised their first strike at the country's biggest logistic centre in March 2018. In the second quarter of 2020, around 2,000 Amazon workers in six fulfilment centres across Germany went on strike to protest over safety concerns in relation to COVID-19, after an outbreak affected 40 workers at one centre. Unions including Verdi in Germany have sought to align Amazon pay levels with those in relevant sectoral collective agreements but so far without success (Financial Times, 2020).

Threatening the high street

After reshaping the retail landscape, Amazon has set its eyes on pharmacy, media and entertainment, cloud computing services (with Amazon Web Services), logistics, and financial services, among other sectors, in recent years. The company recently announced that it is developing a fashion application to allow its customers to try on outfits in the virtual realm. While the new app aims to eliminate the need for a trip to the high street, there are fears that it may bring further woe for high-street retailers. The high-street chains blame rising costs as well as falling footfall for store closures as shoppers move online.

In late 2018, anti-trust investigators and competition lawyers turned their attention to Amazon, focusing on data usage and the retailer's hybrid role as both a shop and a platform for other sellers, mainly small businesses. The central issue under investigation, according to the European Commissioner for Competition, is whether Amazon abuses its dominance of online retail to collate useful data from competitors and then uses the same data to push sales of its own wares. The Austrian, French and German competition authorities have opened investigations focusing on unfair terms in the contracts between Amazon and retailers, while organisations representing SMEs have called for greater transparency in the way large online platforms such as Amazon operate.

Driving automation

Despite rapid rises in its employment headcount, Amazon has invested significantly in automating its warehouses and improving its delivery systems. Since the acquisition of Kiva Systems in 2012, Amazon has entered into partnerships to support innovation throughout its robotic systems. As of late 2019, it has more than 200,000 robots inside its fulfilment centres across the world (Washington Post, 2019). These help to cut costs and speed up deliveries. According to Amazon, robots will not replace human labour entirely – at least not yet – and, for the time being, workers have found new roles inside the warehouses, such as robot operators, or have been moved to other positions.

Digital transformation is affecting all aspects of life in Europe. The retail sector is experiencing particularly severe turbulence due to the accelerating shift away from in-store shopping towards e-commerce. Amazon has placed itself at the centre of this new retail ecosystem. The company has expanded rapidly in Europe during the last decade and has signalled its commitment to continuing to do so. It is likely to keep evolving, reshaping its business model and affecting those of other businesses across a range of sectors.

Restructuring during the first phase of the pandemic

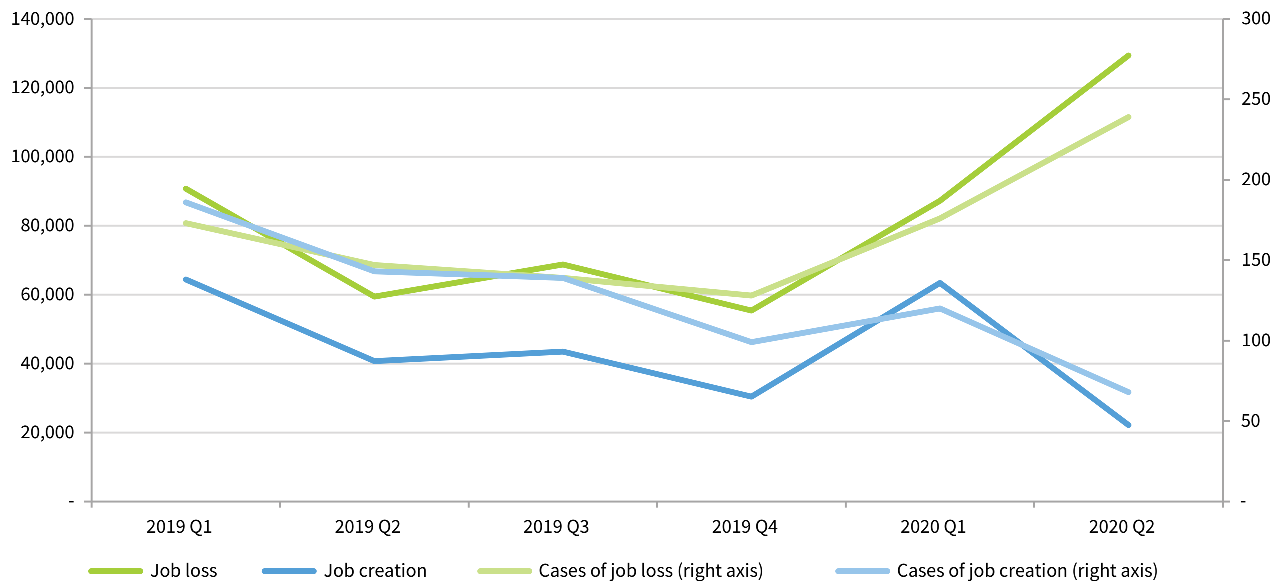
As early as late February 2020, references to COVID-19 or the Coronavirus began to appear in the case narratives in the ERM database. In the months that followed until the end of June 2020, the majority of restructuring cases involving job loss and around a quarter of the much-reduced number involving job creation cited COVID-19 as a significant factor motivating restructuring decisions.

While restructuring job loss cases rose notably in the first half of 2020 (see Figure 6), the surge was mild relative to that observed during the global financial crisis, when at least a quarter of a million jobs were lost in restructurings between Q4 2008 and Q1 2009. Around half that number of job losses (129,000) was reported in 2020 by the end of June across 239 cases. There was, as expected, a drop-off in business expansion cases, which fell sharply in Q2 2020 after a brief upwards move in Q1 2020.

A probable explanation for the relatively subdued level of restructuring activity during the first months of the crisis is that many companies resorted to other forms of labour market adjustment than collective redundancies. The crisis resulted from state-mandated action to close down public mobility and with it much economic activity (Eurofound, 2020a). As a consequence, 'normal' policy measures in a recession – automatic stabilisers – were mobilised rapidly and at great scale. Short-time working schemes were initiated or extended, while other forms of temporary lay-off and partial unemployment schemes were introduced. Some 40 million European workers were estimated to be in receipt of some such state support in May 2020.

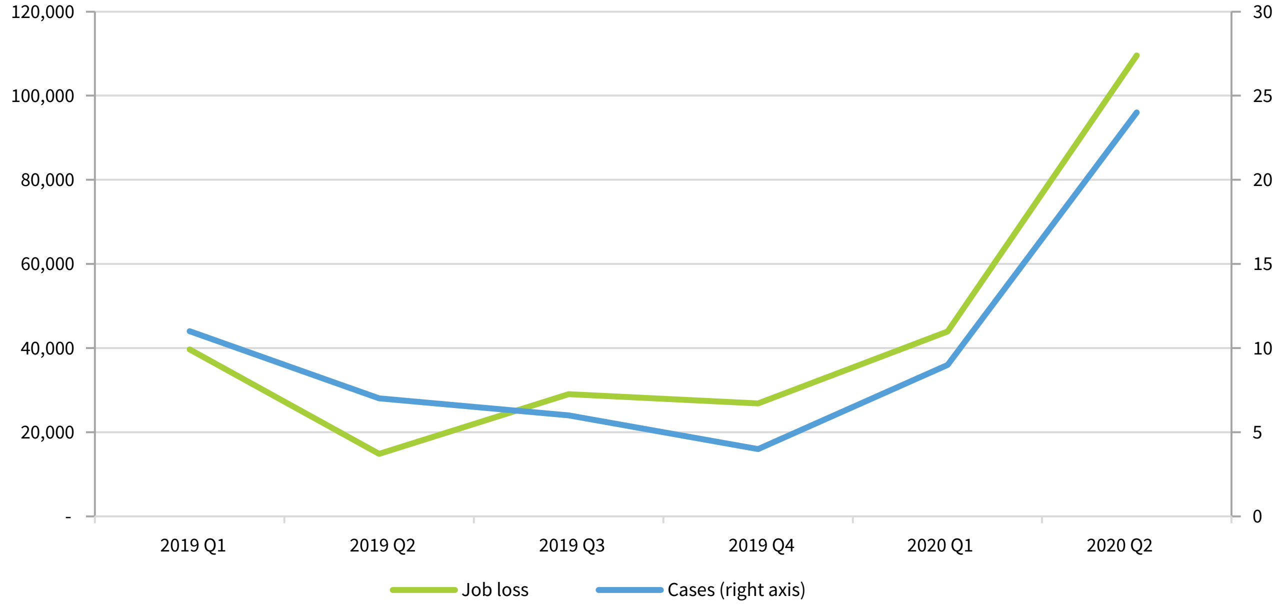
It was clear from the media-monitoring service used to identify cases for the ERM that the vast majority of media articles covering the labour market turbulence, especially in March and April 2020, concerned such alternative forms of adjustment. In some cases, previously announced collective redundancies were deferred, either because firms were no longer in a position to administer dismissals, with staff on pandemic-related leave (as with, for example,

Figure 6: Case count and announced job loss and job creation in national restructurings, EU27, Norway and the UK, Q1 2019–Q2 2020



Source: ERM

Figure 7: Case count and announced job loss in transnational restructurings, EU27, Norway and the UK, Q1 2019–Q2 2020



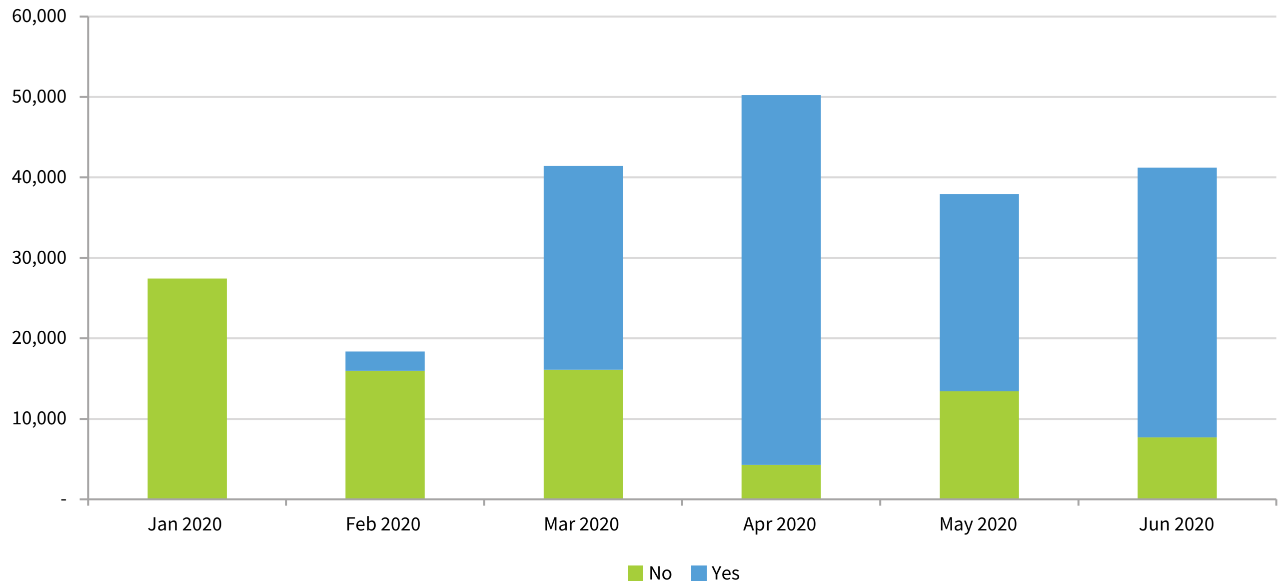
Source: ERM

Ford in Valencia), or because of government decrees suspending usual collective redundancy procedures (as occurred in Italy and elsewhere). Nonetheless, there was an increase in reported job loss in Q2 2020, and this was notably the case in terms of larger, transnational cases of restructuring (Figure 7).

