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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

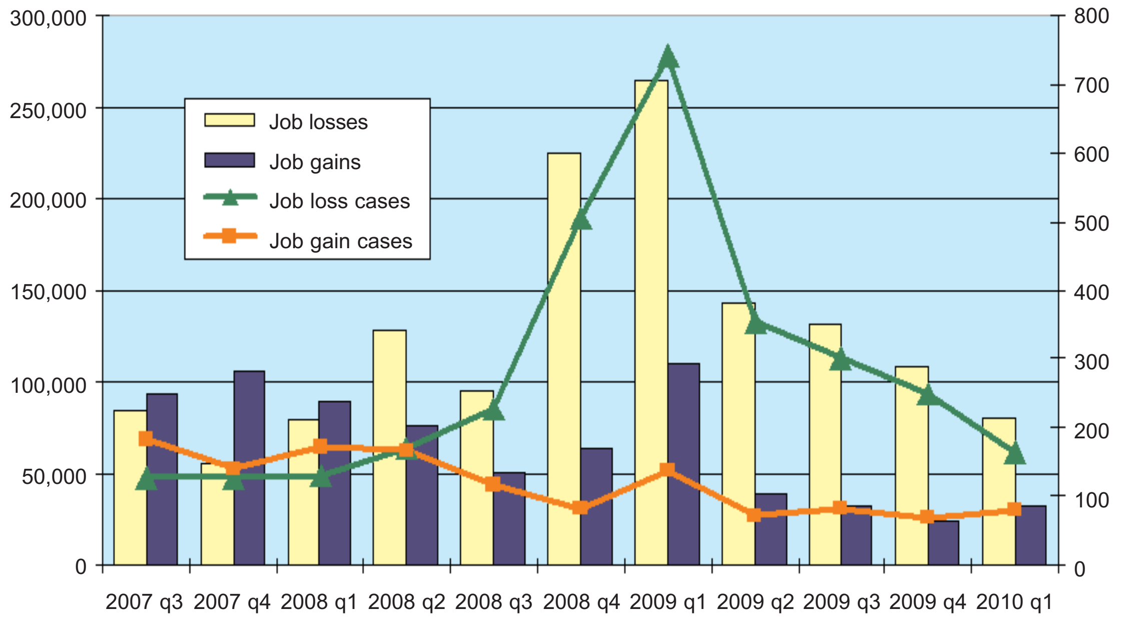
Summary

Though no longer in recession, the EU economy remains fragile, with growth well below trend rates. Unemployment continues to rise, though at a slowing pace (it stood at 9.6% in the EU27 in February 2010).

Financial market activity has stabilised, with few signs of a return to the volatility experienced in late 2008. The main macroeconomic preoccupation in the first quarter of 2010 related to the state and sustainability of the public finances in a number of Member States with high levels of government indebtedness. In a context of perceived risks to the stability of the euro, a common eurozone response to the Greek sovereign debt situation was emerging in the second week of April. Without a broadly based return to growth, problems related to high levels of public debt are likely to re-emerge. On a more positive note, data from the US and Japan show signs of a more healthy recovery with real growth of 1.4% and 0.9% respectively in the most recent quarter. Alongside more positive indicators from developing countries, this may serve to underpin the European recovery in 2010.

Restructuring activity – as captured by the ERM – continues its recent trend of decline, albeit one where job losses continue to predominate over job gains. Over the last quarter (1 January to 31 March 2010), the ERM reported 244 cases of restructuring.[1] Of these, 160 were cases of restructuring involving job loss. The number of announced job losses totalled approximately 80,000 in the quarter as against announced job creation of just over 30,000 new jobs.

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



Source: *ERM*

The largest single case of job loss in the quarter was reported by the Romanian national freight railway company **CFR Marfa**, which announced that the loss of over 6,000 jobs (or over one third of all employees) would take place during the first quarter of 2010. The expansion of employment in low-cost providers continued apace, with 6,000 new jobs announced in Walmart-owned UK retailer **Asda** during 2010 and 2,000 new jobs in restaurant chain **McDonalds** in Germany.

[1] Additionally, there were 14 cross-national world and EU cases of restructuring. The total case count for the quarter was 258. Job loss and gain totals do not include world and EU cases, in order to avoid double counting.

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Current macroeconomic trends and prospects

Full-year output figures for all developed economies in 2009 reveal the severity of the 2008–2009 global recession. Germany and Japan suffered declines of 5% in gross domestic product (GDP) over the year and even relatively less affected countries such as France suffered a 2.2% decline. Overall, real global GDP contracted (by -2.2%)[2] in 2009 for the first time since the 1930s.

In the second half of 2009, the developed economies began to pull out of recession. In the fourth quarter 2009, the EU economy posted positive GDP growth for the second quarter in succession.[3] Amid more general signs of a return to growth in the global economy, however, a 0.1% quarter-on-quarter increase is indicative of the fragility of the European recovery. OECD composite leading indicators offer some qualified hope for the coming period, predicting continued 'economic expansion, albeit at a different pace across countries and regions'.[4]

According to a March 2010 flash estimate from Eurostat, the brief deflationary period from May–October 2009 has passed. Inflation in the eurozone continues to rise, at low levels (of 1.5%) – in part, at least, due to increasing oil prices.

The stability and sustainability of public and corporate finances continue to be of major concern. Public deficits are expected to amount to 80% of GDP in 2010, are over 100% of GDP in Italy and Greece and are rising rapidly in other Member States, including the UK and Ireland.[5] According to recent Deutsche Bank research, 'public debt has become, or is at least at the risk of becoming, unsustainable in many DMs [developed market economies]'.[6] Similarly, in the private sector, the financial sector remains weak, suffering from loan and mortgage defaults as a consequence of asset-price collapses and corporate insolvencies. Bank lending to the real economy continues to be inadequate, representing a further brake on growth.

The following paragraphs give a more detailed account of recent economic developments in the EU. Most recent GDP data show the EU limping rather than leaping out of recession (see Table 1). Negative growth persists in 10 Member States, including Spain, Ireland and Latvia – all still in recession. The strongest drivers of growth are France and Poland, amongst the larger Member States, as well as the Czech Republic and Slovakia. Estonia and Lithuania appear to be emerging from their especially severe recessions.

[2] World Bank, *Global Economic Prospects 2010: Crisis, finance and growth*

[3] 'Euro area GDP stable and EU27 GDP up by 0.1%', Eurostat news release
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-07042010-BP/EN/2-07042010-BP-EN.PDF

[4] 'OECD composite leading indicators point to continued expansion', OECD news release, 12 April 2010,
http://www.oecd.org/dataoecd/57/46/44970479.pdf

[5] Ibid

[6] Deutsche Bank, *Public debt in 2020 – A sustainability analysis for DM and EM economies*, 24 March 2010.
http://www.dbresearch.com/PROD/DBR_INTERNET_EN-PROD/PROD0000000000255134.pdf

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Table 1: *GDP growth fourth quarter 2009, compared with previous quarter, seasonally adjusted (%)*

Austria	0.4	Germany	0.0	Malta	0.9	Sweden	-0.6
Belgium	0.3	Greece	-0.8	Netherlands	0.2	United Kingdom	0.4
Cyprus	-0.3	Hungary	-0.4	Poland	1.2		
Czech Republic	0.7	Ireland	-2.3	Portugal	-0.2	EU27	0.1
Denmark	0.2	Italy	-0.3	Romania	-1.5	United States	1.4
Estonia	2.5	Latvia	-2.9	Slovakia	2.0	Japan	0.9
Finland	0.0	Lithuania	0.5	Slovenia	0.1		
France	0.6	Luxembourg	-0.2	Spain	-0.1		

Source: *Eurostat EuroIndicators, 7 April 2010*
Note: *No data for Bulgaria*

The rise in unemployment in the EU has moderated somewhat but, at 9.6% (in February 2010) is nearly three percentage points higher than at its most recent pre-crisis trough in early 2008.[7] There were 4.7 million people fewer in work in the EU27 in the third quarter of 2009 compared with the same period a year earlier.[8] The majority of job destruction has been concentrated in manufacturing and construction, with consequent disproportionate impacts on younger, male, private sector and unskilled/semi-skilled workers.

