ERM quarterly
EMCC european monitoring centre on change
ISSUE 3 October 2012

Macroeconomic trends and prospects

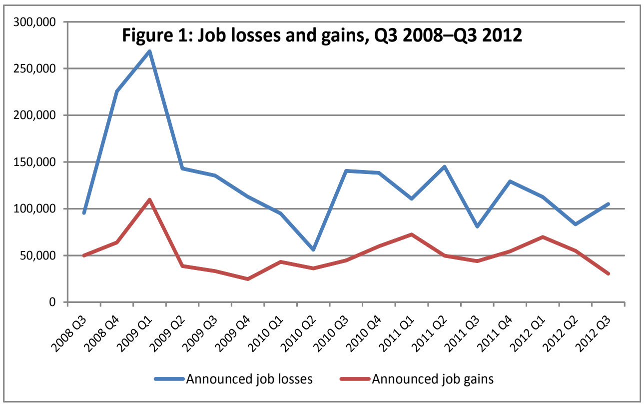
After the output falls between the second quarters of 2008 and 2009, the EU economy is again very close to recession. Real GDP has contracted in two of the last three quarters: quarter-on-quarter, real GDP growth was -0.3% in the fourth quarter of 2011, 0% in the first quarter of 2012 and is estimated to be -0.1% in the second quarter of 2012 (-0.3% when compared to the second quarter of 2011).
Despite the economic contraction, the number of employed people in the EU is expected to increase by 0.1% in the second quarter, reversing the declining trend of the preceding three quarters. Nevertheless, estimated employment levels are 0.2% lower than those of the second quarter of 2011, and in some countries the expected fall in employment is still dramatic (about -4% in Spain and Portugal and -9% in Greece in the same period). Unemployment rates continue to rise: the EU rate was 0.8 percentage points higher in August 2012 than one year earlier. Disparities in unemployment rates across Member States are at historic levels; rates range from 4.6% in Austria and up to 5.5% in Luxembourg, the Netherlands and Germany to 25% in Spain and 25.1% in Greece in July 2012. Youth unemployment in the EU increased to 22.7% in August. It is above 50% in Greece and Spain and at around 35% in Portugal and Ireland, much higher than the rates recorded one year earlier. Such data may raise questions about the appropriateness of the austerity programmes in these countries.
The outlook seems gloomy: the European Economic Sentiment Indicator reached minimum levels this summer, and the euro zone Purchasing Managers' Index (PMI) continues to worsen, while the OECD and IMF downgraded their forecasts for Europe. This suggests that the problems in the periphery of the euro area may be spilling over to the core.

IN THIS ISSUE

Job creation and job loss at a glance

The ERM recorded a total of 274 cases of restructuring between 1 July and 30 September 2012. Of these, 197 were cases of announced restructuring involving job loss and 77 were cases involving announced job creation. These cases involved 105,076 announced job losses and 30,520 announced job gains. Internal restructuring accounted for almost 77% of the announced job losses. The incidence of bankruptcies (9%), mergers and acquisitions (6%), closures (6%) and offshoring and delocalisation (2%) decreased compared to the previous quarter.

In terms of geographic distribution, the country that recorded the greatest number of announced job losses was Italy (31,340 jobs), followed by Germany (16,297 jobs), France (12,284 jobs) and Poland (8,420 jobs).



The United Kingdom recorded the highest number of new jobs (7,200), followed by Romania (5,702 jobs), France (4,720 jobs) and Poland (4,295 jobs).

