Eurofound

european restructuring monitor *quarterly*

Issue 4 – winter 2011

emcc european monitoring centre on change

Wyattville Road, Loughlinstown, Dublin 18, Ireland. - Tel: (+353 1) 204 31 00 - Fax: 282 42 09 / 282 64 56
email: postmaster@eurofound.europa.eu - website: www.eurofound.europa.eu

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

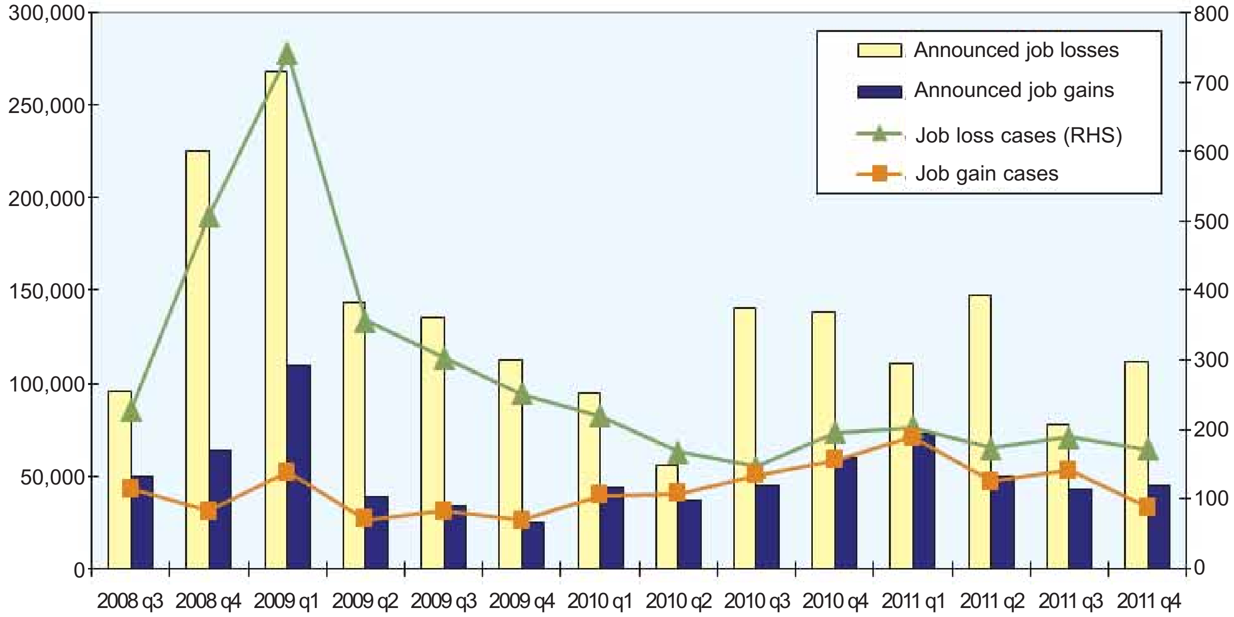
NO	Norway	**JP**	Japan
		US	United States of America

Summary

Consensus forecasts point to slowing growth in the EU during 2012, with some at least indicating a return to recession. Sovereign debt issues in a growing number of Member States – the response to them and anxieties regarding their eventual resolution – are one important contributing factor. The decision of the European Central Bank (ECB) to make available nearly 500 billion euros to the banking system in December 2011 appears to have bought some time to develop a more lasting solution. More recently, however, downgrades of sovereign debt in nine Member States by rating agency Standard & Poor have once again underlined the fragility of the common currency. General sentiment remains volatile amid fears of a new second phase of the Great Recession of 2008–9.

After remaining more or less stable from early 2010, average EU unemployment levels have begun to rise again and reached 10.3% in the most recently reported data (for November 2011). This is the highest rate in over a decade and contrasts with the USA, where the labour market is beginning to show signs of recovery with unemployment at its lowest level in three years (8.5%). Labour market performance also continues to show marked divergence across the EU. From its already high level, Spanish unemployment has risen further to reach nearly 23%, while Austria and the Netherlands maintain rates below 5% – near effective full employment. Employment opportunities have contracted in particular for labour market entrants and rates of youth unemployment are between two and three times greater than average unemployment rates.

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



Source: *ERM*

Over the last quarter (1 October to 31 December 2011), the ERM reported 257 cases of restructuring.[1] Of these, 169 were cases of announced restructuring involving job loss, 86 were cases involving announced job creation and two cases involved both job loss and job gain. Total announced job losses totalled approximately 112,000 in the quarter as against announced job creation of around 45,000. The largest single restructuring was the announcement in October 2011 of a job loss of 30,000 workers across the Greek civil service. This is one step in a three-year austerity and reform plan agreed with the European Commission/ECB/IMF 'troika' to rein in public spending.

[1] Additionally, there were 24 cross-national world and EU cases of restructuring. Job loss and gain totals do not include world and EU cases in order to avoid double counting.

Current macroeconomic trends and prospects

If the trend of slowing growth in the second half of 2011 has continued, as seems likely, the EU may once again have entered a period of recession, the second prong of a ‘double dip’ recession that started in 2008. The backdrop of Eurozone debt crisis, deleveraging of public and private balance sheets and a fall-off in global growth all seem to indicate a period of below-par growth for some time to come. Industrial production has been contracting since September 2011.[2]

Like most other economic indicators, GDP growth shows divergent trends among the EU Member States (see table 1). The recent trend in the latter part of 2011 has been an overall slowing of growth. High growth in the Baltic rim has been the positive highlight while the Portuguese and the Greek economies have contracted over the last twelve months, the latter notably so. Of the larger Member States, Italy, Spain and the UK remain stagnant (less than 1% growth year-on-year), France has fared somewhat better and Germany has had something akin to trend growth. Forecasts of EU annual growth have been scaled back to 0.6%[3] though given the downside risks and dangers of euro or sovereign debt related ‘events’, forecasts necessarily have broader margins of error in 2012.