The diversity of labour market impacts of the crisis to date across the EU has been notable. One country – Poland – succeeded in avoiding recession and retrenchment altogether. Member States such as Ireland, Spain and the Baltic countries, on the other hand, have undergone wrenching adjustments linked in part to the collapse of construction booms or property bubbles.

The employment effects in some larger Member States have been comparatively muted to date. The German employment figures are especially noteworthy: a huge output decline has been accompanied by only a marginal reduction in employment (of -0.2%, between the third quarter of 2008 and the third quarter of 2009). This is a testament to the successful extension of the short-time working scheme (*Kurzarbeit*) scheme and also to the buffer effects of other collectively negotiated forms of working time flexibility.

As in previous quarters, the lowest unemployment rates were reported in the Netherlands (at 4%) and Austria (5%), followed by Luxembourg (5.5%). The highest levels were again recorded in the Baltic countries of Latvia (21.7%), Estonia (15.5%) and Lithuania (15.8%) as well as in Spain (19%).

[7] 'Euro area unemployment rate at 10.0%', Eurostat news release, 31 March 2010, **http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/3-31032010-BP/EN/3-31032010-BP-EN.PDF**

[8] European Commission, *Quarterly EU labour market review – Winter 2010*, **http://ec.europa.eu/social/BlobServlet?docId=4538&langId=en**

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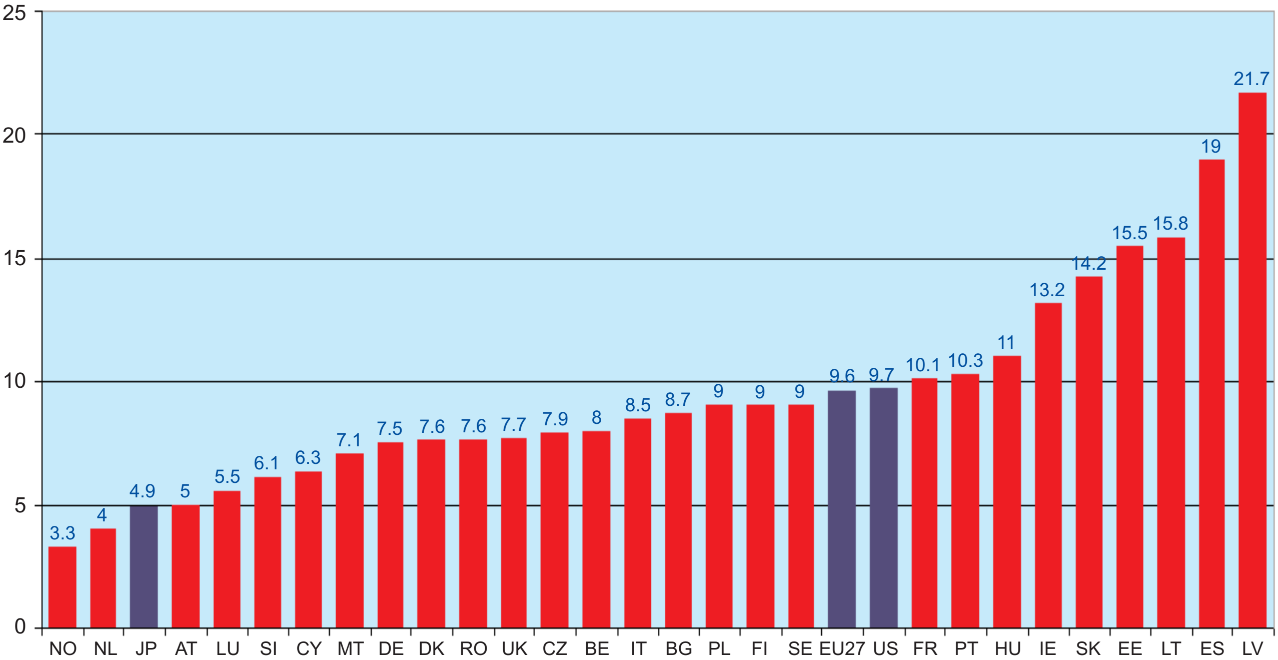
Figure 2: *Seasonally adjusted unemployment rates, February 2010 (%)*



Source: *Eurostat*
Note: *Data for EE, EL, LT, RO and UK are from December 2009.*

Unemployment continued to worsen in the most recent quarter to February 2010, though the pace of decline has slowed. Only Belgium and Slovenia reported declining levels of unemployment. Unemployment in Germany remained steady at 7.5%, while Spanish unemployment also showed no increase, remaining stable at 19%. The highest quarterly increases were reported in Latvia (1.4%), Bulgaria (0.6%) and the Czech Republic (0.5%).

In summary, the global economic recovery appears to be on a firmer footing in early 2010, though the EU lags somewhat behind developments elsewhere. Most predictions are for a sustainable return to growth, albeit weak, in the second half of 2010. Vulnerabilities however persist, in particular in relation to high levels of public and private indebtedness.

