Eurofound

european restructuring monitor *quarterly*

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emcc european monitoring centre on change

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Country codes

EU27

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

Other countries

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

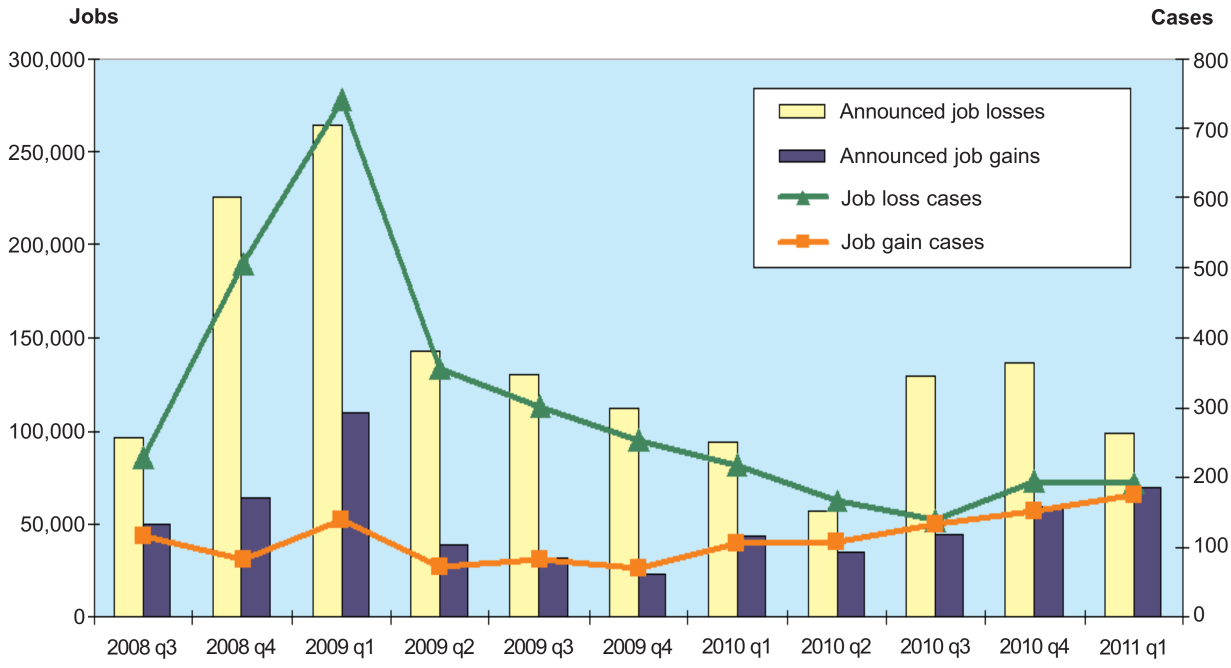
Summary

Nearly two years after the technical end of the 'Great Recession', there are increasingly divergent patterns of recovery across the EU. Member States in the German – central Europe – Baltic axis are enjoying strong growth and improving labour markets while the debt-laden 'periphery' stagnates amidst serial announcements of retrenchment.

The contrasts are especially apparent in the labour market where the key indicator ranges from near full employment in the Netherlands, Luxembourg and Austria (all below 5% unemployment) to over 20% unemployment in Spain. Overall, unemployment has finally begun to decline though the rate of decline is considerably slower than in the United States. The fact that the EU has been the first of the major economic blocs to wean itself off post-crisis stimulus continues to cast a shadow over prospects for a robust recovery. Public sector employment – resilient during the crisis – in particular is vulnerable as evidenced by the high number of public sector restructuring announcements on the ERM in this and recent quarters.

But there are more hopeful omens, notably in the strong recovery of the Baltic States, and the resilience of the German economy, which has exerted a positive influence on neighbouring countries. In this edition of the ERM quarterly, we describe some positive recent developments in the IT sector where looming skill shortages are more of a concern than unemployment. We also showcase a potentially interesting industrial restructuring project at the old Fiat plant at Termini Imerese in Sicily.

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



Source: *ERM*

Over the last quarter (1 January to 31 March 2011), the ERM reported 358 cases of restructuring[1]. Of these, 184 were cases of announced restructuring involving job loss, 167 were cases involving announced job creation and 7 were cases of both job loss and creation. Total announced job losses totalled approximately 98,000 in the quarter as against announced job creation of just over 69,000.

[1] Additionally, there were 14 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

The EU economy has had positive growth for five consecutive quarters but the picture of economic performance across the region is anything but uniform, with an upswing in Germany, Poland, Baltic and Scandinavian economies and stagnation in 'the periphery'. After a healthy 1% expansion in the second quarter of 2010, GDP growth lost its momentum in the third quarter. The slowdown continued in the fourth quarter as the EU economy expanded just 0.2%, though this in part reflected the impact of severe weather conditions in northern Europe. Annual growth, while respectable at 2.1%[2], is low compared to previous post-recession years and also compared to that of major trading partners, the US and Japan.

This is in part a predictable consequence of crisis and post-crisis stimulus being withdrawn and replaced by 'austerity packages' in many countries. These programmes have tended to emphasise reduction in public sector pay and spending over increases in taxation. The objective – to return to annual budget deficits in the sub-3% band prescribed originally as part of the Maastricht criteria for euro entry – involves radical budgetary adjustments in many Member States, including the UK, Spain, Greece, Latvia and Ireland where government spending exceeded revenue by over 10% in 2009[3], the last year for which data is currently available. First-round impacts are clear in Table 1. With the exception of Latvia, which has the advantage of a low overall debt load (<30% of GDP), the Member States with the biggest deficits are also those with weakest growth.

On the more positive side, export-led economies such as Germany, Finland and Sweden continue to benefit from dynamic growth in the developing world economies. This is having knock-on positive impacts on a number of central and eastern European countries including Slovakia, the Czech Republic and Poland, in each of which latest quarterly growth rates are over 4% year-on-year. Recovery also seems on a firmer footing in the Baltic States, the hardest hit of all during the 2008–9 'Great Recession'. Each has year-on-year growth rates at at least twice the EU27 average, with Estonia, the latest euro zone member, notably benefitting (7.9% annual growth in latest quarter). According to the latest IMF World Economic Outlook (April 2011,[4] 'emerging Europe's [newer EU Member States plus Turkey] growth is expected to be 3.75% in 2011 and 4% in 2012', twice that of 'advanced Europe older Member States').

