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emcc european monitoring centre on change

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Country codes

EU27

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

Other countries

NO	Norway	**JP**	Japan
		US	United States of America

Summary

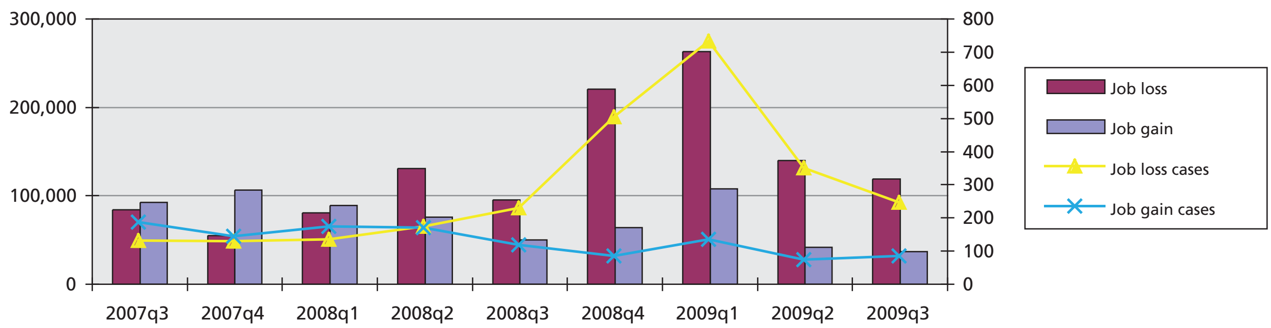
Europe is slowly emerging from one of the deepest recessions on record with the European Commission predicting positive growth in the third quarter of 2009. In the EU27, GDP output growth was down nearly 5% year on year in the second quarter of 2009; however, the most recent quarterly output data are beginning to paint a more encouraging picture, with positive growth taking place in 10 Member States, including France and Germany, between the first and second quarter of 2009.

But in a variety of ways, each Member State continues to suffer the ravages of the economic shock provoked by the financial crisis of 2007–2008. Unemployment has risen in every Member State over the last year. In some countries, the increase has been unprecedented: in Latvia it rose by 11%, in Spain by 7% and in Ireland by 6%. In other countries, public policy measures have so far been successful in cushioning employment. Given that unemployment is a lagging indicator, however, it is likely that it will continue to rise even after output stabilises, possibly well into 2010.

Restructuring activity as captured by the European Restructuring Monitor (ERM) has continued to reflect more normal levels of activity in the recent quarter. The surge in restructuring-related job loss that the ERM captured in the fourth quarter of 2008 and the first quarter of 2009 shows no sign of returning.

Over the last quarter (1 July to 30 September 2009), the ERM reported 326 cases of restructuring.[1] Of these, 242 were cases of restructuring involving job loss. Announced job losses totalled 119,000 in the quarter as against announced total job creation of 36,000 jobs. As recently as the first quarter of 2008, the ERM was reporting a higher level of announced job creation than of job losses, as the chart below illustrates.

Figure 1: *Number of cases of restructuring and total number of announced job losses and gains*



Source: *ERM*

By some margin, the largest case of announced restructuring recorded during the quarter was that of the **French public administration**, which announced the cutting of over 33,000 jobs throughout France, to be implemented in 2010 (16,000 of which had been previously announced in June 2009). **TNT**, the Dutch postal operator, announced in July that it would cut 11,000 jobs by 2012, after employees rejected an offer to guarantee jobs in exchange for lower wages.

[1] Additionally, there were 24 world and EU cases of restructuring. The total case count for the quarter was 350. In order to avoid double counting, world and EU cases are not included in job loss and gain totals.

Current macroeconomic trends and prospects

There are some signs of a slow recovery in the EU economy, which has been in technical recession since the end of 2008. Although GDP growth in the EU27 is still negative (standing at -0.3%)[2] and unemployment is still increasing (rising from 8.9% to 9.1% between May and August 2009),[3] the pace of deterioration has slowed. Meanwhile, negative inflation in the euro area continues (an inflation rate of -0.3%, according to a September flash estimate from Eurostat).[4] External trade appears to be recovering slowly. Although exports in July 2009 were still 17.7% below the level of July 2008, the trade value of exported goods slightly increased in June and July by 1.2% and 3.3%, respectively. The volume of imports, on the other hand, continues to decline. In July 2009, the trade value of imported goods into the EU was 30.9% lower than twelve months previously.[5]

Based on these and other indicators, most observers cautiously forecast an early end to the recession and a long period of slow recovery. The European Commission bases its predictions on improved financial conditions, a positive outlook for external trade, a turn in the inventory cycle and increasing confidence on the part of both consumers and businesses. The latter is confirmed by the IFO economic climate indicator for western Europe, which improved strongly in July 2009 (although it remains unfavourable for central and eastern Europe).[6] In its latest economic outlook, the OECD expresses confidence in ‘an earlier recovery than envisaged a few months ago’.[7]

There is, however, still a high degree of uncertainty. Although the recession appears to be coming to an end, economic growth remains sluggish in almost all developed economies. Increasing unemployment will reduce consumer consumption and weigh further on social security systems. Moreover, there are concerns about the recovery of the financial system as bank lending continues to decline and investment is recovering only slowly. Although most observers have adjusted their forecasts upwards, there is no reason for ‘excessive optimism’ according to Pascal Lamy of the World Trade Organization.[8] The authors of the IMF’s *World Economic Outlook* say that ‘there is a recovery, but it will be weak by historical standards’.[9]

Public finances are a major concern. Many governments in the EU have invested massively and/or have cut taxes to stabilise their economies. At their meeting in late September, the leaders of the G20 pledged to continue stimulus programmes until a durable recovery is in place. These measures, however, burden public budgets: the average EU deficit is expected to hit 6% of GDP this year – twice as high as the 3% Maastricht criterion. Sluggish growth and high unemployment levels put further strains on public budgets, since tax revenues have dropped sharply while social benefits expenditure increases.

Year-on-year GDP movements reveal the depth of the crisis. Output was down 4.9% in the EU27 in the second quarter of 2009 compared with a year earlier. Only one country (Poland) recorded positive growth. Seventeen Member States recorded output declines of over 5% over the period (including Germany, Italy and the UK).

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2 Eurostat, *Euro area GDP down by 0.2% and EU27 GDP down by 0.3%*, 2009, http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-07102009-AP/EN/2-07102009-AP-EN.PDF
3 Eurostat, *Euro area unemployment up to 9.6%*, 2009, http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-01102009-AP/EN/3-01102009-AP-EN.PDF
4 Eurostat, *Euro area inflation estimated at -0.3%*, 2009, http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-30092009-AP/EN/2-30092009-AP-EN.PDF
5 Eurostat short-term indicators, data from October 2009, http://epp.eurostat.ec.europa.eu/portal/page/portal/statistics/
6 CESifo, *World economic survey*, 2009, http://www.cesifo-group.de/link/50publwes
7 OECD, *What is the economic outlook for OECD countries? An interim assessment*, 2009, http://www.oecd.org/dataoecd/10/32/43615812.pdf
8 WTO, *Lamy presents road map for the autumn negotiations*, 2009, http://www.wto.org/english/news_e/news09_e/tnc_dg_stat_24jul09_e.htm
9 IMF (2009), *World economic outlook October 2009 – Sustaining the recovery*, http://www.imf.org/external/pubs/ft/weo/2009/02/pdf/text.pdf

Table 1: *GDP growth in second quarter 2009, compared with previous quarter, (seasonally adjusted figures)*

Austria	-0.5	Germany	0.3	Netherlands	-1.1	United Kingdom	-0.6
Belgium	-0.3	Greece	0.2	Poland	0.5		
Cyprus	-0.4	Hungary	-2.0	Portugal	0.3	EU (27 countries)	-0.3
Czech Republic	0.1	Ireland	0.0	Romania	-1.1	United States	-0.2
Denmark	-2.6	Italy	-0.5	Slovakia	2.2	Japan	0.6
Estonia	-3.4	Latvia	-0.8	Slovenia	0.7		
Finland	-2.6	Lithuania	-9.8	Spain	-1.1		
France	0.3	Malta	-0.9	Sweden	0.2		