Table 1: *GDP growth seasonally adjusted third quarter 2011 compared to previous quarter (bold), compared to a year earlier, i.e. third quarter 2010 (italic)*

Belgium	**0.0**	*1.8*	France	**0.4**	*1.6*	Austria	**0.3**	*2.8*	EU27	**0.3**	*1.4*
Bulgaria	**0.3**	*1.6*	Italy*	**..**	*0.8*	Poland	**1.0**	*4.2*	US	**0.5**	*1.5*
Czech Republic	**0.0**	*1.5*	Cyprus	**-0.8**	*-0.6*	Portugal	**-0.4**	*-1.7*	Japan	**1.5**	*-0.2*
Denmark	**-0.8**	*-0.3*	Latvia	**1.3**	*5.3*	Romania	**1.8**	*4.4*			
Germany	**0.5**	*2.6*	Lithuania	**1.4**	*7.3*	Slovenia	**-0.2**	*-0.1*	Brasil***	**..**	*2.1*
Estonia	**0.8**	*7.9*	Luxembourg*	**..**	*1.9*	Slovakia	**0.8**	*3.2*	Russia***	**..**	*4.8*
Ireland*	**..**	*2.3*	Hungary	**0.5**	*1.5*	Finland	**0.9**	*2.7*	India***	**..**	*6.9*
Greece*	**..**	*-5.2*	Malta*	**..**	*2.8*	Sweden	**1.6**	*4.6*	China***	**..**	*9.1*
Spain	**0.0**	*0.8*	Netherlands	**-0.3**	*1.1*	United Kingdom	**0.5**	*0.5*	Turkey***	**..**	*8.2*

Source: *Eurostat EuroIndicators, 179/201*[4] *except *** (The Economist, Jan 2012), * 2011Q2*

The current slowdown comes after the most shallow and jobless of recent post-recession recoveries. There are still five million people less in employment (EU27) in the third quarter of 2011 compared to three years earlier. Unemployment (10.3%, EU27) has started rising again and is at its highest since the 2004 enlargement; one has to go back to 1998 to find a higher aggregate unemployment rate for the current Member States.

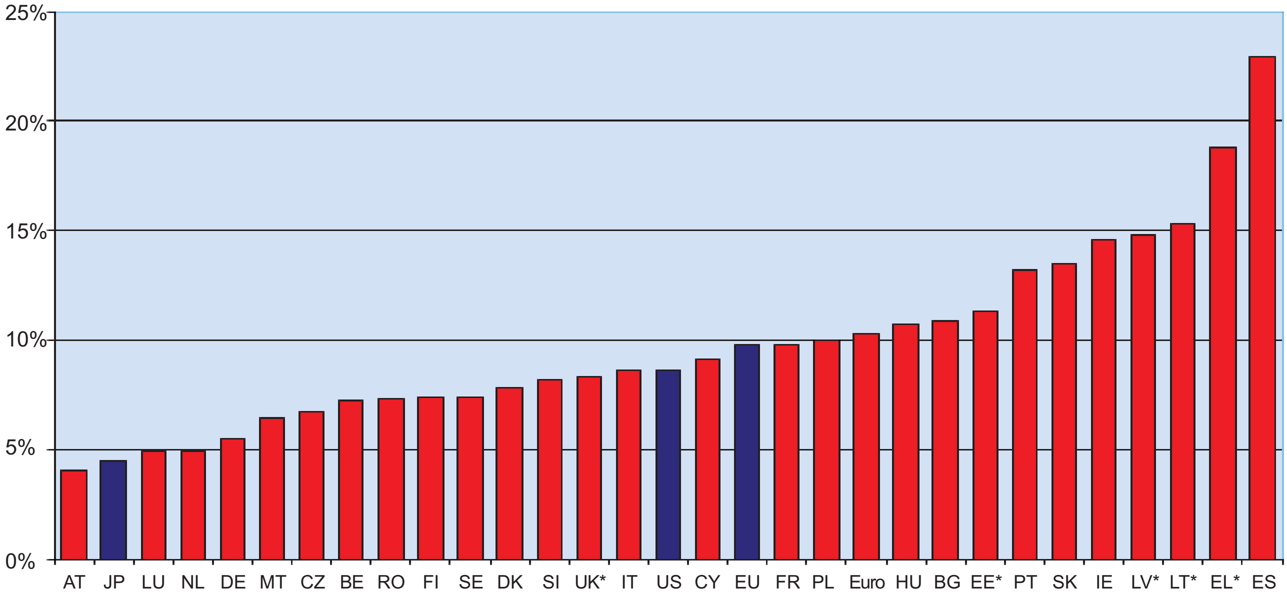
Output and unemployment have tended to follow their customary negative correlation. Austerity in those Member States with sovereign debt sustainability problems – related to high current account deficits or large debt loads as share of GDP – has led to public spending cuts, lowered growth (Spain, Ireland, Portugal, Greece, Italy) and increasing unemployment. Unemployment has decreased sharply in the Baltic republics and continues to decline in Germany where it is now at its lowest (5.5%) since 1991.

[2] http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/4-12012012-AP/EN/4-12012012-AP-EN.PDF

[3] http://ec.europa.eu/europe2020/pdf/ags2012_en.pdf

[4] http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-06122011-AP/EN/2-06122011-AP-EN.PDF