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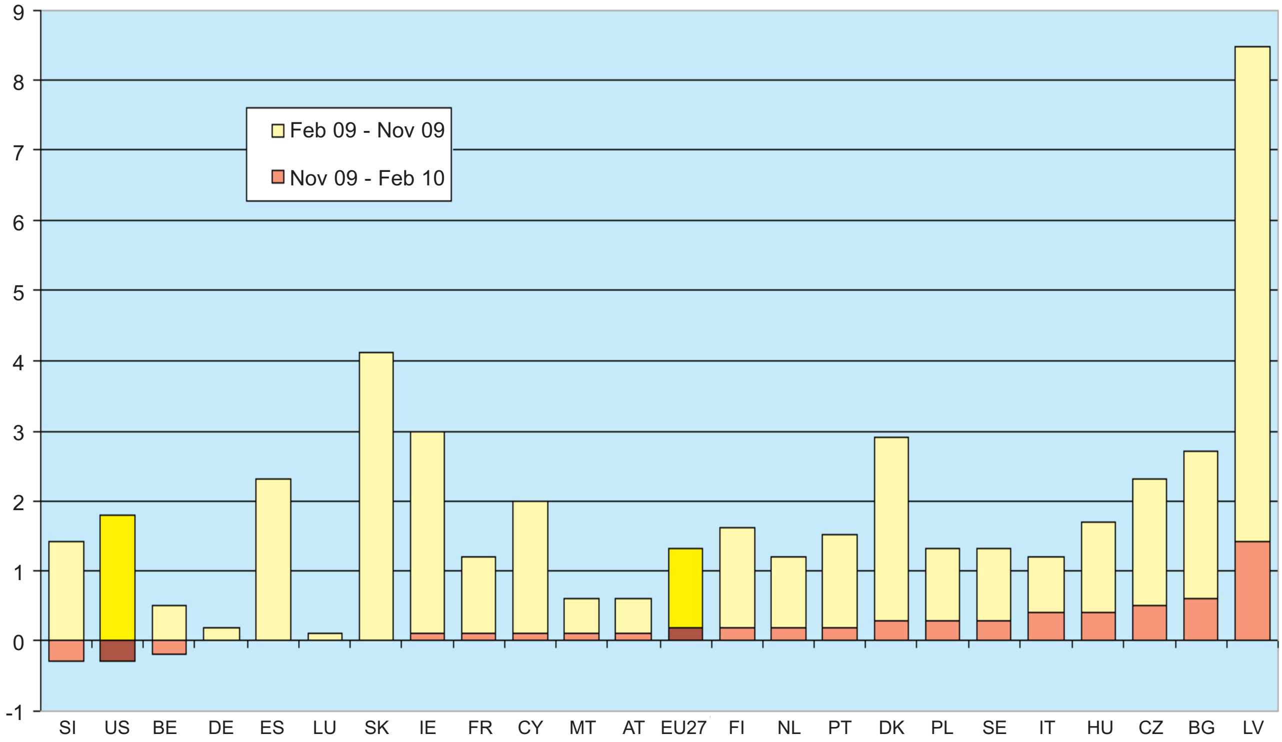
Figure 3: *Changes in seasonally adjusted unemployment rates (percentage points), in the three months and the year leading up to February 2010*

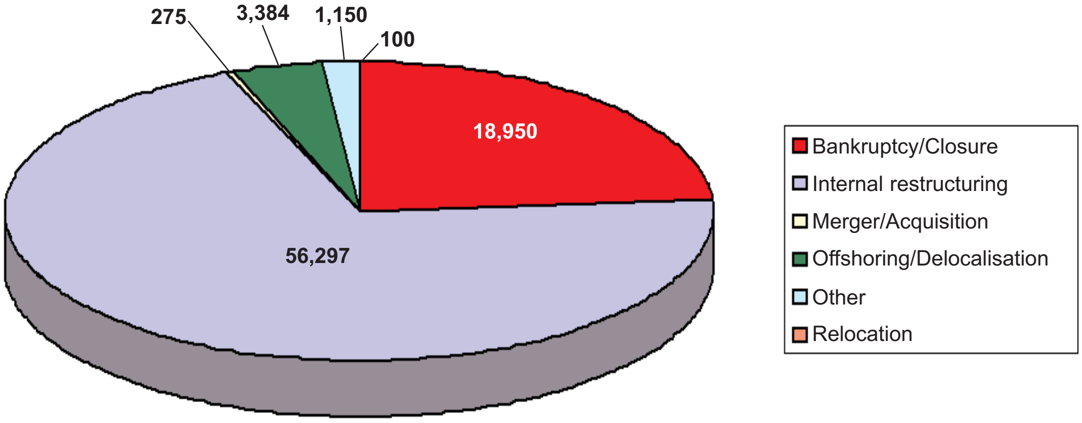


Source: *Eurostat*
Note: *No data for EE, EL, LT, RO and UK*

Overview of ERM cases January–March 2010

The ERM recorded a total of 244 cases of restructuring between 1 January 2010 and 30 March 2010. These cases involved 80,156 announced job losses and 31,725 announced job gains. Internal restructuring accounted for over 70% of the announced job losses and bankruptcy/closure for nearly a quarter.

Figure 4: *ERM job losses by type of restructuring, January–March 2010*



Source: *ERM*

In terms of geographic distribution, the countries with the greatest number of announced job losses were the UK (with 18,504 jobs due to be lost), followed by Romania (14,129 jobs) and Germany (12,040 jobs). These same countries are also those where the highest numbers of job gains were reported. The UK features top of the list, with 9,810 job gains; next were Germany and Romania with 4,208 and 4,150 new jobs announced respectively. The five most prominent instances of job reduction are listed in Table 2.

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

Company	Jobs	Location	Restructuring type	NACE code (sector)
CFR Marfă	6,380	Romania	Internal restructuring	Land transport (60)
Opel	2,606	Belgium	Bankruptcy/closure	Auto manufacture (34)
Lithuanian regional administration	2,500	Lithuania	Internal restructuring	Public administration and defence (75)
Skoda Auto	2,440	Czech Republic	Internal restructuring	Auto manufacture (34)
Bechtel Romania	2,233	Romania	Internal restructuring	Construction (45)

Source: *ERM, 1 January–30 March 2010*

By a considerable margin, the largest case of restructuring is that of the Romanian national freight railway company **CFR Marfă** with the dismissal of 6,380 employees. Following trade unions' protests, the government issued a decree regarding the redundancy package for those personnel made redundant by railway transport companies. According to the decree, the affected workers would receive between 12–15 months of pay, based on service. This has tempered the trade unions' disapproval and no further protest actions are foreseen.

Another large-scale case of job reduction is that of the **Opel** assembly plant in Antwerp (Belgium) with 2,606 announced job cuts due to a sharp fall in sales. The unions reacted to the announcement by blockading the plant and threatening to prevent all new cars from leaving the plant until General Motors – the owner of the Opel plant – agreed an acceptable social plan for the redundant workers. Management stated that the company intends to provide affected workers with training programmes and attempts will be made to find a new investor for the site. The redundancies in Belgium are part of a large restructuring plan aimed at eliminating 8,300 jobs in Europe and scaling back capacity (see the separate section on restructuring at GM Europe).

Volkswagen's Czech unit **Škoda Auto** announced the loss of 2,440 jobs in 2010 due to the slowdown in customer orders as the car scrappage incentive scheme in Germany came to an end.

The largest public-sector case reported during the quarter involved the **Lithuanian regional administration**, which announced 2,500 dismissals in different regions, though it is reported that some 1,100 of the dismissed employees will be reemployed in other public institutions.

Table 3: *Top five cases of announced job creation*

Company	Jobs	Location	Nace code (sector)
ASDA	6,000	United Kingdom	Retail
McDonald's	2,000	Germany	Hotels/restaurants
Genpact	1,000	Romania	Real estate/business activities
Dussmann Service	1,000	Italy	Hotels/restaurants
Rossmann	1,000	Germany	Retail

