

Macroeconomic trends and prospects

While the Eurozone sovereign debt crisis appears to have entered a less acute phase, the economic outlook for the coming months remains poor, with weak growth predicted and unemployment continuing to increase.

For the first time since the second quarter of 2011, the quarter-on-quarter real GDP growth rate in the EU27 was expected to be positive in the third quarter of 2012. Nevertheless the 0.1% growth rate is very modest and GDP fell by 0.4% when compared with the same quarter in 2011. A majority of Member States continue to suffer declining economic activity levels year-on-year and most recent forecasts are for barely rising GDP growth in 2013 (+0.3%). Comparisons with the United States are not flattering. There, estimated growth in 2012 and forecast growth in 2013 are both above 2%.

The number of employed people in the EU 27 is expected to decrease by 0.2% in the third quarter with sharper falls (>=0.5%) in Poland, Spain, Slovenia and Cyprus. The unemployment outlook continues to worsen and the EU27 unemployment rate increased to 10.7% in October and November, up from around 10.5% in the previous months and 10% in November 2011. Current unemployment rates have risen year-on-year in most Member States. The exceptions are Germany, UK, Romania, Ireland, the Baltic states, Hungary and Denmark. More than 26 million Europeans were unemployed in November 2012, two million more compared to one year ago. Disparities in unemployment rates between European countries continue to be very high, with levels ranging from 5% in Austria, Luxembourg, Netherlands and Germany to 26%+ in Spain and Greece.

Job creation and job losses at a glance

The ERM recorded a total of 360 cases of restructuring between 1 October and 31 December 2012. Of these, 255 were cases of announced restructuring involving job loss, 100 were cases involving announced job creation and 5 were cases involving both job losses and job creation. These cases involved 110,337 announced job losses and 43,902 announced job gains. Internal restructuring accounted for almost 70% of the announced job losses. The incidence of job loss due to firm closure (18%) increased notably from the previous quarter.

In terms of geographic distribution, the country which recorded the greatest number of announced job losses was France (16,392 jobs), followed by the United Kingdom (11,362 jobs), Italy (11,351 jobs), Belgium (10,419 jobs), Spain (9,865 jobs)

2012Q4	Announced job loss	Announced job gain
EU27	110,337	43,902
EU27 change	8%	-19%
<i>Big increases* by country</i>	Belgium ++ Ireland + Spain + Sweden + Czech Republic +	Ireland +
<i>Big increases* by sector</i>	Telecoms ++ Manufacture: basic metals ++ Manufacture: electrical equipment + Administrative/support services +	Human health services ++

and Germany (9,527 jobs). France (12,477 jobs) also recorded the highest number of new jobs. The country that recorded the largest number of job loss cases during the quarter was Sweden (37 cases – see separate feature). In relation to trend, announced job losses were notably higher in Belgium (mainly due to the announced closure at Ford Genk) and, by sector, in telecoms and basic metals manufacturing.

Source: ERM, October-December 2012.

* comparing qtr to 4-qtr moving average, ++ = >100% + = >50%; excl. country or sector if qtr average <1000

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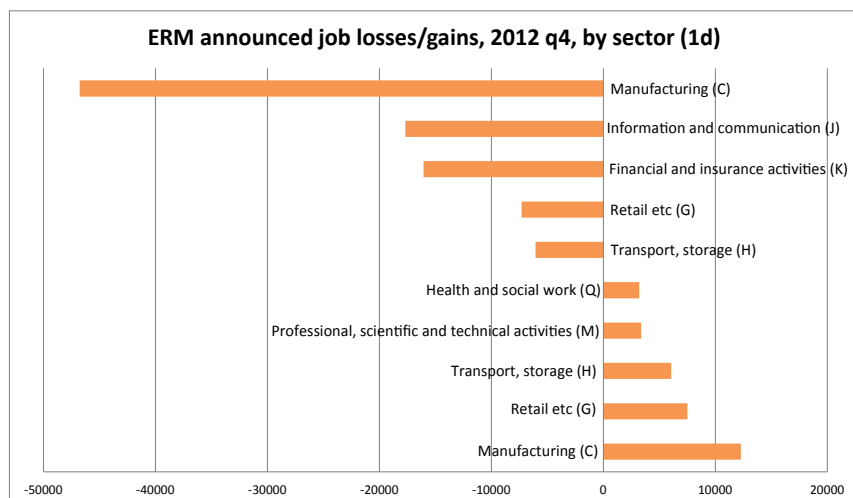
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The ERM quarterly has a new shorter, four-page format with publication in the third week after each quarter ends.