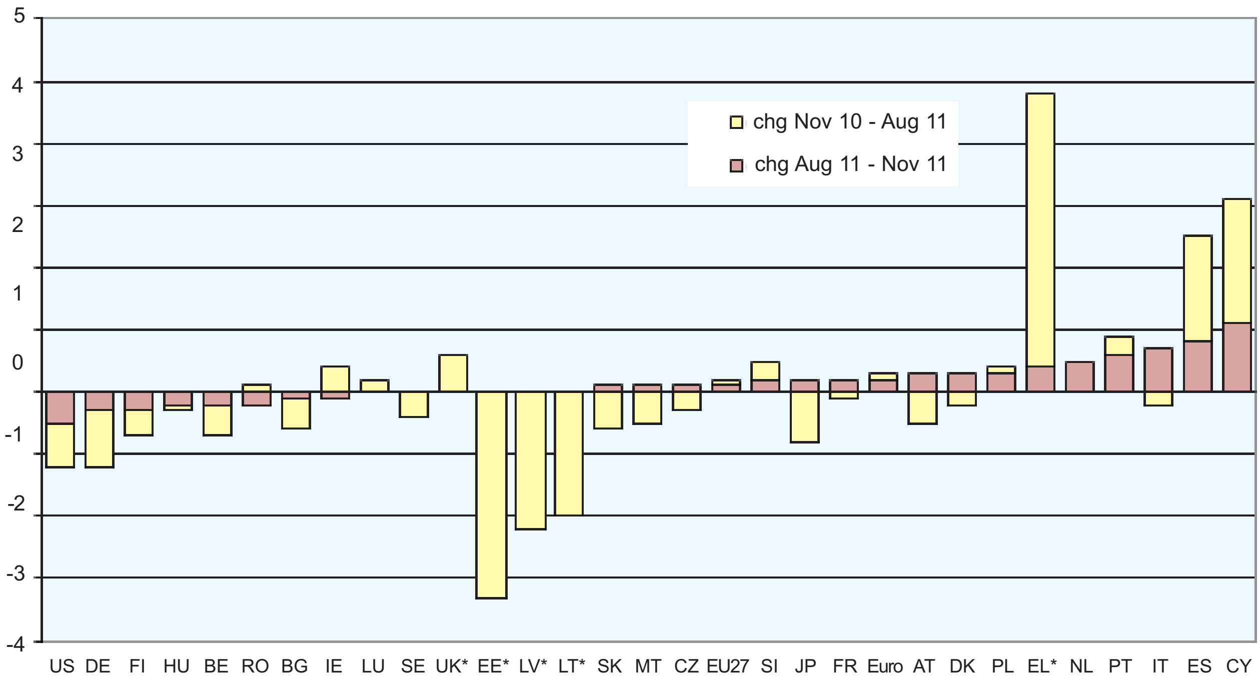
Figure 2: *Seasonally adjusted unemployment rates, November 2011*



Source: *Eurostat*
Note: data for EE, EL, LV, LT, RO and UK are from September 2011

Compared with a year ago, unemployment rate fell in fifteen Member States and increased in ten. The largest falls in the last twelve months were observed in Estonia, Latvia, Lithuania (around 2–3 percentage points in the last year, though up-to-date data not available for these countries) and Germany (from 6.7% to 5.5%). The highest increases were registered in Greece (14.0% to 18.8% in September 2011), Cyprus (6% to 9.1%) and Spain (20.4% to 22.9%).

Figure 3: *Changes in seasonally adjusted unemployment rates (percentage points), in the three months and the year to November 2011*



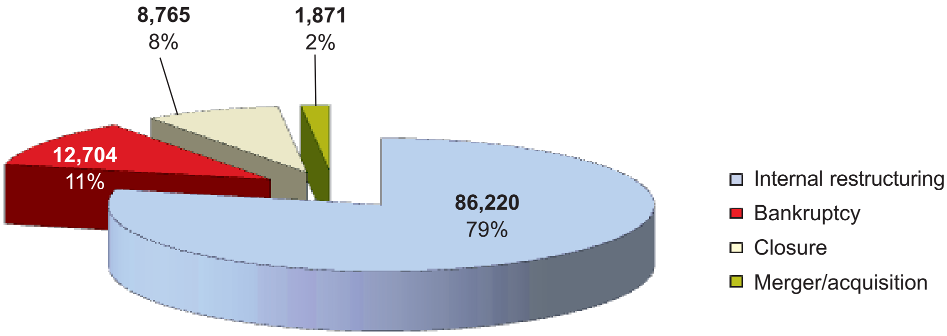
Source: *Eurostat*
Note: data for EE, EL, LV, LT, RO and UK are from September 2011

Inflation is beginning to moderate (2.8% according to December Eurostat flash estimate) but remains above its target rate. Interest rates have been cut in recent months (ECB lending rate: 1.0%) but uncertainty prevails. According to the ECB, 'growth will be insufficient to deliver an overall reduction of unemployment within the forecast period [to 2013]'.[5] Expectations for the European economy over the coming period are not high; any growth early in 2012 would be a positive outcome.

Overview of ERM cases October – December 2011

The ERM recorded a total of 257 cases of restructuring between 1 October 2011 and 31 December 2011. These cases involved 111,985 announced job losses and 44,995 announced job gains. Internal restructuring accounted for almost 80% of the announced job losses. Compared to the previous quarter, the ERM recorded a decrease in the incidence of bankruptcies (11% of announced job losses) and closures (8%), while mergers and acquisitions remained stable (2%).

Figure 4: *ERM job losses by type of restructuring, October–December 2011*



Source: *ERM (European Restructuring Monitor), October-December 2011*

In terms of geographic distribution, the country which recorded by far the greatest number of announced job losses was Greece (34,948 jobs), followed by Germany (13,375 jobs), the Czech Republic (10,091 jobs), Italy (9,899 jobs) and France (9,780 jobs). France also featured at the top of the countries with the highest amount of job creation with 22,565 new jobs. A comparatively high number of new jobs were also announced in the United Kingdom (4,300), Germany (4,200) and Poland (3,862).

The five most prominent cases of job reduction and creation are listed in Table 2 and 3 respectively.

[5] http://ec.europa.eu/economy_finance/publications/european_economy/2011/pdf/ee-2011-6_en.pdf

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

Announced	Company	Announced job losses	Location	Sector	Type of restructuring
10/10/2011	Civil service	30,000	Greece	Public administration	Internal restructuring
04/10/2011	Public service	8,000	Czech Republic	Public administration	Internal restructuring
26/10/2011	Eon	6,000	Germany	Utilities	Internal restructuring
14/11/2011	Unicredit	5,200	Italy	Financial services	Internal restructuring
19/12/2011	SAAB Automobile	3,600	Sweden	Manufacturing	Bankruptcy

Source: *ERM, October–December 2011*

The largest case of job losses recorded in the quarter related to the announcement of 30,000 job cuts among **Greek civil servants**. This is the result of a Greek cabinet decision taken in mid-October, in which it was decided that by the end of 2011 up to 30,000 Greek civil servants were to be placed on partial pay (60% of their current monthly wage) for 12 months before becoming redundant in the framework of a labour reserve programme. The target is to gradually reduce the number of employees of the overburdened public sector and consequently cut state spending over the next two years in order to meet the fiscal and development goals agreed with EU/IMF lenders in 2010 under a three-year austerity and reform plan. According to the plan, the 30,000 employees affected will be mostly over 60 years old and very close to retirement age, making the scheme effectively one very similar to early retirement for two thirds of those affected. However, 7,000 jobs will be lost among officials being made redundant through abolition or mergers of 150 state agencies.