Source: *ERM, 1 January –30 March 2010*

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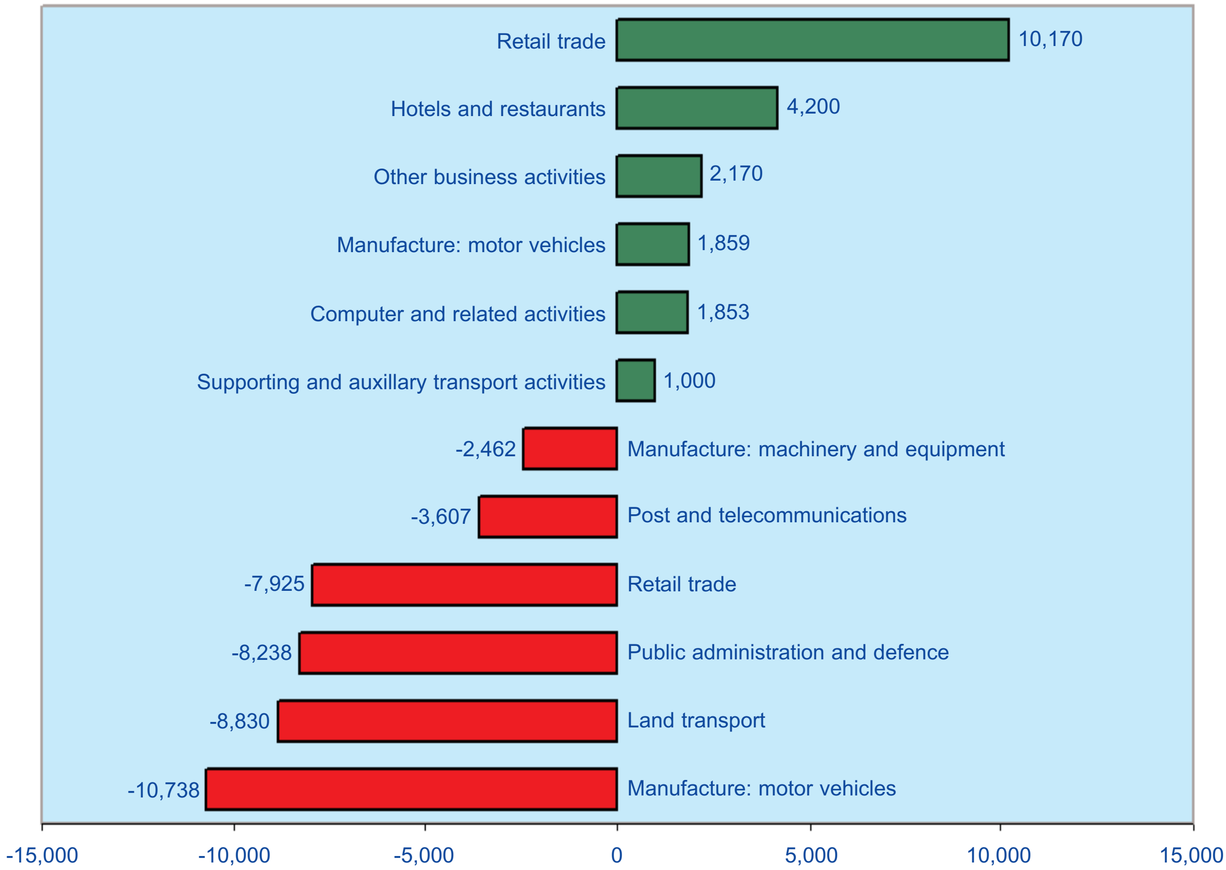
The largest cases of job creation registered in the first quarter of 2010 in the ERM are described in Table 3. Retail and hotels, restaurants and catering are the sectors registering the majority of announced job gains in this quarter and include the two largest cases of job creation (**ASDA** and **Mc Donald's**). Other significant cases of announced job creation include **Genpact**, a business and technological services provider, which announced the creation of 1,000 jobs in Cluj, Romania by the end of 2010. These new jobs are for economic graduates, accountants and foreign-language speakers holding less than three years' working experience. In Italy, **Dussmann Service**, a global service provider, announced the creation of 1,000 new jobs by the end of 2010, while in Germany drugstore chain **Rossmann** announced that it will open 120 new stores, resulting in 1,000 new jobs by the end of 2010.

Restructuring across countries

Figure 5 plots the top 10 NACE 2-digit sectors in terms of announced job creation and job loss, as reported to the ERM in the first quarter of 2010.

Figure 5: *Job gains and reduction for top 10 sectors (Nace two-digit, revision 1.1)*



Source: ERM, 1 January –30 March 2010

Job reduction

Auto manufacture is the sector reporting the greatest job loss (of 10,738 jobs) in this most recent quarter. The second-ranking sector is land transport, with 8,830 quarterly job losses, followed by the public administration and defense and retail trade sectors (8,238 jobs and 7,925 jobs respectively).

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The auto manufacturing sector recorded fewer job losses in the last three months compared with the last quarter of 2009. The largest cases involved the announcements already mentioned by **Opel** in Belgium and **Škoda Auto** in the Czech Republic. Another significant case of job reduction concerns the German tyre manufacturer **Continental**, which announced in February 2010 the loss of 1,000 jobs in Germany by the end of the year. The current recession has worsened the financial situation of the company, which has been struggling financially since its acquisition of the Siemens subsidiary VDO in 2008. In a bid to survive the economic crisis, the company has placed 3,600 workers on short-time working. Around the same time, the car parts manufacturer **Bosch** announced 900 job cuts in the UK with the closure of its plant at Miskin in Wales and the offshoring of the jobs to Hungary. The company has pledged to collaborate with the Welsh Assembly Government to provide training support for the affected staff and find future alternatives for the site.

In the land transport sector, the majority of job losses were accounted for by the previously mentioned case at the national freight railway company **CFR Marfă** in Romania. The French national railway company **SNCF** also announced a large-scale restructuring plan involving a net reduction of 1,400 jobs, due to decreasing revenues from its high-speed train network. Although job reductions are said to be counterbalanced by some job creation, trade unions claim that about 2,600 jobs will be cut as the company's budget for 2010 foresees 5,400 departures and 1,800 new staff.

Most of the job reduction in the public administration and defense sector is attributable to three large cases. Aside from the 2,500 job losses in the **Lithuanian regional administration**, other notable cases involved **Birmingham City Council** and **Nottinghamshire County Council** in the UK, who announced 2,000 and 1,500 job losses respectively. In both cases, the intention is to keep compulsory redundancies to a minimum by including early retirement and voluntary redundancy possibilities.

UK (Cadbury): biting off more than you can chew

The controversy surrounding one recent high-profile takeover may serve to reframe industrial policy in the UK, if the governing Labour party are returned to power in general elections taking place in May 2010.

Kraft Foods successfully concluded a takeover of UK confectionery producer Cadbury in early February 2010, when 72% of Cadbury shareholders accepted Kraft's bid price valuing the company at over GBP 11 billion. Hedge funds had invested significantly in Cadbury's shares in anticipation of the deal.

Initial assurances from the US multinational that a Cadbury factory near Bristol would remain open were reneged upon within a week of the takeover. Kraft discovered that Cadbury was already advanced in plans to offshore production from Somerdale to Poland and said it would be 'unrealistic' not to proceed with the offshoring plans. The Somerdale plant, which once employed over 5,000 people, will now close by 2011 with the loss of 400 jobs. Responding to the announced closure, Jennie Formby, the Unite union's national officer for the food and drinks sector, said that Kraft had 'deliberately misled many hundreds of decent men and women' and expressed concern for the other 6,000 workers in Cadbury's UK and Irish operations. Lord Peter Mandelson, Secretary of State for Business, Innovation and Skills, criticised Kraft's management for a lack of 'straight dealing' over the Somerdale volte-face. Subsequently, responding to the public outcry, Kraft vowed that there would be no further compulsory redundancies among manufacturing workers or closures of any UK factories for at least two years.