Recently, commodity, energy and food prices have been rising around the globe. According to a March 2011 flash estimate from Eurostat, inflation in the euro zone continues to rise and currently stands at 2.6% (2.8% in the EU27)[5] – over the target 2% rate considered consistent with the ECB's price stability mandate. This is one of the factors that prompted the ECB to shift from its post-crisis 'easy money' policy, raising interest rates from 1% to 1.25% in early April.

The economic backdrop remains ominous for a variety of reasons. The public finances in Member States (inside and outside the euro zone) are carrying large, growing and unsustainable levels of debt. The majority of Member State national budgets continue to be in deficit, many significantly so as noted above. Emergency joint EU-IMF interventions

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[2] Eurostat (January, 2011) *Euro area GDP up by 0.3% and EU27 GDP up by 0.2%*
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-03032011-BP/EN/2-03032011-BP-EN.PDF

[3] Eurostat, "Government deficit/surplus, debt and associated data", updated March 2011
http://appsso.eurostat.ec.europa.eu/nui/show.do?dataset=gov_dd_edpt1&lang=en

[4] World Economic Outlook, April 2011
http://www.imf.org/external/pubs/ft/weo/2011/01/index.htm

[5] Eurostat, "Euro area inflation estimated at 2.6%"
http://epp.eurostat.ec.europa.eu/cache/ITY_PUBLIC/2-31032011-AP/EN/2-31032011-AP-EN.PDF

have already been necessary in Greece (in May 2010) and Ireland (in November 2010). In April 2011, Portugal became the third Member State to accept the need for external EU-IMF assistance in the face of increasing difficulties accessing the money markets at less than punitive interest rates.

On 24 March 2011, the European Council approved measures aimed at increasing fiscal discipline and avoiding macroeconomic imbalances and expanding economic-policy coordination.[6] The 'Euro Plus Pact' includes proposals to remove wage indexation and to raise effective retirement ages. The Council also announced a €500 billion European Stability Mechanism to be in place by 2013. This will be a permanent, institutional version of the current post-crisis financial stability mechanisms (EFSF). One important measure of how effective these measures will be is whether bond yields for peripheral countries in the EU will begin to return towards pre-crisis levels indicating sustainable access to external financing. This has not happened to date.

Meanwhile, austerity programmes will have inevitable impacts on public spending and state employment levels. The ERM has already recorded a significantly increased level of European public sector job loss announcements.

Table 1: *GDP growth fourth quarter 2010 compared to previous quarter (bold), compared to same quarter previous year (underlined)*

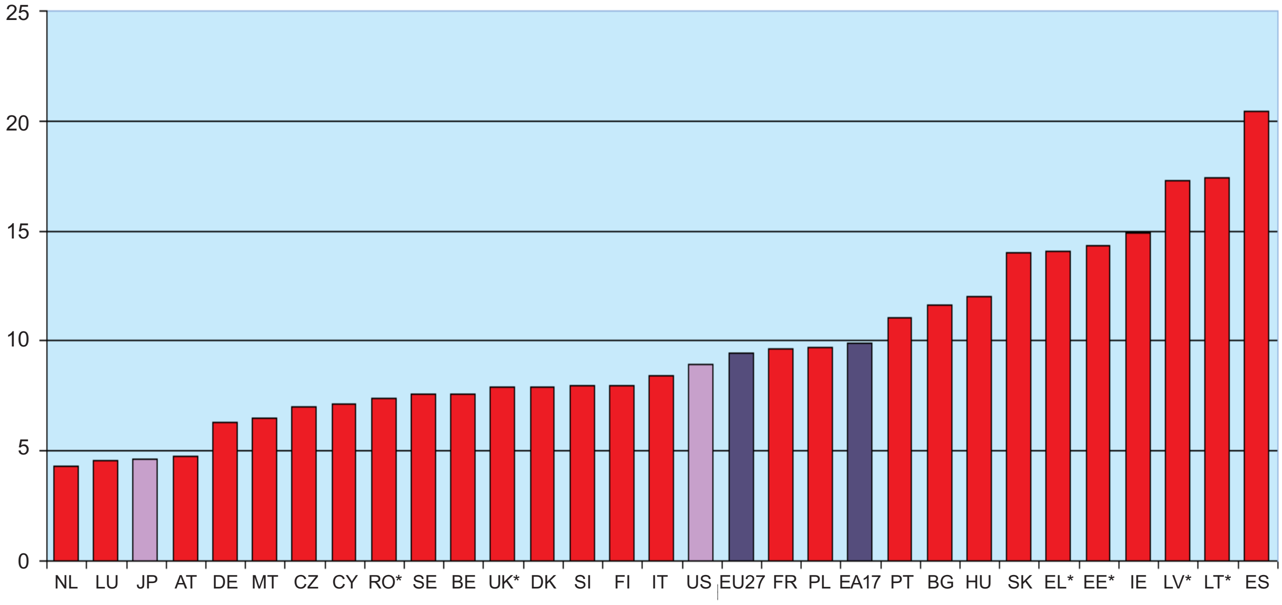
Belgium	**0.5**	2.2	France	**0.4**	1.5	Austria	**0.8**	2.7	EU27	**0.2**	2.0
Bulgaria	**2.1**	3.1	Italy	**0.1**	1.1	Poland	**0.8**	4.0	US	**0.8**	2.8*
Czech Republic	**0.3**	2.9	Cyprus	**0.5**	2.5	Portugal	**-0.5**	1.0	Japan	**-0.3**	2.2
Denmark	**-0.4**	3.0	Latvia	**1.1**	3.6	Romania	**0.1**	-0.6			
Germany	**0.4**	4.0	Lithuania	**1.8**	4.8	Slovenia	**0.6**	2.1	Brasil*	**:**	5.0
Estonia	**2.3**	6.7	Luxembourg	**:**	3.8*	Slovakia	**0.9**	3.5	Russia*	**:**	5.0
Ireland	**-1.6**	-0.7	Hungary	**0.2**	1.9	Finland	**1.7**	5.2	India*	**:**	8.2
Greece	**:**	-6.6	Malta	**1.1**	3.9	Sweden	**1.2**	7.7	China*	**:**	9.8
Spain	**0.2**	0.6	Netherlands	**0.6**	2.5	United Kingdom	**-0.5**	1.2	Turkey*	**:**	9.2

Source: *Eurostat, 7/4/11 update and The Economist, 9/4/11**

In the fourth quarter of 2010, all but four countries (Denmark, Ireland, Portugal and the UK) reported positive economic expansion on the previous quarter though Greece in all likelihood will join this list when its figures are finalised. Fastest growth was recorded in Estonia (2.3%), Bulgaria (2.1%), Lithuania (1.8%) and Finland (1.7%). Highest year-on-year growth rates were in Sweden (7.7%), Estonia (6.7%), Finland (5.2%), Lithuania (4.8%), Poland and Germany (4.0%). EU27 growth was 2% annualised. Meanwhile the main EU trading partners' economies grew at a faster pace. Year-on-year growth was higher in the advanced economies of US and Japan (2.8% and 2.2%) while the emerging markets of China, India and Turkey continued to outperform.

