Quantitative analysis of trends in restructuring by large enterprises in the EU

Summary of results

The analysis is based on the information on the restructuring activities of large enterprises in the EU over the period 2002 to 2006 compiled by the European Restructuring Monitor (ERM), maintained by the European Foundation in Dublin. Although considerable effort has been made to improve the coherence and accuracy of the data, they are, nevertheless, based on the details recorded by a network of correspondents from newspaper reports of cases involving jobs losses, or job gains, of 100 or amounting to at least 10% of employment at worksites employing 250 people or more. This inevitably gives rise to some uncertainty as regards the completeness of the data and their comparability across countries and the results should be interpreted with this in mind.

In particular, given the nature of the data, the analysis should be regarded as indicative only. Indeed, the intention is not simply to indicate trends in restructuring over this period but perhaps more importantly to demonstrate the value of developing the ERM into a more reliable database which could be used to monitor the main features of restructuring across the EU.

It should also be emphasised, as indicated, that the analysis leaves out of account entirely restructuring undertaken by SMEs and the job losses associated with this, which might well have been as large as those in large enterprises. At the same time, it is important to recognise the dominant position of large enterprises in many sectors of the economy across the EU and the dependence of many SMEs on them, which means that their restructuring has potentially a much greater effect on employment than indicated by the direct job losses alone.

The results of the analysis are as follows:

- Over the 5 years 2002-2006, 3,556 cases of restructuring involving jobs losses on at least the scale indicated above were reported to have occurred in the EU-15 countries. These involved jobs losses totalling just under 2.8 million.
- The number of cases over the period varied markedly across the EU and not entirely in line with employment. It was highest in the UK at over 700 cases and next highest in France at around 530 cases, followed by Germany with some 460 cases. In Italy, however, there were only 115 cases less than in Ireland.
- The job losses involved also varied, from 600 thousand in the UK (30% of the total in EU-15) and 480 thousand in Germany to only around half this in France, around 84 thousand in Italy and Spain and under 5 thousand in Greece – as opposed to 45 thousand in Portugal which is about the same size.
- There were many fewer cases of business expansion involving job gains of at least 100 over this period. In total, some 416 thousand new jobs were recorded as being created in the EU-15 by large enterprises and these were distributed across countries in a similar way to job losses, with over 30% being in the UK.
- Restructuring activity by large enterprises, therefore, in terms of both job creation and job destruction was more intense in some countries than others – in Ireland and Portugal, as well as the UK, much more than in Italy or Greece. Although this might reflect differences in the reporting process, it might also reflect differences in reality if not to the extent indicated.

- More than half of cases of restructuring involved internal reorganisation and around 20% plant and other worksite closures. Delocalisation of activities to counties outside the EU-15 was involved in around 10% of cases and in around twice as many cases in the last two years of the period than the first three.
- Cases of internal reorganisation were associated with more job losses on average than other forms of restructuring, while closures and delocalisation resulted in less. Around 70% of job losses over the period resulted in cases involving internal reorganisation, around 10% in those involving closures and only 6-7% in those involving delocalisation.
- Although the job losses from delocalisation were larger in the last two years of the period, they still amounted to only around 8% of the total lost as result of restructuring. Moreover, despite the publicity surrounding the phenomenon, there is little sign of any increase in the number of cases between 2004 and 2006.
- Nevertheless in a few countries, there was a marked increase in job losses from delocalisation over the period. In Austria, cases involving delocalisation were responsible for 21% of all job losses from restructuring over the two years 2005-2006, in Denmark and Ireland, for 26-28% and in Portugal, for 40%.
- The incidence of restructuring varied markedly across sectors. Banking and insurance was responsible for the largest number of jobs losses from restructuring in the EU-15 between 2002 and 2006, accounting for around 12% of all jobs lost (3-4 times larger than the share of the sector in total employment), followed by Telecommunications, which accounted for 10% of the total (equivalent to 285 thousand jobs) but under 1% of total employment, and public administration, accounting for 8% of the total.
- Restructuring was also relatively concentrated in the engineering industries. Motor vehicles and TV, radio and telecommunications equipment were each responsible for 7% of the total losses from restructuring over the 5 years (many time larger than their share of total employment) and Electrical engineering and Office machinery (with a combined share of total employment in the EU-15 of under 1%), for almost 9% of the total losses between them.
- By contrast, more basic industries, such as Textile and clothing or basic metals were responsible for a relatively small proportion of total job losses from restructuring (just 2% and 3%, respectively), though in Portugal, almost a third of all such losses occurred in Textiles and clothing.
- The sectors in which job gains from the expansion of large enterprises occurred over the period 2002-2006 were in some cases different from the sectors in which jobs losses occurred and in some cases the same. Retailing was responsible for 27% of total job gains in the EU-15 over the period and Business services for 10%. At the same time, 8% of the job gains took place in Motor vehicles, one of the main sectors of job losses, while 6% occurred in Banking and insurance, which was responsible for the largest share of job losses. However, high tech manufacturing sectors – Office and Electrical machinery and TV and radio and Instrument engineering – where jobs losses were substantial, were together responsible for under 3% of job gains.
- Some sectors, therefore, experienced restructuring in both senses, in terms of business expansion as well as employment contraction. While some enterprises were growing others were cutting back production and jobs. Indeed, some enterprises were involved in both expansion and contraction during the period, though the activities concerned were not necessarily the same.

