



Agir€ est soutenu par le Fonds social européen / Art. 6 Actions innovatrices.
Les informations contenues dans cette publication n'engagent pas la Commission européenne.

Conférence finale / Final conference AgirE

Quantitative analysis of trends in restructuring – the need for an effective monitoring system

Terry Ward



Objectives of this part of study

Aims of analysis:

- To attempt to quantify main features of restructuring of large enterprises across the EU over recent years in terms of:
 - scale of restructuring in different countries and regions
 - form of restructuring
 - sectors of activity in which mainly occurred
 - nationality of companies involved
 - extent and features of delocalisation
 - period of notification of job losses
- By so doing, to assess feasibility of establishing an effective monitoring system
 - In particular by improving and extending European Restructuring Monitor (ERM) maintained by European Foundation in Dublin



Main source of information

- Analysis based on ERM which records details of enterprise restructuring across EU from network of correspondents in each country
- These collect details from newspaper reports of all cases of restructuring involving:
 - job losses or job gains of 100+
 - job losses of 10%+ of workforce at worksite employing 250+
- Coverage dependent on both newspapers reporting and diligence of national correspondents
- Over 7,000 cases recorded since 2002
- Analysis here based on all cases recorded up to end 2006
- Results limited by nature of data – confined to cases conforming to criteria for inclusion in ERM:
 - Only large enterprises covered
 - Only those reported taken into account



Main results of analysis – scale of restructuring

- Over the 5 years 2002-2006, 3,556 cases in EU15 countries involving total jobs losses of almost 2.8 million
- Cases varied markedly across EU – 700+ in UK 530 in France, 460 in Germany on 115 in Italy, less than in Ireland (123)
- Job losses varied from 600 thousand in UK, 480 thousand in Germany, 250 thousand in France, 84 thousand in Italy and Spain and under 5 thousand in Greece
- Many fewer cases of job gains in EU15 – 542 in total and 416 thousand job created
- Distribution of gains across Member States similar to distribution of job losses
- But neither wholly in line with distribution of employment ...



Jobs losses and gains from restructuring, 2002-2006

% Total in EU15

	Job losses	Job gains	Employment
UK	31.2	32.3	16.8
DE	25.1	24.8	21.9
FR	12.8	27.6	14.6
NL	5.0	0.3	4.9
IT	4.4	0.2	13.4
ES	4.3	3.5	10.9
BE	4.0	1.8	2.5
SE	3.8	0.9	2.6
PT	2.3	3.4	3.1
FI	2.0	0.5	1.4
IE	1.8	3.1	1.1
DK	1.5	0.5	1.7
AT	1.3	0.6	2.3
GR	0.2	0.8	2.6
LU	0.1	0.0	0.1



Main results – form of restructuring

- Over half of cases of restructuring in EU15 over 5 years 2002-2006 involved internal reorganisation and 20% worksite closures
- Delocalisation was involved in 10% of cases though 12% over last two years
- Division of job losses differs – cases of internal reorganisation involved more job losses on average than other forms of restructuring, closures and delocalisation less
- Tendency for cases job losses from cases involving more than one form of restructuring to increase
- Tendency also for job losses from cases of delocalisation to increase, though not since 2004, and job losses still small relative to those from other forms ...



Table Division of job losses in EU15 by form of restructuring

% Total losses from restructuring

	2002-2004	2005-2006
Merger	4.5	3.9
Delocaliation	3.4	3.5
Relocation	0.6	1.2
Outsourcing	1.9	0.9
Closure	10.8	11.3
Internal reorganisation	69.5	62.4
Combined cases	9.3	16.8
Merger + other	0.2	4.9
Delocaliation + lother	2.0	4.6
Relocation + other	2.3	3.0
Outsourcing+other	2.1	5.0
Closure+other	4.6	3.2
Internal reorganisation+other	8.5	10.6



Main results – restructuring by sector of activity

- Incidence of restructuring varies markedly across sectors
- And is not at all in line with the relative importance of sectors in terms of employment
- Nor is it typically the older, more basic industries which are most affected ...