[6] IFO *Joint Economic Forecast Spring 2011* (07/04/2011): *Upswing continues - European Debt Crisis still Unresolved*
http://www.cesifo-group.de/portal/page/portal/ifoContent/N/data/forecasts/forecasts_container/GD20110407/GD-20110407-PRESS-en.pdf

Figure 2: *Seasonally adjusted unemployment rates, February 2011 (%)*



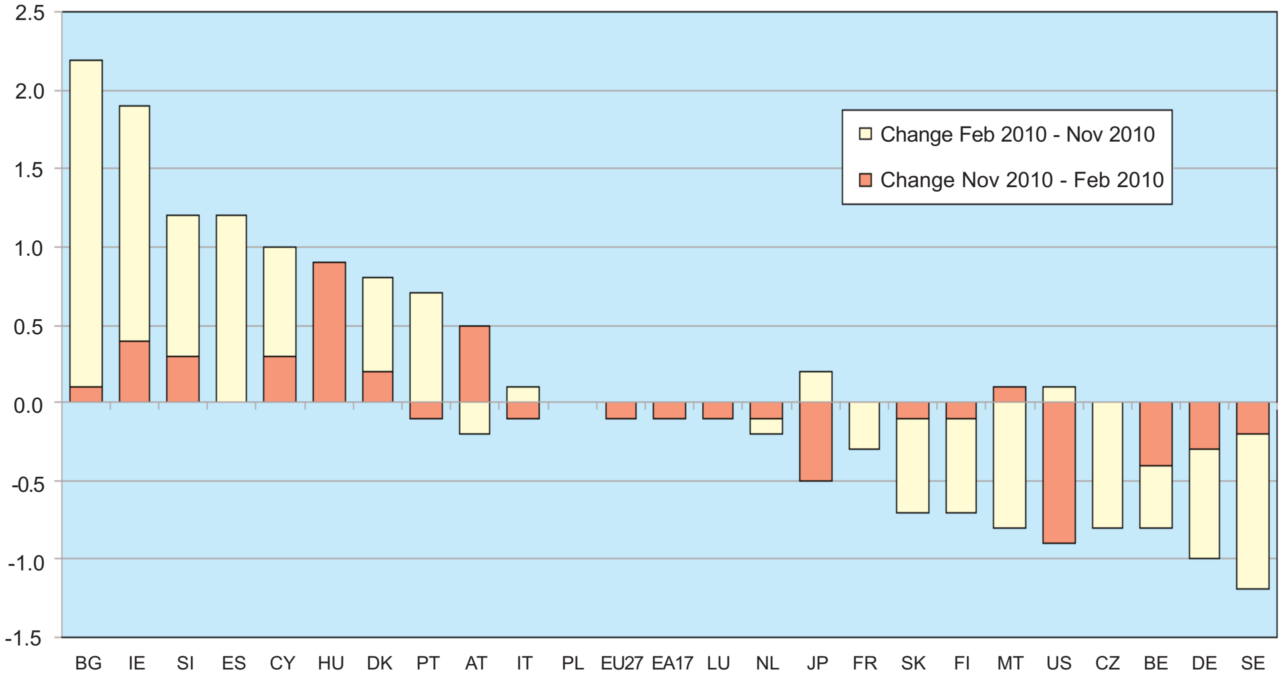
Source: *Eurostat*
Note: Data for EE, EL, LT, LV, RO and UK are from fourth quarter 2010

The aggregate EU unemployment rate has begun finally to decline (to 9.5% in the EU27, 9.9% in the euro zone) having stabilised at 10% (in the euro zone) throughout 2010. This has also been accompanied by a (marginal) increase in the employment rate (+0.1%) though new jobs continue to be disproportionately either part time or temporary. The manufacturing sectors are enjoying a strong rebound and shortages especially of skilled professionals and engineers are beginning to be reported.[7] Once again, the lowest unemployment rates were reported in the Netherlands (4.3%) and Luxembourg (4.5%) followed by Austria (4.8%). As in previous quarters, the highest levels were recorded in Spain (20.5%) and the Baltic States (see Table 2). According to Eurostat estimates, 23,248 million people in the EU were unemployed in February 2011, around 31,000 fewer than a year earlier.

Among the Member States the highest increases in the unemployment rate were recorded in Hungary (0.9%) and Austria (0.5%) and highest decreases in Belgium (-0.4%) and Germany (-0.3%), where – contrary to some predictions – the prevalence of short-time working during the crisis has apparently done nothing to impede job growth in the recovery (see Figure 3). Compared to a year ago, the largest falls were observed in Sweden (from 8.8% to 7.6% between the fourth quarters of 2009 and 2010) and Germany (from 7.3% to 6.3%). The highest increases were recorded in Bulgaria (from 9.4% to 11.6%) and Ireland (13% to 14.9%).

[7] Financial Times, 'Manpower acts on skills shortage', 31 March 2011
http://www.ft.com/cms/s/0/8ac19d0c-5bd6-11e0-b8e7-00144feab49a.html

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



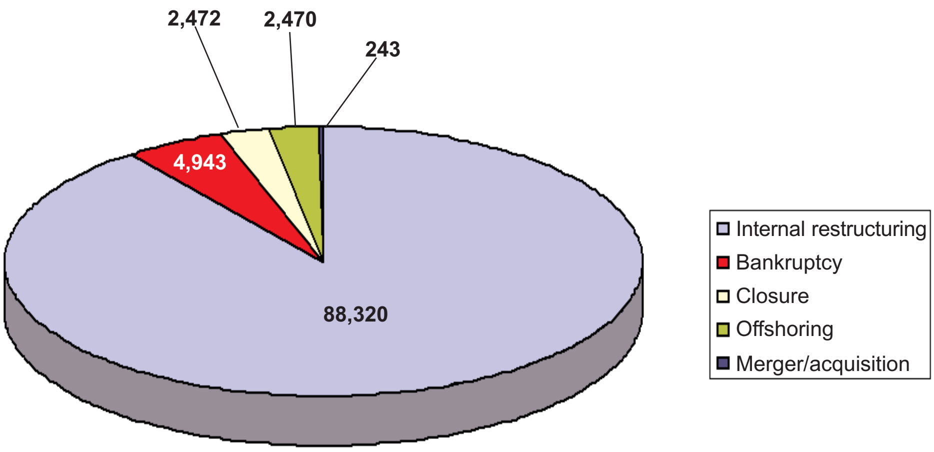
Source: *Eurostat*
Note: no comparable data for EE, EL, LV, LT, RO and UK; 'EA17' is the member countries of the euro area.