Based on an analysis of the restructuring case narratives, it is estimated that around three-quarters of restructuring job loss in the months March–June 2020 was attributable at least in part to the COVID-19 situation (Figure 8).

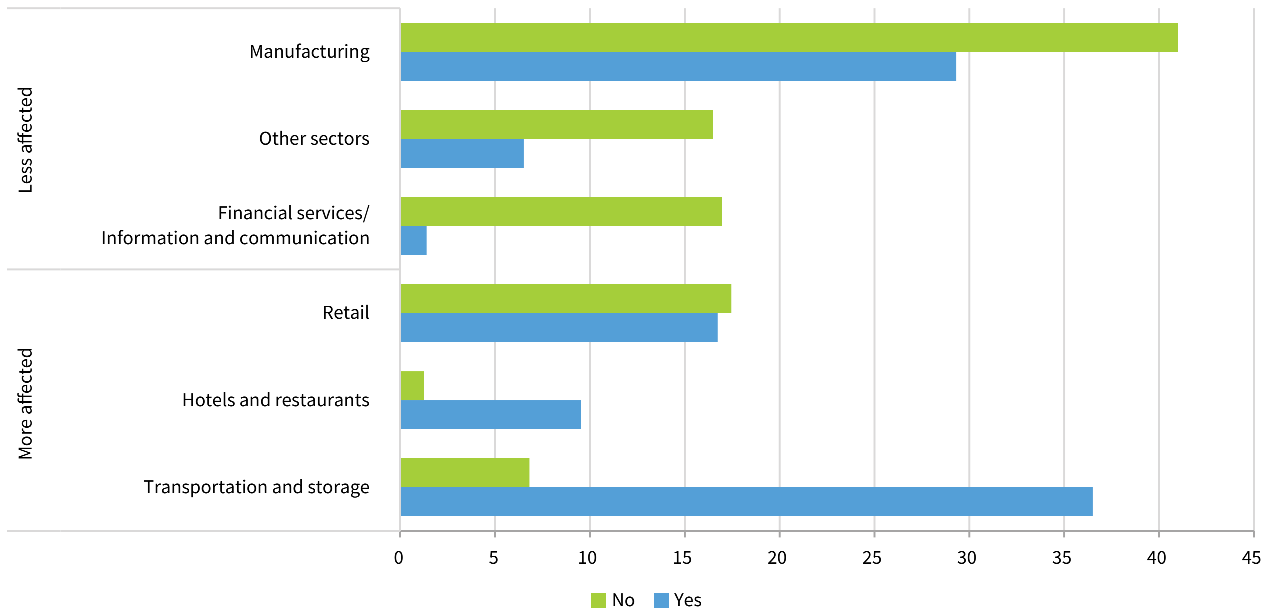
In some sectors, such as commercial aviation, travel and tourism, it was the exclusive determinant of restructuring decisions, as flight frequency declined to less than 10% of normal volumes. For other businesses, for example in the hotels and restaurants or the retail sector, the crisis was the straw that broke the camel's back, forcing firms that were already commercially troubled before the pandemic out of business altogether. This was the case, for example, for high-street retailer **Debenhams**, restaurant chain **Carluccio's** and low-cost airline **Flybe** in Ireland and the United Kingdom.

Figure 8: Announced job loss distinguished according to whether COVID-19 was indicated as a reason for restructuring, EU27, Norway and the UK, Q2 2020



Source: ERM

Figure 9: Announced job loss (%) distinguished according to whether COVID-19 was indicated as a reason for restructuring, by sector, EU27, Norway and the UK, 2019–Q2 2020



Source: ERM

Figure 9 sets out the share of announced job loss by sector in all 1,002 cases recorded during 2019 and the first semester of 2020. It differentiates between restructuring cases where there was no reference to COVID-19 (nearly all cases up to the end of February 2020) and those in which COVID-19 was cited as a reason for restructuring (the majority of those cases recorded from March to June 2020). The share of job loss recorded in manufacturing, normally just over 40%, declined to less than 30% in that period, although the absolute level of job loss in manufacturing did rise. An even sharper fall-off in reported job loss occurred in white-collar professional services (proxied here by the combination of financial services and information and communication sectors). These broad sectors were comparatively less affected by the crisis, in part because of the 'teleworkability' of many jobs in these sectors (Sostero et al, 2020).

The job loss share was stable in retail – accounting for around one in six restructuring job losses – but dramatically higher in both the hotels and restaurants sector – where physical distancing restrictions temporarily, and sometimes permanently, closed many businesses – and transportation and storage. The latter sector encompasses air, land and rail transport, and major restructurings were announced in all three, although the largest cases tended to relate to international air travel. The COVID-19 outbreak has been particularly disastrous for commercial airlines, as the roll call of cases of bankruptcy (**Flybe**) and planned mass redundancies of air crew and ground staff (**Air France, British Airways, SAS, Wizz Air, Lufthansa** and **Ryanair**) and of airport staff (at Budapest, Prague, Riga, Gatwick and Edinburgh airports, for example) bears testimony.

The related supply chains have also suffered. Upstream, the two main global airplane manufacturers, **Boeing** and **Airbus**, have announced a series of restructurings, the largest of which will involve 12,000–15,000 job losses. Engine and other air component producers have responded in the same way to the slump in air travel, including **GE Aviation** (cutting 13,000 jobs worldwide) and **Rolls-Royce** (cutting 8,000 jobs). Rolls-Royce indicated that engine orders in 2020 were just over half of those anticipated. Increasingly gloomy forecasts see demand for air travel resuming its pre-pandemic levels only between 2023 and 2025. The decline in business travel, traditionally the most profitable segment of air travel, may be more enduring still as businesses reconsider the associated costs in a context of reduced cashflow and increasingly effective remote or virtual alternatives. Downstream, activity in all tourism and travel-related industries, including hotels, travel agents and restaurants, has fallen abruptly. The largest restructurings have occurred in two Swedish-owned hotel chains with a mainly Nordic presence, **Scandic** (2,000 jobs) and **Nordic Choice Hotels** (4,500 jobs).

All transport-related sectors have suffered disproportionately as a result of restricted population mobility during the period of confinement measures. In the automotive sector, two of the largest cases involved both major companies in the French–Japanese Renault–Nissan alliance. The **Nissan** job losses are likely to fall heavily on its European workforce and to include the closure of its plant in Barcelona, entailing 3,000 job losses, with indications that this could leave the company with €1.5 billion in restructuring and severance costs. Sales are down nearly 40% in the EU year-on-year as a consequence of the crisis. For similar reasons, **Renault** has announced cuts of 8% to its global workforce, including nearly 10% of its French employees (4,600 jobs).[2] Table 7 lists the largest cases of national and transnational job loss arising from the pandemic between March and June 2020 and recorded by the ERM.

2 Renault cases are not included in Table 7 as the case narrative did not indicate that the restructuring was motivated by COVID-19.

Table 7: Largest COVID-19-related announced job loss restructuring cases, EU27 (national) and worldwide (transnational), March–June 2020

Date announced	Company	No. of job losses	Country affected	Sector	Comments
National cases					
17 June 2020	Air France	7,000	France	Transportation and storage	No forced redundancies. Mainly ground staff and support functions affected.
18 March 2020	Nordic Choice Hotels	4,500	Sweden	Hotels and restaurants	Half of Swedish workforce.
29 April 2020	Vortex	2,500	France	Transportation and storage	Insolvency of firm specialised in transport services for people with disabilities.
29 June 2020	NS (Dutch railways)	2,300	Netherlands	Transportation and storage	Mainly through attrition. Decline in rail travel not forecast to recover before 2024.
7 April 2020	SAS	2,020	Sweden	Transportation and storage	Nordic group laying off half of its workforce.
Transnational cases					
11 June 2020	Lufthansa	22,000	Germany and other	Transportation and storage	Half of job losses in Germany. German government has taken a 20% stake after providing €9 billion support.
22 May 2020	Nissan	20,000	Japan, Spain, France	Manufacturing	Job cuts affect 15% of global workforce. Sales declines in EU year-on-year of nearly 40%.
30 June 2020	Airbus	15,000	Germany, Spain, France, UK	Manufacturing	10% of global workforce. 5,000+ job losses in Germany and France.
5 May 2020	GE Aviation	13,000	USA and 19 other countries including Europe	Manufacturing	25% of global workforce, including 1,400 in Wales, UK.
2 May 2020	Rolls-Royce	8,000	USA, UK, Germany, India, Singapore, Japan	Manufacturing	15% of global workforce.

Source: ERM

While business expansion cases have been sparse during the COVID-19 crisis, here too the sectoral incidence has been distinct from habitual patterns. Two broad sectors – health and social work and retail – which normally account for around 20% of job creation in ERM cases, have accounted for over 80% of job gains during the crisis; this in part is due to the transfer of activity online motivated by the crisis. A large case in early May involved French company **Doctolib**, whose website makes it easier for doctors to organise their appointments using scheduling software available to patients 24 hours a day. It has announced the recruitment of 500 employees (in IT, administrative and marketing functions) over the next three years at its new regional headquarters in Nantes. Online food and grocery retailers have also benefited from increased demand due to decrees restricting movement – **Bringo** in Romania, **Barbora** in Lithuania and **Morrisons** in the UK all reported significant recruitment in March and April 2020. **Amazon's** expansion in Europe continued apace with 1,000 new jobs announced in its Dos Hermanas facility near Madrid and 600 in its Dobroviz facility near Prague during Q2 2020 (see Box 4).

Summary

The main restructuring impacts of the first three months of the COVID-19 crisis were quite sector specific, with all travel- and transport-related sectors in particular severely affected. Most commercial airlines have had to deal with collapses in demand amounting to over 90% of regular flight frequency. Prospects remain uncertain in a multi-year horizon in the absence of a vaccine or a cure for the disease. Cases of restructuring job loss rose during the first six months of 2020, although not to the extent or severity experienced during the peak quarters of the global financial crisis. But given the even swifter fall of output and the uncertain duration (as well as sustainability and efficacy) of emergency state measures designed to cushion labour markets from the impacts of the first wave of COVID-19, the snapshot offered here probably marks only the very initial stage of a labour market shock that will last many years (IMF, 2020).

2 Comparing transnational and national restructuring cases

This chapter reviews the evidence from the ERM restructuring events database on the extent of transnational restructuring in the period 2005 to mid-2020. Transnational cases are those assigned country values of 'World or 'European Union' in the database, indicating that the restructuring activity took place in at least one EU Member State as well as other countries either in the EU or the rest of the world. Just less than 5% of restructurings captured by the ERM – or 1,059 cases in a total of just over 25,000 cases recorded – are transnational in nature and generally involve larger MNEs.[3]

Box 5: Trends in MNE activity

One of the key features of globalisation has been the facilitation of trade in services and goods, but with a preponderance to date of trade in goods, which accounts for nearly three-quarters of international trade in value added. MNEs – private-sector organisations with commercial activities in at least two countries – have been at the forefront of this rise in trade intensity in recent decades, as liberalisation has removed trade and investment barriers, while transport and communication costs have simultaneously declined. These developments have accelerated processes of specialisation and fragmentation of production into geographically dispersed 'global value chains' in which MNEs are the principal agents but in which smaller businesses are also increasingly integrated (Eurofound, 2018a, b). Already in 2013, the United Nations Conference on Trade and Development (UNCTAD) estimated that around 80% of global cross-border trade occurred in such global value chains. EU Member States are deeply linked into such chains; the EU is 'by far the largest recipient of foreign affiliate activity', and such activity accounts for around one-fifth of total production (OECD, 2018).