Losses in the public sector have also been recorded in the **Czech Republic** where the government announced it intends to cut 8,000 jobs in 2012 across all ministries, departments, government organisations and state institutions in order to cut public spending. The Ministry of Justice is the only department where no jobs cut will occur; indeed about 545 new jobs are to be created there (345 in the prison service and 200 for civilian employees).

German energy provider **Eon** announced 6,000 job cuts in Germany due to the decision to shut down nuclear power plants and weak gas sales. Previously in 2011, Eon had announced a worldwide restructuring plan aiming at reducing its global workforce by 11,000 employees in order to save 1.5 billion euro in annual costs until 2015.

More losses have also been announced at the Italian banking group **Unicredit**, which announced cuts of 5,200 jobs in Italy between 2011 and 2015. The job cuts are believed to be achieved mainly through incentives for taking up early retirement as well as a turnover freeze. The previous reorganisation plan (business plan 2011–13) envisaged 3,000 job losses in Italy.

Further losses have also been recorded as **SAAB Automobile**, **SAAB Automobile Tools** and **SAAB Powertrain** filed for bankruptcy at the District Court of Vänersborg, in Sweden. This will result in the dismissal of all 3,600 employees (see separate feature in this issue).

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

Announced	Company	Announced job gains	Location	Sector
14/12/2011	McDonald’s France	9,000	France	Hotels / restaurants
13/12/2011	SNCF	4,500	France	Transport / communication
12/12/2011	Keolis	3,600	France	Transport / communication
15/12/2011	Amazon	2,000	Germany	Transport / communication
24/11/2011	Toyota	1,500	United Kingdom	Manufacturing

Source: *ERM, October-December 2011*

In the last quarter of 2011, the three largest cases of job creation in the ERM were in France. US-based chain of fast-food restaurants **McDonald's** announced the creation of 9,000 jobs in France in the next three years. It has committed to recruiting 3000 employees per year, of which 80% will be on permanent contracts. This has been agreed in a charter between the company and the French Ministry of Labour.

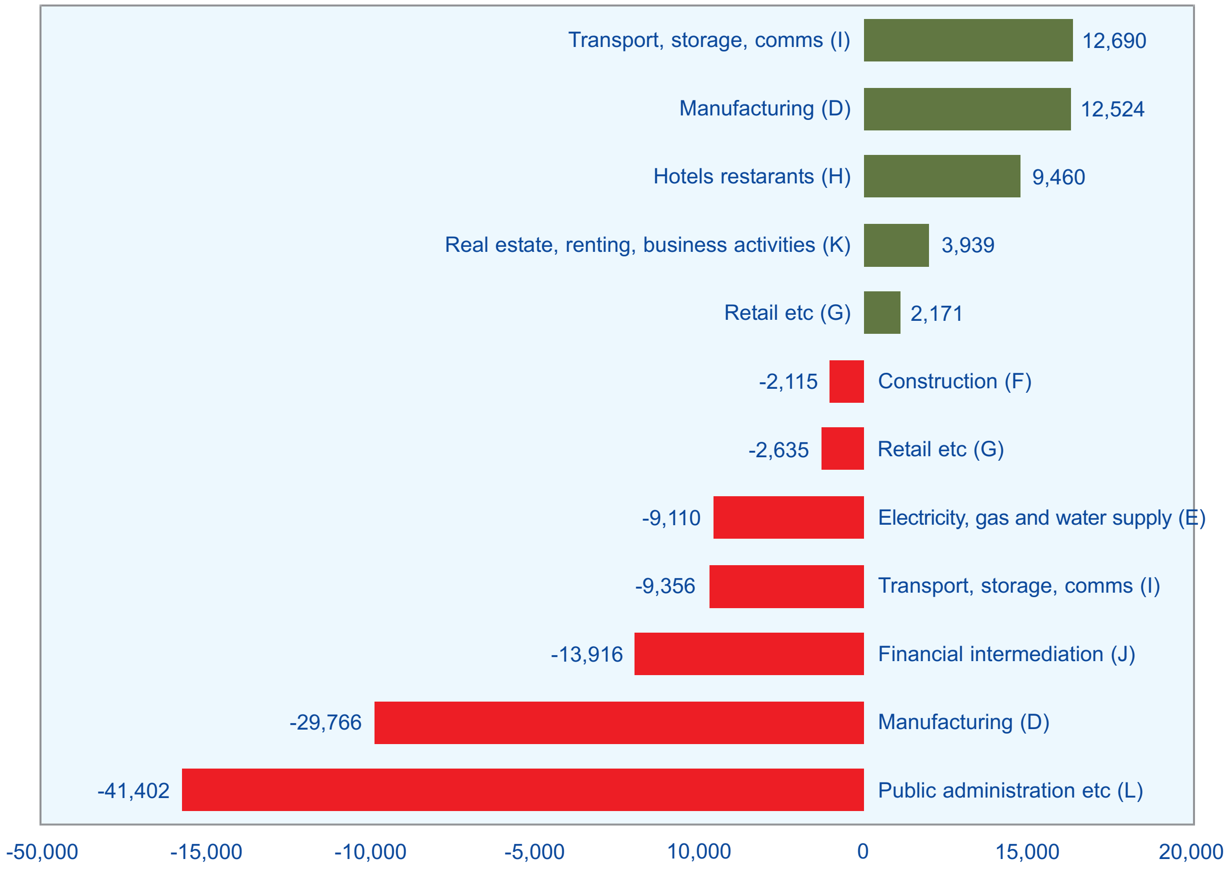
The other top three job creation cases are related to the French transport sector. State-owned French railway company **SNCF** announced the recruitment of 4,500 people in 2012. This will however not compensate the jobs lost by natural attrition. Its privatised subsidiary **Keolis**, which operates railways, tramways and bus routes, announced that it is to recruit 3,600 employees in 2012.