In summary, there is a two-speed recovery in the EU with core and central European Member States demonstrating robust growth while many peripheral countries labour with outstanding public and private sector debt problems and severe retrenchment of the public finances. This is reflected in contrasting employment performances in the two sets of countries, though at aggregate level, nearly two years since the Great Recession ended, the recovery remains largely jobless. The resolution of bank and sovereign debt problems in the periphery remains the most pressing economic and political challenge for the EU.

Overview of ERM cases January to March 2011

The ERM recorded a total of 358 cases of restructuring between 1 January 2011 and 31 March 2011. These cases involved 98,448 announced job losses and 69,025 announced job gains. Internal restructuring accounted for nearly 90% of the announced job losses. The decline in closures and bankruptcies recorded in the first quarter of 2010 lends support to hopes of recovery. While the extent of merger and acquisition remains marginal, the ERM reports a marginal increase in offshoring in this quarter (2.5%) compared to the previous three-month period (1%).

Figure 4: *ERM job losses by type of restructuring, January – March 2011*



Source: *ERM, January – March 2011*

In terms of geographic spread, the country which recorded the greatest number of announced job losses was the UK (37,772 jobs), ahead of Poland and France with respectively 17,574 and 13,826 announced job losses. These same countries are also those recording the highest number of job gains, though job losses continue to outnumber job gains. The highest number of job gains was announced in France (21,137 jobs) followed by the UK (11,919 jobs) and Poland (11,481 jobs).

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

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

Company	Jobs	Location	Sector
La Poste	10,000	France	Transport / communication
Poczta Polska	4,900	Poland	Transport / communication
Kompania Weglowa	4,400	Poland	Mining / quarrying
Bumar	2,000	Poland	Manufacturing
Manchester City Council	2,000	UK	Public administration
Prisa	2,000	Spain	Manufacturing (publishing)

Source: *ERM, January - March 2011*

The two largest cases of restructuring-related job losses in the ERM relate to the postal sector which, as outlined in the last ERM quarterly, is in the final phase of liberalisation of market opening as of 1 January 2011. French national postal operator **La Poste** announced it will cut 10,000 jobs in 2011 after it had already cut over 11,000 posts in 2010, while **Poczta Polska**, the Polish national postal operator announced the collective dismissal of 4,900 employees; the redundancies will be implemented between February and October 2011. Since 2009 Poczta Polska has been implementing a restructuring programme and between 2009 and 2010, the Polish postal operator made 2,667 employees redundant.

The third large scale restructuring is that of the largest coal mining company in Europe, **Kompania Węglowa**, which announced a restructuring plan for 2011, which will result in 2,500 job losses across Poland. According to tthe coal mining giant, 4,400 miners will leave the company through an early retirement scheme while 1,881 people will be recruited during 2011. Around 540 of the new recruits will be coal mining school graduates, who have a guarantee of employment; such guarantees are usually the result of contracts signed between companies and schools. The new recruits will replace some of those leaving the company. This type of restructuring plan, where young graduates replace older workers through natural attrition, is part of the new national employment strategy for 2010–2014.

Another significant instance of restructuring is that of **Manchester city council**, which announced its plans to reduce its workforce by 17% as a result of a 25% drop in the level of central government funding leading to 2,000 jobs being lost. The authority had planned to make job cuts by natural wastage. However, as the funding cut was at twice the expected level, it has announced that staff are being asked to consider voluntary redundancy and early retirement.

The same number of job losses was announced by **Bumar Group**, a leading Polish supplier and exporter of armament and military equipment, which announced it will cut 2,000 jobs by the end of 2012. The job cuts are a result of a restructuring programme, which was initiated after the recession, and which affects all the company's factories in Poland. The programme is focused on closing or selling non-military production companies within the Bumar Group. The trade unions strongly opposed redundancies, but eventually a bilateral agreement between trade unions and the company was signed on 24 January 2011; redundant employees will receive severance pay ranging from €4,000 to €10,000. Meanwhile, 2,000 job losses have also been announced by Spanish media and publishing group **PRISA**. The company has announced an internal restructuring plan which includes 2,000 job losses in Spain and 500 in Portugal and the US by the first quarter of 2012; the restructuring plan, will include early retirement and outsourcing measures, pending talks with local unions.

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

Company	Jobs	Location	Sector
Sainsbury's	6,500	UK	Retail
PSA Peugeot Citroen	4,000	France	Manufacturing
Lufthansa	4,000	Germany	Transport / communication
Tesco	3,000	Poland	Retail
Renault	2,400	France	Manufacturing

Source: *ERM, January – March 2011*

One of the largest cases of job creation was announced in the UK where British supermarket chain **Sainsburys** announced the creation of 6,500 new jobs (a mix of full- and part-time positions) throughout 2011 followed by another 20,000 new jobs in the next three years. According to the management, the new hires could also benefit from training and development opportunities, including apprenticeships. Another notable instance of job creation originating from the retail sector is that of British retailer **Tesco**, which announced the creation of 3,000 jobs in Poland.