Companies establish in other countries for different reasons: to access new or growing markets; to be closer to their clients; to access resources including human capital or specialised knowledge; to benefit from a favourable regulatory environment; or to benefit from lower costs of production and labour than in the home country. There has been increasing competition between countries to attract inward investment from MNEs, with its promise of increased economic activity and direct and indirect employment. The declining trend in corporate taxation internationally (OECD, 2019) is evidence that states are seeking to use the levers of taxation to secure their share of MNE investment flows.

Despite their importance to the global economy, data on MNEs are often partial and have to be inferred and approximated, triangulating from different sources including trade statistics (Cadestin et al, 2018). The difficulty of measuring the activities and impact of MNEs in part relates to their large size and their presence in multiple jurisdictions. The complexity of MNE legal status, with different corporate entities across countries, is also in part by design, as MNEs seek to take advantage of differences in fiscal regimes and maximise profits via (legal) accounting stratagems such as transfer pricing.

The Organisation for Economic Co-operation and Development (OECD) has recently developed databases on multinationals' activity – one (ADIMA, the analytical database on individual multinationals and affiliates) covers in its different modules between 100 and 500 of the world's largest multinational firms, cataloguing their physical and digital presence across jurisdictions. It is also developing big data and web-scraping techniques to identify specific forms of corporate activity, including company restructuring. This is a similar approach to that of the ERM, which relies in part on automated media monitoring; Annex 1 presents a table of the 20 multinational groups that recorded the greatest frequency of restructuring activity in 2005–2020, with restructuring case counts ranging from 51 (IBM) to 136 (Siemens).

ADIMA has been used to characterise effective tax rates (the taxes paid on corporate profits) of MNEs, based on their distribution of global activities and revenues. This highlights, for example, that the average effective tax rate of the top 100 MNEs is around 25% but that companies in sectors with substantial intangible assets such as computers/electronics and pharmaceuticals have much lower effective tax rates. They achieve these by locating in lower-tax countries.

The OECD has also developed the analytical multinational enterprise database (AMNE), which covers international linkages and the role of MNEs in global value chains, focusing on trade data from inter-country, inter-sector input–output tables. It uses a simple but analytically useful distinction between three types of firms – foreign affiliates of MNEs, domestic MNEs and domestic non-MNEs – to gauge the role and importance of MNEs in global production and

3 Also referred to as transnational companies or corporations (TNCs), multinational corporations (MNCs) or simply 'multinationals'.

trade, the relationship between trade and investment decisions of MNEs, the importance of links between foreign MNEs and their host country economies and so on.

Among the stylised facts about foreign affiliates is that they tend in comparison to domestic companies to be bigger, more productive, more capital intensive (and less labour intensive), and more outward-looking and focused on international markets. They are also likely to buy more intermediate products (for incorporation in final outputs), notably from abroad – and hence tend to generate less value added per unit of output than domestic companies (OECD, 2018).

MNEs and their affiliates are estimated to account for one-third of global output (33%). This figure in turn can be decomposed into the share attributable to foreign affiliates of MNEs (12%) and the larger share (21%) attributable to the output of MNE activities in their home country (headquarters and domestic affiliates). Despite globalisation, it is important to note that the bulk of MNE activity continues to occur in the home market, generally the country where the company originated or has its principal headquarters (OECD, 2018).[4]

A similar ratio is observed in the ratio of home country to foreign country employment shares, with MNEs employing two people in the home country for every one abroad. Their share of global gross domestic product (GDP) is somewhat lower (28%) than their share of global output,[5] while their share of employment is also lower (23%), reflecting the fact that MNEs tend to have relatively higher labour productivity. In terms of trade volume, MNEs account for over half (55%) of global exports and 49% of global imports. Despite accounting for a lower output overall, foreign MNE affiliates account for a greater volume of global trade than their domestic operations in the home country (OECD, 2018).[6] Though already accounting for an impressive share of global output, employment and especially trade, the MNE share would be further boosted if production of non-affiliated but effectively linked companies was included, such as contract manufacturers in countries with low labour costs.

There is evidence that the global financial crisis of 2008–2009 impacted negatively on foreign affiliate output and trade as MNEs reversed trends of international expansion and retrenched. The pre-crisis rate of growth in foreign affiliate production had not re-established itself by 2019. The declining interest in international expansion can be proxied by foreign direct investment flows, which in 2018 and 2019 were lower as a share of global GDP than in 2010, immediately after the global financial crisis. They are forecast to fall a further 30% as a result of the COVID-19 crisis (OECD, 2020).

These data suggest that global value chains may be in or about to enter a phase of simplification and shortening, which could include a broader take-up of reshoring possibilities . Various reasons can be advanced. The disadvantages of dispersed production in terms of logistical management, loss of product quality and transport costs, among other factors, are increasingly seen as important considerations in MNEs' location decisions, notably when they reshore previously offshored activities (Eurofound, 2019). At the same time, labour cost differentials – the main driver of previous offshoring – are diminishing and becoming less important as drivers of firms' location decisions (OECD, 2017). Post COVID-19, the calculus may shift further in favour of shortening global value chains. Shocks of this type underline that resilience lies in lower, and not higher, levels of operational complexity.

According to Bonadio et al (2020), there is a clear transmission of the economic effects of the COVID-19-related lockdowns across borders, based on interconnected value chains. But the existence of such effects does not necessarily mean that re-nationalising supply chains – for instance via reshoring – would have led to greater resilience of economic structures. The lockdowns have been simultaneously local, national and international in their impacts. Value chains, however organised, could not help but be affected by them.

Other potential vectors of de-internationalisation or de-globalisation come from protectionist trade policy and 'trade wars' of the type that have simmered between China and, to a lesser extent, the EU, on one side, and the United States, on the other, since 2018 (Crowley, 2019), as well as initiatives inspired by the COVID-19 pandemic to ensure essential supplies of goods, pharmaceuticals and protective equipment at national level instead of reliance on international markets.

4 From a legal perspective, most of the corporate entities within a specific MNE are national in the sense of being separately legally incorporated in their jurisdiction of operation. In this report, those under the control or ownership of a larger MNE in countries other than the MNE home country are considered foreign affiliates.

5 Since intermediate goods and services – outputs from one country that end up being the input in another in global value chains and which make up around 60% of the outputs of foreign affiliates of MNEs – are often double-counted in gross output measures but are only single-counted in global aggregate GDP.

6 The authors of the OECD policy note (2018) enter the caveat that transfer pricing by MNEs – the practice of booking profits and revenues for certain activities in countries other than those where the related production or services were generated, mainly for tax reasons – means that all estimates of MNE activities are subject to some distortion because of this and other 'fiscal optimisation strategies' and are as a result approximate.

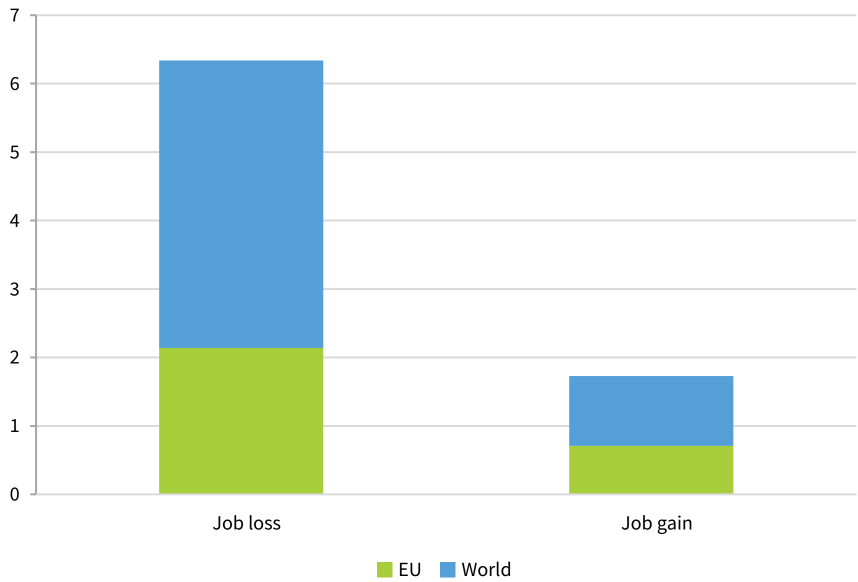
Hitherto, an important rule of ERM reporting has been to disregard transnational cases on the basis that to include them would involve double-counting of related company cases reported by the national correspondent.[7] This is the first exploratory, descriptive analysis therefore of these cases. It is subject to the standard caveats regarding using data based on media monitoring for descriptive purposes; the ERM is not based on a survey sample and is therefore not representative and is subject to a number of known and acknowledged biases (outlined in most detail in Eurofound, 2013). Nonetheless, the data can provide indicative insights into the extent of restructuring activity; its timing, frequency and duration; and more qualitative aspects documented in the ERM case narratives. The main approach is to compare transnational cases with the bulk of ERM cases that are national in scope (including all cases that occur locally in a single unit or across units within the same jurisdiction) in order to identify distinctive features of the main category of interest, transnational cases.

Of the approximately 1 in 20 restructurings reported in the ERM that have a transnational character, the large majority are cases involving announced job loss (860, compared to 169 cases of business expansion). This imbalance is less noted in the case of national restructurings, where, especially in recent years up until the COVID-19 crisis, similar numbers of job gain and job loss cases were being reported. This is likely, in large part, an artefact of the data collection method. Large transnational restructurings involving job loss are more conspicuous, more newsworthy, more likely to be reported and more likely to be captured by ERM national correspondents than the more gradual processes of employment expansion in large companies. Publicly quoted firms may also be obliged for regulatory reasons to give notice of such events.

In what follows, the main focus is on large-scale restructurings involving job loss as, for the reasons indicated above, coverage of such cases in ERM is likely to be more comprehensive than cases involving job creation.

A second observation, from Figure 10, is that transnational restructurings are twice as likely to be global than EU-specific in geographical scope. Most multinational companies with a presence in the EU – in practice, nearly all larger multinationals, given that the EU is the single biggest market in the world – also have extensive activities in other continents. When restructuring across borders, the impacts tend to affect the global spread of activities. Indeed, one of the most common patterns in announcing transnational restructurings is for firms to indicate impending job losses as a share of their global workforce. In cases where no more detailed country breakdown is initially made available, this can convey an impression of pre-eminent executive authority on the part of global headquarters within a multinational; it is here that the broad-brush indication of 8% or 10% of group workforce reductions is announced, with operational implementation of redundancies left to national, regional or even unit management, in line with local regulatory and bargaining frameworks.

Figure 10: Transnational share of ERM cases (%), 2005–Q2 2020

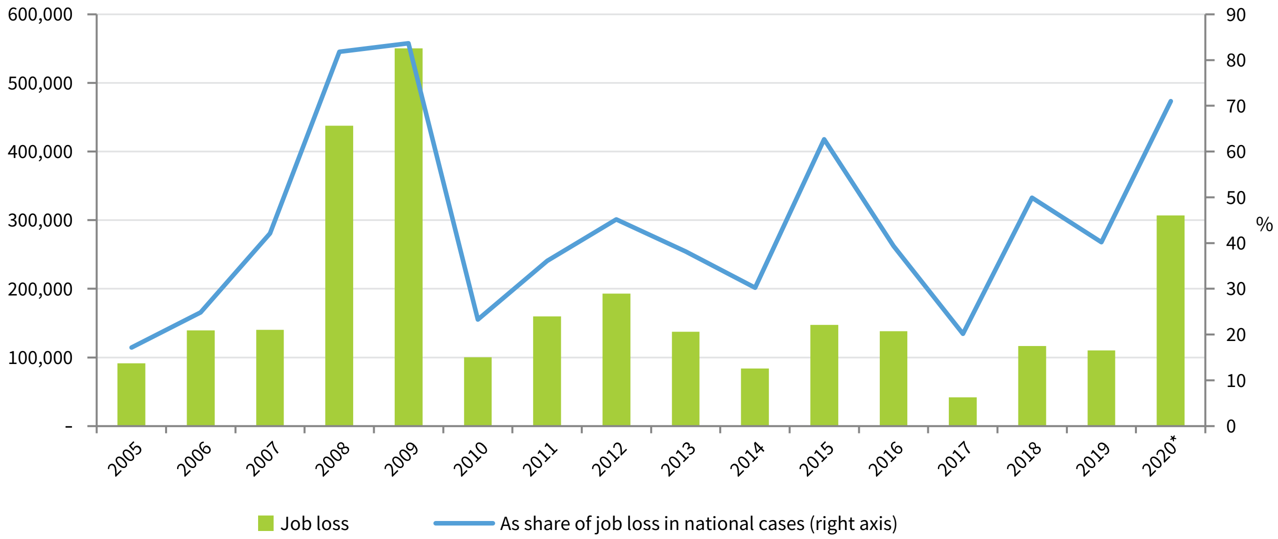


Note: Percentages are of all job loss cases and of all job gain cases, respectively.