Large job creations have also been announced by **Amazon**, with 2,000 jobs at two new logistic centres in Germany. The fifth largest job creation case in the fourth quarter of 2011 was in the manufacturing sector: Japanese car manufacturer **Toyota** has announced 1,500 new jobs at its Derbyshire plant in the UK after having cut jobs in the UK and Europe in the last years.

Restructuring across sectors

Figure 5 plots the top NACE 1-digit sectors in terms of announced job loss and job creation as reported to the ERM in the fourth quarter of 2011.

Figure 5: *Announced job gains and job reductions for top sectors (Nace 1 -digit, revision 1.1)*



Source: *ERM, October–December 2011*

Job reduction

Due to the aforementioned large cases of restructuring in public administration, this was the sector reporting the largest number of announced job losses (41,401 jobs). Other affected sectors were manufacturing (29,766 jobs), financial intermediation (13,916 jobs), transport, storage and communications (9,356 jobs) and electricity, gas and water supply (9,110 jobs).

The extensive number of job losses in public administration is largely due to the announcement of massive job losses among **Greek civil servants** and in the **Czech public sector**. In Greece, more losses in the sector have been recorded at the **Greek public custom offices**. They will be subject to a restructuring plan which envisages 3,000 job losses. The first step will be the integration of 14 customs offices as well as dozens of smaller departments with the aim of reducing costs. The job losses are intended to be achieved through labour reserve measures and eventually dismissals (see related **EIRO article**, 'Unions object to labour reserve plan in public sector').

In manufacturing, the largest loss recorded during the quarter relates to the announcement at Swedish car manufacturer **SAAB** (see feature). More losses were recorded as Finnish electronics manufacturer **Elcoteq** declared bankruptcy in October and announced the closure of its plant in Pécs (Hungary) resulting in the dismissal of 1,515 workers. In 2010, the company had dismissed 680 employees. Several losses have also been recorded as South Korean conglomerate **Hansol**, which used to be one of the main subcontractors of Samsung in Slovakia producing display units for TVs and PC monitors, announced the closure of its operations in Voderady, resulting in 1,400 redundancies. Electronic component manufacturer **Freescale** announced in October that its Toulouse plant will be closed in June 2012 and its 821 employees will lose their jobs. Additionally, between 450 and 500 temporary workers are also affected by the closure. The company decided on the closure of the plant in 2009. Initial date for the closure was 1 January 2012 but due to an increase in demand of its customers who wanted to stock up on components before the closure, the closing date was postponed to June 2012. Finally, large losses were also reported in Greece, as the pharmaceutical group **Alapis** filed for bankruptcy in October, resulting in 1,400 job cuts. In France, the liquidation of the independent newspaper publisher **Comareg** (1,150 jobs) and its printer subsidiary Hebdo Print (500 jobs) resulted in 1,650 dismissals by the end of November.

In financial intermediation, large losses have been recorded both in banking groups, notably in investment banking (see separate feature) as well as in the insurance sector. Insurance company **Aviva** announced about 1,500 job losses across Ireland and the UK. In October, Aviva released a statement announcing up to 950 redundancies in **Ireland** as a result of a merger between Aviva UK and Aviva Ireland, forming a new UK and Ireland region. 180 of these jobs will come from Aviva Europe operations, also based in Ireland, and 770 from Aviva Ireland. Several jobs will also be lost in the **UK** due to the expiry of a joint venture with the Royal Bank of Scotland, which had formerly required an administration centre in Bristol. Closure of the centre will result in the loss of 384 jobs.

In transport and communications, the management of the state-owned **Bulgarian State Railways Holding (BDZ Holding)** announced in November its intention to lay off 2,000 administrative, repair and maintenance staff as part of larger cost reduction measures. Other substantial losses have been recorded at **Telekomunikacja Polska** (TP - Polish Telecom) which announced a voluntary dismissals programme affecting 1,150 people in 2012. The cuts are part of a restructuring programme named 'Social Agreement 2012–2013' which is a bilateral agreement between the company and local trade unions. The core point of this programme is the voluntary dismissals programme, which was introduced on 1 January 2012. 1,150 people are expected to be affected by the programme in 2012 and the same again in 2013. The programme is directed at people with a minimum six years of work experience. The affected workers will receive a severance pay (from 4 to 15 months' wages). Moreover, people with a minimum of twenty years of placement will receive additional compensation worth 20,000 PLN (approx. 4,500 euro). In November 2011, the Polish national postal operator **Poczta Polska** announced a restructuring plan for 2012, affecting 700 jobs. From 1 January 2012, the company is implementing a voluntary departure programme. The redundancies are part of a broader restructuring programme envisaging the closure of 45 of 62 units across Poland and changes in the organisational structure. Finally, the ERM recorded substantial restructuring in the Portuguese transport sector. **CP - Comboios de Portugal**, a Portuguese railway passenger transport company, announced a restructuring plan leading to 725 redundancies by the end of 2012. These redundancies are part of a larger restructuring process in Lisbon's transport sector. Other companies have announced redundancies adding up to about 2,000 job cuts: **Carris - Transportes Públicos Lisboa**, a land passenger transport company of Lisbon, approved a plan for internal restructuring leading to the dismissal of 635 employees by the end of 2012; **Metropolitano de Lisboa** announced 364 job cuts and EMEF - **Empresa de Manutenção de Equipamento Ferroviário**, belonging to CP - Comboios de Portugal, announced 203 job losses in 2012 and 103 job losses in 2013.

Job creation

In contrast to previous quarters, the highest number of announced job creations was recorded in the transport sector (12,690). The manufacturing sector accounted for somewhat fewer new jobs (12,524). Both sectors together were responsible for about 60 per cent of the total job creation in this quarter. Other sectors with job growth during this period were the hotel and restaurant sector (9,460), real estate and business activities (3,939) and the retail sector with 2,171 new jobs.