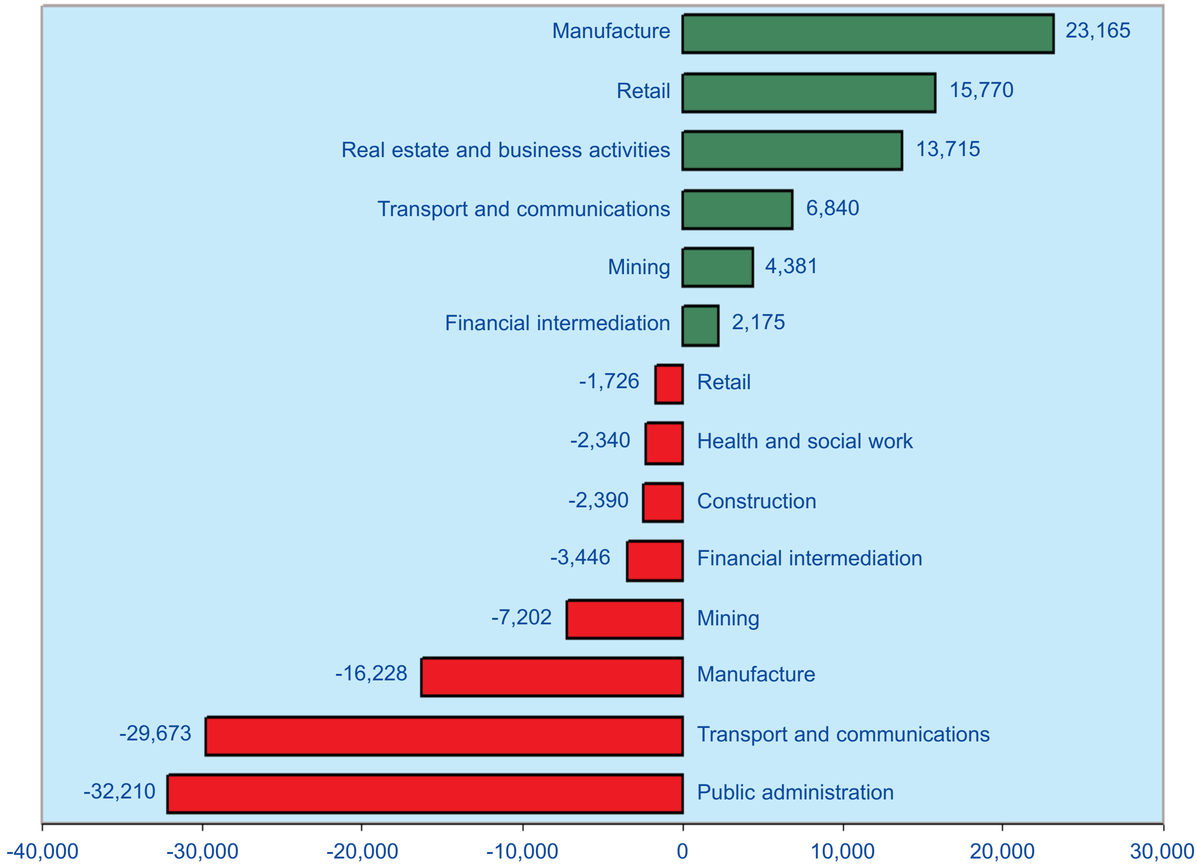
Between the second half of 2010 and the beginning of 2011, many car manufacturers have begun to recruit again. French car makers **PSA Peugeot-Citroën** and **Renault** feature among the five top cases of job creation. While PSA Peugeot-Citroën unveiled plans to recruit 4,000 employees in 2011 on permanent contracts across France, Renault announced the creation of 2,400 jobs in its home country within a similar timeframe. In addition, both companies intend to take on a significant number of young people on apprenticeship and *contrats en alternance* (work/study training programmes).

During the crisis many airline companies across Europe cut their workforce. There are, however, sporadic, albeit significant, instances of job creation in air transport. A case in point is **Lufthansa** announcing 2,200 new jobs for flight attendants and 900 jobs for airport service staff at Frankfurt and Munich airports. The recruitment process is expected to start in 2011.

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 first quarter of 2011.

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



Source: *ERM, 1 January – 31 March 2011*

Job reduction

During the quarter, the public administration sector reported the largest number of announced job losses (32,210 jobs), followed by transport and communications (29,673 jobs), manufacturing (16,728 jobs) and mining (7,202 jobs).

As in previous quarters, the largest share of job loss announcements in the public sector relates to announcements of restructuring in city council and local governments in the UK. Apart from the above mentioned announcement of job cuts at **Manchester city council**, other significant losses have been announced at **Warwick city council**, which stated it will cut 1,800 jobs, while **Leeds council** has announced plans to cut 1,500 jobs by end of March 2012 and **Kent council** has announced it will lose 1,500 jobs over the next four years. Other significant losses have been announced also at **Hull city council** (1,400 job losses), **Liverpool city council** (between 1,200 and 1,500 jobs), and at **Hampshire county council** (1,200 jobs).

As mentioned above, large job losses in the quarter have been recorded in the postal sector. Apart from the above-mentioned large cases at **La Poste** and **Poczta Polska**, significant job losses were announced at **Royal Mail** with plans to cut 1,751 jobs across the UK. The job losses include 1,000 managers across the UK and 751 employees in London, where two postal sorting centres will close down. Other significant job losses relate to Czech postal company **Česká pošta**, which announced its cost-saving restructuring plans envisaging cutting between 1,500 and 1,700 jobs throughout 2011. The company intends to restrict service delivery to 1,500 branches (mainly in rural areas) out of a total of 3,000 across the Czech Republic. In 2009, it changed from a state-owned enterprise to a joint-stock company.

In the transport sector, **Železnice Slovenskej republiky (ŽSR)**, a Slovak public railway infrastructure company, announced it will dismiss 1,700 out of about 17,000 employees by the end of June 2011; dismissals are attributed to the implementation of the recovery plan approved by the government. Large losses in the country have also been announced by **Cargo Slovakia**, a public freight railway company, which will dismiss 1,100 out of 9,285 employees by the end of August 2011. Dismissals are attributed to the recovery package adopted by the government to save the company before bankruptcy; the company is expected to be privatised in 2012. Other losses in the sector relate to restructuring announcements in airline companies. **Meridiana-Eurofly** announced its plans to lay off 900 workers (out of around 2,000) in Italy. The job cuts will affect pilots, cabin assistants and ground staff; the collective dismissals procedures started at the beginning of February 2011. The layoffs are included in a reorganisation plan, which envisages the outsourcing of some activities and rationalisation of routes. **Air Malta**, Malta's state-owned national airline, announced a restructuring plan resulting in 600 job losses. Through its restructuring plan, Air Malta hopes to qualify for €52 million in emergency aid and to become economically stable and to operate profitably. Further losses have also been announced by **Czech airlines ČSA** (317 jobs), **Cyprus Airways** (140 jobs) and **Spanair** (50 jobs).

In the communication sector, Romanian provider of mobile and home-phone services **Romtelecom**, which is part of the Deutsche Telekom group, announced its plans to dismiss between 1,000 and 1,400 employees in 2011. The job losses are blamed on the decline in revenues from its landline telephone services. Further losses have been announced by telecommunication company **Talk Talk**, which announced plans to cut 580 administrative jobs in the UK. The announcement comes as the firm seeks to integrate three separate businesses it has recently acquired. The job cuts will affect staff in London, Warrington, south Manchester and Preston.

