RESEARCH REPORT

Eurofound

Labour market change

Restructuring trends: 2018 in review

Restructuring trends: 2018 in review

Eurofound

European Foundation
for the Improvement of
Living and Working
Conditions

When citing this report, please use the following wording:
Eurofound (2019), *Restructuring trends: 2018 in review*, Publications Office of the European Union, Luxembourg.

Authors: Eleonora Peruffo, Ioannis Tzortzakis, John Hurley

Research manager: John Hurley

Eurofound project: European Restructuring Monitor (170502)

Luxembourg: Publications Office of the European Union

Print:	ISBN 978-92-897-1872-1	doi:10.2806/51248	TJ-01-19-432-EN-C
PDF:	ISBN 978-92-897-1871-4	doi:10.2806/427772	TJ-01-19-432-EN-N

This report and any associated materials are available online at http://eurofound.link/ef19035

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

European Foundation for the Improvement of Living and Working Conditions

Telephone: (+353 1) 204 31 00
Email: information@eurofound.europa.eu
Web: www.eurofound.europa.eu

Contents

Country codes EU28

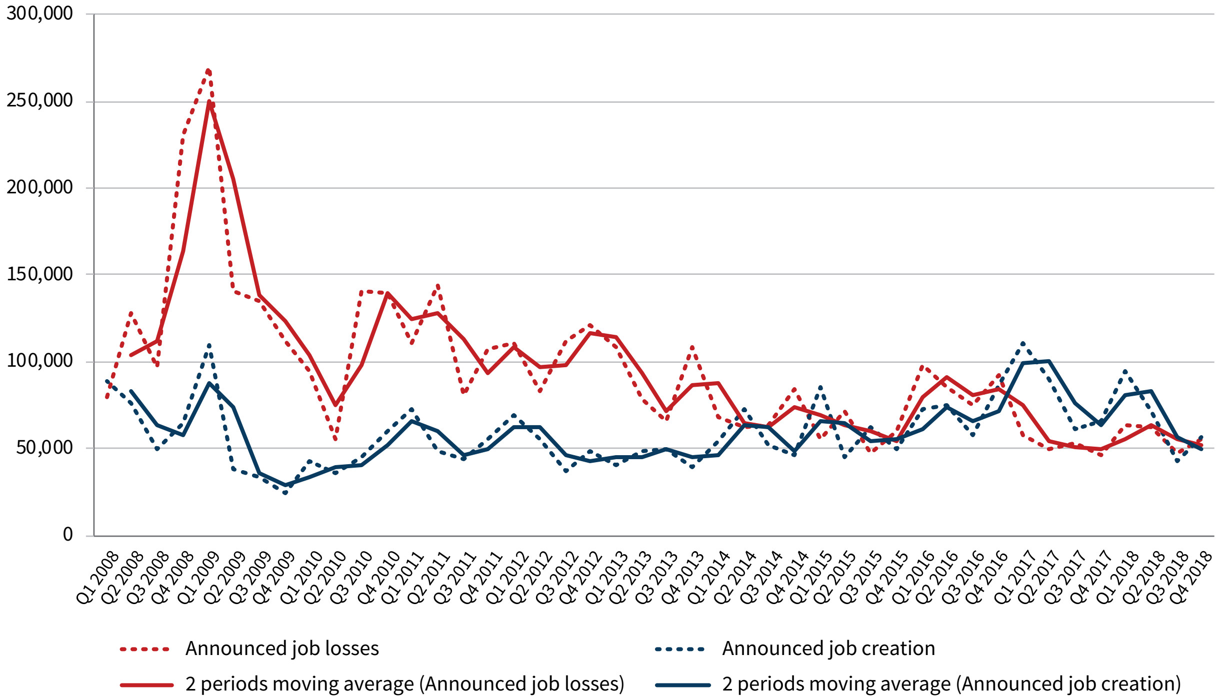
AT	Austria	**FI**	Finland	**NL**	Netherlands
BE	Belgium	**FR**	France	**PL**	Poland
BG	Bulgaria	**HR**	Croatia	**PT**	Portugal
CY	Cyprus	**HU**	Hungary	**RO**	Romania
CZ	Czechia	**IE**	Ireland	**SE**	Sweden
DE	Germany	**IT**	Italy	**SI**	Slovenia
DK	Denmark	**LT**	Lithuania	**SK**	Slovakia
EE	Estonia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

Introduction

Restructuring cases reported in the European Restructuring Monitor (ERM) in 2018 continued to reflect a relatively benign economic environment, with business expansion cases outnumbering cases involving job loss. This review summarises large-scale restructuring activity during 2018 in the EU by sector, establishment size and type of restructuring. It focuses on specific company cases illustrating various themes: the digital push for restructuring, Amazon's disruptive expansion into the European retail sector, and the limited extent of Brexit-related restructuring job losses to date.

As in 2017, more job gains than job losses were reported in the ERM in 2018. The ERM recorded 1,247 large-scale restructuring cases (generally involving at least 100 announced job losses or gains). There were 738 cases of job creation and 469 cases of job loss (with 40 cases involving both job loss and job creation simultaneously).