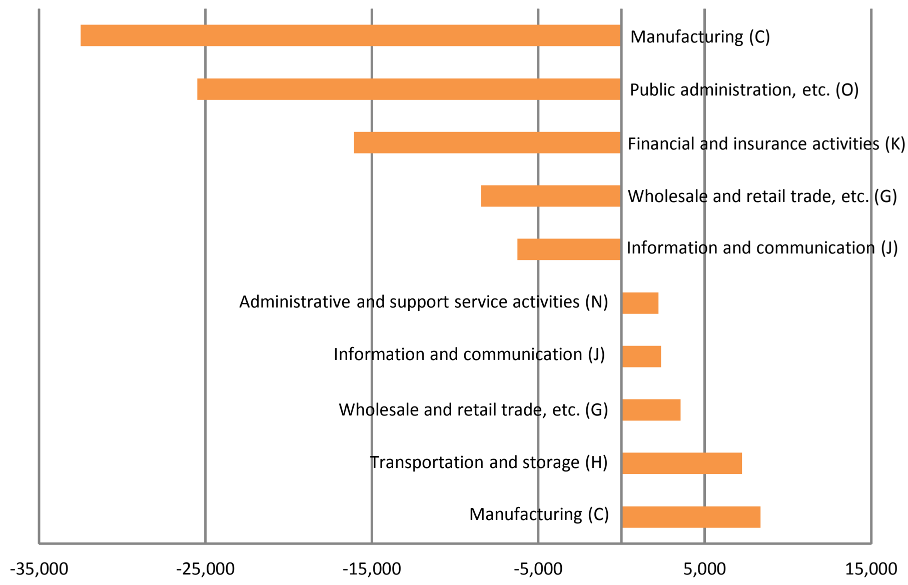
About the ERM The European Restructuring Monitor (ERM) is a unique EU-wide data set on larger-scale restructuring events. It monitors the announced employment effects of large-scale restructuring events in the EU27 and Norway. The ERM is updated daily, and data can be used for statistical analysis. The monitor relies on reports in selected media titles (three to five per country). 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. 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. Nevertheless, ERM data do generate a good picture of labour market restructuring, which is broadly consistent with data coming from more representative sources such as the European Labour Force Survey.
The data for this report were extracted on 4 October 2012. 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, more details of ERM data collection as well as other ERM-related publications, please refer to the website at www.eurofound.europa.eu/emcc/erm/info.htm

Eurofound

Sectoral distribution of job losses and job gains

Figure 2 plots the top NACE Rev. 2 one-digit sectors in terms of announced job loss and job creation, as reported to the ERM in the third quarter of 2012.

Figure 2: ERM announced job losses & gains, Q3 2012, by sector



Manufacturing was the sector most affected by job losses (32,501 jobs). Other notably affected sectors were public administration (25,500 jobs), financial and insurance activities (16,076 jobs), retail (8,446 jobs) and information and communication (6,251 jobs).

The highest number of announced new jobs was recorded in manufacturing (8,350 jobs), followed by transportation and storage (7,240 jobs). Other sectors that showed job growth during the quarter were retail (3,554 jobs), information and communication (2,380 jobs) and administrative and support service activities (2,221 jobs).

Source: ERM, July–September 2012

Top five cases of job loss and job creation

The five most prominent cases of job loss and creation are shown in the tables below.

Date	Company	Job losses	Location	Sector	Type of restructuring
02/07/2012	Italian public administration	24,000	Italy	Public administration	Internal restructuring
13/07/2012	PSA Peugeot-Citroën	8,000	France	Manufacturing	Internal restructuring
14/08/2012	RWE	2,400	Germany	Electricity, gas, etc. supply	Internal restructuring
22/08/2012	P+S Werften	2,000	Germany	Manufacturing	Bankruptcy
18/07/2012	Karstadt	2,000	Germany	Wholesale & retail trade, etc.	Internal restructuring

The largest case of job loss recorded in the quarter was the announcement by the Italian government in July of a wide-ranging spending review programme in the Italian public administration. The programme will affect approximately 24,000 people over the next two years. Large losses have also been announced at car manufacturer PSA Peugeot-Citroën as part of a reorganisation plan; 8,000 jobs will be cut in France. German energy provider RWE released a new restructuring programme envisaging 2,400 job losses, and the bankruptcy of German shipbuilder P+S Werften, which filed for insolvency on 22 August 2012, will result in around 2,000 job losses in Germany. Further jobs will be lost in Germany by the end of 2014 as retail chain Karstadt announced it intends to cut 2,000 positions by natural attrition.