In manufacturing, apart from the large cases of job restructuring involving **Bumar Group** and **PRISA**, several job cuts have been announced by **Sumitomo Electric Wiring Systems**, an automotive components and wiring harnesses manufacturer, which announced it will dismiss 950 production workers at its factory in Leszno as it plans to keep only the technical department where 50 people are employed. The cuts will be implemented by the end of June 2011. The company closed its factory in Rawicz in 2009, resulting in about 1,200 job losses. French company **Alstom Transport** announced the loss of 700 jobs at its site in Salzgitter (Lower Saxony, Germany). Alstom's plan to reduce staff in

Germany is part of a large restructuring programme affecting **many countries** and resulting in 4,000 job losses. **Zaklad Zespolow Napędowych** in Stalowa Wola, a bearing, gears and auto components elements manufacturer, announced that it will dismiss its entire workforce, resulting in 590 job losses. In December 2010 the company had declared bankruptcy.

Yamaha has announced that it will close its Barcelona plant in June 2011 and will relocate its production activities to France. The company stated that efforts will be made to relocate as many workers as possible; possibly 100 workers will be transferred to the French plant, and the rest of the workers, depending on the outcomes of the negotiations, may be relocated to other sites in Catalonia.

Large losses have been recorded in the Polish mining and quarrying sector. Apart from the above-mentioned case of large-scale restructuring at **Kompania Węglowa**, in January 2011 management at the coal mine **Halemba-Wirek** announced it would cut 1,402 jobs and reduce its employment level from 4,382 to 2,980 by the end of 2011. According to the plan about 110 office workers will be directly dismissed, approximately 300 miners will retire, while around 1,000 people will be transferred to other coal mines within the group. The cuts are a result of ongoing restructuring process within the group. In the same month, coal mining company **Katowicki Holding Węglowy** launched a restructuring programme that will result in 700 job cuts by the end of 2011. Overall, the restructuring programme involves 1,400 job losses and 700 new jobs. Around 1,000 employees will leave the company through an early retirement scheme while 400 decided to leave voluntarily. Meanwhile during 2011 the company plans to partly replace ageing staff with 700 new employees. About 220 of them will be coal mining school graduates who have a guarantee of employment as part of their course.

Electrolux and unions working together to minimise the negative social consequences of restructuring

After announcing 800 job losses at Porcia and Susegana plants (northeastren Italy) in late 2010, domestic appliance producer Electrolux reached an agreement with the unions to allow free use of parts of its plants to a pool of SMEs that will re-employ some redundant workers. Following negotiations with the trade unions, the redundancies were also revised downwards to 740. According to latest news, the agreement has been accepted by the majority of workers and can be now implemented.

Other elements of the agreement included new investments in other Electrolux plants in Italy, the use of the extraordinary Wage Guarantee Fund scheme for 600 workers on a rotation basis, and various economic incentives for voluntary redundancies. In order to make the re-employment of redundant workers easier, the company will also provide outplacement services to the affected workers and economic incentives to companies hiring the redundant workers. Additional benefits will be offered to workers who intend to start their own business, including the opportunity to use parts of the plant for the start-up.

La tribuna di Treviso, 30 March 2011.

Job creation

As in the previous quarter, the manufacturing sector reported the largest number of announced job gains (23,165) in the first quarter of 2011. This represents over 33% of the total job creation in this quarter. The second-ranking sector was retail with 15,770 job gains, followed by the real estate and business activity sector (13,715 new jobs) and transport and communications (6,840 new jobs).

Over half of the job creation recorded in the manufacturing sector in this quarter is concentrated in auto manufacturing which shows encouraging signs of recovery. In addition to the business expansions announced by Renault and PSA Peugeot-Citroën, a notable instance of job creation concerns **Jaguar Land Rover** announcing 1,500 new jobs at its site in Halewood (UK) for the production of a new line. Other large cases of job creation include German carmaker **Daimler Mercedes** announcing 750 new jobs at its site in Stuttgart-Untertuerkheim and Woerth and Japanese car manufacturer **Toyota** recruiting 100 employees on permanent contract and another 300 temporary workers at its French site in Onnaing (Nord Pas de Calais).

The rest of the announced manufacturing jobs were spread among a large number of cases from a variety of firms producing goods for different industries. Notable is the job creation announced by luxury goods manufacturer **Hermes** in France (600 new jobs) and **Louis Vuitton** in Portugal (350 new jobs) in response to increasing demand.

In the real estate and other business activities, global consultancy firms continue to announce the creation of thousands of new jobs. In France alone, **Sopra group** (1,600 new jobs), **Accenture** (1,400), **Ausy** (1,100) and **Deloitte** (1,000 jobs) are responsible for the greatest job creation in the sector. In Portugal, financial advisory company **Decisões e Soluções** announced the creation of 800 new jobs with the opening of 40 new agencies across the country throughout 2011. Due to rising market demand, IT consultancy company **Sogeti**, which is part of the CapGemini group, announced the recruitment of 300 employees in Sweden in 2011. Another 400 new jobs were announced by business consultancy **Global e-Business Operations** (owned by Hewlett Packard) for its business innovation and transformation centre in Wrocław (Poland) where, around the same time, **CapGemini** has already started the recruitment of 200 IT specialists for its software solution centre.

In the transport and communications sector, aside from the Lufthansa case, another big case of business expansion is that of Frankfurt-based airport operator **Fraport** which announced plans to create 700 new jobs as well as hire 1,300 people to replace departing employees in 2011. Low cost airline companies have also announced plans to expand their operations and create new jobs. While **Virgin Atlantic** is to create 450 new jobs in Gatwick and Manchester with the opening of new continental routes and in response to increased traffic to the Caribbean and Ghana, **Ryanair** announced 250 new jobs with additional routes departing from Vilnius Airport (Lithuania). In storage and warehousing, internet retailer **Amazon** announced 950 jobs at its new distribution centre in Scotland, while supermarket chain **POLOmarket** is to create another 200 jobs at a new warehouse and logistic facility in Libidza (Poland).

IKEA favour role play tests over qualifications in recruiting for a new French outlet

The Swedish furniture group Ikea announced that it will create 190 jobs for its new site at Fleury-sur-Orne near Caen, which will open on 2 November 2011. In February, it was reported that 2,200 people had already applied for the jobs for which hiring will be done according to a method called ‘recrutement par simulation’. No formal qualifications are necessary for applying for the jobs. Applicants are not required to submit their CV or a motivation letter for working as a cook, cashier or department manager in Ikea. They will be assessed on the basis of their performance in role play simulations. The idea is to give a chance to everyone regardless of their qualifications.