In its general election manifesto published in April, the governing Labour Party has proposed to strengthen the rules regarding hostile takeovers in what has been billed the 'Cadbury's Law'. The plans would require a shareholder acceptance rate of 66.6% in such cases (as against the present rate of 50.1%) and an extension of government veto powers over takeovers on 'public interest' grounds to include infrastructure and utilities companies (this currently applies to media companies and on national security grounds only). The objective is to 'encourage a culture of long-term commitment to sustainable company growth'.

Sources: **www.ft.com/indepth/cadbury-kraft** and **www2.labour.org.uk**

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As with auto manufacture, the retail trade sector has reported fewer job losses in the last three-month period than in the previous quarter. Most of the job reductions in this sector are the consequence of bankruptcy or closure. One of the most significant cases of job reduction was that announced by the French food retailer chain **Carrefour**, with the loss of 1,672 jobs and closure of 21 stores in Flanders in Belgium, due to a sharp drop in sales. If the takeover of another 20 stores by the Mestdagh group fails, another 3,000 jobs could be cut. Another large instance of job reduction involved **Shop Direct**, which announced plans to cut 1,500 jobs and the closure of three call centers in the UK. The closures are blamed on a sharp decline in the number of customers using the phone services as sales migrate online. The third large case in the retail sector followed the bankruptcy of electronics retailer **Cosmos**, which resulted in the dismissal of 1,160 employees in Austria. In 2006, Cosmos was acquired by the Austrian Value Management Services group and the German Nordwind Capital Company, which subsequently reduced the number of staff from 1,400 in 2006 to 1,160 in 2010. According to the Austrian media, the workforce at the stores located in Vienna will be entitled to enter a regional re-employment scheme.

Job creation

In terms of job creation, the retail trade is the sector reporting the greatest job gains (10,170 jobs) in the first quarter of 2010. The second ranking sector is hotels and restaurants with 4,200 job gains, followed by other business activities (2,170 jobs), auto manufacturing (1,859 jobs) and computer and related activities (1,853 jobs).

In the retail sector there has been continued expansion of large supermarket chains: the biggest case involves Walmart-owned company **ASDA**, which announced that it will expand 10 of its stores and open 10 new stores throughout the UK, resulting in the creation of 6,000 new jobs by end of 2010. UK supermarket **Sainsbury's** announced the opening of a new store in Bangor, in Northern Ireland, creating 350 jobs and the opening of a new store in **Hawick**, creating 250 jobs. In Romania, **CORA**, the French-Belgian food retailer is to create 800 new jobs by opening a new store in Bucharest, while German retailer group **Metro** announced the opening of two new stores in Bucharest, resulting in 600 new jobs.

In the hotels, restaurants and catering sector, sector a large proportion of job gains continues to involve low-cost operators expanding market share as demand shifts to budget offerings. In January 2010, hotel chain **Travelodge** announced that it would open 26 new hotels across the UK during the year, creating 500 new jobs. The company stated that it will continue targeting the long-term unemployed in its recruitment drives. US fast food restaurant chain McDonalds made a variety of expansion announcements during the quarter. **Premier Capital**, a Maltese company that operates McDonald's restaurants in Malta and the Baltic states, announced the opening of two new restaurants in Lithuania creating approximately 150 new jobs, and announced the opening of three new restaurants in **Estonia**, resulting in 150 new jobs. The opening of new restaurants is part of a wider expansion plan, which includes opening a total of eight new restaurants in Malta and the Baltic states by 2011. McDonald's is also expanding its operations in **Ireland**, creating 250 new jobs in four new sites by end of 2010 and in **Germany**, where it will set up new McDonald's and McCoffee outlets by 2010 creating 2000 jobs among staff and managerial positions.

Italy (BCC di Roma): keeping it in the family

Italian bank BCC di Roma has formalised with unions an early retirement agreement that allows older workers to pass on their jobs to their sons or daughters (or other close relations). The two-year agreement, which came into force on 1 January 2010, allows those eligible for early retirement to choose between a lump sump payment (of five months' pay) or the opportunity to bequeath their job to a relative. It stipulates that those put forward by their relatives will have to be interviewed and prove that 'they possess the requirements' for the job.

Reactions to the agreement were polarised amongst the main Italian unions and more generally. Principal criticisms were that the move represented an attack on social mobility as well as the norms of competitive recruitment. The Italian General Confederation of Labour (CGIL), one of the country's main unions, refused to endorse the agreement, despite

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it bearing their local negotiator's signature. A senior CGIL official was quoted in *Corriere della Sera* as saying: 'The inheritance of jobs is not an acceptable practice. We cannot endorse it.' Other bank union officials pointed out that the accord served to formalise arrangements that are in any case well-established – if unwritten – especially in formerly public sector utility companies and banks. It is estimated that up to 90% of BCC di Roma staff already have relatives in the bank. BCC di Roma president, Francesco Liberati, said that 'according to article 2 of the bank's statute, the bank is obliged to give preference to members [soci] and those of the local community in terms of employability [*inserimento professionale*]'.

Source: 'Tutto in famiglia', *Corriere della Sera*, 11 December 2009
http://archiviostorico.corriere.it/2009/dicembre/11/Tutto_famiglia_mo_0_091211023.shtml

In the auto manufacturing sector, the ERM recorded a major expansion of the Volvo group, which announced the creation – at its Volvo Trucks Umeå unit in Sweden – of **240 new jobs in January 2010** and **159 new jobs in March 2010**. These are the third job creation announcements regarding the Umeå Volvo Trucks unit since the beginning of the recession. Between October 2008 and April 2009, Volvo Trucks had announced the dismissal of over 700 employees at its Umeå site.

In the Czech Republic, truck maker **Tatra** announced in March 2010 that it will re-employ approximately 500 workers out of the 850 who were dismissed in 2009 due to a fall in sales of 45%. The company is to restore full production as of 1 April 2010.

Sector in focus: European airlines

Even before the blanket flight restrictions across European airspace introduced as a result of an Icelandic volcanic ash cloud in mid-April , the airline industry has been facing strengthening headwinds during the recent recession. This is reflected in a significant level of restructuring over the past six months, in some cases associated with high-profile cases of industrial unrest.

The sector has been transformed within, notably by intense competition from low-cost carriers such as Ryanair and Easyjet and those emulating their business model. In Europe, high-speed train networks represent another growing external source of competition. The impacts of these pressures has been felt acutely in particular by the large, traditional incumbent operators whose cost and pricing structures makes them especially vulnerable to budget competitors. Some – such as Sabena and SwissAir – have declared bankruptcy. Most others – SAS, Lufthansa, Alitalia, BA – have embarked on major restructuring in a context of global industry losses of USD 9.4 billion in 2009 and an advance estimate from the International Air Transport Association (IATA) puts losses at USD 2.8 billion in 2010.[9]

Structural weaknesses such as tendencies to run at overcapacity, large corporate debt and vulnerability to volatile fuel prices have become manifest during the downturn. The profitability of many national or incumbent operators was

[9] 'IATA Cuts 2010 Loss Forecast in Half - Strong Start to 2010', IATA news release, 11 March 2010, **www.iata.org/pressroom/pr/Pages/2010-03-11-01.aspx**

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especially sensitive to drops in levels of business travel, which has been severely affected during the 2008–2009 recession. Compounding the problem of diminishing margins, global passenger numbers also decreased by 3.5% in 2009. The sector also faces criticism related to its greenhouse gas contributions, which may in time lead to environmental levies or related mitigation costs.