Date	Company	Job gains	Location	Sector
17/08/2012	Aida Cruises	3,000	Germany	Transportation and storage
06/09/2012	Amazon	2,000	United Kingdom	Transportation and storage
02/07/2012	Pôle Emploi	2,000	France	Public administration
26/07/2012	Sumitomo Electric	1,500	Romania	Manufacturing
24/07/2012	Ausy	1,200	France	Information and communication

The largest case of job gain in the quarter was that of Aida Cruises, a German cruise line, which announced that it is to create 3,000 jobs by 2016 through the expansion of its fleet. Amazon plans to create up to 2,000 new jobs across the UK, while the French Ministry of Labour also announced 2,000 new jobs, on permanent contracts, for the public employment service Pôle Emploi. Sumitomo Electric Wiring Systems opened a new production unit in Caransebes, Romania in July, creating 1,500 new jobs, while IT and software consultancy company Ausy has announced it is to recruit 1,200 employees by the end of 2012 at different sites in France.

Country in focus

Recent restructuring in Ireland

Recent developments in the ERM suggest that the tide might be turning for Ireland when it comes to restructuring activities. While in 2010/2011 job destruction clearly outweighed job creation, the last 12 months seem to indicate signs of recovery. Since October 2011, the ERM has recorded more cases of job creation than job destruction for Ireland: 19 cases of job loss, entailing the loss of 6,144 jobs, and 30 cases of job creation, entailing 7,155 job gains, were registered. As the unemployment rate has been rather stable on a high of 14.7% since the third quarter of 2011, recent announcements of job creation could be good news for the Irish economy.

However, the situation is strongly differentiated along sectoral lines, with some sectors continuing to have a gloomy outlook. Financial and insurance services have announced 2,250 job cuts in the last 12 months, with some companies implementing massive reductions of their headcounts. In October 2011, insurer Aviva announced it would cut 950 jobs across its Irish operations, nearly half of its Irish workforce. Ulster Bank announced a cut of 600 jobs in January 2012, while Allied Irish Bank (AIB) increased its previously announced redundancies by 500 in March 2012, and National Irish Bank announced 100 redundancies in June.

Likewise, state and semi-state institutions continue to be strongly affected by efforts to consolidate government finances. A cut of 430 teaching jobs in schools was announced at the end of 2011, while the Irish Defence Forces will see 500 jobs go, as announced in June 2012. The semi-state electricity company ESB announced up to 1,000 redundancies in April, and RTÉ, Ireland's public service broadcaster, announced 200 job cuts in June.

The driving force behind the recent increase in job creation is jobs in information and communication. In 2012, the sector experienced a noticeable job boost, with 1,880 new jobs announced in the first nine months of the year. These included announcements by big multinationals: 500 new jobs at Apple's European headquarters in Cork; 280 new jobs at Hewlett-Packard's sites in Kildare and Galway; 250 jobs at SAP's Dublin and Galway facilities; and up to 300 new jobs at IBM's Dublin-based technology campus.

The diverging fortunes of the different sectors of the Irish economy may pose significant challenges to the reintegration of redundant workers and future skills needs.

Support measures in focus

Fostering innovation

Support measures that anticipate restructuring encompass those activities that help to prepare workers, companies or regions for change in the broadest sense. Fostering innovation is naturally a significant component of such anticipatory instruments.

In the aftermath of the economic recession, supporting innovative start-ups and SMEs that possess significant job creation potential has become a policy priority. In this context, restructuring programmes that have an element of fostering innovation to support companies' growth are highly relevant. The ERM database on restructuring support instruments provides some illustrative examples of such measures.

In Austria, the Association of Austrian Technology Centres is an umbrella organisation for Austrian technology, innovation and start-up centres. It acts as an independent spokesperson for all technology-oriented company initiatives, especially technology centres, and supports innovative and technology-oriented company start-ups. As a representational body, the association looks after a network of about 90 centres in different regions in Austria, providing opportunities for networking. The association is funded by the Federal Ministry for Transport, Innovation and Technology (BMVIT) and the Federal Ministry of Economy, Family and Youth (BMWFJ).