Figure 1: Announced job losses and gains by quarter, 2008–2018



Source: *ERM*

1 Large transnational cases of restructuring

In addition to the cases at national or subnational level covered in this report, the ERM database also recorded 46 transnational cases: 31 cases at world level (a company restructuring in at least one Member State and elsewhere in the world) and 15 cases at EU level (a company where the restructuring affects workers in more than one Member State). These transnational cases involve multinational corporations restructuring across units in different countries and tend to involve very large job numbers. The biggest such case in 2018 was that of Swiss pharmaceutical group, **Novartis**, which announced in September a planned reduction in headcount of 22,000 by 2022.

Two transnational cases during the year were of special interest: one acquisition came under scrutiny because of competition in the European Economic Area and one restructuring reflected changes in consumer trends. The former refers to the acquisition of Monsanto by **Bayer**. Once the acquisition had been cleared by the European Commission (2018), the German chemicals and pharmaceuticals group announced a reorganisation across its supporting functions and services – a process that is set to cut 12,000 positions from a total workforce of 118,200 employees worldwide by the end of 2021 (Table 1). A significant share of these job losses will occur in Germany. Taking into account the synergies expected from the acquisition, Bayer expects to make annual savings of €2.6 billion from 2022 onwards as a result of its planned efficiency and structural measures. The company indicates that the planned reduction includes the following cuts: approximately 900 jobs in research and development (R&D); 350 positions associated with the factor VIII facility in Wuppertal (Germany); roughly 1,100 jobs due to the reorganisation of Consumer Health; around 4,100 positions at Crop Science as the result of integrating the acquired agriculture business; and a further 5,500 to 6,000 jobs in the corporate functions, supporting functions, business services and country platforms.

Changing consumer trends can be seen in the restructuring plans of Swedish furniture retailer, **IKEA**, which is set to cut 7,500 jobs across its global operations. According to IKEA’s parent company, Ingka, the job cuts represent about 5% of its 160,000 workforce and will mainly affect its offices and global operations, across 30 countries. IKEA will simultaneously recruit 11,500 people within two years to respond to digital opportunities and the opening of outlets in city centres. The reorganisation could thus lead to a net job creation of 4,000 positions. This strategy responds to an observed change in lifestyle as ‘more and more people are moving into smaller homespaces’ and in shopping habits with preferences for smaller, city centre pick-up locations following online purchase, according to Ingka’s chief executive officer.

Table 1: Largest cases of transnational restructuring, 2018

Date	Company	Job losses	Sector	Affiliation
25 September	Novartis	22,000	Manufacturing	Czechia, India, Ireland, Malaysia, Mexico, Switzerland and the UK
10 May	BT	13,000	Information/communication	The UK and other countries worldwide
29 November	Bayer	12,000	Manufacturing	Germany and other countries worldwide
21 November	IKEA	7,500	Retail	Sweden, the UK and other countries
24 May	Deutsche Bank	7,000	Financial services	Germany, the United States and various other locations

Note: *The Novartis, BT and IKEA cases also involved significant job creation as part of the overall restructuring (700, 6,000 and 11,250 jobs, respectively).*
Source: *ERM*

Box 1: The race to digitise

A common theme in the expansion cases of larger transnational businesses has been the race to hire digital talent. The following two cases – one of a big company and one of a start-up – illustrate the employment effects of digitalisation. **Thales**, a major player in the French high-tech industry specialising in secure communications systems, has announced the recruitment of 5,000 people worldwide, 2,000 of whom reside in France.
The company is seeking engineers and managers to work primarily in research and development – R&D (software, hardware and systems engineering) – but also in manufacturing, customer service, and bid and project management. The company is also expanding its artificial intelligence (AI) research teams: in addition to its current AI staff of 150 people, Thales is recruiting around 30 junior specialists and experts, primarily in France and Canada. To combat growing cyberattack threats, the cybersecurity business area is growing and Thales is seeking 400 cybersecurity specialists worldwide, including 200 in France.

In the healthcare sector, the French-German start-up, **Doctolib**, has developed an online scheduling platform for doctors, from local physicians to hospital specialists. The company has announced that it will acquire its main competitor, MonDocteur, from Lagardère Group and recruit at least 400 new employees. The company will triple the number of engineers in its R&D department, based in Germany, to reach a total of 250 engineers. Doctolib's service manages 55,000 practitioner users and 20 million patient visits each month, making it the world's most widely used online medical appointment service.