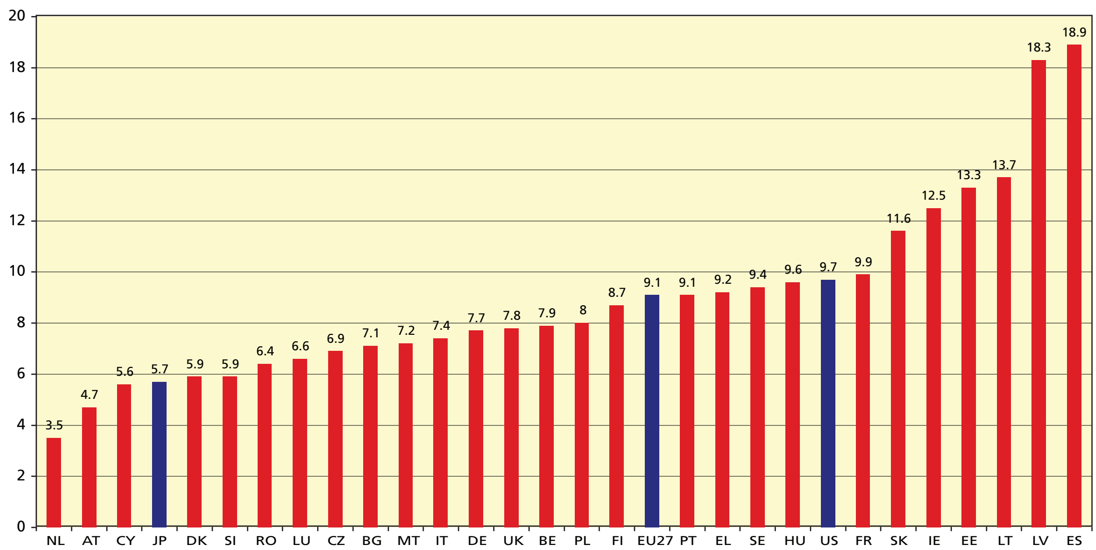
Source: *Eurostat Euroindicators, 7 October 2009*

Note: *No data for Bulgaria or Luxembourg*

Most recent GDP data show some signs of slow recovery (Table 1). In the second quarter, GDP in the EU27 and the euro area fell by 0.3% and 0.2% respectively. Slovakia has experienced the strongest growth (2.2%) in the EU27 after suffering the largest decline in the previous quarter (-11.4%). In total, 10 Member States for which data are available experienced some growth in the second quarter, including France and Germany. Some countries however are still experiencing significant GDP decline – in particular, Lithuania (-9.8%), Estonia (-3.4%), and Denmark and Finland (-2.6% each).

Unemployment in the EU27 continues to rise. According to latest Eurostat data, the seasonally adjusted unemployment rate rose to 9.1% (Figure 2). The level of unemployment in the euro area is higher, at 9.6%. Both, however, remain below the faster rising levels reported in the US (9.7% in July 2009).

Figure 2: *Seasonally adjusted unemployment rates, August 2009 (%)*



Source: *Eurostat*

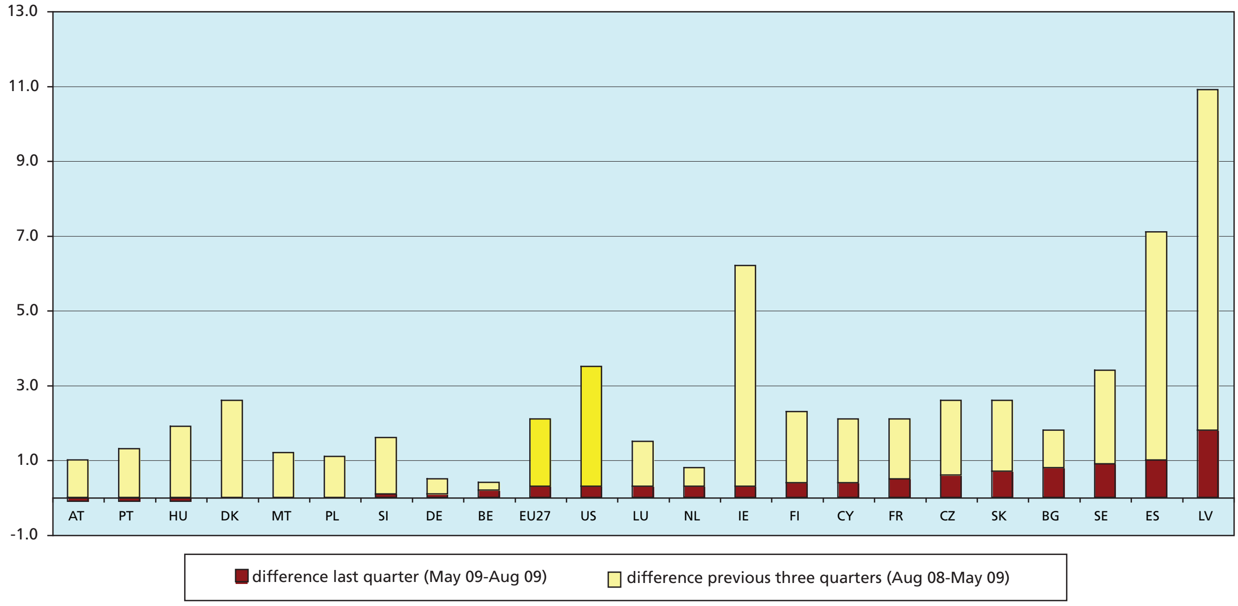
Note: *Data for JP are from July 2009. Data for EE, EL, IT, LT, RO and UK are from June 2009.*

As in previous quarters, the lowest unemployment rates were in the Netherlands (at 3.5%), Austria (4.7%) and Cyprus (5.6%). The highest levels were recorded in Spain (18.9%), the Baltic countries Latvia (18.3%), Lithuania (13.7%)[10], Estonia (13.3%) and Ireland (12.5%). These countries have also experienced the highest increases over the last year.

[10] Date for June 2009.

Although unemployment in the EU is still rising, the most recent data show that the rate of increase is falling. In 40% of the countries for which such data are available, the rate is stable or has decreased between June and August 2009 (Figure 3). Some Member States, however, still suffer from decline in the labour market, in particular Latvia (+1.2% in the same period). Nonetheless, the increase in unemployment between June and August has been lower in a majority (78%) of Member States than in the previous three-month period.

Figure 3: *Change in seasonally adjusted unemployment rates, in the three months and the year leading up to August 2009 (percentage points)*



Source: *Eurostat*

Note: *No data are available for EE, EL, IT, LT, RO and UK.*

The labour market consequences of the crisis have been very diverse across the EU thus far. The Baltic countries continue to experience the most severe impact. In August, the unemployment rate in Latvia was 2.5 times higher than it had been 12 months previously. Unemployment continues to rise, albeit at a slower rate, in countries such as Spain and Ireland where construction-related booms have rapidly burst. In a number of other Member States, such as Germany, Belgium and Austria, unemployment has barely risen at all (a <1% increase year-on-year) due, at least in part, to public assistance to companies and workers in the form of short-time working and subsidies for temporary lay-offs.

Although most economic indicators point to an end of the economic downturn, it is unclear how labour markets will fare once public stimulus programmes have come to an end. The European Commission, for instance, expects that 'the full impact of the economic crisis on labour markets […] is, at least partly, still to be faced'.

Overview of ERM statistics, July to September 2009

The ERM recorded 326 restructuring cases (excluding EU or world cases) between 1 July and 30 September 2009. These cases entailed 118,896 announced job losses and 36,635 announced job gains. The five most notable cases of job reduction are listed below in Table 2a, while the top five cases of job creation are shown in Table 2b.