Table Division of job losses from restructuring by sector

	<i>% job losses from restructuring</i>		<i>% Total employed</i>
	2002-04	2005-06	
Banking, insurance	11.5	12.4	3.2
Telecommunications	11.5	8.3	0.6
Public administration	1.5	16.9	7.4
Motor vehicles	5.4	9.4	1.4
TV, radio, telecoms	8.0	5.0	0.5
Electrical machinery	7.6	2.2	0.7
Chemicals, oil refining	6.4	3.4	1.3
Computing	5.1	3.1	1.4
Postal services	3.9	3.1	1.0
Food, drink, tobacco	3.4	3.7	2.2
Office machinery	3.6	3.0	0.1
Basic metals, metal products	2.6	3.7	2.6
Retailing	1.7	3.9	9.0
Other transport equipment	3.5	0.9	0.5
Electricity, gas, water	2.7	1.9	0.7
Land transport	3.2	1.1	2.5
Air transport	3.0	0.9	0.2
Wood, paper, printing	1.7	2.7	2.1
Textiles, clothing, footwear	2.0	1.2	1.2



Restructuring involves job gains as well as losses

- The sectors in which job gains from restructuring were largest were in many cases different from those where job losses were relatively large
- But in some cases they were the same
- Some sectors, therefore, experienced restructuring in both senses, in terms of employment expansion as well as contraction



Table Division of job gains from business expansion

	<i>% Job gains from expansion</i>		<i>% Total employed</i>
	2003-04	2005-06	
Retailing	30.5	26.3	9.0
Business activities	2.1	11.5	8.6
Motor vehicles	18.4	6.0	1.4
Health		8.7	10.4
Banking, insurance	1.8	7.0	3.2
Travel agents	2.4	5.8	1.5
Computing	0.6	5.8	1.4
Construction	11.8	1.6	8.0
Air transport	7.6	2.3	0.2
Telecommunications	3.1	2.7	0.6
Recreational activities		2.8	2.0
Chemicals, refining	2.4	2.4	1.3
Electricity, gas, water		2.5	0.7
Wholesaling	1.8	1.6	5.7
Other transport equipment	0.2	1.7	0.5
Hotels, restaurants		1.5	4.4
Postal services	5.8	0.4	1.0



The nationality of firms seems to affect behaviour

- Domestically-owned firms were responsible for most of job losses from restructuring over the period 2002-2006
- And most of the gains, but less so ...

Table Job losses+gains from restructuring by firm nationality, 2002-06

	<i>% Job losses from restructuring</i>									
	BE	DE	IE	ES	FR	IT	PT	SE	UK	EU15
National	48	82	57	69	73	83	63	78	81	77
Other EU	37	6	12	17	15	8	14	10	10	12
US	12	9	25	10	8	6	18	7	5	8
Other	3	3	6	4	4	3	5	5	4	4
	<i>% Job gains from business expansion</i>									
	BE	DE	IE	ES	FR	IT	PT	SE	UK	EU15
National	38	69	32	81	84	100	18	47	70	70
Other EU	42	16	13	16	13	0	78	28	5	14
US	11	14	55	0	1	0	0	0	20	13
Other	9	1	1	3	2	0	4	25	5	3



The difference between the nationality of firms responsible for job gains and losses was especially marked in new Member States

Table Job losses+gains from restructuring by firm nationality, 2005-06

	<i>% Job losses from restructuring</i>								
	CZ	EE	LT	HU	PL	RO	SI	SK	NM12
National	77	43	97	87	81	82	84	60	79
Other EU	14	43	3	7	13	5	15	21	11
US	1	0	0	2	1	3	1	11	3
Other	8	14	0	4	6	10	0	8	6
	<i>% Job gains from business expansion</i>								
	CZ	EE	LT	HU	PL	RO	SI	SK	NM12
National	32	57	9	0	20	33	26	6	22
Other EU	31	39	75	53	36	43	73	53	41
US	8	0	9	14	14	18	0	15	14
Japan	13	0	7	18	7	1	0	11	7
Other	18	4	0	16	22	4	2	15	17



Nationality of firms and delocalisation

- Nationality of firms seems especially relevant as regards delocalisation

Table Job losses from delocalisation by firm nationality, 2002-2006

	<i>% Total jobs delocalised</i>										
	BE	DE	IE	ES	FR	IT	PT	FI	SE	UK	EU15
National	30	35	15	13	43	64	14	55	70	81	52
Other EU	47	4	14	28	28	25	24	8	20	9	14
US	23	60	59	30	15	3	42	3	10	8	26
Japan	0	1	6	0	3	0	19	0	0	0	2
Other	0	0	6	29	11	8	0	35	0	3	5
	<i>% Total job losses from restructuring</i>										
	BE	DE	IE	ES	FR	IT	PT	FI	SE	UK	EU15
National	2	2	4	1	3	3	5	6	5	7	4
Other EU	4	4	20	7	11	12	40	7	11	6	8
US	6	39	38	14	10	2	52	30	8	10	22
Japan	0	9	100	0	31	0	100	0	0	0	23
Other	0	1	18	51	17	10	0	59	0	7	11



Delocalisation of activities by firms from EU15 has been almost as much to new Member States as to Asian economies ...