Sectoral distribution of job losses / job gains

Figure 1 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 2012. Manufacturing was the sector experiencing most restructuring activity, both in terms of announced job gains and job losses. It accounted for over 40% of total job losses.



Announced job loss

Manufacturing (C)	46,763
Information and communication (J)	17,690
Financial and insurance activities (K)	16,058
Retail etc (G)	7,307
Transport, storage (H)	6,064

Announced job gain

Manufacturing (C)	12,272
Retail etc (G)	7,500
Transport, storage (H)	6,050
Professional, scientific and technical activities (M)	3,380
Health and social work (Q)	3,200

Source: ERM, October–December 2012

Top five cases of job loss and job creation

Date	Company	Job losses	Location	Sector	Type of restructuring
30/11/2012	Bankia	6,000	Spain	Financial/insurance activities	Internal restructuring
26/11/2012	ILVA	5,000	Italy	Manufacture of basic metals	Closure
5/10/2012	Orange	5,000	France	Telecommunications	Internal restructuring
4/10/2012	France Télécom	5,000	France	Telecommunications	Internal restructuring
24/10/2012	Ford	4,300	Belgium	Auto manufacturing	Closure

The largest case of job loss recorded in the quarter relates to Bankia, the fourth largest bank in Spain, which announced it would dismiss over 6,000 employees or 28% of its entire workforce. The partly nationalised bank was formed in 2011 from the merger of seven cajas, the regional savings banks that were heavily exposed to Spain's collapsing property market. Restructuring plans for Bankia involving a 60% contraction of its balance sheet were approved by the European Commission in November 2012. Severe losses have also been announced as ILVA, an Italian-owned (Riva group) steel company is closing the steel cold-rolling facility at the plant located in Taranto with the loss of at least 5,000 jobs. The company's decision was taken following the Italian public prosecutor's verdict to shut down the furnaces due to health and environment threats.

Ford, the American multinational carmaker, announced the closure of its plant in Genk, eastern Belgium, resulting in 4,300 job losses by end of 2014. The closure could also result in the loss of about 5,000 indirect jobs. French telecoms groups, Orange and France Telecom, both announced staffing plans for the coming three years, involving net job losses of 5,000 for each group.

Date	Company	Job gains	Location	Sector
4/10/2012	Safran	3,000	France	Manufacture of transport equipment
2/10/2012	Générale de Santé	3,000	France	Human health services
9/10/2012	Rossmann	2,000	Germany	Retail
4/10/2012	EDF	2,000	France	Electricity, gas, steam etc supply
4/10/2012	Airbus	2,000	France	Manufacture of transport equipment

There were many large cases of announced job creation in France during the quarter. The largest related to the international high-technology group Safran, specialised in aerospace, defence and security, which announced its intention to recruit 3,000 employees in France in 2013. Safran will recruit a further 3,000 employees across Europe. Three-quarters of these jobs will be in higher-level professional, research or engineering posts. The French private hospital group Générale de Santé announced in October that it would recruit 3,000 employees in 2013. German drug store chain Rossmann took on 2,000 former employees of the insolvent drug store chain Schlecker and its subsidiary IhrPlatz. Additionally, Rossmann took over all IhrPlatz apprentices. Airbus announced the recruitment of 2,000 new employees in France as part of a wave of worldwide recruitment of approximately 4,000 new personnel. Finally French utilities group EDF announced its intention to recruit 6,000 employees by the end of 2013 with 2,000 of these being net new jobs.

COUNTRY IN FOCUS

Recent restructuring in Sweden

Recent developments in the ERM suggest that Sweden experienced heightened restructuring activity during 2012Q4. The number of job loss cases recorded in quarters three and four of 2012 doubled in comparison with the respective quarters in 2011. The country had the highest number of job loss cases in 2012Q4 (37) though all but one were modest in scale (<500 job losses).