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

Company	Jobs	Location	Restructuring type	NACE code/sector
French state (Administration)	17,749*	France	Internal	75 Public administration and defence
TNT	11,000	Netherlands	Internal	64 Post and telecommunications
Primondo/Quelle	3,700	Germany	Internal	51 Wholesale trade
T-Systems	3,000	Germany	Internal	64 Post and telecommunications
Ministry of Defence, Czech Republic	2,800	Czech Republic	Internal	75 Public administration and defence

Source: *ERM, 1 July–30 September 2009 (EU/world cases excluded)*
Note: **The announcement was of 33,749 job losses in 2010 but 16,000 of these had been previously reported in June 2009.*

In addition to the national cases list above, the most significant international cases involving large-scale job losses include **Magna International**, the new owner of Opel, which announced 10,500 job losses across Europe (of which 4,500 in Germany). Car equipment supplier **Bosch** announced that it was cutting 10,000 jobs at its sites across the world and the global financial services group **ING** announced plans to reduce its workforce by 7,000 positions out of 100,000 worldwide.

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

Company	Jobs	Location	Restructuring type	NACE code/sector
Colruyt	4,000	Belgium	Business expansion	52 Retail trade
British Gas	2,600	UK	Business expansion	40 Electricity, gas, and water supply
IBM	2,000	Poland	Business expansion	72 Computer and related activities
Swedish Public Employment Service	2,000	Sweden	Business expansion	75 Public administration and defence
Hyundai Motor	1,800	Czech Republic	Business expansion	34 Manufacture of motor vehicles

Source: *ERM, 1 July–30 September 2009 (EU/world cases excluded)*

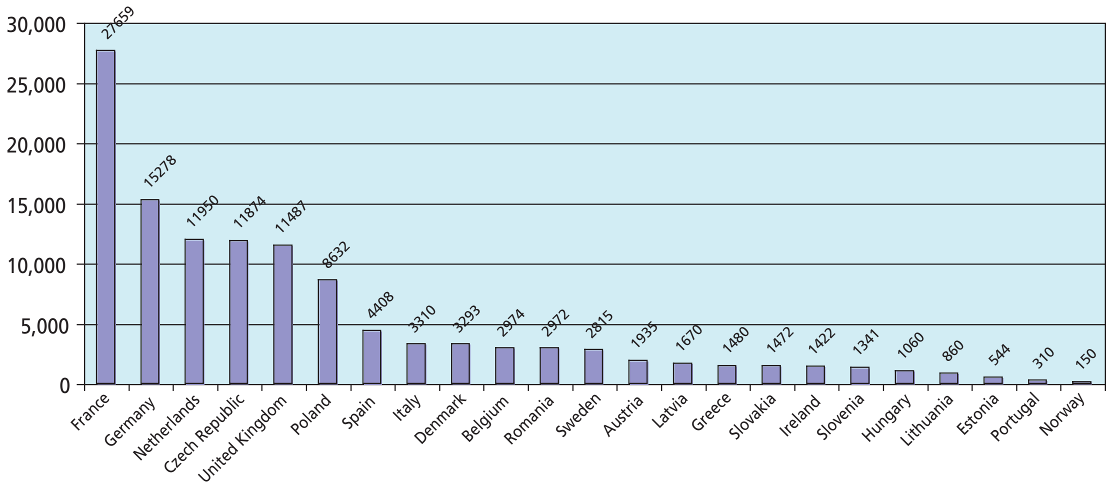
The most prominent case of job creation recorded over the last three months is that of the Belgian discount superstore group **Colruyt,** announcing around 4,000 new positions for store managers, financial employees, logisticians and stores employees. **British Gas** follows with the creation of 2,600 new jobs across the UK as a result of the company's launch of smart meter technology. Significant also is the volume of jobs created by **IBM** (2,000), the **Swedish Public Employment Service** (2,000), and **Hyundai Motors** (1,800).

Restructuring across countries

Job reduction

Figure 4 shows the country distribution of restructuring cases involving job reductions announced during the third quarter of 2009. France records the highest number of job losses (at 27,659). A much lower volume of job losses is reported in the other three countries at the top of the list: Germany (15,278), the Netherlands (11,950) and the Czech Republic (11,874). The UK follows with 11,487 reported job losses.

Figure 4: *Job reduction, by country*



Source: *ERM, 1 July–30 September 2009 (EU/world cases excluded)*

In France, the high level of announced job losses is mainly the consequence of one large case of announced restructuring. As already mentioned, the **French government** announced 33,749 job cuts out of around 1.5 million jobs in the public sector in 2010. The trade unions are opposed to this measure, which is seen as the continuation of a trend towards job reductions in the French public sector. This announcement follows a previous announcement in June 2009 by the French Ministry for National Education and Vocational Training that it would cut 16,000 jobs among teachers in French secondary schools. These 16,000 jobs are included in the larger figure announced in late September 2009.

In Germany, one of the most significant cases of job reduction is that of the mail order subsidiary of Arcandor, **Primondo/Quelle**, which announced around 3,700 job losses by January 2010. The announcement came after Arcandor filed for insolvency in June 2009. The insolvency administrator plans to cut down costs by closing 109 Quelle Technology Centres that are reporting losses, and reducing the number of Quelle shops from 1,450 to around 1,000.

Other big cases include the downsizing at the Deutsche Telekom's business client unit **T-System** (3,000 job losses in 2009 and 2010 across Germany) and the bankruptcy of the traditional German department store chain **Hertie** (2,600 jobs) in July 2009.

T-System offered an early and partial retirement scheme and compensation payments to employees leaving on a voluntary basis. Employees who are not taking any of the company's offers will be moved into a transfer company managed by Deutsche Telekom's personal service provider, Vivento, which will support them in their search for a new job. The company plans to operate with a total of around 24,000 staff after the completion of the restructuring. For the remaining staff, job guarantees were granted until mid-2012. In contrast, at Hertie no compensation payments were offered to affected employees.

Most of the job reduction in the Netherlands is attributable to the large-scale restructuring of the postal delivery group **TNT Post**, which announced the dismissal of 11,000 delivery workers and sorting staff over the next three years. The announcement came months after unions rejected an offer by TNT to safeguard jobs for three years in exchange for a substantial wage reduction. A smaller case of job reduction is the Dutch financial services company **ING Groep,** with the announced loss of 800 jobs (10% of its workforce) over the next three years. The job cuts are the result of the merging of the company's three Dutch insurance brands – Nationale Nederlanden, RVS and ING – into one organisation under the Nationale Nederlanden brand. ING said that it expects that forced dismissals will be an exception and that most of the job cuts will be implemented through attrition, internal reallocation and non-renewal of temporary contracts. The cuts come on top of 7,000 jobs that the company is eliminating worldwide.

In the Czech Republic, there were 22 cases of job reduction recorded during the quarter. The biggest single case is the internal restructuring announced by the **Ministerstvo obrany ČR** – the Ministry of Defence – cutting 2,800 jobs, amongst which 1,200 soldiers (amounting to 5% of the armed forces). The remainder are civil servant posts. Another prominent case is that of the construction group **Skanska CZ** headquartered in Sweden, which announced the loss of 1,200 jobs in a bid to reduce operating costs and increase labour productivity in the face of the economic downturn. Also significant is the case of the rail vehicle manufacturer **Siemens Kolejová vozidla** which confirmed the closure of its Prague site, resulting in 1,000 job cuts after parent company Siemens failed to find a buyer or potential investor.