In the transport sector, job creation related mainly to developments in the French SNCF group. Aside from the large announcements of job creation by **SNCF** and **Keolis**, SNCF freight transport and logistics subsidiary **Geodis** announced the recruitment of 1,000 employees in 2012. This brings the total number of jobs created by the SNCF group to 9,100, which accounts for around 70% of all job creation in this sector. The continuing trend however in the overall SNCF group is for the overall headcount to decline in the publicly owned part of the group (retirements and departures outnumbering announced new recruitment) while the fully or partly owned private subsidiaries such as Geodis and Keolis are increasing their headcount. Other notable instances of job creation in this sector have been announced by **Amazon** in Germany and in the **UK**. Both involve new jobs at logistics and distribution centres with 2,000 and 1,100 jobs created respectively.

As in previous quarters, car manufacturers account for the majority of job creation in the manufacturing sector. The biggest case apart from **Toyota** is the announcement of **Audi** to create 1,200 jobs in Germany in 2012 due to stable, high order levels. **PSA Peugeot-Citroën** announced the recruitment of 500 people in France. Other jobs will be created by suppliers for the automotive industry. Noteworthy is the job creation at two tyre manufacturers: **Michelin**, which announced 700 new jobs in France in 2012 after having made large cuts during the crisis and **Continental**, which is hiring 300 at their plant in Timisoara, Romania. Other major instances of job creation were observed in the European aerospace and defence industry (see separate info box).

Airbus: recruitment and skill shortages in the French aeronautical sector

Airbus has maintained its lead in civilian aircraft production over American rival Boeing, producing an estimated 530 aircraft in 2011 (Boeing: 477). Order books remain healthy with buoyant demand in Asia and developing economies more than compensating for a much weaker European market. Already in the first nine months of 2011 the order volume was equivalent to more than two years of current production.[6] This will spur job creation around Toulouse (Midi-Pyrénées), the main base of the aircraft manufacturing subsidiary of European aerospace company EADS. Here, 30% of Airbus employees are based – around 16,000 people.[7] There is likely to be high demand in particular for skilled positions as technicians and engineers.

[6] http://www.lesechos.fr/entreprises-secteurs/air-defense/actu/reuters_00414245-airbus-a-depasse-son-objectif-de-livraisons-en-2011-271605.php

[7] http://www.airbus.com/presscentre/pressreleases/press-release-detail/detail/airbus-employees-celebrate-40-years-of-innovation-with-their-families/

In the Midi-Pyrenees, where the aeronautic industry accounts for 22% of industrial employment,[8] Airbus alone created 1,200 new jobs in 2011. After two and a half years of declining employment numbers in the industry[9] it is estimated that 6,000 new jobs will be created within the coming two years in the region. Supplier firms will also benefit. After reducing employment in previous years, Latécoère, an aircraft component supplier is hiring 400 people in 2011 including 150 in the Toulouse region. Liebherr Aerospace, a manufacturer for aircraft system equipment, has created 100 jobs in Toulouse and Campsas (Tarn-et-Garonne) in 2011, whereas Goodrich has recruited 100 people in two years in Toulouse.

Engineering and technology consultancies are taking unusual measures for recruitment. Sogeti High Tech, for example, set up an office in Toulouse city centre to recruit during three days for the aviation industry[10] and Cimpa, an Airbus subsidiary, has sought to hire 250 engineers via evenings of ‘speed recruiting’.

The president of the Union of Metallurgy Industries in the Midi-Pyrenees, Jean Luminet, has called for a summit on the skills shortage and is concerned in particular about how a shortage would affect SMEs.

Positive employment impacts extend beyond France. New orders from Airbus have led to the construction of a new factory in North Wales which will help to secure 6,000 jobs.[11] **Airbus** had announced that it would create 770 at this plant in January 2011. An essential component of this fresh investment in an existing facility was the retraining of staff to work with lighter, more fuel-efficient composites used extensively in production of latest models. A training centre with funding from the Welsh authorities and Airbus and the involvement of local colleges was set up to facilitate the (re)training.

In real estate and business activities, the largest job creation was announced by the residential properties company **Deutsche Annington**, for around 1,000 jobs for residence caretakers and service personnel. **Huawei Technologies**, a Chinese multinational networking and telecommunication service and manufacturing company, announced it would hire 500 people in Bucharest with jobs mainly for IT engineers. Digital systems provider **Bull** is to recruit 500 employees in France, of which 25% will be young engineers. Software company **Ericpol Telecom** announced it would hire 250 people in Poland.

8 **http://www.lesechos.fr/economie-politique/regions/midi/0201693067011-toulouse-l-aeronautique-craint-une-penurie-de-personnel-235036.php**

9 **http://www.ladepeche.fr/article/2011/10/20/1197306-l-industrie-cree-a-nouveau-des-emplois.html**

10 **http://www.lefigaro.fr/emploi/2011/10/07/09005-20111007ARTFIG00702-vent-favorable-pour-les-jeunes-ingenieurs.php**

11 **http://www.walesonline.co.uk/news/wales-news/2011/10/13/new-400m-airbus-factory-will-secure-6-000-welsh-jobs-91466-29589215/**

Auto sector: end of the road for SAAB

On 19 December 2011, Swedish Automobile filed for bankruptcy for its companies **Saab Automobile, Saab Automobile Tools and Saab Powertrain**. According to CEO Victor Muller, the immediate reason was that the expected sale of SAAB to the Chinese company Pang Da and Youngman would not go ahead. The Chinese company had required access to a number of licences for patents and technology that were still held by previous owner General Motors (GM) and GM refused. SAAB had been in trouble for some time. It last turned a profit in 1995. It had not launched a new model since 1997 and according to sector experts needed to boost sales by at least 40% to be viable.