Source: ERM

7 For example, Airbus announced a pan-European restructuring in June 2020 involving 15,000 job losses, with 5,000 in Germany and France and smaller but still ERM-eligible cases of job loss in other countries. Separate ERM factsheets would be prepared by the EU-level correspondent and each of the national correspondents. In practice, however, it is unusual even in EU-wide job loss restructurings that all of the cases reported at a local or national level, when aggregated, generate the same figure of job losses as the EU-level announcement. The main reason for this is non-reporting of specific restructurings at the local level, either because they are not reported or not captured by the ERM national correspondent or because local cases fall below ERM eligibility criteria.

Figure 11: Transnational restructurings – total announced job loss and as share of job loss in national cases, 2005–2020



** 2020 data are full-year projections based on first-semester data.*

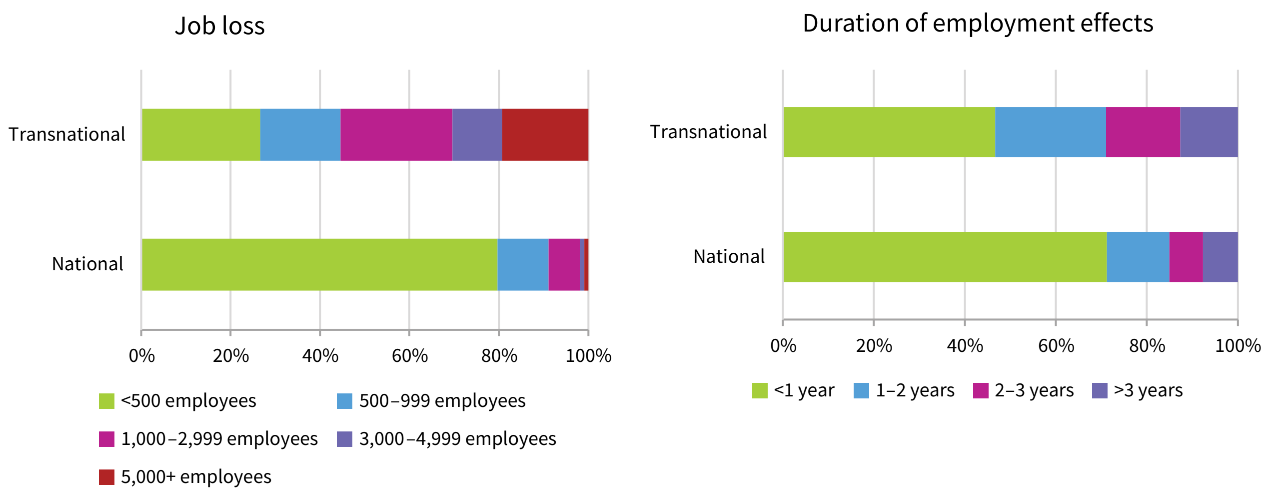
Source: ERM

Restructuring trends

The frequency of transnational restructuring has been in decline since the peak of activity recorded during the global financial crisis. The highest number of cases reported in any given year was 169 in 2009, involving over half a million job losses. The average annual figure since 2010 is 45 cases, with an average of around 125,000 associated job losses. Very recent reporting up to end of June 2020 captures the first restructurings precipitated in part or wholly by the COVID-19 crisis. Already in the first semester, the cases reported have outstripped levels recorded in recent years.

All restructuring activity is cycle-sensitive, with peaks coinciding with recessions, but transnational restructuring activity has been particularly cycle-sensitive, according to ERM data. Both the frequency of cases and the size of cases (in job losses) increase relatively faster during economic downturns. Also, the share of overall job loss accounted for by transnational as opposed to within-border restructurings rises, reaching 70–85% in 2008, 2009 and 2020 (Figure 11). On average, transnational restructurings reported in the first six months of 2020 involved announced job losses of just over 4,650 jobs, compared to just over 3,000 jobs across all transnational cases prior to 2020.

Figure 12: Restructuring cases (%), by job-loss size category and time frame, 2005–Q2 2020



Source: ERM

Scale and duration

Transnational restructurings are bigger and, on average, involve around seven times the number of job losses as within-border cases (3,093 versus 465).[8] Four in five (80%) of national restructuring cases involve less than 500 announced job losses (Figure 12). Nearly three-quarters of transnational cases (73%) involve more than 500 job losses, and 30% involve at least 3,000 job losses (compared to 2% of national cases).

As well as being larger, the duration of transnational cases tends to be significantly longer than that of national cases.[9] On average, the time frame indicated for the completion of the employment reduction process in transnational cases is 1.42 years, compared to 1 year for national cases. The share of transnational restructuring cases that take two years or more to complete (29%) is nearly twice that of national cases (15%).

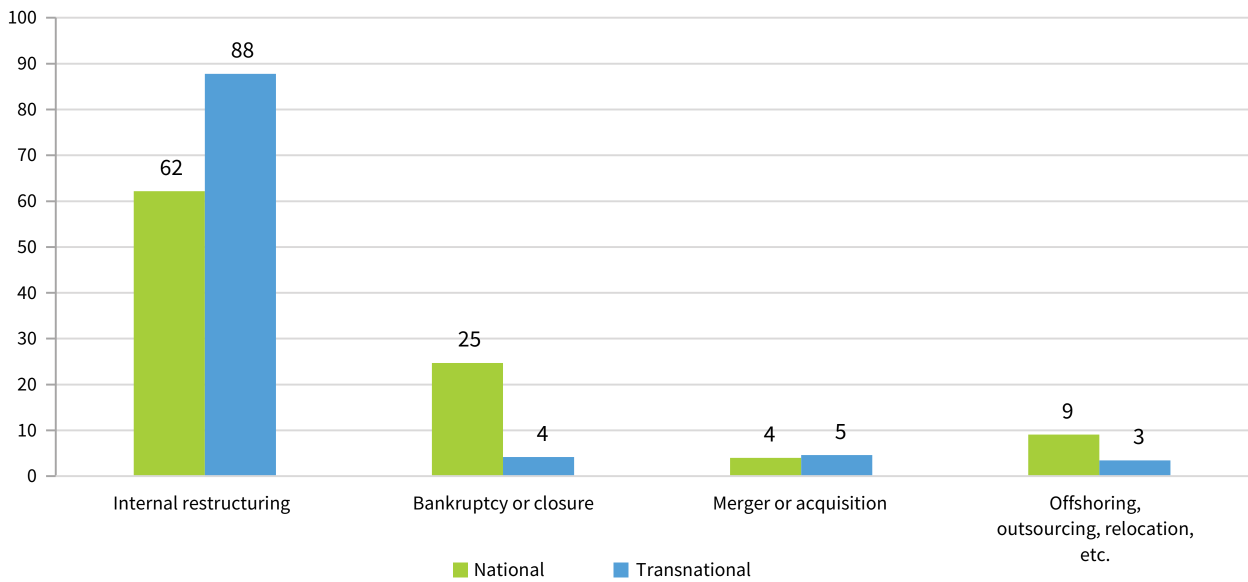
Restructuring types

The ERM captures a basic categorisation of restructuring type, where the main category of 'internal restructuring' accounts for the majority of all cases of job loss (about 70%).[10] Internal restructuring is a catch-all category, which is indicated when the company undertakes a job-cutting plan not linked to any of the other more specific restructuring forms – merger or acquisition, offshoring and bankruptcy, for example, which account for much fewer cases.

Transnational restructurings in particular are overwhelmingly likely to embody 'internal restructuring' processes (Figure 13). Only 12% of transnational cases in the ERM dataset involve other restructuring types. A relatively small share involves bankruptcy or closure (4%); in practice, most of these cases are closures of specific units within the group rather than of insolvency. It is rare for big, internationally diversified multinational companies to collapse altogether. The ERM captures just seven cases of 'pure' bankruptcy in multinationals, generally involving smaller companies with operations in neighbouring countries. The two cases with the largest job losses, for example, are those of video game retailer Game Group in 2012 in Ireland and the United Kingdom (2,104 job losses) and of France/UK ferry operator Sea France in the same year (1,007 job losses).

Bankruptcy or closure is much more common as a cause of restructuring job loss in national cases (and smaller restructuring cases in general), where it accounts for around a quarter of cases (25%) and nearly one in five job losses (19%). Restructuring cases arising from merger or acquisition activity are marginally more common among transnational cases than national cases (5% versus 4%), though the share of job losses in cases arising from such corporate activity is twice as great in transnational cases (8% versus 4%). Merger or acquisition is often motivated by prospective synergies or cost-savings based on removing overlapping operations in the merged group. The consequences in terms of job loss tend, as a result, to be higher.

Figure 13: Transnational and national restructuring cases (%), by restructuring type, 2005– Q2 2020



Note: Discrepancies from numbers cited in Figure 3 are due to different time frames.

Source: ERM

8 Median case size is much lower: 200 announced job losses for national cases, compared to 1,100 in transnational cases. The distribution is right-skewed, with some very large cases tending to raise the average.

9 Based on just under half of ERM job-loss cases where there is an indicated employment effect start and end date.

10 One limitation of the ERM is that it allows only one type of restructuring to be indicated in each restructuring case. In cases where multiple types of restructuring may apply – for example, when a company engages in offshoring production following a merger with a foreign supplier while closing a unit in the home country – the default category of 'internal restructuring' is often selected.

Offshoring and relocation-based restructuring is less likely among transnational restructurings than among national cases. A transnational restructuring may, and often does, involve offshoring or relocation of production from one country to another, but this is likely at group level to be considered internal restructuring and to be recorded as such in the ERM.