Job creation

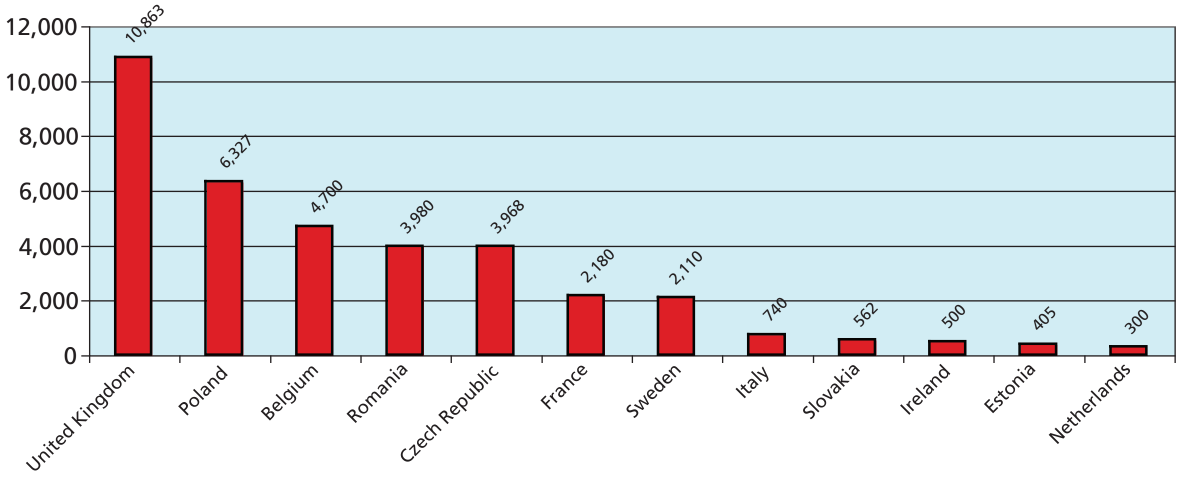
As shown in Figure 5, during the third quarter of 2009, the UK recorded the highest number of announced job gains (10,863), followed by Poland (6,327) and Belgium (4,700). Romania (3,980) comes fourth in this list, just ahead of the Czech Republic (3,968).

In the UK, the largest case of job creation was at **British Gas** with 2,600 new jobs, as already reported. Other notable instances of business expansions are the discount retail chain **Matalan,** with the creation of 1,500 temporary jobs and 300 permanent jobs in Greater Manchester, Morayshire and London, and the insurance company **Fortis** announcing plans to create more than 1,500 new jobs across the country as part of an agreement between the company and the supermarket giant Tesco; the agreement foresees the inclusion of Fortis car insurance products in the financial branch of Tesco.

As in previous quarters, Poland continues to record significant job gains. Aside from the major restructuring announcement of the IT provider **IBM** announcing 2,000 jobs in a new financial services centre in Wrocław, other substantial cases are those of the construction companies **Polimex-Mostostal** (450 new jobs) and **Skanska** (400 new jobs for welders, concrete specialists, and heavy equipment operators), and the newly established **FM Bank** (with 400 new jobs in 62 branches around the country), which will focus on small and medium-sized enterprises and will be financed by investment from the Abrys private equity fund.

In Belgium, the case of the discount superstore group **Colruyt**, which announced 4,000 new jobs, accounts for more than 85% of total job creation in the country. The other two cases involve the business expansion of the pharmaceutical company **Glaxo Smith Kline,** with 600 new jobs in the manufacture of the swine flu vaccine and the cargo company **Cargo Avient** creating 100 jobs as a result of the relocation of freight activities from the airport of Vatry in France to Liège airport in Belgium.

Figure 5: *Job creation, by country*



Source: *ERM, 1 July–30 September 2009*

The volume of jobs created in Romania in this last quarter is recorded in nine cases of business expansion, of varying size. The most prominent cases are the retailer **Real Hypermarket**, with the opening of three new stores in Bucharest, creating 900 jobs by the end of 2009, and the retail chain **Cora** announcing the opening of a new store in Bucharest, which will employ 800 workers.

Restructuring across sectors

Figure 6 plots the top 10 NACE 2-digit sectors in terms of announced job creation and job loss reported to the ERM during the third quarter of 2009. In this quarter, the public administration sector reported the biggest job loss (22,514 jobs) followed by post and telecommunications, with 15,753 announced job losses. Manufacturing of motor vehicles, which had been the top sector for job loss in the third and fourth quarters of 2008 and the first quarter of 2009, and was the second leading sector for job losses in the second quarter of 2009, ranked third with 11,947 announced job losses. Another sector with comparatively high numbers of restructuring-related reported job losses was manufacture of machinery and equipment (7,577 jobs).

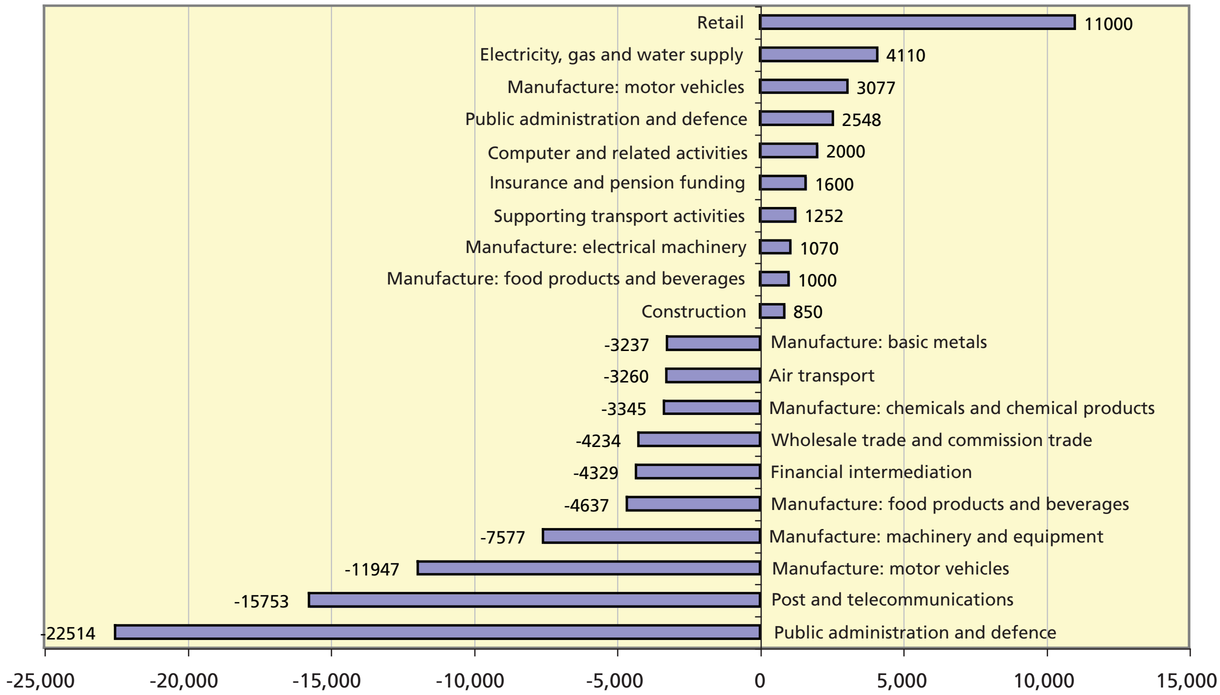
Job reduction

The 22,514 announced job losses in the public administration sector during the third quarter of 2009 are largely attributable to the announcement by the **French government** that it would cut 17,000 more public administration jobs in 2010, as already reported. Another large public administration case involved 2,800 announced cuts at the **Ministerstvo obrany y ČR** – the Czech Ministry of Defence.

In the post and telecommunications sector the largest case involves the announcement, on 2 July 2009 by **TNT Post,** of the dismissal of 11,000 mail deliverers and sorters over a period of one to three years. **T-Systems**, Deutsche Telekom's business client unit, announced on 12 August 2009 the cutting of around 3,000 jobs in 2009 and 2010 across Germany.