Table Delocalisation by destination, 2002-2006

	<i>% Total jobs delocalised</i>													
	UK	IE	FI	DE	IT	FR	NL	BE	AT	ES	SE	PT	DK	EU15
New MS	10	25	31	31	32	39	41	49	51	59	66	71	76	35
Asia	86	39	59	30	51	43	46	30	36	21	27	11	15	52
Other	4	36	11	39	17	18	13	21	13	20	7	17	9	13
<i>New MS+As</i>	3	24	10	13	24	22	23	0	27	21	12	1	0	14



Period of notification of job losses

- The time between the initial announcement of intention to restructure and completion of process varies between countries ...

Table Period of notification of job losses, 2002-2006

% Total cases weighted by job losses

	Months from announcement to end of restructuring				
	0-3	4-6	7-12	13-24	24+
DK	45.6	13.1	14.9	14.7	11.8
FI	51.9	6.6	12.9	23.5	5.0
SE	22.5	35.6	10.2	14.6	17.2
UK	42.5	10.8	7.5	11.7	27.6
PT	42.9	9.1	28.2	14.4	5.4
IE	36.0	12.0	21.5	18.1	12.4
AT	30.9	7.0	9.1	6.0	47.1
NL	25.6	7.8	12.5	16.2	37.9
IT	24.4	4.2	12.9	24.7	33.7
FR	19.9	6.7	29.5	20.2	23.8
BE	20.5	2.8	5.1	23.2	48.4
ES	15.3	5.3	16.0	14.2	49.2
DE	10.5	5.3	12.2	17.6	54.4
EU15	22.1	9.0	12.4	19.9	36.7

Countries ranked by % of cases where notification is 6 months or less



The size of company has a significant effect on notification period ...

Table Restructuring period by company size, 2002-2006

Size Months	<i>% of cases weighted by job loss</i>					
	DE	ES	FR	IT	UK	EU15
<250						
0-3	56	38	55	52	42	59
4-6	21	28	17	0	21	17
250-499						
0-3	38	53	31	49	63	47
4-6	17	15	21	19	18	15
500-999						
0-3	27	39	33	44	44	38
4-6	14	13	16	0	31	17
1000-1999						
0-3	15	28	23	33	20	27
4-6	22	39	20	18	20	21
10000+						
0-3	7		5		5	4
4-6	1		2		6	5



Variation in length of notification period seems to have more to do with country where restructuring occurs rather than nationality of firm ...

Table Period of notification by firm nationality, 2002-2006

% of cases weighted by job losses

	DK	DE	ES	FR	AT	PT	FI	SE	UK	EU15
National										
0-3 months	42	9	10	19	30	39	50	23	44	25
4-6 months	16	4	2	5	9	7	7	37	11	8
7+ months	42	87	88	76	61	53	43	40	45	68
Other EU										
0-3 months	55	21	33	21	35	67	50	9	26	16
4-6 months		13	14	13	6	7	6	31	7	9
7+ months	45	66	53	66	59	26	45	60	67	75
US										
0-3 months	41	14	17	9	27	28	100	29	38	21
4-6 months	12	6	12	24		11		43	16	15
7+ months	46	80	71	67	73	61	0	28	46	64



Establishing a more effective monitoring system

- Analysis has demonstrated potential value of ERM as source of data on restructuring
- And indicated the possibility of using it as a means of monitoring restructuring developments across the EU
- But to use it in this way really requires improvements in way information is collected plus extension of details recorded
- Best option for improving data collection - to obtain details of restructuring involving collective redundancies from national authorities
 - Companies statutorily obliged in all EU Member States to notify cases involving 20 or more redundancies to the relevant authority
 - Gaining access to reports concerned would improve data collection and allow smaller cases to be covered
 - So allowing account to be taken of variations in the size distribution of firms between countries.



Establishing a more effective monitoring system

- Collecting data direct from national authorities would free up correspondents to follow restructuring cases more closely
- to produce a 'time-line' for each case from announcement to completion distinguishing main steps
- Other improvements needed for ERM to record more systematically:
 - Form of restructuring – to take explicit account of multiple forms
 - Sector of activity according to standard convention
 - Types of job involved
 - Region in which occurs
 - Nationality of company
 - Destination of relocation
 - Action taken by companies to assist workers



Establishing a more effective monitoring system

- Strengthening ERM only goes part of way
- Restructuring by SMEs also needs to be covered – ERM not suitable to monitor this
- This could be monitored through extension of EU Labour Force Survey (LFS) or by a new survey to collect data on redundancies from restructuring – on characteristics of workers concerned, details of company, sector, etc.
- In addition, need for information on what happens to workers after they lose their jobs so as to assess social consequences – can only really be done by periodic surveys
- In sum, efforts are called for on a number of fronts to monitor restructuring and its effects more systematically, so providing more informed basis for policy-making
- And laying essential foundations for anticipating restructuring