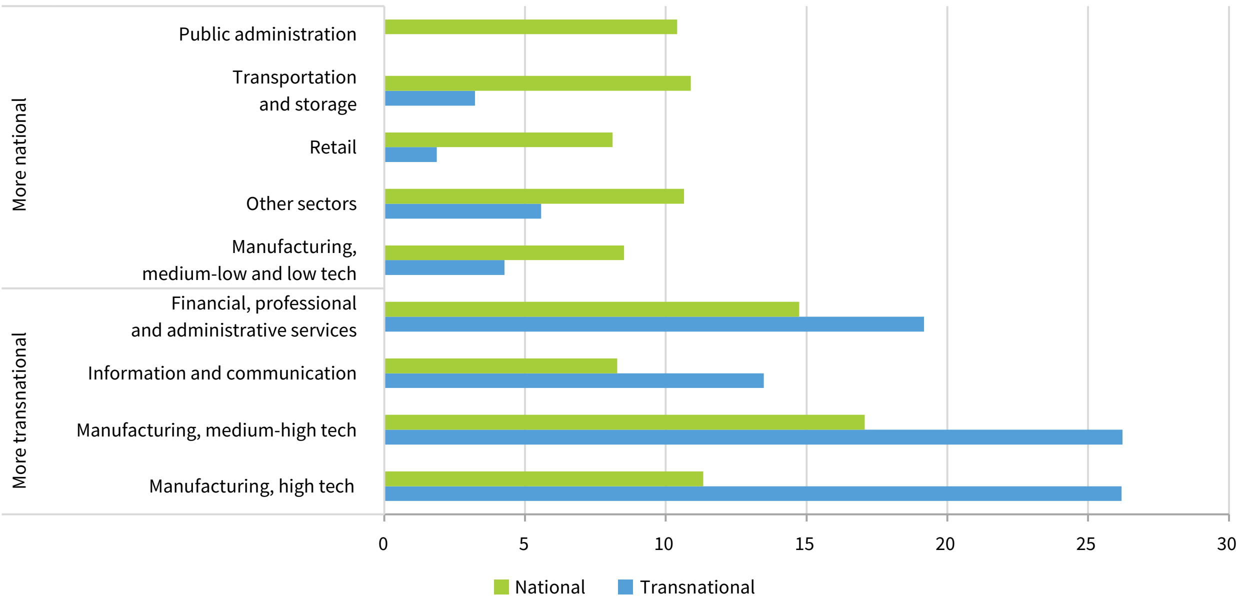
Sector

Restructuring activity is quite different by sectoral incidence for transnational compared to domestic restructurings. Figure 14 shows the share of restructuring job loss attributable to broad sectoral categories. There are some sectors where restructuring is largely local or national, and others where the share of transnational restructuring is much higher in terms of both the share of cases and the share of announced job loss.

Unsurprisingly, restructuring job loss in the public sector occurs exclusively in national cases, which are generally small in number but large in terms of the employment consequences (10% of all job loss), given the size of the cases.

The share of restructuring job loss in national cases is also much greater in the retail and transportation and storage sectors[11] and in low-tech manufacturing sectors such as food and textile and clothes production. The sectors in which transnational restructuring dominates – as a share of job loss – tend to be those service sectors with higher-skill profiles, such as information and communication and financial and professional services, as well as more export-oriented high-tech manufacturing sectors such as motor vehicles, machinery and computer and electronics production.

Figure 14: Restructuring job loss in national and transnational restructurings (%), by broad sector, 2005–Q2 2020



Note: Eurostat classification of NACE manufacturing sectors. Manufacturing medium-low and low tech = NACE 10–19, 22–25, 31–33, includes manufacture of basic metals, food and clothing. Manufacturing medium-high tech = NACE 20, 27–30, includes manufacture of chemicals, motor vehicles and machinery. Manufacturing high tech = 21 and 26, includes pharmaceutical and computer production. Financial, professional and administrative services = NACE 64–82. Other sectors = NACE 1–9, 35–43, 55–56, 85–99.

Source: ERM

Summary

Transnational cases account for a small share of overall large-scale restructurings (around 6% of cases involving job loss) but by virtue of their much larger size involve a much more significant share of associated job loss. They also take longer to enact. As a share of the job loss observed in national cases, announced job losses in transnational restructurings vary year-on-year between 23% and 80% in the period covered. The higher shares were all recorded in recessionary years, indicating that transnational restructuring incidence is particularly cyclically sensitive. Multinationals are large, resilient businesses and, as a consequence, are less likely than SMEs to collapse; where restructuring occurs, it is generally a deliberate and planned process of internal restructuring. The sectors most affected by job loss in transnational restructuring tend to be in high-tech manufacturing or in white-collar professional service sectors (notably financial services and information and communication).

11 The COVID-19 period has seen a swift rise of transnational restructurings in businesses engaged in international travel, notably in air transport (see Chapter 1).

3 International relocations: A summary of nine case studies

The previous chapter provided a broad overview of transnational restructuring and of MNE activity, based on the ERM and other sources. In this chapter, a more detailed analysis is carried out on a number of individual company restructurings that feature transfers of production across borders. The aim is to identify the specific issues or areas of contention that arise in such cases and how they have been addressed or managed by the social partners involved.

Restructuring across borders: Background

Economic globalisation, technological developments, the increasing complexity of supply chains and the increasing integration of European markets have all contributed to companies adopting a more transnational perspective in making strategic planning decisions. These include determining the location of production sites, service centres and indeed head offices. Considerations linked to market access, present and future, and various factors influencing production costs significantly contribute to such decision-making. These cost factors include not only the cost of labour – itself influenced by union coverage and employment protection legislation – but also low corporate tax rates or other advantageous fiscal regimes. The OECD in particular has contributed to an emerging international policy focus on the costs of corporate tax leakage through opportunities for transfer pricing between different national units of the same corporation (OECD, 2019). Large transnational enterprises, by virtue of their scale, enjoy much greater opportunities to engage in these forms of jurisdictional arbitrage.

In transnational companies, strategic decisions influencing location are therefore potentially becoming divorced from the determinations of local management (and, at least initially, any local social dialogue and information and consultation structures where these are in place) to be shaped by the requirements of a more globalised business strategy. Decisions taken at such higher levels of management increasingly influence operational planning and associated employment decisions at national and local levels. Determinations affecting employment and labour market functioning in the EU include decisions on where to locate new or additional company activity. These can lead to the relocation of activities away from one Member State to new or existing locations in other countries in the EU or beyond. In such cases, this is often associated with job losses in one country and job gains in another.

Role of European works councils

Changes in corporate structures and the locus of decision-making in a rapidly evolving business environment were among the main drivers behind the adoption of the 1994 EU Directive on European Works Councils (94/45/EC) and the 2009 recast of the directive (2009/38/EC).

The directive requires European works councils (EWCs) – worker representative structures in companies that operate across borders – to be informed and consulted on transnational issues affecting workers. However, research has shown that even following the recast of the directive, the timeliness and quality of information provided to EWCs in cases of transnational restructuring are not always assured. ‘Consultation’ often takes place at the same time as information is provided, thus leaving little opportunity for meaningful dialogue (De Spiegelaere, 2016; ICF, 2016). A lack of clarity over the interpretation of what is ‘transnational’ restructuring can also lead to EWCs not being consulted in some cases where restructuring has a transnational component.

Around 1,200 multinational companies currently have an active EWC in place (Meylemans and De Spiegelaere, 2020), though many more companies fulfil the conditions to have one – at least 1,000 employees in the European Economic Area and at least 150 in at least two Member States. It was estimated in 2017, based on ERM data, that one-third of companies engaging in transnational restructuring in Europe did not have an EWC or an SE works council in place (De Spiegelaere, 2017).[12]

Nonetheless, in a significant number of EWCs, discussions have proved fruitful and have enabled employees, via their representatives, to be informed and consulted about transnational organisational change and its consequences. In some cases, EWCs have even come to agreements between employee representatives and management on how to deal with restructuring before such processes take place. A database of transnational agreements hosted by the European Commission provides information on such agreements explicitly dealing with the issue of restructuring (European Commission, 2020).

12 The European Company Statute (Council Regulation (EC) 2157/2001 on the Statute for a European company (SE)) enables companies to operate their business on a more transnational basis within the EU. A particular feature of this legal form includes obligatory negotiations on the right to worker involvement in SEs, which includes the question of employee representation at board level in the form of an SE works council.

Methodology

For the current research, national correspondents from the Network of Eurofound Correspondents carried out nine case studies following up individual restructurings from the ERM restructuring events database for the period 2011–2018. The case studies were based on interviews with actors involved on the worker representative and management sides in companies that decided or planned to transfer production internationally. The objective was to cast light on the factors affecting the decisions of large companies regarding their international distribution of employment and how any conflicts and industrial disputes arising are addressed or resolved. Issues addressed in the case studies included:

- the rationale for job relocation
- incentives involved in relocation (for example, subsidies, favourable tax regimes and employment support)
- the geographical and numerical distribution of relocated jobs
- the information and consultation procedure with employee representatives (whether and how it occurred, at what level and what was the assessment of its effectiveness)

Case studies profile

Nine transnational restructuring case studies were carried out in late 2019 for this study. Seven cases involved relocations of activity from western and northern Europe to eastern Europe; one involved a relocation from western to southern Europe; and one a relocation within eastern Europe. The selected companies, their sector of activity, and the departure and destination countries are shown in Table 8.

The case studies are available from the ERM restructuring database; links to them are given in Annex 3.

In eight cases, production processes were relocated; only one involved the relocation of services (BNP Paribas).

The total number of employees in the case study companies (accounting only for employees in the Europe region, where available) was around 250,000. The total number of jobs relocated in these companies was approximately 2,200. In most cases, the number of jobs lost in one country closely matched those gained in another. However, in some cases, this was difficult to estimate, particularly in cases where job growth was strong in the destination country, beyond the relocation of specific production processes or service activities.

In many of the cases covered, the broader group had undergone significant corporate restructuring activity leading up to the planned relocation decisions. In the Gorenje case, the acquisition of Swedish Asko appears in retrospect to have been motivated at least in part by the prospect of transferring Asko production to lower-cost Slovenia – while maintaining access to the acquired Swedish group's markets. Gorenje itself was subsequently acquired by Chinese group Hisense in 2018. In the Whirlpool and Yazaki cases, respectively US and Japanese MNEs, the companies acquired interests in European firms with a similar commercial logic, shifting production away from higher-cost to lower-cost countries. The expanded footprint of sites in Europe based on acquisitions gave the companies the flexibility to do this. The Lego transfer of production to Hungary was distinctive in this regard: the company first offshored production to US MNE and contract manufacturer Flextronics before later insourcing its Hungarian production by acquiring the Flextronics plants.

It must be noted that total job losses can be significantly higher when considering jobs lost in the supply chain, but reliable figures regarding the scale of affected jobs are rarely available. Temporary contracts (expiring during the phase of the restructuring) are also not counted among the job loss data.

Table 8: Sector and location details of nine transnational offshorings studied

	Sector	Departure and destination
Wollsdorf Leder	Manufacture of vehicle components	From Austria to Croatia
Hasse & Wrede	Manufacture of vehicle components	From Germany to Czechia
Honeywell	Manufacture of vehicle components	From Italy to Slovakia
Yazaki Wiring Technologies	Manufacture of vehicle components	From Slovakia to Romania
Whirlpool	Manufacture of household appliances	From France to Poland
Gorenje (Asko)	Manufacture of household appliances	From Sweden to Slovenia to Serbia
Lego	Manufacture of toys	From Denmark to Hungary and Czechia
Fiskars	Manufacture of household goods	From Finland to Poland
BNP Paribas	Financial services	From France to Portugal

Motivations for relocation

The main motivation expressed for relocation decisions was to enhance competitiveness. This is largely achieved by lowering production or service costs, primarily through a reduction in labour costs. Other reasons include the following and are often linked to cost and competitiveness considerations:

- proximity to markets and customers (Lego)
- proximity to sources of raw materials, other relevant production sites and logistics sites (Lego)
- availability of a highly skilled workforce (at a lower cost) (BNP Paribas)
- rationalisation of corporate structures, for instance through the development of shared services sites for the whole European region, rationalisation and optimisation of production, and reduction of some overcapacity (BNP Paribas, Whirlpool and Honeywell)
- restricted expansion possibilities in the home facility (Wollsdorf)
- a higher share of employees on fixed-term contracts in the destination country, seen as facilitating future numerical flexibility (Gorenje)
- modernisation of technical production structures accompanying commercialisation of new products in new sites in the destination country (Whirlpool)

A number of case studies demonstrate that enterprises aim to achieve significant savings by moving operations to countries with lower labour costs; Box 6 describes an example.

The Gorenje case demonstrates not only the movement of jobs towards lower-cost locations, but also the role of the head office location. In Slovenia, the management board of Gorenje signed an agreement with the trade unions to protect jobs in the country, which led to the relocation of jobs from Slovenia to Serbia, to be 'compensated' by the movement of jobs from Sweden to Slovenia.