This negative trend is also reflected in rising unemployment rates in Sweden. After having fluctuated around 7.5% since mid-2011, unemployment has steadily increased since July 2012 and reached 8.1% in November 2012, according to Eurostat data. Bloomberg reports that Swedish unemployment is predicted to rise even further to an average of 8.4% in 2013 (1). At the same time, global demand for Swedish exports is weakening. Consequently, industrial production has seen a strong decline in the most recent period for which data is available. It decreased by 4.3% in November 2012, when compared with November 2011.

In line with this negative industrial outlook, the five biggest job loss cases in Sweden in 2012Q4 were in the manufacturing sector. Ericsson, global provider of telecommunications equipment and services, announced it would cut 1,500 jobs in Sweden by March 2013. Steel producer SSAB will make 450 people at its Swedish operations redundant. Also pointing to weakened European demand especially for automotive applications, manufacturer of glass Pilkington announced the closure of two units in Sweden affecting 350 employees.

350 people will be made redundant by GKN Aerospace, British manufacturer of aircraft and rocket engines in Trollhättan. The production plant was recently taken over from Volvo Aero. Another 350 jobs will be lost at Volvo Construction Equipment. The Volvo subsidiaries Volvo Bus, Volvo Trucks, Volvo Construction Equipment and formerly Volvo Aero also announced 1,290 job losses in the fourth quarter.

These are unexpectedly negative developments for a country that has weathered the most recent economic crisis comparatively well, recording over 10% growth over the last two years. Growth is forecast at around 1% for 2013.

(1) <http://www.bloomberg.com/news/2012-12-13/swedish-unemployment-rises-as-falling-demand-hits-exporters.html>

This issue is based on contributions from Lidia Salvatore, Anja Meierkord, Carlos Vacas, Andrie Kyprianou, John Hurley and Andrea Broughton (ERM EU-level correspondent).

EF/13/08

SUPPORT MEASURES IN FOCUS

Restructuring support in Ireland

Irish enterprises undergoing restructuring and their affected employees can take advantage of a variety of support measures offered by the government, employers and employee organisations, NGOs and private consultants in the anticipation and management of change.

An example of the free support available in the field of anticipating restructuring is SKILLNETS, which provides a platform for firms to cooperate for training purposes and to facilitate the development and exchange of skills and knowledge benefiting employers and employees alike. Each skillnet involves a minimum of three firms cooperating to fund training that they could not afford to undertake separately. The Innovation Voucher programme, run by Enterprise Ireland, also facilitates the exchange of knowledge between public knowledge providers and small businesses. Innovation Vouchers are worth €5,000, firms can apply for them with limited paperwork and they give access to expert advice on developing business models, product design, technology audits and other topics.

Enterprise Ireland, the state economic development agency, is involved in the implementation of various instruments such as First Flight (supporting first-time exporters) and seed capital for new entrepreneurs (promoting investment in start-up and early stage enterprises), thus playing an active role in supporting fledgling businesses. Professional advice can be sought through initiatives such as Mentor Network and company development 'cluster' programme, which are designed to aid the strategic development of the firm.

An important legal provision in restructuring cases is examinership whereby courts offer insolvent companies protection from their creditors for 100 days. During this period all possibilities that could safeguard the future of the company are explored in collaboration with an examiner (usually a practising accountant). A positive example of a company emerging from insolvency via this route is Jo' Burger Ltd, a Dublin-based restaurant chain. The SME underwent restructuring during an examinership period in 2009 after one of its two Dublin outlets recorded large losses. All 15 jobs were saved at the time as new investment was sourced and existing liabilities settled. The chain has subsequently grown and now numbers five outlets. In August 2012, the company announced the creation of 120 new jobs during 2013 in at least three planned new restaurants.

The ERM database on support measures is accessible at: www.eurofound.europa.eu/emcc/erm/supportinstruments

SECTOR IN FOCUS

Newspaper restructuring

The print news media is a sector that has experienced huge changes in recent years, due to competition from online media and the plethora of free news sources on offer. Changing reader habits, and in particular those of young people, mean that online provision is gaining readership while print media is losing out. In the UK, for example, figures from the Audit Bureau of Circulations (ABC) for September 2012 show that circulation figures for all UK national daily printed newspapers fell over the preceding 12 months. Such developments have meant that in many countries this sector has experienced significant business restructuring, which is likely to persist in the foreseeable future as newspapers continue to suffer from decreases in sales, subscriptions and advertising revenue.