A chequered history

Starting as a spin-off from Svenska Aeroplane AB (1948-1969), the company launched its first model, the SAAB 92, in 1952. The legendary Saab 96 won the Monte Carlo twice in the 1960s and the SAAB 99 was the first production car with turbo-charged engines. As a minor global player, losses increased and GM took a 50% stake in 1990 (together with the Swedish industrialist Wallenburg, through Investor AB) and in 2000 GM took full control. The GM years were not successful and the company rarely posted a profit. The distinctive Saab profile was diminished; GM planned to shift production away from Trollhättan, Sweden to its Opel plant in Rüsselsheim, Germany. By 2009 GM itself was teetering on the brink of bankruptcy. In 2010 GM sold the company to Spyker Cars, founded and led by Dutch former mergers and acquisitions lawyer and fashion entrepreneur Victor Muller. This was facilitated by a loan from the European Investment Bank of four million euro. The finances of the company were always somewhat controversial not least due to the purported involvement of Russian financier Vladimir Antonov, recently arrested in London in relation to his banking affairs in the Baltics.[12]

On several occasions in the last two years production ceased due to liquidity crises or shortage of parts from un-paid supply contractors. Salaries were often late and only paid after trade unions threatened to force bankruptcy. For most of the period the company was under court protection from creditors. Many attempts were made to obtain finance from various Chinese companies. The last and most significant was with Chinese consortium of Zhejiang Youngman Lotus Automobile Co and Pang Da Automobile Trade Co. SAAB CEO Muller claimed to have a Memorandum of Understanding with the Chinese to pay 100 million euros for the company and a commitment to invest in new models. The proposed deal subsequently collapsed purportedly due to patent issues with GM. It has, however, been suggested that GM's main Chinese partner Shanghai Automotive was not in favour of Saab's deal with Youngman/Pang Da. China is GM's most important market with an average of 10% annual growth in recent years.

While it would appear that it is in fact the end of the road for Saab it is in principle still possible that the brand could be rebuilt by a very strong owner prepared to invest significantly in what is still a strong brand name.

The labour market impact and policy response

SAAB's main production plant is located in Trollhättan on the Swedish west coast. The plant currently employs 3,400 workers (though some sources say 3,600). Others work in the design centre in Gothenburg, an office in Stockholm and parts warehouse and distribution centre in Nyköping. Total employment is around 4,000 (compared to 7,800 in 1990). The most recent round of significant collective redundancies, with 750 jobs lost, was announced on 12 March 2009.

[12] **http://www.bbc.co.uk/news/uk-england-hampshire-15882620**

On the day of the bankruptcy, Swedish Prime Minister Reinfeldt stated that while the government could do nothing to reverse the GM veto of the Chinese deal, the government would respond to the crisis. Two days later, the Ministers of Employment and Industry visited the company in Trollhättan to tell the workers that the immediate priority was to ensure that they got paid before the Christmas break through the state-run bankruptcy pay system, which subsequently happened. (However, by 5 January trade unions had still not had a meeting with the receiver in order to discuss various unsolved issues such as holiday pay and accumulated working time accounts.) They also stated that the Labour Market Board (which administers active labour market policy and runs the public employment exchanges) has been given an extra 1.2 billion Swedish krona in 2012 and would consider more resources specifically for the region if so required. They underlined the high profile of the government's response by appointing the governor of western Sweden (Lars Bäckström) to coordinate the government's efforts. The full details of the policy package have yet to be made public. So far it would appear that the main emphasis is on education courses. Funding for 1,000 adult education places in 2012 and 1,000 more in 2013 have been announced and the regional university is to receive immediate additional funding. Other elements of the policy package will probably include some infrastructure investments and entrepreneurship initiatives.

The attempt to find new jobs for the employees started remarkably early. On 28 December, a special public employment office was set up on the Saab factory site. The office cooperates closely with the two bipartite job transition agencies – **TRR** (for white collar workers) and **Startkraft** (blue collar workers). As early as 22 December the TRR informed the white collar workers that they could register at TRR ONLINE to post their CVs with a view to finding a job in their vacancy register. They also informed the employees about their rights according to the collective agreed compensation scheme AGE. They then held five information meetings with the employees in first half of January

The Swedish state and national champions

The purchase of the company from GM was facilitated by a loan from the European Investment Bank amounting to 400 million euro which was guaranteed up to 200 million euro by the Swedish state. According to National Debt Office (Rikgälden) boss Bo Lundgren the guarantee will not have to be paid as the loan is secured by the capital equipment (scrap value), spare parts manufacture (which will continue to operate) and some property.

Throughout the long road to bankruptcy, voices have been raised, not least by the Social Democratic opposition and parts of the trade union movement concerning the State's unwillingness to invest in the company. The government has stated that 'in the end it is not the government that decides over a company's activity. What the government can do is to create the conditions for Sweden to have a good business climate where there are opportunities for companies to operate and grow'. And to a direct question of 'how does the government view the possibility of buying and owning parts of Saab' it replied: 'This was never an option. The State does not have the expertise to own and run car factories'. [13]

[13] Swedish Government home page (**http://www.regeringen.se/sb/d/14990**), downloaded 15th January 2012.

Restructuring in the banking sector

The banking sector has been undergoing significant restructuring in recent months, as the fall-out from the financial and economic crisis of the past few years continues. In particular, the on-going difficulties in the eurozone and the level of sovereign debt in some EU countries have meant that many banks have had to retrench. Many are restructuring their investment banking operations completely, involving significant levels of job losses. The news agency Bloomberg wrote in the summer of 2011 of a 'jobs bloodbath' in the European banking sector, with jobs being cut six times faster than in the US banking sector.[14]

At the Royal Bank of Scotland (RBS), for example, it was announced in early January 2012 that a large number of jobs may be lost as a result of a restructuring and downsizing of its global banking and markets division. On 12 January, the company confirmed that 4,800 jobs would go worldwide, with the majority in its investment banking division. These latest announced job cuts take the number of staff shed by RBS since 2008 to around 35,000. The company is planning to sell off parts of its investment banking arm and is asking for bidders to submit offers.

Similarly, in France, the French bank Crédit Agricole announced in December 2011 its intention to cut 2,350 jobs worldwide, of which 1,750 are in its corporate and investment banking unit. The cuts are planned to be implemented over a year and will mainly affect workers in France. Most recently there, Société Générale announced in January 2012 its intention to cut over 1,500 jobs in its investment bank division due to a 'stepping up' of the restructuring of this division. The Financial Times notes that this is the latest in a series of announcements by French banks that are scaling back their investment activities 'in response to a liquidity squeeze and tougher regulatory demands'.[15]

Morgan Stanley, another global investment bank, also has plans to cut 1,600 jobs during the first quarter of 2012, with cuts spread around the world. It cites falling revenues as the reason for this.