Although, in many companies, relocation decisions are preceded by periods of poor economic performance, this is not always the case.

Role of 'subsidies' in relocation decisions

Subsidies and other supports offered to MNEs to establish or expand locations in other countries are a subject of contention. The enterprises themselves generally argue that no subsidies were made available. The veracity of such claims often depends on the interpretation of the tangible and intangible supports received and whether these would (officially and legally) fall under the heading of subsidies. Furthermore, in some instances, the question is whether these are over and above what another company, domestic or multinational, already located in the country would have received; if so, the enterprise possibly benefits from an unfair competitive advantage. For instance, in the case of BNP Paribas, the worker side criticised the use of financial supports for internship contracts offered by an agency of the government. However, such supports were widely used in Portugal during the Troika period and were not exclusively available to BNP Paribas. They nonetheless lowered the cost of recruitment and employment. According to the worker side, around 80% of staff at times were interns working under significantly inferior terms and conditions, largely on a temporary basis.

Lego's management also rejected claims that subsidies were made available, although local and regional Hungarian authorities provided assistance and legal advice on the procurement of a greenfield site and ensured the relevant infrastructure connections. In the Honeywell case, employee representatives contended that supports for job creation were provided in Slovakia through hiring incentives and that local government subsidised the building of the new plant.

State aid given to receiving firms outside the EU can also prove contentious. In the Gorenje case, Serbian units receiving offshored production from Slovenia were reported to be benefiting from subsidies from the Serbian government. These were estimated by Swedish union representatives to amount to the equivalent of €1,000 per job, though the existence and extent of these aids was contested by management representatives.

Box 6: Gorenje – Cost as driver of relocation

In a 2012 interview for the newspaper *Delo*, Gorenje's CEO Franjo Bobinac spoke about relocations of production between Sweden, Slovenia and Serbia (Delo, 2012):

> *In the Scandinavia–Slovenia–Serbia triangle, Scandinavian labour costs are almost three times higher than in Slovenia, in Slovenia almost three times higher than in Serbia. Within this triangle, we optimise production locations: from the perspective of employment outcome, it is clear that it will be positive for Serbia, negative for Scandinavia and neutral for Slovenia.*

The low labour costs in Slovenia were one reason why the company was able to continue exporting products to the US even when the US dollar was at a historical low.

Gorenje's annual report for 2012 announced that 'Annual savings generated by moving the production to more cost-effective environments are estimated at a minimum of EUR 15 million' (Gorenje, 2012, p. 8).

Box 7: Recast EWC Directive – Definition of 'transnational'

Article 1(3)

'… the competence of the European Works Council and the scope of the information and consultation procedure for employees governed by this Directive shall be limited to transnational issues.'

Article 1(4)

'Matters shall be considered to be transnational where they concern the Community-scale undertaking or Community-scale group of undertakings as a whole, or at least two undertakings or establishments of the undertaking or group situated in two different Member States.'

Recital 16

'For this purpose, matters which concern the entire undertaking or group or at least two Member States are considered to be transnational. These include matters which, regardless of the number of Member States involved, are of importance for the European workforce in terms of the scope of their potential effects or which involve transfers of activities between Member States.'

State support for transnational shifts in production raise the question of a level playing field, especially for workers who have been made redundant. Worker representatives may contend that management decisions are not just influenced but determined by such supports. It seems more likely that such supports, where they exist, are secondary considerations in most cases, ranking below other labour-cost savings or other strategic motivations for the shift. A couple of cases illustrate that 'home-country preference' can be another factor. In the Honeywell case, the employee side in the departure country suggested that the senior management group had a strong French representation and that this was the reason that the Italian rather than a French unit was selected for closure (although no evidence was available to verify this claim). In the Gorenje case, the triangular transfer of production involving Sweden, Slovenia and Serbia meant that employment in Slovenia, the home country and centre of group production, was largely unaffected in terms of overall employment numbers.

Ambiguity of 'transnational matters'

Company management does not usually regard such relocations as transnational restructuring or delocalisation but presents them in the context of broader strategic plans to enhance competitiveness. These can be part of global or European strategies developed at the level of the group or company head office, often without the direct involvement of local management. In particular, companies tend not to see relocations involving one departure and one destination country as constituting cases of transnational restructuring, as job losses occur in only one country. That being the case, they believe that the EWC has no role in such processes.

One objective of changes made in the recast directive was to clarify the meaning of 'transnational' and thereby the scope for EWC involvement in a specific restructuring, as it had been considered ambiguous in the original directive. This did not specifically state whether, to be considered transnational, matters had to be linked to job losses or could combine job losses in one country and gains in another. Recital 16 of the recast directive is broader and defines transnational matters as matters that 'regardless of the number of Member States involved, are of importance for the European workforce in terms of the scope of their potential effects or which involve transfers of activities between Member States'. This definition (see Box 7) certainly covers situations of job relocations from one country to another, calling into question the interpretation used by management in some of the case study companies.

Employee information and consultation

Role of EWCs remains limited

EWCs were in place in five of the companies studied at the time the restructuring took place: Hasse & Wrede, Honeywell, Whirlpool, Lego and BNP Paribas. Two companies (Wollsdorf and Fiskars) have not established an EWC at all (Wollsdorf does not meet the required size threshold). At Gorenje, an EWC was not yet in place when the restructuring took place; one was established subsequently, but this has since been disbanded following the acquisition of Gorenje by Hisense. At Yazaki, negotiations to establish an EWC were under way when the restructuring took place, but the agreement was signed, and the inaugural meeting took place after the restructuring process was completed.

In most cases, local works councils or other forms of worker representation, often with the assistance of relevant national trade unions, were responsible for securing concessions. In the Hasse & Wrede case, the campaign by the trade union contributed to the cancellation of offshoring plans. In other instances, local and national worker representatives played a key role in securing additional support for redeployment or at least the financial settlements received by redundant workers.

While it is not surprising that EWCs played no role in obtaining such supports and settlements (as this remains within the remit of national information and consultation structures), the lack of involvement of EWCs is striking. This confirms the finding by Voss (2016) that information is often provided late and that effective consultation of EWCs is rare – and non-existent in the cases examined. In three of these companies, the agreements were based on Article 13 of the original EWC directive, which imposed fewer conditions on how the EWC was set up and how it would function. A number of the agreements do not mention consultation being part of the remit of the EWC.

Information on the restructuring was often provided late, in most cases after the announcement of decisions by the board and following – or at the same time as – the release of the information to the press. In at least one case, worker representatives indicated that they were informed of the decision in advance but were bound by a confidentiality agreement and therefore not able to pass on this information.

In one case, while management indicated that information was provided to the EWC, the worker side disputed this. In another case, the trade unions feared that restructuring was imminent and organised strike action to resist this, while the management for a period of time continued to deny that plans were in place to relocate production. In all cases, EWCs only received information but were not consulted on the restructuring. In a number of cases, this was because the restructuring was not considered to be ‘transnational’ in nature, as discussed above. In the other cases, it was because the employers (and in many cases also the trade unions) considered that EWCs did not have any role to play in the consultation. In fact, in two cases, company-level agreements were in place essentially setting down the priority accorded to national information and consultation, thus further marginalising the role of the EWC.

It is also notable that in one case of company acquisition (following the restructuring case studied), the EWC was dissolved following the acquisition. This is surprising because the recast directive requires EWCs to be adapted in such cases to reflect the new corporate structure. An EWC should therefore remain in place until an agreement reflecting the new situation is negotiated. However, if previous experience with an EWC in a restructuring situation was not encouraging, it may be less likely for employee representatives to push for the re-establishment of the EWC to reflect the new structure. This in turn causes the EWC to become effectively ‘dormant’, particularly if the acquiring company is also not supportive of actively retaining such a body.

Limited transnational worker cooperation

There is little to no evidence of transnational solidarity between workers developing any role to respond to restructuring decisions. Some worker representatives (mainly from departure countries) did seek to contact their counterparts in the destination countries in order to exchange information and seek support for their strategies to maintain part of production in their countries. However, this was rarely effective, for a number of reasons:

- limited trade union coverage in destination countries
- more limited rights and protections for worker representatives in destination countries
- a lack of knowledge of and interest in destination countries for the concerns of departure countries when job gains are foreseen

In a number of cases, staff exchanges were conducted between departure and destination production units for training and mentoring purposes, apparently to familiarise employees in the destination unit with production equipment and processes. These were extensive in the case of Gorenje, involving over 125 person months. There is little indication in this case or in the Yazaki case that these exchanges gave rise to tensions. However, in the Wollsdorf case, Austrian worker representatives were considered by management to be reluctant to ‘train a workforce that would be taking away their jobs’ (although this sentiment was not echoed by the worker side, which expressed no issue with providing training to Croatian workers).

Box 8: Gorenje – Failure to adapt EWC with change of corporate structure

There was no EWC in the Gorenje group when it relocated production from Sweden to Slovenia. Requests to establish such a body date back to 2010, when Gorenje acquired Swedish group Asko. At that time, a Swedish delegation travelled to Slovenia and requested the establishment of an EWC. According to worker representatives from Sweden, there was then no appetite among the new owners of Asko to do so. However, negotiations to establish an EWC were eventually initiated and were completed in December 2013. According to employee representatives in Slovenia, the EWC was eventually set up following pressure from workers in the company’s Czech sites, who were keen for an opportunity to discuss a number of common issues. The president of the works council at Gorenje was elected president of the EWC, which was made up of 17 employee representatives, 10 of whom were from Slovenia and 1 each from Austria, Croatia, Czechia, Denmark, Germany, the Netherlands and Sweden. Meetings were to take place twice a year. However, employee representatives in Slovenia claim that with the subsequent takeover of the company by Hisense in 2018, the EWC ‘ceased to exist’.

In principle, according to the provisions of the recast directive on ‘adaptation’ of corporate structure, EWCs should not cease to exist in cases of change of corporate structure, such as acquisition. They should be adapted to reflect the new corporate structure, but the default, according to the recast directive, is that the existing EWC remains in place until a new EWC is negotiated. In this case, the takeover by Hisense coincided with the expiration of the mandate of the original members of the Gorenje EWC. According to information provided by EWC members, as a result, the conditions that were the basis for the original agreement ceased to exist, since Gorenje was no longer the controlling company and its management was no longer the central management. It was therefore perceived that there was no basis on which to invite EWC members to elect new representatives in accordance with the Gorenje group's EWC agreement. Requests were submitted in 2019 to the Hisense management by the representative trade unions in Slovenia and Czechia to establish a new EWC, to which a response was awaited at the time of writing.

Swedish worker representatives argue that, had an EWC been in place, it would have been possible to handle the original restructuring 'in a trade union way', generating solidarity between workers. Instead, fear was considered to have created a situation where each side looked out for its own interests.

Slovenian worker representatives were very active in seeking to build capacity among Serbian worker representatives and to encourage collective bargaining. This could be seen to be motivated by concerns linked to the further relocation of jobs from Slovenia to Serbia. Strengthening the bargaining power of worker representatives in Serbia was considered to be in the interests of the Slovenian workforce, as this is where the competitive pressure is the greatest. In the different transfers of production, from Sweden to Slovenia and Slovenia to Serbia, it was worker representatives in the host country that were most interested in coordinating with their union or works council counterparts in the destination country. This was partially successful in the Slovenian–Serbian case – where unions were recognised in one of the group's three Serbian units (Valjevo) – but less so in the Swedish case.

Predominance of national level

The national level is prioritised in the information and consultation procedure and especially with regard to the negotiation of mitigation measures, where EWCs play no role.