British Airways CEO Willie Walsh summed up the view of many airline companies, saying: ‘the industry has been decimated by the downturn, it has to change’. Restructuring programmes have been implemented right across the European Union but the large airline markets in western Europe have been especially affected, with long established market-leading ‘flag carriers’ feeling the pressure most.

British Airways announced plans in October 2009 to cut 1,000 jobs and reduce the working hours of 3,000 more workers in addition to imposing a two-year pay freeze. This was followed by an announcement in November 2009 that it would cut a further 1,200 jobs, attributed to a fall in revenue over the 2009 summer holiday season. In March 2010, the ongoing restructuring at BA provoked high-profile strike action by cabin crew. BMI also announced in November 2009 that it planned to cut around 600 jobs as it reduced the number of aircraft and suspended loss-making routes in response to declining passenger numbers.

Air France KLM announced major job cuts in September 2009, with 1,500 job losses to take place in the company’s cargo operations, a result of the sharp decline in world trade. The losses are to take place under a voluntary redundancy plan from 2010 to the end of 2011. The airline is also considering implementing short-time working schedules in order to weather the difficult financial climate and to respond to competition from high-speed trains and low-cost carriers.

Scandinavian Airlines (SAS) is planning 4,600 job cuts of around the world, as part of a programme aimed at cutting costs by 20%. A total of 505 job cuts in Sweden and 145 in other Scandinavian countries were announced in February and March 2010.

Aer Lingus, formerly the Irish national airline, announced the latest of several major restructuring efforts over recent years in October 2009. On a phased basis, 676 (voluntary) redundancies will be made by the end of 2011, with pay cuts also in store for some employees. The airline attributes the restructuring to a need to reduce operating and staff costs, which are ‘significantly out of line with peers’, adding that the airline needs to ’better align operating costs with those of Aer Lingus’ competitors’.

Lufthansa in Germany gave internal notice in October 2009 of a cost-saving programme to compensate for a decline in passenger numbers. It is thought that this will involve around 400 job cuts by 2012 and will be accompanied by cuts in some salary components. This was followed by an announcement in January 2010 that the company will accelerate its cost-saving programme in Europe and was now intending to ground 19 out of 34 planes at its Eurowing subsidiary, placing around 600 more jobs under threat in Germany.

Though low-cost carriers have emerged stronger within the industry, their victory has been relative rather than absolute. Many have not been spared by the downturn. Budget airlines with limited market share before the crisis hit have proven to be particularly vulnerable. For instance, in September 2009, central European budget airline SkyEurope went bankrupt after six years of operating, in which it was never able to record a profit; around 500 jobs in Bratislava were lost. Meanwhile, at the end of December 2009, the Spanish airline Air Comet also ceased operations due to bankruptcy, entailing the loss of all 640 jobs at the airline. Another 233 jobs were lost at Spanair and Air Nostrum.

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Airports themselves have also cut jobs as fewer planes took off and landed. Across Ireland, the Dublin Airport Authority (DAA) cut 375 jobs, while Amsterdam Schiphol Airport is to cut 400 jobs by the end of 2010, with both passenger numbers and air freight traffic orders down. Employees voted in favour of the restructuring plan in the DAA, which involves 275 permanent and 100 temporary job losses at Dublin, Cork and Shannon airports. The plan includes a pay freeze on remaining staff until 2011. It also includes a novel Employee Recovery Investment Contribution (ERIC) scheme under which salary cuts ranging from 0%–12% (on average, 5.5%), depending on grade, will be invested, resulting in payouts being given back to workers if certain commercial objectives are achieved over the coming three years. According to the Irish correspondent for Eurofound's European Industrial Relations Observatory, 'essentially, the ERIC investment scheme, which is based on the value of a DAA worker's earnings, turns what would be a straight pay cut into a potential dividend, but only if things turn around substantially for the company'.[10]

Low-cost carriers feature amongst the rare instances of recent job creation reported on ERM. Ryanair, Europe's biggest budget airline, continues to expand. The airline announced in February 2010 that it intends to: create 550 new jobs across the EU with the opening of a new €100 million base in Kaunas, Lithuania in May 2010; double the number of its routes from Faro, Portugal (leading to the creation of 200 jobs); and construct a second maintenance hangar at Glasgow Prestwick Airport in the UK (with the gain of 200 jobs). However, the airline is reducing the number of flights out of Shannon Airport in Ireland by 75% from April 2010 – incurring 150 redundancies – due to the expiry of its contract with the airport. Meanwhile, Brussels Airlines, based in Zaventem, Belgium, announced in February 2010 that it will create 110 new jobs after launching four new destinations in Africa. It is also expected that a further 110 indirect jobs in ground operations will be created.

Other job creation initiatives include Southend Airport, in Essex (UK), which announced in March 2010 that it will create more than 1,000 jobs by July 2012 as part of plans to extend its runway and position itself as an alternative to Stansted and London City airports. Haulage and logistics company Stobart Group bought the airport in 2008 and has received political backing for its expansion plan, which proposes to ease congestion in time for the 2012 Olympic Games in London. Also in the UK, Virgin Atlantic plans to open a new customer service centre in September 2010 in Swansea, Wales, which will create over 200 jobs over the coming two years. Finally, around 100 new jobs are expected to be created at the airport of Liège, Belgium, following the decision by the UK cargo company Avient to relocate its freight activities from Vatry, France, to Liège by the end of 2009.

However, a large majority of recent airline restructuring cases involve job reductions and lay-offs. Proposed mergers such as that of Iberia and British Airways signal ongoing rationalisation in the sector, which is likely to have an impact on employment levels and employment conditions. The disruption wrought by the Icelandic volcanic ash cloud – estimated by the IATA to be costing the industry USD 200 million per day – is likely to accelerate such rationalisation.

[10] Eurofound, *Airport Authority agrees to novel employee repayment scheme*, **http://www.eurofound.europa.eu/eiro/2010/02/articles/ie1002039i.htm**

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Restructuring at GM Europe

The global car industry has been severely affected by the 2008–2009 recession. Car sales suffered a drop of 20% in the OECD Member States between September 2008 and January 2009.[11] In order to mitigate the impact of the crisis in the automotive sector, most European governments have introduced measures to support the industry. These have ranged from credit loans and guarantees for troubled companies (in particular in France and Sweden) to car scrappage schemes (in Germany, UK and Italy) and interest-free financing of car purchases (in Spain).[12]

Despite such efforts, some of the big players in the car market continue to fight for survival. Others have had to file for bankruptcy. In part these difficulties are attributable to structural problems in the industry – notably excess capacity – present before the crisis.

Although the overall proportion of employment in car manufacturing is relatively small (at 1% in the EU27), the sector is characterised by its linkages with other parts of the economy – in the steel industry, in transport, financing, sales, insurance and maintenance.[13] In total, nearly 5% of jobs in the EU are directly or indirectly dependent on the car industry.

Perhaps the most prominent case of a car company in trouble has been that of General Motors (GM). One of the world's largest car makers, GM has businesses in some 140 countries and more than 200,000 employees.[14] The American company has had a large affiliate presence on the European market going back as far as the 1920s.