The recruitment process is jointly organised by the national employment agency (*Pôle Emploi*) and Ikea. In a first phase, candidates will be required to take a test, which will evaluate their writing skills, reading comprehension and aptitude in mathematics. In a second phase, candidates will take part in role plays that simulate real situations. Finally, candidates will be offered an interview, if the mark given by the Pôle Emploi advisor is above the average mark given by Ikea and Pôle Emploi.

Devised in 1995 by a car supplier nearby Poitiers, the recruitment method based on role play simulations has proved to be controversial. The main criticism is that people who do not have desirable physical or psychological traits may have less chance to be offered the job, in spite of superior professional experience and formal qualifications.

Ikea à Fleury: les dessous d’un recrutement, Coté Caen, 23 February 2011.

Job creation and business expansion in the IT sector

The narrowing gap between announced job losses and job gains on the ERM over the last number of quarters provides further evidence of economic recovery and the resumption of employment growth. Some private sector job creation will, it is hoped, go some way towards mitigating the large public sector job losses announced recently in many Member States, where central and local/regional government bodies have been shedding workers as part of cost-cutting plans.

In particular, large numbers of jobs have been created in the IT sector, which reflects its continuing buoyancy. This sector includes IT consultancy and also companies involved in relatively new developments, such as social networking. Overall, it is a highly R&D intensive sector, accounting for around a quarter of EU R&D, according to the European Commission.

Recent examples of job creation include developments at the company LinkedIn, the online social network for professionals and job seekers, which announced plans at the end of March for 100 new jobs in Dublin over the coming 12 months. The company has stated that the new positions will include graduate and experienced positions in areas such as sales, business development, marketing, customer services, finance, HR and operations. LinkedIn has attracted 100 million members in more than 200 countries since its initial launch in 2003. The company has sites around Europe and also further afield, in countries such as India.

Similarly, the online search engine Google has announced its intention to create 1,000 jobs throughout Europe in 2011. The main European offices of Google are located in Ireland, the UK and Germany and most of the new job growth is expected in those countries. The European expansion plans are mirrored by the global growth of the company. It also intends to create 150 jobs in Paris with the extension of its R&D site, which will open at the end of 2011. These new jobs will be mainly for engineers, with some in sales and support departments.

The rise of social networking and internet search companies is reportedly resulting in considerable competition for employees. It is reported that Google has been offering incentives to retain key senior employees, thus preventing their loss to Twitter.

Other IT companies announcing job creation during the first quarter of 2011 include the internet retailer Amazon, which has announced an expansion in Scotland that will create 950 new jobs. Most of these will come from a new distribution centre, which will be Amazon's biggest in the UK. The site will open towards the end of 2011. The IT company Ausy announced plans to recruit 1,100 engineers throughout 2011. The firm recruited 800 employees in 2010 and has a total workforce of 2,300 employees. The recent job creation is attributed to a 75% increase in net profits in 2010. Meanwhile, the IT consultancy company Sopra Group intends to recruit 1,900 employees on permanent contracts across the world, with 1,600 new jobs in France and 300 jobs in Belgium, Italy, Luxembourg, the Netherlands, Spain and India. Finally, the European IT consultancy group, Vision IT Group, will recruit 140 new employees in France and 400 in total in Europe in order to meet increasing demand.

It would seem that the demand for IT workers is set to continue over the coming years, with various reports indicating continuing growth in the sector. For example, a 2011 report by the consultancy High Fliers Research[8] predicts that the number of graduate entry-level jobs at companies such as BT, IBM and Google, which are seen as high-profile high-tech

[13] 'The Graduate Market in 2011'. High Fliers Research, January 2011.

companies, will rise by almost 34% in the UK during 2011, compared with the previous year. The report also found that 52 of the 100 companies that it surveyed were planning to recruit graduates for IT roles. In Germany, according to the Institute of Economic Research (*Deutsches Institut für Wirtschaftsforschung*), the country currently needs around 66,000 IT specialists; and in Ireland, the EURES Job Mobility Portal notes that there are ongoing shortages for senior software developers, IT security experts, network experts and IT project managers.

However, there does appear to be something of a mismatch between supply and demand in the IT sector, following reports that the number of graduates entering IT roles is falling. IT is one of the few sectors that has continued expanding its recruitment over the past decade but interest from students and recent graduates appears to be relatively low. This is thought to be due to fewer people taking IT courses, a rise in the number of graduates choosing not to work in IT over the past five years, and pay for IT roles lagging behind that for positions in other sectors. At EU level, however, there is consensus that so-called e-skills are vital for the development of the European economy. The first EU e-skills week was held in March 2010, aimed at raising awareness of the demand for highly skilled IT jobs and the importance of e-skills in the EU's society and economy.

Restructuring in the FIAT plant in Termini Imerese

On 23 December 2011 the last FIAT Lancia Y will leave the FIAT Sicilian Termini Imerese plant. Nine days later, on January 2012, the plant will terminate production and the 1,509 FIAT employees and 600 employees of satellite firms will lose their jobs. The decision to close the Termini Imerese plant was presented in FIAT's 2010–2011 industrial plan[9] in December 2009. Given the low employment levels in the region, exacerbated also by the economic and financial crisis, the government, local authorities and social partners have engaged in intense discussions to try and find a viable solution in order to re-launch the Termini Imerese industrial area and to maintain the employment levels of the region.

At the beginning of 2010, Invitalia, the Italian national agency for investment and enterprise development, was given the mandate to manage the reconversion of the Termini Imerese plant and to attract companies wanting to invest in the area. In total, 31 proposals were received, of which seven were selected. The seven proposals are all compatible with the area and provide for the re-employment of the whole FIAT workforce. In fact if the seven investors proceed with their projects, the area could employ 3,340 workers, over 50% more than at present.[10]

In February 2011 the Ministry of Economic Development, regional and local authorities and representatives from Invitalia and FIAT signed an agreement on the re-industrialisation of the Termini Imerese plant. The area assigned to the relaunch is much larger than the FIAT plant as it includes also surrounding areas, and it will benefit from an investment of almost 1 billion euro in public and private funds. The public investment totals 450 million euro, of which 100 million EUR come from the economic development ministry and 350 million euro from the Sicily regional authorities (200 million euro for incentives and 150 million euro for infrastructure).[11]

[9] http://eurofound.europa.eu/efcms/ERM/index.php?template=factsheet_details&fid=14958