In the auto manufacture sector, the largest case involved the loss of 800 jobs. **Denso Manufacturing**, producers of diesel engines components, announced on 10 July 2009 the loss of 800 jobs (almost 20% of the firm's workforce) in its Hungarian plant, starting on 1 October 2009. **AEES Czech Platinium Equity** (previously Alcoa Fujikura), a producer of wiring harness systems for the car industry, announced the loss of 733 jobs with the closure of its site in Stříbro by the end of 2009, due to the decision to move the production to Romania in order to lower labour costs. This decision follows the previous announcement by the then Alcoa Fujikura to cut 844 jobs out of 2,050 staff in its Stříbro plant by the end of July 2008 because of ongoing declines in customer orders, and management decisions to move part of its production to Romania. German firm **MAN Diesel** announced on 4 August 2009 the loss of 550 jobs at its Danish plant in Frederikshavn, northern Jutland, due to the offshoring of its diesel engine production to Germany.

Figure 6: *Restructuring across sectors*



Source: *ERM, 1 July–30 September 2009*

In the manufacture of machinery and equipment sector, **BAE Systems**, a manufacturer and provider of defence and security systems, announced in September 2009 its plans to cut 1,116 jobs across the UK. The cuts will affect 205 posts at the Samlesbury site and 170 at its Warton site, both in Lancashire. A further 111 posts will go in Farnborough and 630 in Cheshire, where the company plans to close its Woodford factory by the end of 2012. The **Bumar Group**, a leading Polish supplier and exporter of armament and military equipment, announced plans to dismiss more than 1,000 employees (out of 8,000) by the end of 2009. The losses will affect all manufacturing and trading units located across Poland.

Job creation

In the last quarter, retail was the sector with the greatest reported job creation (a total of 11,000 jobs), accounting for almost 40% of overall job creation in ERM cases. Other sectors with high levels of announced job creation were electricity, gas and water supply (4,110 jobs), motor vehicle manufacture (3,077) and public administration and defence (2,548).

In the retail sector, the biggest instance of job creation was the announcement by the Belgian discount superstore group **Colruyt** that it will create around 4,000 jobs by the end of 2009. Other large instances of job creation relate to major expansion plans by the discount retail chain **Matalan** (1,800 jobs) and supermarket chain **Sainsbury's** (1,300) in the UK.

More than half of the job creation in the electricity, gas and water supply sector is attributable to **British Gas** announcing 2,600 new jobs across the UK. The new posts will be filled by 2,100 energy experts, 400 support staff and 130 managerial staff. Another significant case is that of the former Italian state-owned energy company **Enel**, which announced the creation of 600 new jobs by the end of 2010. Unlike British Gas, Enel will hire young workers (under 29 years of age) on apprenticeship contracts. An agreement between the company and the main sectoral trade unions has set out all the stages of this new recruitment.

In the motor vehicle manufacture sector, the largest ERM case is that of the South Korean car company **Hyundai Motor** with the creation of 1,800 new jobs in the Czech Republic. Some 300 new jobs were to be created from June to July 2009 while the other 1,500 jobs will be implemented by the end of 2011. This business expansion is attributed to a sustained demand for the Hyundai i30 model and the launch of the two-shift operation for the production of the new model Kia Venga, starting at the beginning of September 2009. The remainder of the quarterly job gains recorded in this sector consist of seven smaller restructuring cases: **Nissan** (350 new jobs) in the UK, the **ITT Corporation** (300) and **Automotive Lighting** (110) in the Czech Republic, **Maflow Polska** (165) in Poland, **Fiamm** (140) in Italy, **Benteler Automotive** (112) in Slovakia, and **Luméneo** (100) in France.

Job creation in the public administration and defence sector is mainly due to the **Swedish Public Employment Service**, which received extra funding from the government for the creation of 2,000 jobs by November 2009. Some 1,000 people among the new recruits will provide job search assistance, and the other 1,000 will work specifically with integrating people on long-term sick leave back into the labour market.

Restructuring in the European shipbuilding sector

The current economic and financial crisis has caused the shipbuilding industry's worst ever slump in demand. The social consequences are already impacting in the form of restructuring, bankruptcies and layoffs. According to the latest annual report of the Community of European Shipyards' Associations (CESA)[11] and the European Commission,[12] the European shipbuilding industry grew significantly between 2002 and 2007. The Commission reports that European yard orders more than tripled in value between 2002 and 2005, growing at a faster rate than those of any other region. In the three years from 2005 to 2007, the turnover of the commercial new-build market almost doubled from €9 billion in 2005 to €15 billion in 2007. The value of the order book of the commercial new-build market had also been increasing, from €37 billion in 2005 to €58 billion in 2007. The sector generated a trade surplus of €5.6 billion in 2007, after recording negative foreign trade balances in the period 2003–2006.[13]

According to CESA, in the past two decades, European shipyards have gone through a fundamental transformation of production methods through rationalisation and innovation, coupled with active outsourcing strategies. This evolution has allowed European yards to increase their production by 70%, while reducing the direct workforce by 25%. The current labour force is characterised by a higher proportion of skilled workers than in the manufacturing sector as a whole. According to the Commission, the sector suffers from a shortage of skilled labour. The shift from blue-collar to white-collar employment is the consequence of the European industry specialising in the production and repair of specialised and complex ships.

[11] See CESA, *CESA Annual Report 2007–2008*, 2009, http://www.cesa-shipbuilding.org/public_documents_site.phtml?sid=&doctype=pub

[12] See European Commission, *LeaderSHIP 2015 – Strengthening European shipbuilding*, 2009, http://ec.europa.eu/enterprise/e_i/news/article_9373_en.htm

[13] See European Commission, *Comprehensive sectoral analysis of emerging competences and economic activities in the European Union – Building and repairing of ships and boats sector*, 2009, http://www.eurofound.europa.eu/pubdocs/2009/61/en/2/EF0961EN.pdf

At the same time, the reduction of the direct workforce has generated an extensive supply industry, making vertical cooperation even more important. Roughly 70% of total shipbuilding production is sourced mainly from a European network of more than 9,000 mostly small and medium-sized supply companies, which operate in approximately 300 shipyards. The shipbuilding sector employs around 110,000 people directly and European shipbuilding companies and suppliers directly and indirectly employ around 350,000 people, according to the European Metalworkers' Federation (EMF).[14]

Despite the positive trends recorded between 2002 and 2007, the current economic and financial crisis, which started in 2007, is having a significant impact on the sector. In particular, the crisis is causing the shipbuilding industry's worst ever slump in demand (-90%), as reported by the EMF.[15] As the map in Figure 7 shows, the current crisis is causing a large number of restructuring processes, bankruptcies and lays-offs across Europe. Recent years have seen huge increases in the number of ships ordered – particularly of the tanker, bulk cargo and containership types. Much of this appears to involve financial speculation rather than purchases by traditional ship owners. Indeed, many shipyards across the world still have a backlog of orders to deliver in the next two to three years. But since the end of 2008, new orders have fallen to close to zero for all ship types. The amount of cargo carried around the world has dropped off dramatically. Many ship owners are laying up vessels for the long term because there is no business for them, so they now have little interest in bringing new ships into their fleets. Some orders will be cancelled, and some yards will complete vessel construction only to find that their buyers can no longer finance the purchase.

Because of this very negative development, the EMF shipbuilding committee has called for a common European strategy for the future of shipbuilding. In particular, at the meeting in Berlin held at the end of June 2009, the EMF called for no redundancies in 2009 and 2010, the promotion of environmental protection, the intensification of research, the safeguarding of European know-how, the creation of fair conditions for competition, responsible behaviour from ship owners and employers, the strengthening of social dialogue and the re-orientation of policy strategies at European level.