General Motors has 15 production sites in the European Union. Most of these plants produce the Opel brand (known as Vauxhall in the United Kingdom) but Saab and Chevrolet are also GM brands assembled in EU factories. Nine out of the 15 plants are owned by GM, whereas six are joint ventures or cooperations with other companies such as Magna Steyr, Renault and Suzuki. Opel/Vauxhall is GM's most successful brand in Europe with almost 1.5 million newly registered cars in 2008, followed by Chevrolet and Saab. The most important European markets are the UK, Russia, Germany and Italy, which accounted for around 60% of all GM sales in Europe in 2009.[15]

The recession hit General Motors severely as demand for new cars slumped, placing the group in such a perilous financial situation that it was forced to file for bankruptcy protection in New York in June 2009. US authorities had encouraged a bankruptcy declaration as this would free the company's hand to force through vital restructuring: under the terms of GM's 'Chapter 11' bankruptcy, courts were empowered to effectively force unions and creditors to reach agreement on sensitive labour issues in the US.

[11] OECD, *The automobile industry in and beyond the crisis*, Economics Department Working Papers No. 745, 2010

[12] Financial Times, *Automotive industry bail-outs around the world*, 17 February 2010, **http://www.ft.com/cms/s/0/28d25392-fcf2-11dd-a103-000077b07658.html**

[13] OECD, *The automobile industry in and beyond the crisis*, Economics Department Working Papers No. 745, 2010

[14] General Motors' company profile web page, **http://www.gm.com/corporate/about/company.jsp** (accessed on 20 April 2010)

[15] General Motors, *GM in Europe – Facts & Figures March 2009*, **http://www.gm.com/europe/corporate/download/GM_factandfigures_2009_low.pdf**

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GM's European production had already been subject to years of reorganisation, a development mainly marked by a shift of manufacturing from high-cost labour markets in western Europe to the new EU Member States and other eastern European locations.[16] GM now produces cars in Poland (Gliwice) and Hungary (Esztergom), Russia (Togliatti and Kaliningrad) and Ukraine (Zaporoshje). Recent years have seen workforce reductions in many western European plants and the closure of the GM site in Azambuja (Portugal).[17] In the past year, GM's UK plants in Ellesmere Port and Luton, its site in Antwerp (Belgium) and its five locations in Germany have all been subject to restructuring or closure plans by GM management.[18]

Despite all efforts to cut costs, GM's descent into bankruptcy in June 2009 necessitated numerous new initiatives to restructure the company's business. One of GM's major restructuring announcements in Europe was the plan to sell Opel/Vauxhall. The most promising bid came from Canadian-Austrian car part manufacturer Magna with finance from Russia's Sberbank. The German government promised loan commitments and guarantees of €4.5 billion in the event that Opel was sold to Magna. The plan was, however, criticised by the EU Commissioner for Competition, Neelie Kroes, as there were 'significant indications' that the German government aid was tied to undertakings to save Opel jobs in Germany.

All parties involved were taken by surprise when GM announced on 3 November 2009 that it was to pull out of the deal to sell Opel in order to retain and reorganise the company itself. Fritz Henderson, GM CEO at the time, said that selling Opel to Magna was 'no longer in the best interests of GM, now that the environment for car sales has started to improve'. A further reason for keeping Opel was its extensive research capacity that would have been lost to GM had they sold the brand.[19]

GM presented its own restructuring roadmap for Opel, which was not fundamentally different from Magna's plans. The Detroit carmaker laid out plans to close the Opel site in Antwerp and dismiss 2,600 people. Another 3,900 jobs were to be cut in Germany, 523 in the UK and around 900 in Spain (see map).

[16] Eurofound, *European Employees Forum react to General Motors outsourcing plans*, **http://www.eurofound.europa.eu/eiro/2008/04/articles/eu0804039i.htm** and *Trends and drivers of change in the European automotive industry: Mapping report*, **http://www.eurofound.europa.eu/emcc/publications/2004/ef0427en.pdf**

[17] Eurofound, *Workers' assembly at GM-Opel plant*, **http://www.eurofound.europa.eu/eiro/2006/07/articles/hu0607069i.htm** and *Conflict over terms of closure of Opel plant*, **http://www.eurofound.europa.eu/eiro/2006/09/articles/pt0609019i.htm**

[18] Eurofound, *EU-level initiatives in restructuring processes in automotive sector*, **http://www.eurofound.europa.eu/eiro/2006/10/articles/eu0610029i.htm** and *Day of action against GM job cuts*, **http://www.eurofound.europa.eu/eiro/2004/11/inbrief/eu0411201n.htm**

[19] Eurofound, *General Motors ditches plan to sell Opel and Vauxhall to Magna*, **http://www.eurofound.europa.eu/eiro/2009/10/articles/eu0910029i.htm** and *Trade union welcomes General Motors' decision not to sell Opel*, **http://www.eurofound.europa.eu/eiro/2009/11/articles/uk0911049i.htm**

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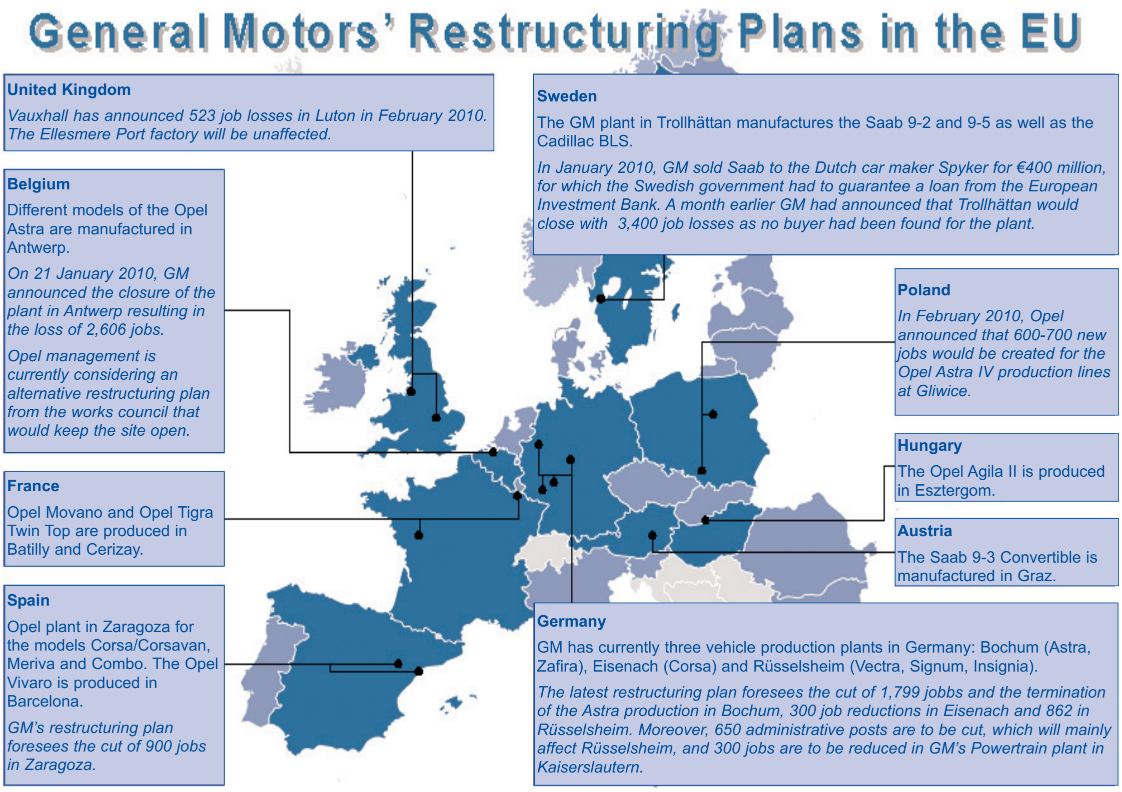