In Italy, Banca Nazionale del Lavoro (BNL) has announced that it will cut 1,000 jobs by the end of 2014, citing the recent worsening of the global financial and economic situation. Also in Italy, Unicredit is to cut 5,200 jobs in Italy between 2011 and 2015 as part of its strategy plan for that period. The bank cites a need to cope with the effects of the overall slowdown of the global economic environment and with the European sovereign debt crisis.

As a result of on-going uncertainty in the liquidity and solvency of the Greek banking system, BNP Paribas, a global banking group headquartered in Paris, announced in November 2011 that it will close its branches in Greece, leading to 100 job losses. BNP Paribas has been present in Greece since 1981.

[14] 'European Bank Job "Bloodbath" Surpasses 40,000 as UBS Cuts'. Gavin Finch and Liam Vaughan Bloomberg, 24 August 2011: **http://www.bloomberg.com/news/2011-08-23/european-bank-job-bloodbath-surpasses-40-000-as-ubs-cuts-workforce-by-5-.html**

[15] 'European banks suffer as crisis grows'. Financial Times, 30 December 2011: **http://www.ft.com/cms/s/0/8c076d28-3302-11e1-8e0d-00144feabdc0.html#axzz1j3cIWCuQ**

The Nordic countries have also suffered job losses in the banking sector: at the end of August 2011, the Swedish-based bank Nordea announced that it intended to cut 2,000 jobs (between 500 and 650 in each of Denmark, Finland and Sweden and 200–300 in Norway). This is part of a drive to increase efficiency and is expected to be completed by the end of 2012.

Even though the German economy is performing relatively well, the country's investment banking sector is undergoing some turbulence. Deutsche Bank announced in October 2011 its intention to cut 500 jobs in its investment banking branch during 2011/2012, due to the uncertainty of the euro debt crisis. The bank is not ruling out further job reductions in the near future.

Banks in some EU countries have been nationalised in order to ensure that they continue to operate. However, in some cases, this strategy has not succeeded in preventing bankruptcy. In Lithuania, for example, the bank Snoras, which was nationalised in November 2011, has filed for bankruptcy, resulting in the loss of around 1,400 jobs. The new Member States are also experiencing a cutback in investment in the banking sector as banks in some of the older Member States withdraw from foreign engagements. For example, the Austrian co-operative Raiffeisenbank is cutting 300 jobs in the Czech Republic in order to reduce costs, particularly labour costs. Swedish bank SEB announced plans to cut around 110 jobs in Lithuania by the end of 2011, due partly to a reduction in the need for staff in crisis management. The bank is cutting 300 jobs in Sweden and around 300 overall in the Baltic States. Similarly, the Austrian-based Erste group has announced that Erste Bank Hungary will cut between 400 and 450 jobs as a result of branch closures. The group cites the consequences of the economic and financial crisis among the reasons for the cuts.

The future looks uncertain at present: the most recent quarterly survey of the business environment in the UK from employers' body the CBI and accountants PriceWaterhouseCoopers found that although the level of activity in the banking sector had picked up during the final quarter of 2011, the survey authors warned that further job losses across the banking sector in the UK seem 'inevitable'. This is due to banks seeking to manage their cost base and deal with the on-going challenges of eurozone turmoil, uncertainty in the global economy, austerity, weak household incomes, increased competition, and regulatory change.[16]

[16] 'Banks report 'normal' business after four years of decline, survey finds'. Guardian, 9 January 2012: **http://www.guardian.co.uk/business/2012/jan/09/cbi-survey-banking-sector**

Restructuring research notes

- **Research brief**: *Public instruments to support restructuring in Europe*

Summary: Across Europe, governments and social partners have implemented a wide range of instruments to support companies and employees affected by restructuring. The aim is to reduce social costs and improve the outcome of a restructuring event for all stakeholders. Eurofound has collected almost 400 examples of such measures to provide an illustrative overview of the heterogeneous possibilities showing how restructuring is supported. These instruments have been compiled in a user-friendly online database incorporated into the European Restructuring Monitor (ERM) and launched in late 2011. The ERM Report 2011 summarises and analyses the instruments included in the database as of summer 2011. About two thirds of the collected measures target at the anticipation of change by, for example, offering training at company level to prepare for future skill needs, providing advice and information for businesses in their growth phase or improving enterprises' access to finance. The remaining third of the instruments supports the management of restructuring, for example by providing income support, training or matching services to those who have been made redundant in the framework of a restructuring event. National governments are involved in about 80% of the identified measures, employer or employee organisations take part in almost half of them. The majority of instruments are not explicitly labelled 'restructuring support' but are deemed to be nonetheless relevant.

Reference: Hurley, J., Mandl, I., Eurofound, *ERM Report 2011, Public instruments to support restructuring in Europe*, Office for Official Publications of the European Communities, Luxembourg 2011.

Link: **http://www.eurofound.europa.eu/publications/htmlfiles/ef1165.htm** for the report;
http://www.eurofound.europa.eu/emcc/erm/supportinstruments/ for the database

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 (3–5 per country) covered by a network of 28 national correspondents as well as an EU-level correspondent covering large, crossnational restructuring cases. 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** (click 'Factsheets'). ERM also enables the compilation of aggregate data (click 'Statistics') based on the information available in the database (13,000+ restructuring cases from 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 which 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 monitor reports almost exclusively on restructuring in medium and larger sized 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 (e.g. UK, Poland) and lower levels in others (e.g. Greece, Bulgaria).

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 representative sources such as the European Labour Force Survey. 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 9 January 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 as well as other ERM-related publications, you can visit the website at **http://www.eurofound.europa.eu/emcc/erm**.

This issue was written by **John Hurley**, **Donald Storrie**, **Lidia Salvatore**, **Anja Meierkord** and **Andrea Broughton** (ERM EU-level correspondent).

EF/12/09/EN