Policy action in Europe

In 2001, in response to the economic turbulence following the attacks in the US of September 11, the EU developed the LeaderSHIP 2015 strategy for the shipbuilding sector, seeking to strengthen its competitiveness in the global market.[16] With this initiative, the European shipbuilding industry has started a programme to ensure its long-term prosperity in a dynamic growth market. The programme aims to improve the already existing technological leadership in selected market segments, to drive and protect innovation and know-how, strengthen customer focus, improve the industry structure and move decisively towards a knowledge-based production, thereby making EU shipbuilders and marine equipment suppliers world leaders in their field by 2015. The initiative has been implemented in an effort to provide a coordinated response to the new competitive challenges of the European shipbuilding sector. It takes into account the high-tech nature of this sector and the substantial investments that shipyards have made in research, development and innovation. Europe's competitive advantage has been based on its ability to construct the most advanced vessels. The European Commission believes that the strategy has been successful so far, given that the industry has been growing since 2002. It does, however, recognise that the financial crisis has brought about problems for the shipbuilding industry and believes the strategy should be reviewed in light of recent changes.

In light of this, the LeaderSHIP 2015 High Level Group meeting in September 2009 in Germany brought together representatives from industry, European policymakers, national government representatives and trade unions. All the

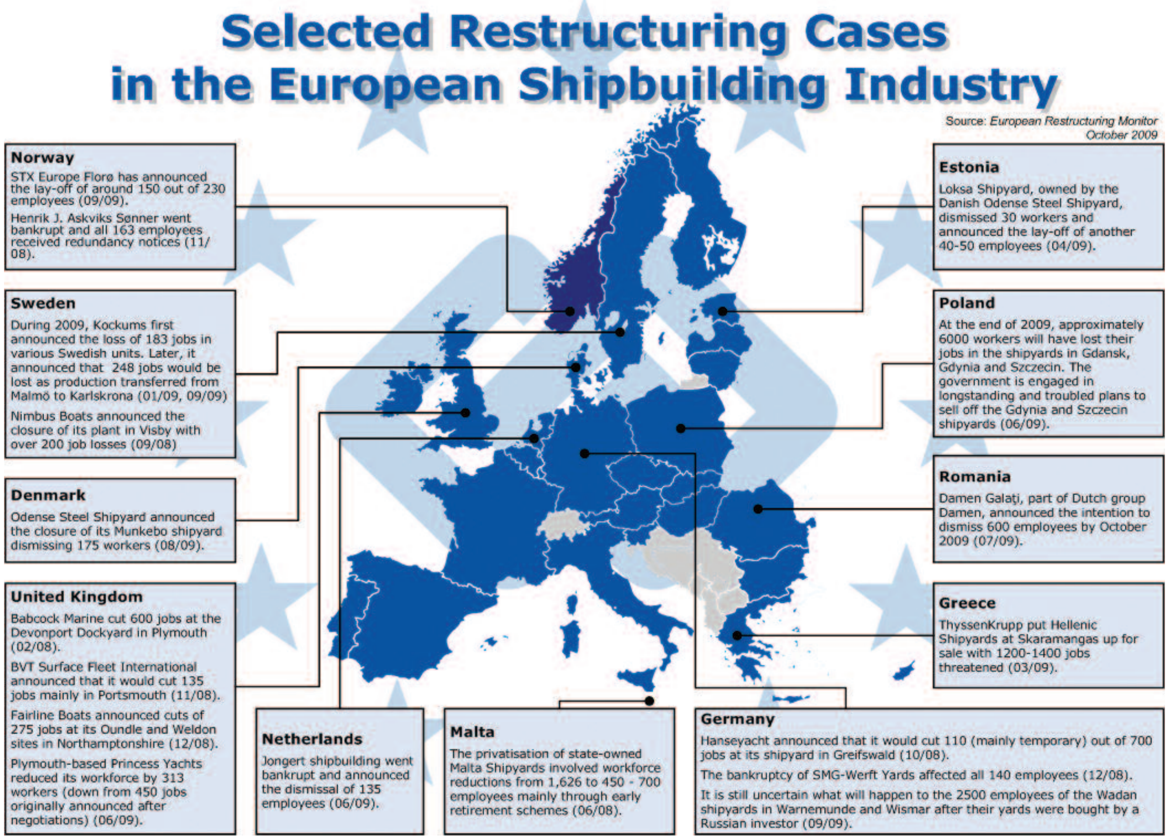
[14] See EMF, *Shipbuilding*, 2009, http://www.emf-fem.org/Industrial-Sectors/Shipbuilding

[15] See EMF's 'Berlin Declaration' at http://www.emf-fem.org/Press/Press-releases/Avoid-Redundancies-Safeguard-Competitiveness-Enter-New-Markets

[16] European Commission, *LeaderSHIP 2015 – The EU response to shipbuilding's challenges*, 2009, http://ec.europa.eu/enterprise/sectors/maritime/shipbuilding/leadership2015/index_en.htm

participants agreed that on account of the current crisis, additional measures that could alleviate the short-term pressure should be taken in order to ensure a critical mass of this strategic industry. Even though the EMF is convinced that European shipbuilding has been exemplary in recent years in developing a common approach and a common European industrial policy programme such as LeaderSHIP 2015, the union now believes that the absence of a European response to this crisis creates the risk of the sector retreating behind national borders, putting the future of shipbuilding in Europe in serious danger.

Figure 7: *Restructuring, bankruptcies and lays-offs across Europe in the shipbuilding industry*



Collective redundancy data – country in focus: Denmark

In Denmark, the EU Directive on collective redundancies (98/59/EC) was implemented into Danish legislation by Act 414 of 1 June 1994, also referred to as the Collective Dismissals Act (*Lov om Kollektive Afskedigelser*).

Criteria and procedures

The Danish legislation defines collective redundancies (*varslinger*) in a very similar fashion to the EU Directive, as dismissals that affect the following number of workers over a period of 30 days:

- at least 10 employees in companies employing between 20 and 100 employees;
- at least 10% of employees in companies employing between 101 and 300 employees;
- at least 30 employees in companies employing more than 300 employees.

Procedures

The legislation sets out the process that collective redundancies must follow.

1. The company must give written notifications to the employees or their representatives, setting out:
   - the reason for the redundancies;
   - the number of employees affected;
   - the type of employees affected;
   - the time period during which the redundancies are foreseen to take place.

At the same time a copy of the notification must be sent to the Regional labour market council (RAR).

2. Negotiations between the company and the employees or their representatives must take place as early as possible.
3. After the negotiations, if the company chooses to enact the collective redundancies, it must notify the RAR. Redundancies can start only 30 days after this second notification or after eight weeks in cases where 50% of the employees in a company with more than 100 employees are affected.
4. Within 10 days after notifying the RAR of the enacted redundancies, the company must send a letter to the RAR, setting out the names of the affected employees (who are informed at the same time).

Data

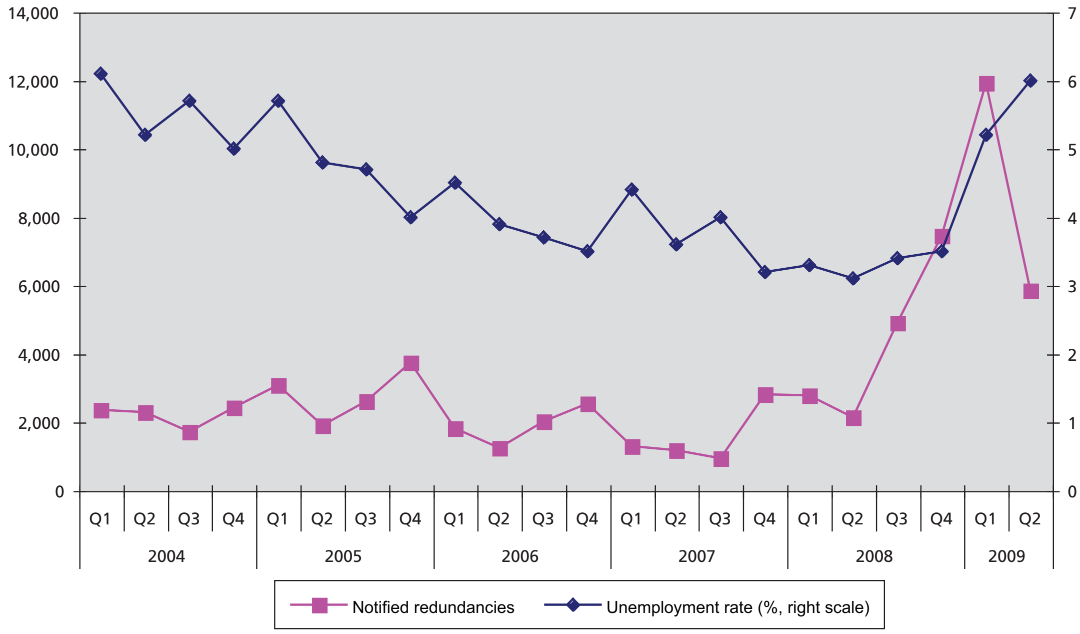
The Danish National Labour Market Authority publishes regular and extensive tables based on collective redundancies data. Until 1 January 2007, data was reported manually (on paper) by the Regional Employment Council to the Statistical office of the National Labour Market Authority. Since January 1 2007, the data is reported in electronic form. The Statistical Office stores the data and publishes it in aggregate form on the website www.jobindsats.dk. This data refers to both announced and enacted redundancies. Once announced, redundancies are notified to the RAR and this information is included in the database, but after negotiations between employers and employees or their representatives are over, this data is updated with the figures referring to the enacted redundancies. Data is updated monthly and published between eight and 10 days after the end of each month.