Source: *General Motors Europe, European Restructuring Monitor*

Table 4: *GM Europe employment by country, 2000-2009*

Country	Total number of GM employees by year		
	2000	2004	2009
Germany	41,800	30,037	25,103
Spain	8,700	8,050	7,001
Sweden	8,600	5,914	3,982
United Kingdom	6,300	7,119	4,729
Belgium	6,500	4,699	2,584
Poland	2,100	1,993	3,582
France	2,000	1,879	1,483
Hungary	1,000	81	640

Source: General Motors Europe

Reactions to GM's U-turn differed markedly. The decision not to proceed with the sale was greeted with relief in the UK where the British trade unions in particular had objections to the Magna deal. It was widely expected that Magna would agree to preserve jobs in Germany at the expense of other countries such as UK. Strong negative reaction, on the other hand, came from trade unions in Belgium and Germany. In early November 2009, large-scale protests were organised by trade unions at the plants in Antwerp, Bochum, Eisenach, Kaiserslautern and Rüsselsheim.[20] Workers' representatives

[20] Ibid

from the plant in Antwerp drafted a proposition, which foresees that the plant is downsized considerably but production would not be stopped should an injection of finance be found. This plan is currently being evaluated by GM management,[21] while a GBP 270 million loan from the British government helped scale production back up at Ellesmere Port as the group looks for similar funding from the German state to cushion its restructuring plans there.

The second important restructuring measure in the EU concerns Saab. In December 2009, GM management announced the liquidation of Saab because no investor could be found to buy the Swedish car maker.[22] Saab was employing around 3,400 people at its site in Trollhättan. The liquidation announcement itself led to extensive restructuring in downstream supplier and parts firms such as Pininfarina (120 job cuts in Uddevalla), Premier (103 jobs in Trollhättan), Lear (119 jobs in Trollättan) and IAC (99 jobs in Färgelanda). Saab's liquidation was ultimately avoided by a last-minute takeover from Dutch sports car manufacturer Spyker in February 2010. Spyker is vowing to continue production in Trollhättan.

Restructuring research notes

Report: *Délocalisations, Relocalisations : Mise en perspective et enjeux pour la région Aquitaine* (Delocalisation: a regional analysis in Aquitaine (France)) by Marie Coris, Christophe Carrincazeaux, Vincent Frigant and Alain Piveteau (GREThA, DIRECCTE, 2010) – a regional analysis of recent transfers of company activity into and out of the French region of Aquitaine

Findings

The following findings come from the quantitative part of the research.[23]

- The authors identified 16 company cases of extra-regional transfer of activity from Aquitaine in 2003 and 83 in 2008. The majority of these cases were 'partial' delocalisations where only a portion of a company's productive activities were transferred.
- Approximately two thirds of the delocalisation cases in Aquitaine in 2008 involved the transfer of activity outside France, while one third involved transfer to other regions of France.
- The principal activities delocalised were production and assembly.

[21] Financial Times, *GM considers employees' plan to rescue plant*, 9 March 2010, **http://www.ft.com/cms/s/0/4b606ba6-2b9f-11df-a5c7-00144feabdc0,dwp_uuid=0e73f8e0-a2b8-11de-ae7e-00144feabdc0.html.**

[22] Eurofound, *Crisis in automotive sector puts industrial relations under strain*, **http://www.eurofound.europa.eu/eiro/2009/12/articles/se0912029i.htm**

[23] The authors cite the ERM as the model for the quantitative aspect of this project. A database of company transfers of activity (new establishments, delocalisation and relocalisation) was created for the Aquitaine region for two limit years 2003 and 2008 on the basis of information captured by the regional press agency, l'*Aquitaine Presse Service* (APS). Factiva, Diane and other internet sources were used as secondary sources to confirm company details and to identify reasons for the proposed (de)localisations.

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From the qualitative part of the research (which took the form of interviews with sector experts and local company and social partner or state representatives), it was found that factors opposing the decision to delocalise included various forms of ‘anchoring’ (*ancrage*), such as:

- the quality of relations with local sub-contractors;
- local or regional funding possibilities;
- local markets;
- the presence of a good-quality local infrastructure;
- the fact that in moving up the value-chain, companies that seek to enhance product quality tend to stay in situ and are more likely to relocalise than delocalise.

(See **http://gretha.u-bordeaux4.fr for report and synthesis.**)

Article: ‘Downsizing effects on survivors: Layoffs, offshoring, and outsourcing’ by Carl P. Maertz Jr, Jack W. Wiley, Cynthia Lerouge, Michael A. Campion in *Industrial Relations: A Journal of Economy and Society, Volume 49, No. 2, April 2010.*

This is an analysis based on self-reported outcomes to different forms of company downsizing comparing those affected by downsizing to a control group who experienced no downsizing across a representative sample of over 13,000 US employees.

Selected findings

- Survivors of layoffs perceived lower organisational performance, job security, affective attachment, calculative attachment, and had higher turnover intentions.
- Survivors of offshoring perceived lower performance, fairness and affective attachment, but outsourcing survivors generally did not have more negative outcomes than the no-downsizing group.

ERM: note on methodology and interpretation of data

The European Restructuring Monitor (ERM) is a tool that monitors the announced employment effects of large-scale restructuring events in the EU27 and Norway. The monitor relies on reports in selected media titles (between three and five 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 daily. Readers can access more details of individual cases cited in this issue by going to **www.eurofound.europa.eu/emcc/erm** and clicking on 'Fact sheets'. The ERM also enables the compilation of aggregate data: to do this, click 'Statistics' on the same web page. These statistics are based on the information available in the database (over 11,000 restructuring cases, covering 2002 to the present) broken down by sector, type of restructuring, country and 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.

Given that the ERM relies on selected media titles, its coverage of restructuring activity in each Member State is indicative and cannot be considered representative. In view of size thresholds for case inclusion, the ERM reports almost exclusively on restructuring in medium-sized and larger firms; this size bias in turn leads to an over-representation of the manufacturing sector where company size tends to be larger. Variability of national-level media coverage of restructuring events from country to country leads also to country biases. This is reflected in higher levels of ERM reporting in some Member States (such as Poland, or the UK) and lower levels in others – Greece and Bulgaria, for instance.

In spite of these biases, ERM data does generate a picture of labour market restructuring, especially in relation to sectoral restructuring activity, that is broadly consistent with data coming from more dedicated sources such as the European Labour Force Survey (ELFS). It has also tended to anticipate – reasonably well – overall trends in (un)employment in European labour markets while providing unique data on the proportion of overall larger-scale restructuring-related job loss accounted for by different forms of restructuring (offshoring, internal restructuring etc). Other positive advantages of the ERM as a data source are its timeliness, its identification of individual cases of restructuring based on publicly available information and its uniqueness as an EU-wide dataset of larger-scale restructuring events.

The data for this report was extracted on 6 April 2010. As the ERM continually updates cases in light of new information on recent cases, data reported here may not correspond exactly to later extractions. For previous editions of the quarterly as well as other ERM-related publications, you can visit the website at **www.eurofound.europa.eu/emcc/erm**

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