The role played by works councils and trade unions depends on a number of factors:

- legislation and traditions around workplace employee representation in different Member States
- the level of trade union representation among works council members (or in similar worker representative bodies)
- the level of collaboration between works councils and trade unions

In Sweden, a works council has the right to call on the support of an expert (paid by the employer) to evaluate any case for restructuring brought forward by an employer (Eurofound, 2020c). This was done in the case of Asko and Gorenje. However, the union-appointed expert concluded that the calculations provided by the employer on the financial advantages of the relocation were largely sound, and as a result, the union dropped its objection to the relocation and instead sought to negotiate a social plan for the affected workers.

With the exception of the Hasse & Wrede case – where the planned transfer of production was shelved – management plans to delocalise production and jobs proceeded. In most cases, social dialogue regarding the restructurings was conducted on the basis that the offshoring itself was not up for negotiation but that conditions regarding redeployment and support and compensation measures could be discussed. Severance agreements with staff who were made redundant varied in generosity.

Box 9: Hasse & Wrede – Union intervention

The Hasse & Wrede case demonstrates the important role that trade unions can play in addition to or in support of a local works council. In this case, the CEO's lack of consideration for trade unions and collective agreements had contributed to a low representation of trade unions at the plant and in the works council. After the job losses had been announced, most works council members and a significant share of workers joined the trade union. It was the trade union that raised public awareness of the case, cultivated political support and secured actions by workers in other companies in solidarity, including warning strikes. This activity, together with challenges faced by the employer to attract a suitably well-trained workforce in Czechia, contributed to the collapse of plans to relocate production from Germany to Czechia in this case, although it did lead to concessions regarding a longer working week (increasing from 35 to 42 hours) without compensation.

Box 10: Layered social dialogue in multinational restructurings

A recent Eurofound project analysed the social dialogue processes in MNEs, including some cases of large-scale restructuring (Eurofound, 2020d). The focus was more specifically on the multilevel forms of social dialogue and human resource management (HRM) in large MNEs. The project included four extended company case studies on larger multinationals – ABB, Unilever, Danfoss and UniCredit – which provide some interesting complementary insights into the complexity of transnational restructurings. A summary is presented here.

Each of the case studies reveals the diversity of collective representative structures across local, national, EU and global levels. From a union perspective, this is a problem in some cases as it potentially dilutes workers' power, but in others it is beneficial as it reinforces linkages and helps to coordinate information sharing and, possibly, action at the different territorial levels.

The national level of collective representation still tends to dominate. Labour relations and social dialogue at transnational level remain weak because EWCs do not have significant negotiation rights, lack the resources to play a stronger role in transnational decision-making (a lack of 'concrete competences') or receive limited encouragement from central management to perform a more active role. The restriction of confidentiality rules and withholding of information from EWC members was also cited. In the case of stock-price-sensitive announcements, the EWC may be notified only after the stock market has been informed, to prevent EWC members from passing on commercially sensitive information. Such restrictions are even stronger in those EWCs set up in an SE (SE works councils), where worker representatives have a seat on supervisory boards.

EWCs are a vector of Europeanisation. They are considered to be an important channel of communication with employees on the ground, as well as an important moderator of conflicts. According to one union representative interviewed, the relationship between social dialogue and HRM is 'much better at the transnational level than in many individual countries'.

Despite the constraints of their legal framework, EWC actions have added value to company cross-border operation. Many positive examples of proactive EWC action were cited in the study. The EWC in Unilever, for instance, was instrumental in securing a €6 million fund for joint management–worker projects aimed at dealing with the impacts of digitalisation through retraining and upskilling. A committee has been set up to assess the implications. This was seen as a move away from the mode of a forum that is just about receiving information and expressing opinions towards a stage of action that is more proactive, anticipatory and future-oriented.

Within EWCs, there has been a shift of power in social dialogue terms in the MNEs from the Member State with the largest workforce to the European (or global) level. Simultaneously, there has been a strong, and possibly stronger, trend towards global rather than European decision-making. HR policy is increasingly modelled at global level, while most legal requirements on employers (concerning, for example, working time, health and safety, social security and pay) are national. This gives rise to management criticisms that the EWC is not placed at the right level when it comes to HR or labour relations and falls between the global and national levels.

Such trends are accentuated by the declining weight of Europe in overall MNE group activity. Europe is considered rather a 'mature' market among other world regions, and this is reflected in a weakening of the European component of group collective representation. This is accentuated by declines in local- and national-level autonomy. Decision-making on major restructurings is increasingly taken by global headquarters, and decreasing discretion is afforded to local managers. According to one employee representative interviewed, collective agreements at local level in one country agreed as recently as 2017 – which provided employment guarantees (for three years), investment commitments on part of the company and the renouncement of outsourcing of logistics – would no longer be possible given the lack of autonomy of local management to strike such accords. This prompted the observation from one union representative that the erosion of social dialogue negotiating powers at local and national levels is not being complemented or replaced by an increase in influence at transnational level.

Impact on working conditions

Companies emphasise that the terms and conditions of employment for workers in destination countries (and indeed departure countries) are covered by national legislation. In some cases (such as BNP Paribas), workers received a number of benefits that were part of a package offered to workers globally, such as private health insurance. In all cases, however, wages in the destination countries are lower than in the departure countries; in a number of cases, other terms and conditions, including working hours, are also less advantageous for the worker side. For example, at BNP Paribas, working time for workers in Portugal is five hours longer per week than in France.

A number of cases (for example, Wollsdorf) demonstrate that the terms and conditions that MNEs offer in the destination countries are attractive to local workers, despite being significantly below what was offered in the departure country.

Box 11: BNP Paribas – Support measures

On 8 March 2019, BNP Paribas concluded a group-level collective agreement on the provisional management of employment and career paths (*Accord sur la gestion des emplois et parcours professionnels au sein du groupe BNP Paribas en France – GPEC*). Chapter 8 of this agreement is dedicated to the launch of voluntary redundancy schemes (*plans de depart volontaire*) and collective conventional termination of contract (*rupture conventionnelle collective*), while Chapter 2 deals with the management of internal and external mobility. Both chapters contain a wide range of tools and provisions to avoid forced dismissals and to support employees in securing re-employment within the group or in the wider labour market. These include options for internal mobility, training and retraining, the validation of competences (to support redeployment), and geographical mobility within the group.

However, competition regarding location decisions can also have an impact on working conditions in the departure country. Although in the Hasse & Wrede case the decision was eventually taken not to relocate production, employees were eventually forced to accept longer working hours without additional compensation.

Support for affected workers

In countries where works councils and trade unions are strong, worker representatives were often able to negotiate good redundancy settlements and supports for affected workers, including in some cases early retirement supports for workers approaching retirement age (with protections for final pensions). In a number of cases (for example, Gorenje and Lego), support for training and re-training was also negotiated with the employer. In the case of Lego, the employer is considered to have contributed significantly to encourage other employers in the locality to offer employment to the redundant workers (including by organising an event to connect potential employers with workers).

Redeployment to other parts of the company or group was offered to some workers in three of the cases studied: Hasse & Wrede, Wollsdorf and Lego. In the Hasse & Wrede case, this option was eventually not used as the relocation did not go ahead. An interesting aspect of this case is that the restructuring costs arising from the social plan negotiated with unions – estimated at €12 million – may have been an important factor in the decision to remain in Berlin. In the case of Wollsdorf, a minority of workers accepted the offer, as the alternative jobs offered were considered to be less attractive in terms of working conditions. In addition, a significant share of the workforce at the site affected by the closure were commuting from neighbouring lower-wage countries, and the impact of the closure on the local workforce was thus more limited. Redeployment opportunities were taken up by workers in the Lego case, as the plastics foundry activity was retained in Denmark.

No evidence was found of the presence of regional redevelopment strategies for affected sites in the departure countries. In a number of cases (such as Whirlpool and Honeywell), national legislation requires companies to help to find a follow-on investor in an effort to secure employment at the site. In the case of Honeywell, this is seen to have been hampered by requirements set down by the company for the follow-on business not to be in competition with Honeywell.

In France, legislation also requires management to seek a new buyer for a site being vacated. In the Whirlpool case, such a buyer was found but provided employment for a very limited number of the original Whirlpool workforce (44 out of 280), and the business eventually failed.

In a number of the departure countries (for example, Finland, Germany and Sweden), it is relatively commonplace in cases of large-scale restructuring for workers to be supported by so-called transfer agencies or job security councils. Such support was offered to workers at Asko (Gorenje case) and Fiskars and was negotiated at Hasse & Wrede (but was not used since the relocation did not proceed).

Summary

Various motivations prompted the companies studied to shift production across borders. Reduced costs, particularly labour costs, was a common motivator, but considerations of proximity to markets and access to a skilled workforce also played a role. So too did more local or case-specific considerations, such as restricted expansion possibilities in an existing site.

Many of the transfers involved west–east or north–south movements of production, and net employment impacts, while not always easy to identify precisely, tended to follow these paths. Despite clarifications in the recast EWC directive, disagreements still arise regarding the transnationality of individual restructurings. Imbalances were evident in the capacities for influencing transnational restructuring processes between company management and worker representation. The role of EWCs was limited in most cases as regards negotiating (or resisting) the cross-border restructuring processes. In many cases, EWCs received information on or notification of impending restructurings only when cases were largely decided. Worker representation (via local unions) was instrumental, however, in the one case where management decided not to proceed with relocation (Hasse & Wrede) and was important in securing better post-restructuring outcomes for the affected workers, notably as regards severance arrangements, redeployment and retraining.

4 Conclusions

This report has a dual focus: mapping recent restructuring activity in the EU, notably under the shadow of the first wave of the COVID-19 crisis, and exploring the specific characteristics of large-scale restructurings of transnational character.

The pandemic and the public-health policy responses to it led to a doubling of job loss in announced restructurings in March–June 2020, as recorded in the European Restructuring Monitor (ERM) events database. In over three-quarters of cases of restructuring job loss in the period, management cited COVID-19 as a proximate reason for the restructuring. Nonetheless, restructuring activity was still some way short of the peaks recorded during the global financial crisis. This was in no small part due to the policy response at national and EU levels. The large fiscal response – via subsidies for extended short-time working, temporary lay-offs and pandemic unemployment payments – has cushioned some of the worst-feared impacts. But there have been negative employment consequences, and these have been highly selective. Two broad sectors – transport (including air transport) and hotels and restaurants – accounted for nearly half of overall announced restructuring job loss (compared to less than 10% in 'normal times'). In these sectors in particular, the pandemic may continue to represent an existential threat to many businesses, both large and small.

Multinational enterprises in general are resilient businesses that should play an active role in the recovery. They account for around a quarter of global employment headcount and output and around half of global trade. Their decisions on where to locate activity affects the lives of tens of millions of Europeans as well as the prosperity of their communities and regions. This was the focus of the second part of the report. Around 1 in 20 cases of large-scale restructuring is transnational, and these cases tend to be much larger, more long lasting and more complex than restructurings that take place within national borders. They result on average in over 3,000 job losses, with the extensive social costs as well as personal and household trauma that this entails.

The COVID-19 crisis will inevitably entail a sharp recession in 2020, with the European Central Bank predicting an 8.7% reduction in output. And prospects will remain uncertain until such time as a vaccine or cure is identified. One finding of this report is that transnational restructuring activity tends to increase relative to within-border restructuring during periods of economic instability or contraction. So there are grounds for expecting a higher frequency of multinational restructuring announcements over the coming period.

There has always been a strong rationale for EU involvement in monitoring transnational corporate activity and its consequences. The scale of transnational restructurings and their potentially contrasting impact across Member State borders warrant EU policy interventions, including those of the European Globalisation Adjustment Fund (EGF), which offset some of the negative consequences of such restructurings while conciliating the interests of Member States.