The first quarter of 2004 is the first quarter for which data are available. The data cover notified job losses and firms reporting and can further be broken down by:

- geographical location of the affected establishment(s);
- reasons for notification (restructuring, or closure of the firm);
- notification level (above or below 50% of its workforce affected by the notification);
- company size.

Figure 8 shows trends in quarterly notified redundancies against the monthly registered unemployment rate from 2004 to the present. In the first three years for which data are available (2004–2006), there is no obvious pattern in the notified redundancies in the context of a decline in the unemployment rate. In 2007, notified redundancies reached their lowest level (fewer than 1,300 people affected by the redundancies in the first three quarters) but they rose again in the last quarter of 2007. As Figure 8 shows, notified redundancies started to rise sharply in the third quarter of 2008, reaching their highest level in the first quarter of 2009. The sharp rise in unemployment rates that occurred in the first quarter 2009, two quarters later, lends support to the idea that notified redundancies may represent – especially in a downturn – a good lead indicator of unemployment. In total, in the first quarter of 2009, almost 12,000 people were affected by notified redundancies in 242 firms. Since February 2009, the figures for notified redundancies have decreased but it should be noted that recent monthly data for August and September 2009 show renewed increases.

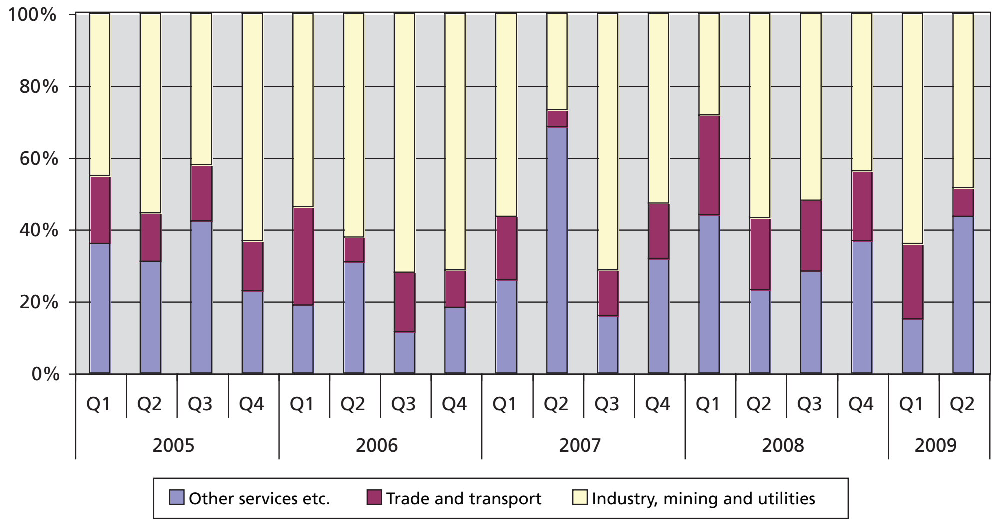
Figure 8: *Notified redundancies and unemployment rate by quarter (Denmark, 2004–2009)*



Source: www.jobindsats.dk

Following the increase in the notified redundancies, which started in June–July 2008, an increase can also be observed in the unemployment rate by April 2008, which reached its peak (6.1%) in June 2009, six months after the peak of notified redundancies.

Figure 9: *Notified redundancies by sector (Denmark, 2005–2009)*



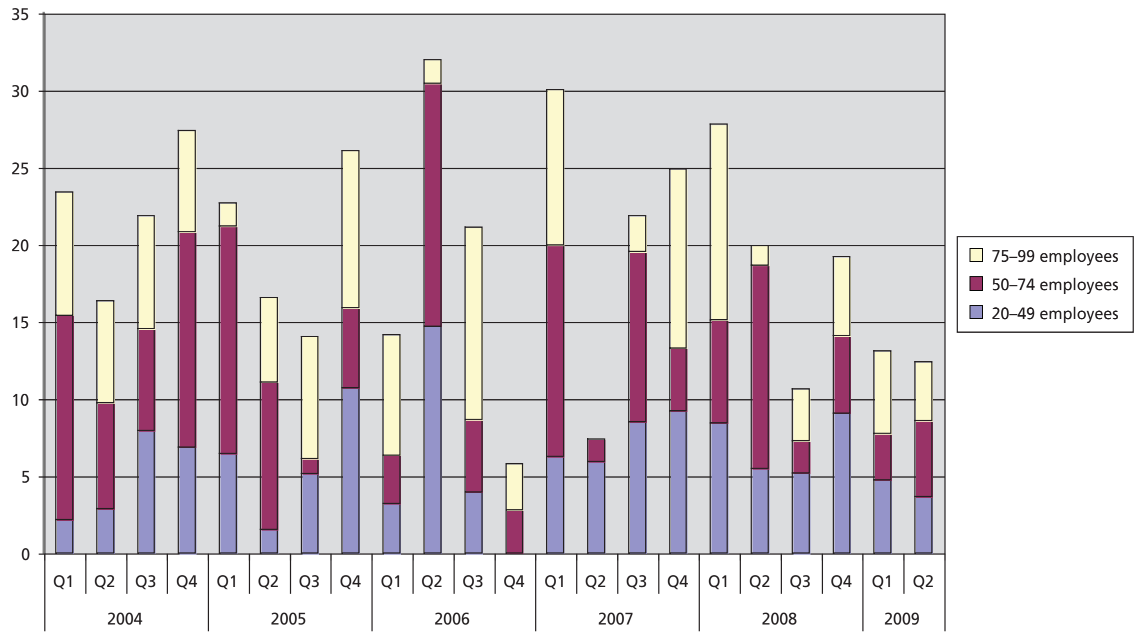
Source: www.jobindsats.dk
Note: *Data not available for 2004.*

Figure 9 charts notified redundancies by three broad sector groups:

- industry, mining and utilities;
- trade, transport, etc;
- other services, etc.

The graph shows that since data became available (2005), the majority of notified redundancies have involved the combined industry, mining and utilities sectors. The other services category did, however, account for over 40% of the notified redundancies in the second quarter of 2009.