Likewise, Innovationsmiljøer in Denmark are innovation centres that aim to create new, innovative companies in Denmark. Their approach is to develop a close network of entrepreneurs, research departments and investors, thereby facilitating the development of new products and services. The centres are established near universities and research departments and have good infrastructural facilities, helping innovative SMEs to access financial support and establish networks.

To strengthen the technological capacity of small enterprises, the Innovation Fund in Bulgaria subsidises cooperation aimed at the development of innovative products, processes or services. SMEs that participate in R&D projects receive an additional 10% subsidy for their share of the project on top of the normal subsidy. The entire project is eligible for an extra 10% subsidy if the company implements it in cooperation with scientific organisations.

CASE STUDY

Peugeot restructuring

In July 2012, the French car maker PSA Peugeot-Citroën announced a restructuring plan involving up to 8,000 job cuts in France. The company cited falling demand, particularly in southern Europe, as the main driver behind the restructuring. Peugeot is the world's eighth-largest automotive group, but has been hit hard by the crisis since 2008. Its manufacturing division is currently experiencing operating losses of €200 million.

The most high-profile element of the restructuring plan is the closure of the company's plant at Aulnay-sous-Bois near Paris in 2014, with the loss of 3,000 jobs. There will also be job cuts at its plants in Rennes (1,400 jobs), Poissy (702 jobs), Sochaux (684 jobs), Paris (317 jobs), Mulhouse (273 jobs), the research and development site of Vélizy (684 jobs), the service activities based in Poissy (192 jobs) and at 13 other sites, where fewer than 100 jobs are likely to be cut. The timelines for the restructuring will differ for different locations.

The closure of the Aulnay plant is particularly controversial, as it is the company's first plant closure in France for 20 years. Peugeot is of huge national importance in France, and this latest development is being seen as a major challenge for the French government, even though there is no government stake in the company (unlike the other major French car company, Renault). Following the announcement, French President François Hollande stated that the level of foreseen job losses in France was 'unacceptable'. Later in July, the government issued a programme for the entire automotive sector, including financial help for subcontractors and support for the production of energy-efficient cars.

Developments at Peugeot have come at an awkward time for the new French government, which had been elected on a promise to reverse industrial decline. Peugeot's announcement was made just a few days before a conference hosted by the French president aimed at bringing together government representatives and social partners to define the new government's social policy (see EIRO article FR1205031I).

In September 2012, however, the government stated that it accepted Peugeot's restructuring plans and that it would offer help to workers losing their jobs. Nevertheless, it criticised the car maker's overall business and investment strategy, which, it argued, has meant that the group has been poorly placed to respond to market fluctuations. There remains significant overcapacity in the car manufacturing sector, and Peugeot's problems are in no small part due to its heavy exposure to the Spanish and Italian markets. The Peugeot chairman strongly criticised the government's remarks, stating that they could damage investor confidence.

Trade unions have been meeting company and government representatives, and while the government has pledged support for the redundant workers, there are no plans to postpone or significantly alter the restructuring plans and job losses. The company's chief executive Philippe Varin has pledged support for all the redundant workers to help them to find alternative work. However, trade unions are staging protests against the job cuts and the closure of the Aulnay plant. At present, it is thought that redeployment plans for the 3,000 workers who will lose their jobs at the Aulnay plant include a transfer to the Poissy plant for around 1,500 workers. For the remainder, the company has made a commitment to identify investors to create new industrial jobs on the Aulnay site, emphasising its proximity and transport links to central Paris and Roissy–Charles de Gaulle airport.

This issue is based on contributions from John Hurley, Lidia Salvatore, Anja Meierkord, Funda Celikel-Esser, Sara Riso and Andrea Broughton (ERM EU-level correspondent).

EF/12/78