- It is becoming increasing difficult to identify the ‘nationality’ of the multinational companies involved in restructuring, though the evidence suggests that nationality in terms of where the headquarters is located has an important effect on behaviour.
- Nationally-owned companies were responsible for 77% of the jobs lost from restructuring over the period 2002-2006, while companies from other EU Member States accounted for 12%. Companies from US and other non-EU countries were responsible for just 11% of total losses. Non-EU companies were responsible for less than 15% of job losses from restructuring in all EU15 Member States apart from Portugal (23%) and Ireland (31%).
- Nationally-owned companies were responsible for a smaller share of the job gains (70%) recorded by the ERM than job losses , while both companies from other EU countries (14%) and US companies (13% as against 8% in respect of job losses) were responsible for a larger share.
- The nationality of companies seems to be even more relevant as regards development in the new Member States. In virtually all countries – the exceptions are Bulgaria and Estonia – job losses from restructuring over the years 2005-2006 (cases were largely not recorded in earlier years) occurred predominantly in nationally-owned companies (79% of the total in the 12 countries taken together), while job gains from business expansion occurred predominantly in foreign owned companies (78% of the total). In these countries, moreover, jobs gains were larger than job losses in these two years.
- In EU-15 countries, a large proportion of the jobs lost because of the delocalisation of activity have been in foreign-owned companies rather than nationally-owned ones and in nearly all Member States, companies involved in restructuring are much more likely to delocalise activities if they are foreign-owned,, especially if they are US-owned, than if they are nationally-owned.
- Almost half (49%) of the jobs lost in the EU15 over the period 2002-2006 as a result of the delocalisation of e activities involved relocation to the new Member States, either to these countries alone (35% of all jobs lost in this way) or in combination with a move to the Asian economies (14% of all jobs lost). In the UK, however, only 13% of jobs lost through delocalisation involved moves to the new Member States and almost 90% involved moves to the Asian economies.
- Almost half of the jobs lost through relocation to Asia were in the service sector, predominantly in Banking and insurance, mostly from the UK and the Netherlands.
- Of the jobs lost through relocation to the Asian economies in manufacturing, a large proportion were in TV, radio and telecommunication equipment (16% of the total relocated), Electrical machinery (6% of the total) and Chemical and pharmaceuticals (7%). Comparatively few were in ‘low tech’ sectors, such as Textiles and clothing (3% of the total – though 47% in Austria and 20% in Portugal) or Basic metals (1%).
- Most of the jobs relocated to the Member States were in manufacturing, many in Motor vehicles (17% of the total) as well as in electronics (TV, radio, etc.) and electrical equipment (19% of the total between them, and over 50% in Ireland, Spain, the Netherlands and Finland). Again only a small proportion of the jobs were in ‘low tech’ industries, Textiles and clothing accounting for just 2% of the total, though 27% in Italy)
- The incidence of restructuring varies markedly across regions, though not necessarily in line with their economic prosperity or employment levels. In Germany, for example, job losses from restructuring were proportionately larger in the western part of the country than the eastern part, with the major exception of Berlin, while job gains were particular large in some of the eastern regions (Leipzig, in particular).

- The regions in which job losses from restructuring were disproportionately large over the period 2002-2006 were also in a number of cases the regions in which job gains were also relatively high, such as in the Brussels region of Belgium, Berlin in Germany, Madrid and the Basque country in Spain, Nord Pas de Calais in France and Northern Ireland in the UK, though in most not nearly large enough to compensate for losses. The activities in which gains and losses occurred, however, were mostly different, with losses taking place predominantly in manufacturing and gains in services.
- The period of notification of the intention to restructure varies markedly across countries, seemingly reflecting the regulatory system in place and appears to be only slightly related to the nationality of the companies concerned. In 22% of cases in the EU-15, the period was 3 months or less over the 5 years 2002-2006. In Finland, however, this was the case in respect of 52% of cases, in Denmark, for 45% and in Portugal and the UK, around 43%. By contrast, in Germany, the proportion was only just over 10%, in Spain, around 15% and in Belgium and France.
- The period of notification varies inversely with the size of company or, more precisely, with the size of worksite at which the restructuring occurs. In almost 60% of cases of restructuring which occurred at company sites in the employing under 250 people, the period between the announcement of restructuring and job cuts being completed was 3 months or less, for sites employing 250-499 people, the proportion was 47% and for those employing 500-999, 38%. For companies employing 10,000 or more, where restructuring was spread over a number of sites, the proportion was only 4%.
- The ERM records very few cases of companies taking measures to assist workers losing their jobs because of restructuring,, which may simply reflect the failure to report such action though also, to some extent, reality. Positive action was more likely to be reported in Sweden, Denmark, Finland and France than in the other countries and least likely to be reported in Belgium, Ireland and Portugal.