Figure 10: *Percentage of notified redundancies by firm size (Denmark, 2004-2009)*

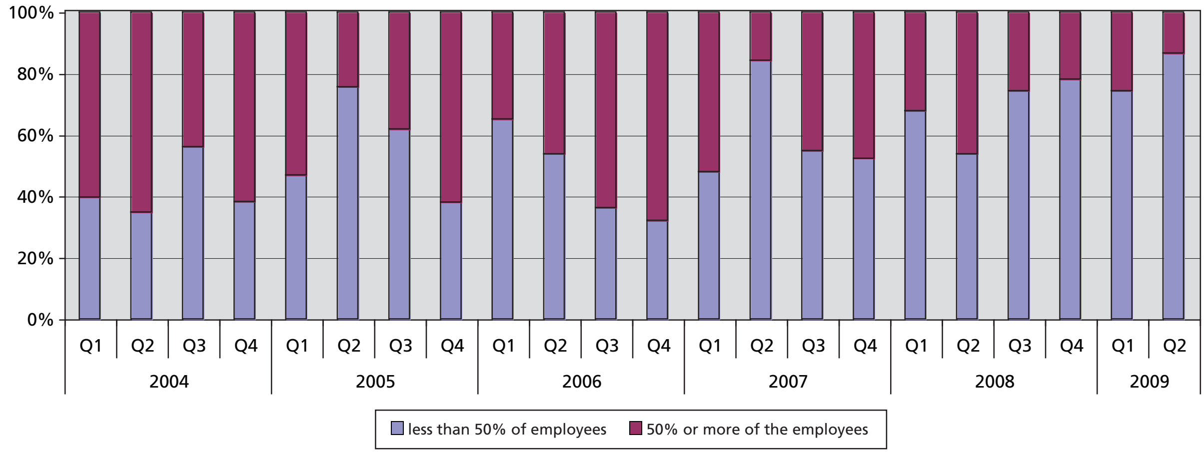


Source: www.jobindsats.dk.
Note: *Remainder of notified redundancies for each quarter accounted for by firms with 100+ employees.*

Danish data allow for the notified redundancies to be broken down by reason: restructuring or firm closure. The information shows that during the crisis in recent months, most notified redundancies are attributed to workforce reductions rather than to firm closures. This is particularly true for the third quarter of 2008 onwards, when at least 80% of the notified redundancies are due to restructuring.

Furthermore, if the notified redundancies are broken down by firm size, it can be observed that the majority of notified redundancies in the published data involve bigger firms (100 employees+), which are responsible on average for at least 70% of the notified redundancies. While this is at least in part due to the specific thresholds for reporting redundancies indicated above, it is interesting to note that over the last two years the share of notified redundancies accounted for by smaller firms has been in decline. During 2009, over 85% of notified redundancies have taken place in bigger firms.

Figure 11: *Percentage of notified redundancies by extent of impact on firm's employees (Denmark, 2004–2009)*



Source: www.jobindsats.dk

Finally, the Danish data allow for the analysis of the scope of the notified redundancies, describing whether the notified redundancies involve 50% or more of a notifying firm's employees or not. Figure 11 shows that with very few exceptions dating before 2007, the majority of the notified redundancies affected less than 50% of the employees. In particular, since the third quarter of 2008, more than 70% of the notified redundancies involve less than 50% of the employees of a firm.

To summarise, the following points should be noted.

- The provisions of the Danish legislation on the reporting of collective redundancies go beyond the minimum requirements set out in the EU Directive (98/59/EC).
- Danish data are regularly updated and published at the website of the Danish Labour Market Authority (http://www.jobindsats.dk/).
- Danish data can be broken down by notification reasons (due to restructuring or due to firm closure), notification level (more or less than 50% of the workforce affected by the notification) and by company size as well as broad sector.
- Data show a sharp increase in the number of notified redundancies in the third and fourth quarter of 2008, reaching the highest level in the first quarter of 2009. Levels subsequently fell off sharply from this peak throughout 2009 but have begun to rise again according to August and September 2009 monthly data.
- The majority of the notified redundancies occur in big firms (100+ employees) undergoing restructuring as opposed to closure, and involve dismissing less than 50% of the workforce.

Restructuring in Malta and Cyprus

Malta

Limited restructuring activity was reported in Malta during the quarter. The business expansion cases that were reported are each likely to involve the creation of fewer than 100 jobs. **Easygas**, a joint venture company between Maltese and Italian entrepreneurs who plan to import gas cylinders from Sicily for the local market, announced an investment of €7 million. **Yellowjet**, a water taxi service provider, will start operating in October 2009. A joint venture between Forestals Group and KLF consulting has recruited its top management team and will be offering high-end ICT solutions for the corporate market.

Cyprus

By contrast with Malta, the labour market situation in Cyprus has weakened sharply with an acute rise in unemployment recorded in August 2009. Compared to August 2008, the number of registered unemployed increased by 64.7% (6,987 individuals), 50% of which came from three sectors: construction industry, trade and real estate/business activities. Nevertheless, the unemployment rate in July 2009 remained low (5.5%) in comparison to the euro zone average (9.5%).

According to the daily newspaper *Stockwatch* (16 July 2009), approximately 10–15% of the 3,000 workers employed in the 26 businesses represented by the Motor Vehicle Imports Association have been dismissed. The association is recommending a new replacement scheme for old vehicles, which will target 10–12 year old vehicles in order to revive the market. Company-specific restructuring was reported at Société Générale of Cyprus (involving only eight staff following negotiations) and Tsokkos Hotels where 22 employees were laid off by the group, which employs 1,200 workers on the island. Reduced tourist numbers were cited as the reason.

Restructuring research notes

WORKS Project

A four-year programme of research on changes in work organisation and restructuring in the knowledge economy coordinated by HIVA, Leuven, concluded in late 2008. The final August 2009 edition of the WORKS newsletter (www.worksproject.be) contains a summary of the project's principal findings. Specific project publications include:

- *The transformation of work in a global knowledge economy: towards a conceptual framework* (Huws, U., ed.)
- *Value chain restructuring in Europe in a global economy* (Huws, U. et al)
- *Impact of restructuring on health and safety and quality of work life: psychosocial risks* (Di Nunzio, D. et al)

International Sourcing survey

An ad hoc enterprise survey on offshoring ('international sourcing') activity in the period 2001–2006 was carried out in 13 European countries in 2007 and coordinated by Eurostat. The survey asked enterprise representatives and others about levels of offshoring activity, jobs affected, business functions offshored, destination of offshored jobs, motivations and barriers to offshoring and future intentions of companies. The first reporting of the survey results was for the Nordic countries and the Netherlands in *International Sourcing: Moving Business Functions Abroad* in June 2008. A more recent Eurostat edition of *Statistics in Focus*, *International Sourcing in Europe*, summarises the results across all participating countries.

Some of the findings are listed here.

- Most offshoring of core business and support functions remains within the EU.
- Offshoring is most common in Irish, UK, Danish, Finnish and Slovenian enterprises and in manufacturing rather than service enterprises.
- The main motivations for offshoring are 'reduction in labour costs' (45% of offshoring enterprises), 'access to new markets' (36%) and 'strategic decision by group head' (36%).

Note on ERM methodology

The European Restructuring Monitor (ERM) is a tool that monitors the employment effects of large-scale restructuring events in the EU27 and Norway. The monitor relies on reports in selected media titles (three to four per country) covered by a network of 28 national correspondents. All announcements involving the reduction or creation of at least 100 jobs, or affecting 10% of the workforce in sites employing 250 people or more, are taken into account.

The ERM database is updated on a daily basis. Readers can access more details of individual cases cited in this issue using the search tools at http://www.eurofound.europa.eu/emcc/erm/index.htm (click 'Factsheets'). The ERM also enables the compilation of statistics based on the information available in the database (10,000+ restructuring cases covering 2002 to date) broken down by the following independent variables: sector, type of restructuring, country as well as time period.

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

For previous editions of the quarterly as well as other ERM-related publications, visit the website at http://www.eurofound.europa.eu/emcc.

The data for this report was extracted on 5 October 2009. As the ERM continually updates cases in light of new information on recent cases, data reported here may not correspond exactly to later extractions.

This issue was written by **John Hurley, Sara Riso** and **Lidia Salvatore** with contributions from **Stuart Craig**, **Daniela Freddi** (ERM EU-level correspondent), **Sebastian Schulze-Marmeling**, **Manwel Debono** and **Anna Borg** (ERM Maltese correspondents) and **Yannis Eustathopoulos** (ERM Cyprus correspondent).

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