[10] http://palermo.repubblica.it/cronaca/2011/02/14/news/firmato_l_accordo_per_termini_imerese_tv_ed_energia_solare_al_posto_della_fiat-12469689/

[11] http://www.ilsole24ore.com/art/economia/2011-02-16/firmato-accordo-termini-imerese-142449.shtml?uuid=Aags2n8C

Two of the seven selected proposals come from firms in the automotive sector. Car manufacturer De Tomaso has proposed a plan envisaging an investment of about 420 million euro between 2012 and 2015. De Tomaso intends to occupy the entire area of the FIAT plant and to hire almost the entire FIAT workforce (about 1,450 employees) as it plans to produce 38,000 luxury cars (30,000 city cars and 8,000 mini SUVs). The second proposal in the auto manufacturing sector relates to the innovative project of Cape Reva Electric Car Company which intends to invest 930 million euro in order to produce small electric cars employing about 1,000 workers. A second company involved in this project, Sunny Car Mobility Solutions Company will be in charge of developing solar energy supplies, thus employing a further 400 employees, while Charging Infrastructure Company will be in charge of a network of solar energy refueling stations.[12]

The five non-automotive projects selected for the relaunch will employ over 1,000 people. The largest area will be used by Ciccolella srl, an Italian horticultural company. The project takes place in three phases over 48 months: the first phase comprises the construction of the greenhouses for growing flowers and plants, in a second phase a photovoltaic plant will be built to supply solar energy to the area and to the greenhouses and finally a logistic service area will be built and it will be served by the solar energy produced in-house. Med studios, a soap opera production company belonging to the Einstein multimedia group and which already owns production studios in Termini Imerese plans to expand its presence in the area enlarging its production studios; this project will create a further 200 jobs.

Biogen presented a two-phase project to be located near Termini Imerese port, where solid and liquid biomasses will arrive and be stocked. In a second phase Biogen intends to build a biomass power plant that will supply energy to the whole industrial area. Lima will be producing medical prostheses (knee and hip) while the last project relates to Newcoop, a company that aims to offer logistic services for containers that will serve the port and the industrial area.

Finally, a further company, DR Motor Company, expressed its interest in the reconversion of the Termini Imerese industrial area but submitted its proposal after the deadline. DR Motor Company presented a plan to re-hire the entire FIAT workforce in order to produce over 60,000 cars per year. The ambitious plan would involve the entire industrial area of Termini Imerese. At the moment this project is in standstill, but will be reconsidered if one of the seven selected companies withdraws its proposal.[13]

During summer 2011, decisions will be made on how state and regional funds will be divided among the seven companies and whether to include further projects. The most important objective is to guarantee continuity in the automotive activities. FIAT agreed to lease its plant only if the entire workforce will be rehired by the new investor/investors. In the transition between the closure of the FIAT plant and the start of the new economic activities, FIAT employees will benefit from the CIGS (extraordinary wage guarantee fund), but the key priority for all the involved actors is that automotive production in the area resumes as early as possible.

If successful, the plan to relaunch the Termini Imerese industrial area will represent an example of positive restructuring as it includes some key good practices: the employment level will be not only preserved but will rise, the know-how and skills in the automotive sector will be preserved and enhanced with the use of innovative technologies (the sunny cars project). Furthermore, the projects provide for investments in some important, innovative and energy friendly sectors, which will positively contribute to the relaunch and development of the entire area as well as having positive effects on employment.

[12] http://www.lavoce.info/articoli/-concorrenza_mercati/pagina1002214.html

[13] http://rassegna.governo.it/testo.asp?d=56796691

Restructuring research notes

Research brief: *Labour market institutional differences as one determinant of diversity in restructuring processes of multinationals*

Summary: This article is based on a three-year study (2006–2009) of twelve multinational restructuring cases in seven Member States. It identifies and describes two patterns of company-level restructuring, 'job transition' and 'job protection' – broadly associated with coordinated market economies and liberal market economies respectively. In the former, unions negotiate with management on 'job-to-job' transitions often with the aid of existing labour market institutions (such as Swedish job security councils). Such transitions involve investments in mobility, retraining and requalification which often have a mix of company and public funding. In the latter 'job protection' restructurings, hiring/ firing, early retirement and severance payments are the main channel for quantitative adjustments.

The author concludes that 'labour market factors, more particularly employment systems [...] are significant factors affecting the way in which company restructuring is managed' and that 'a dynamic view of institutional variations is important in order to fully explain the influence of macro-level labour market factors over micro-level restructuring processes'.

The research was supported by the European social partners and funded by the European Commission.

Reference: Pulignano, V. (2011), 'Bringing labour markets "back in": restructuring international businesses in Europe', *Economic and Industrial Democracy*, published online 6/4/2011.

Research brief: *The growth of hybrid 'manu-services' companies*

Summary: Andrew Sissons of The Work Foundation (UK) describes the rise of a new breed of firm which performs both manufacturing and service functions in order to provide 'comprehensive solutions' rather than just products or service alone. He christens these hybrids as 'manu-service' firms. Archetypal UK 'manu-service' firms such as BAE systems and Rolls Royce have competed on this model for some time. What distinguishes them is not necessarily a high-tech, research and innovation driven manufacturing model but the integration of products and associated services, longer-term producer-client service contracts as well as new forms of marketing and supply chain innovation. The 'manu-service' model may be prove very competitive in an unpredictable global economy where consumers increasingly demand adaptive and individualised support. The report includes a brief history of the rise of 'manu-service' firms, their characteristics and advantages and outlines policy recommendations for governments interested in promoting the growth of these firms.

Reference: Sissons, A., *More than making things: a new future for manufacturing in a service economy*, A Knowledge Economy Programme report from The Work Foundation, March 2011. Link:
http://www.theworkfoundation.com/assets/docs/publications/284_More%20than%20making%20things.pdf

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 (three to five per country) covered by a network of 28 national correspondents as well as an EU-level correspondent covering large, cross-national 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 **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 (11,000+ restructuring cases covering 2002 to date) broken down by the following independent variables: sector, type of restructuring, country as well as time-period. Only those fact sheets in the ERM database that refer to a specific country are included in the statistical analysis. Fact sheets referring to European or worldwide restructuring events are not considered in order to avoid double counting.

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 (UK, Poland) and lower levels in others (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 dedicated sources such as the 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 5 April 2011. 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**.

This issue was written by **John Hurley**, **Sara Riso**, **Lidia Salvatore**, **Marius Miginis**, **John Parker** and **Andrea Broughton** (ERM EU-level correspondent).

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