In Germany, there have been significant developments in the newspaper sector in recent months. The publishing company Gruner + Jahr announced in November 2012 that it would close its subsidiary, G + J Wirtschaftsmedien, with the loss of 320 jobs by January 2013. This is due to the closure of the financial newspaper Financial Times Deutschland, which ceased activities in December 2012. Gruner + Jahr is also selling two magazines. Closing Financial Times Deutschland, which had been published for 12 years, is seen as significant. Originally launched as a rival to the German financial paper Handelsblatt, Financial Times Deutschland had a circulation of 100,000, but had never been profitable.

In addition, the left-leaning newspaper Frankfurter Rundschau, partly owned by the German Social Democratic Party, filed for bankruptcy in November 2012 with the loss of 500 jobs. Media commentators have warned that this is a bad omen for the German newspaper industry. The paper had a circulation of 400,000 at its peak, but this had fallen to around 118,000, accompanied by a drop in advertising revenue. The company stated that it had no option but to file for bankruptcy. Commentators are noting that this is indeed a sign of the times – younger readers tend to prefer to read news online, usually for free, rather than from a printed, paid-for source. The industry has struggled to find a way of monetising online news provision with advertising and paywall revenue compensating for circulation losses only in a very small number of cases worldwide. The German press agency DAPD also filed for bankruptcy in October 2012, with the loss of 98 jobs.

Quality daily newspapers have also been suffering in the UK. The Guardian newspaper, which has a well-respected online offering, is nevertheless making losses and is reported to be trying to shrink its 650-strong editorial workforce by 100. It is calling for voluntary redundancies and is in negotiations with the UK journalists' trade union.

Swedish local newspapers have also suffered particularly badly in recent months. The Swedish newspaper publishing group Hallpressen announced in mid-December 2012 that it intends to cut 60 jobs, as a result of falling subscriptions and advertising. Hallpressen publishes 13 local newspapers in Sweden. Of the 60 redundancies, 35 will be among editorial staff. The restructuring plan includes centralising functions and transferring all newspapers to a tabloid format. The Swedish media group Mittmedia also announced in mid-December 2012 that it intends to make up to 150 employees redundant over the coming three years. This group published 17 local newspapers in central and mid-northern Sweden, in addition to a weekly magazine. It is thought that 100 editorial staff will be affected, and early retirements are being encouraged.

In France, the media company Sud-Ouest announced in November 2012 its intention to cut 180 jobs as part of a restructuring plan. The group publishes eight regional newspapers in France, but has large debts and views this restructuring plan as necessary for its survival. The company hopes that this will pave the way to a merger by 2020 with other media or internet groups. Access to free articles on the group's website will be gradually restricted during 2013.

In Spain, the publishing group Unidad Editorial announced in October 2012 that it intends to make up to 195 staff redundant on its sports newspaper, economic newspaper and some specialist journals. This is the second round of redundancies at the group, with the first affecting staff at the newspaper El Mundo, where 150 staff were made redundant in October 2012.

About the ERM

The European Restructuring Monitor (ERM) is a unique EU-wide data set on larger-scale restructuring events. It monitors the announced employment effects of large-scale restructuring events in the EU27 and Norway. The ERM is updated on a daily basis and data can be used for statistical analysis. The monitor relies on reports in selected media titles (3–5 per country). All announcements involving the reduction or creation of at least 100 jobs, or affecting 10% of the workforce in sites employing 250 people or more, are taken into account. Given that the ERM relies on selected media titles, its coverage of restructuring activity in each Member State is indicative and cannot be considered representative. Nevertheless, ERM data does generate a good picture of labour market restructuring, which is broadly consistent with data coming from more representative sources such as the European Labour Force Survey. The data for this report was extracted on 7 January 2013. As the ERM continually updates cases in light of new information on recent cases, data reported here may not correspond exactly to later extractions.

For previous editions of the quarterly, more details of ERM data collection as well as other ERM-related publications, please refer to the website at

www.eurofound.europa.eu/emcc/erm/info.htm