ERM data indicate that the average job loss in major restructurings has been declining over time, which lends weight to calls to relax the size-eligibility thresholds for such interventions. Where restructurings are transnational in nature, the duration of supports could also be extended to reflect the longer time frame of such restructurings evidenced in the analysis in this report. The fact that a principal factor causing firms to shed employment in the first quarters of 2020 – and likely for coming years – has been a largely unanticipated pandemic also suggests that EGF interventions could be extended in scope to cover restructurings unrelated to changing trade patterns or globalisation per se.

Structural change increasingly takes various forms. Other vectors of change – notably digitalisation and the requirements of climate neutrality – are likely to be equally transformative in the coming decades, and equally disruptive of existing production processes and employment relationships. The COVID-19 crisis itself appears to have accelerated each of these vectors of socioeconomic adaptation. Other newer EU funding instruments, notably the Just Transition Mechanism, are explicitly intended to support the achievement of the strategic objective of a carbon-neutral EU by 2050 and to mitigate the negative social consequences of the necessary changes. More stringent climate policy, stricter emission norms and market pressure for electrification will remain, for example, the main drivers of restructuring in sectors such as vehicle manufacturing and transport. One area of concern highlighted in the case study material relates to perceptions of a growing imbalance in power in large multinationals between an assertive and increasingly global (and less European) management and a worker representation that is more local or nationally anchored and that lacks the capacity or resources to influence transnational restructurings in workers' interests. Increased assertiveness of headquarters in transnational decision-making is also accompanied by a weakening of autonomy of local or national management.

The institutional development of transnational social dialogue in the EU has been facilitated by the European Works Council and European Company (SE) Directives, but the worker representative role in transnational restructurings is still largely played by national or local unions or works councils. Worker and management representatives continue to contend over the 'transnational' character of individual restructurings – despite clarifications in the recast EWC directive – but the main factor inhibiting a more expansive role for EWCs is the limitation of their mandate to an information and consultation role, especially in cases where they are informed relatively late in the restructuring process. Concerns regarding such imbalances may become more prominent given the predicted increase in transnational restructuring activity in the wake of COVID-19.

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Annexes

Annex 1: ERM multinational restructuring cases

Table A1: MNEs with most restructuring cases, 2005–Q2 2020

Company/ group	Sector	No. of ERM cases	Home country	No. of cases				Net job outcome	
				Job creation	Job loss	National	Transnational	National	Transnational
Siemens	Manufacturing	136	Germany	41	95	118	18	-33,987	-73,900
Bosch	Manufacturing	116	Germany	52	64	112	4	9,440	38,500
IKEA	Retail	95	Sweden	73	22	92	3	30,948	13,300
Groupe PSA (Peugeot)	Manufacturing	91	France	33	58	88	3	-23,853	-15,800
Nokia	Manufacturing	90	Finland	19	71	74	16	-28,799	-71,130
Tesco	Retail	88	UK	53	34	87	0	12,457	-
Amazon	Retail	86	USA	85	1	82	4	81,399	28,400
Continental	Manufacturing	75	Germany	43	32	75	0	8,913	-
Schwarz Group (Lidl and Kaufland)	Retail	74	Germany	73	1	74	0	45,160	-
Volkswagen	Manufacturing	74	Germany	49	25	71	3	-45,096	-47,900
General Electric	Financial services	70	USA	27	43	67	3	-7,561	-18,100
Renault	Manufacturing	70	France	40	30	66	4	-1,131	-39,700
Tata Group	Manufacturing	64	India	22	42	60	4	-6,715	-12,000
HP Inc. (Hewlett-Packard)	Information and communication	63	USA	22	41	53	10	-8,064	-92,500
Airbus	Manufacturing	62	France	30	32	50	12	-5,834	-10,146
Ericsson	Manufacturing	59	Sweden	13	46	53	6	-13,684	-12,500
Philips	Manufacturing	58	Netherlands	7	51	55	3	1,667	-12,700
Barclays	Financial services	51	UK	14	37	47	4	-17,712	-16,230
Deutsche Post	Transportation and storage	51	Germany	28	23	49	2	19,574	-13,500
IBM	Information and communication	51	USA	27	24	49	2	5,149	-19,000

Table A2: MNEs with most restructuring cases (2005–Q2 2020) – geographical distribution of employment, 2005–2019

Company/group	No. of ERM cases	Home country	Total employees (thousands)		Share of employment per location (%)					
					Home country		EU (outside home country)		Rest of the world	
			2005	**2019**	2005	**2019**	2005	**2019**	2005	**2019**
Siemens	**136**	Germany	461	**385**	36	**30**	27	**31**	37	**39**
Bosch	**116**	Germany	251	**398**	44	**33**	26	**28**	30	**39**
IKEA	**95**	Sweden	118	**211**	5	**3**	77	**-**	18	**-**
Nokia	**90**	Finland	59	**98**	40	**6**		**35**		**59**
Groupe PSA (Peugeot)	**91**	France	209	**209**	45	**24**	21	**-**	34	**-**
Amazon	**86**	USA	12	**798**	-	**50**	-	**10**	-	**39**
Tesco	**88**	UK	366	**465**	68	**73**	-	**12**	-	**15**
Continental	**75**	Germany	80	**241**	39	**25**	31	**32**	30	**43**
Volkswagen	**74**	Germany	344	**668**	52	**44**	31	**-**	17	**-**
Schwarz Group (Lidl and Kaufland)	**74**	Germany	-	**429**	-	**35**	-	**-**	-	**-**
Renault	**70**	France	127	**183**	55	**27**	19	**13**	26	**60**
General Electric	**70**	USA	316	**205**	51	**34**	-	**-**	49	**66**
Tata Group	**64**	India	-	**720**	-	**-**	-	**-**	-	**-**
HP Inc. (Hewlett-Packard)	**63**	USA	150	**56**	-	**-**	-	**-**	-	**-**
Airbus	**62**	France	113	**135**	38	**37**	58	**51**	4	**12**
Ericsson	**59**	Sweden	56	**99**	38	**13**	27	**25**	35	**62**
Philips	**58**	Netherlands	122	**80**	16	**15**	29	**12**	55	**73**
IBM	**51**	USA	329	**353**	39	**28**	-	**-**	61	**72**
Barclays	**51**	UK	113	**81**	52	**59**	-	**3**	48	**37**
Deutsche Post	**51**	Germany	455	**499**	-	**37**	73	**24**	27	**39**

Notes: ***IKEA****: The less-recent data are from 2006. Data for 2019 on the share of the workforce in the EU (outside the home country) and the rest of the world are not available.* ***Nokia****: Data for 2005 on the share of the workforce in the EU (outside the home country) and the rest of the world are not available.* ***Groupe PSA (Peugeot)****: Data for 2019 on the share of the workforce in the EU (outside the home country) and the rest of the world are not available.* ***Amazon****: With reference to 2005, only data about the overall number of employees are available.* ***Tesco****: Data for 2005 on the share of the workforce in the EU (outside the home country) and the rest of the world are not available; data for 2019 on the share of the workforce in the home country include the United Kingdom and Ireland.* ***Volkswagen****: Data for 2019 on the share of the workforce in the EU (outside the home country) and the rest of the world are not available.* ***Schwarz Group (Lidl and Kaufland)****: Only data for 2019 on the overall number of employees and the share of the workforce in the home country are available.* ***Renault****: The 2019 report distinguishes between the share of the workforce in 'Europe' and in 'Eurasia', not making specific reference to EU Member States; the value for 'Europe' was used to calculate the share of the workforce in the EU outside the home country.* ***General Electric****: Data for 2005 exclude employees of Genworth as a result of the third-quarter deconsolidation; no data available about the share of employees in the EU in 2005 and 2019.* ***Tata Group****: Data available only about the overall number of employees in 2019.* ***HP Inc.****: On 1 November 2015, Hewlett-Packard Company split into HP Inc. (printer and personal computer developer and manufacturer) and Hewlett Packard Enterprise (HPE, focused on servers, storage, networking and business services); data available only with reference to the overall number of employees in 2005 and 2019.* ***Airbus****: France has been considered as the home country; data for 2005 refer to EADS, which was renamed in Airbus group from 2 January 2014.* ***Philips****: The 2005 data refer to full-time equivalents (FTEs) and do not include workers employed in discontinued operations; the data for 2019 on the share of the workforce in the Netherlands (home country) are expressed in FTEs; the data for 2019 on the share of the workforce in the EU (outside the home country) are the overall number of employees in western Europe (headcount) minus Dutch employees (FTEs).* ***IBM****: Data on the share of the workforce in the United States and the rest of the world (encompassing Europe) are taken from* The New York Times *(link: https://www.nytimes.com/2017/09/28/technology/ibm-india.html) and refer to 2007 instead of 2005 and to 2017 instead of 2019; no data are available on the share of employees in the EU in 2005 and 2019.* ***Barclays****: Data for 2005 on the share of the workforce in the rest of the world include the EU (outside the United Kingdom).* ***Deutsche Post****: All the data are calculated in FTEs. The data for 2005 on the share of workforce in the EU includes Germany.*

Source: Company reports, ERM

Annex 2: ERM factsheets referenced

- Audi https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/audi-13
- Ford https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/ford-27
- Volkswagen https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/volkswagen-16
- Tesco August 2019 https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/tesco-65
- Tesco September 2019 https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/tesco-66
- Deutsche Post https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/deutsche-post-6
- Croatian Post https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/croatian-post-hrvatska-posta
- InPost https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/inpost-0
- PAM https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/pam
- Vortex https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/vortex
- Intertoys https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/intertoys-0
- HCL Technologies https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/hcl-technologies-2
- I.C.A. https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/ica-2
- Česká pošta https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/ceska-posta-0
- Air France https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/air-france-9
- Ministère de l’Action et des Comptes publics https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/ministere-de-laction-et-des-comptes-publics
- Unicredit https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/unicredit-12
- Deutsche Bahn https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/deutsche-bahn-7
- Deutsche Post https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/deutsche-post-6
- PAM https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/pam
- Policie ČR (Police of the Czech Republic) https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/policie-cr-police-of-the-czech-republic-0
- Amazon https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/amazon-67
- Deutsche Bahn https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/deutsche-bahn-7
- GE aviation https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/ge-aviation-0
- Rolls-Royce https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/rolls-royce-11
- Doctolib https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/doctolib-1
- Barbora https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/barbora
- Morrisons https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/morrison-supermarkets
- Nissan https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/nissan-21
- Nordic choice https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/nordic-choice-hotels-0
- Scandic https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/scandic

Annex 3: Links to case studies

Below is a list of links to the case studies referenced in Chapter 3.

- BNP Paribas: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/bnp
- Fiskars: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/fiskars
- Gorenje: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/gorenje
- Hasse & Wrede: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/hasse-wrede
- Honeywell: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/honeywell
- Lego: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/lego
- Whirlpool: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/whirpool
- Wollsdorf Leder: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/wollsdorf
- Yazaki Wiring Technologies: https://www.eurofound.europa.eu/observatories/emcc/erm/restructuring-case-studies/yazaki-wiring

Annex 4: Contributors from the Network of Eurofound Correspondents

The following are the national correspondents who contributed to the international relocation case studies:

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Open data from the EU

The EU Open Data Portal (http://data.europa.eu/euodp) provides access to datasets from the EU. Data can be downloaded and reused for free, both for commercial and non-commercial purposes.

EF/20/024/EN

This report has a dual focus. First, it reviews recent restructuring activity in the EU, from January 2019 up to and including the first impacts of the COVID-19 crisis. The second part presents an analysis of transnational restructuring cases – those that affect workers in more than one country. The main source for both analyses is the European Restructuring Monitor events database, which has collected details of over 25,000 large-scale restructurings since it began in 2002, including nearly 2,000 since the beginning of 2019.

The review of the data on transnational restructuring is complemented with a summary of case studies based on international relocations of production. The aim is to highlight the types of dispute that arise, how the restructuring is managed by management and the social partners, and what the outcomes are for the workers affected.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

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