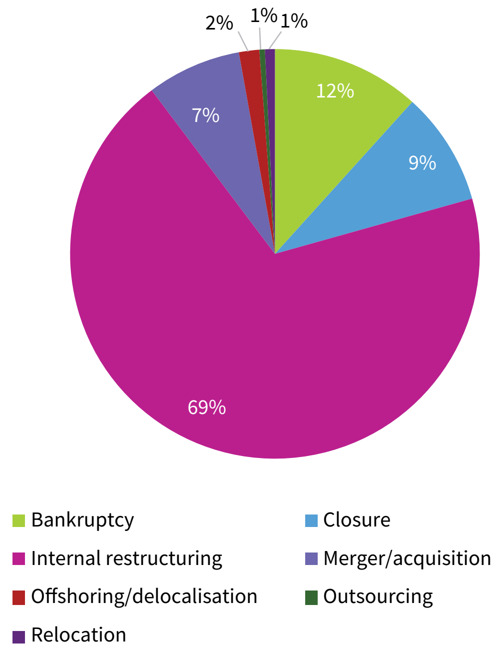
Digitalisation of business may also result in job losses. In September 2018, **Vodafone's** chief executive announced that the company was to cut 1,700 jobs across shared service centres in Egypt, India and Romania in 2018. These job reductions represent about 8% of the workforce in that business area and aim to meet the targets set in a cost-saving plan worth €8 billion. In relation to this, he has been keen to stress that more back-office functions are being taken over by 'robots'.

2 National cases of restructuring in summary

Cases by restructuring type

As seen in Figure 2, the most commonly cited type of restructuring during 2018 was internal restructuring, which accounted for 69% of job losses.[1] Bankruptcy cases accounted for 12% of announced job losses, while closures (9%) and mergers and acquisitions (M&A, 7%) were the other two major sources of job loss. Looking at restructuring trends in the past decade, the job loss share from M&A cases more than doubled (from 2.7% to 6.7%) from the period 2008–2013 to the period 2013–2018. Of the 23 M&A cases recorded in 2018, eight were concerned with financial service activities, five with manufacturing activities and five with retail activities. The biggest case of M&A – 5,000 job losses – took place in the energy business when **Eon** reorganised its workforce following the acquisition of RWE Innogy.[2] Offshoring accounted only for a marginal 2% of announced job losses, consistent with a declining trend in the offshoring share of restructuring job loss observed since the global financial crisis over a decade ago.

Figure 2: Share of job loss by type of restructuring, 2018 (%)



Note: *During 2018, only one case of outsourcing was recorded (125 job losses).*
Source: *ERM*

Box 2: Carillion, the largest ever trading liquidation in the UK

On 15 January 2018, British construction giant, **Carillion**, entered into compulsory liquidation with immediate effect. In the aftermath of the collapse, 2,778 employees were made redundant across the UK.

The Carillion collapse is the most notable case of compulsory liquidation within the construction and engineering industry. Carillion was the UK's second largest construction company and also provided facilities management and maintenance services, notably in formerly public sector services. At the time it went into liquidation, 57 contracts were being run by Carillion. The company was involved in the construction of the High Speed 2 railway, and supplied the National Health Service and National Rail. It also helped manage 50 UK prisons, provided 32,000 school meals per day and maintained 50,000 homes for the Ministry of Defence.

The firm, which employed about 20,000 people in the UK and 42,000 worldwide, had debts of GBP 1.15 billion (€1.34 billion as at 26 February 2019) and a pension shortfall of over GBP 500 million (€582 million). Due to its high number of government contracts, the liquidation process was handled by the UK Official Receiver. The aim was to continue providing essential public sector services across hospitals, schools, roads, rail and other key infrastructure without any service disruption or major incidents.

1 In the ERM cases collection, the category 'internal restructuring' is a catch-all term for cases which may involve multiple restructuring measures as opposed to a specific form of restructuring such as offshoring or M&A.

2 Company names in bold indicate a reference in the 'ERM factsheets' section at the end of the report. This provides a URL, pointing to the case description in the database, which contains details of the case.

The company's collapse has thrown the spotlight on other firms with large pension scheme deficits and has raised questions about how many more big company failures the UK Pension Protection Fund can absorb. Carillion had more than 28,000 pension scheme members. Those who were already applicable for pensions have been protected, but those below retirement age faced cuts of 10–20%, with a cap on payouts to higher earners.

As of January 2019, none of Carillion's former employees remain at its headquarters in Wolverhampton. On the one hand, a total of 13,945 jobs (76% of the pre-liquidation workforce) have been saved by being transferred to new suppliers, while 1,272 employees left the business during liquidation through finding new work, retirement or other reasons. On the other hand, 2,778 employees (15% of the pre-liquidation workforce) have been made redundant.

When Carillion announced it was going into liquidation, there was concern regarding the wider disruption it would cause along the construction supply chain. The company had subcontracted much of its private and public sector work to an estimated 30,000 small and medium-sized enterprises (SMEs), which together are owed roughly GBP 2 billion (€2.32 billion). Indeed, the collapse of the firm had significant knock-on effects for the sector: it triggered a 20% spike in the number of UK building firms becoming insolvent, with 780 companies in the industry falling into insolvency in the first quarter of 2018. In total, 2,954 businesses related to the construction industry went bankrupt in 2018.

One example covered by the ERM is the restructuring at **Vaughan Engineering**. As part of the supply chain of Carillion, the UK-based engineering firm went into administration in March 2018. As a result, 147 jobs were lost. According to its finance director, Carillion owed the company GBP 650,000 (€755,000) for completed work.

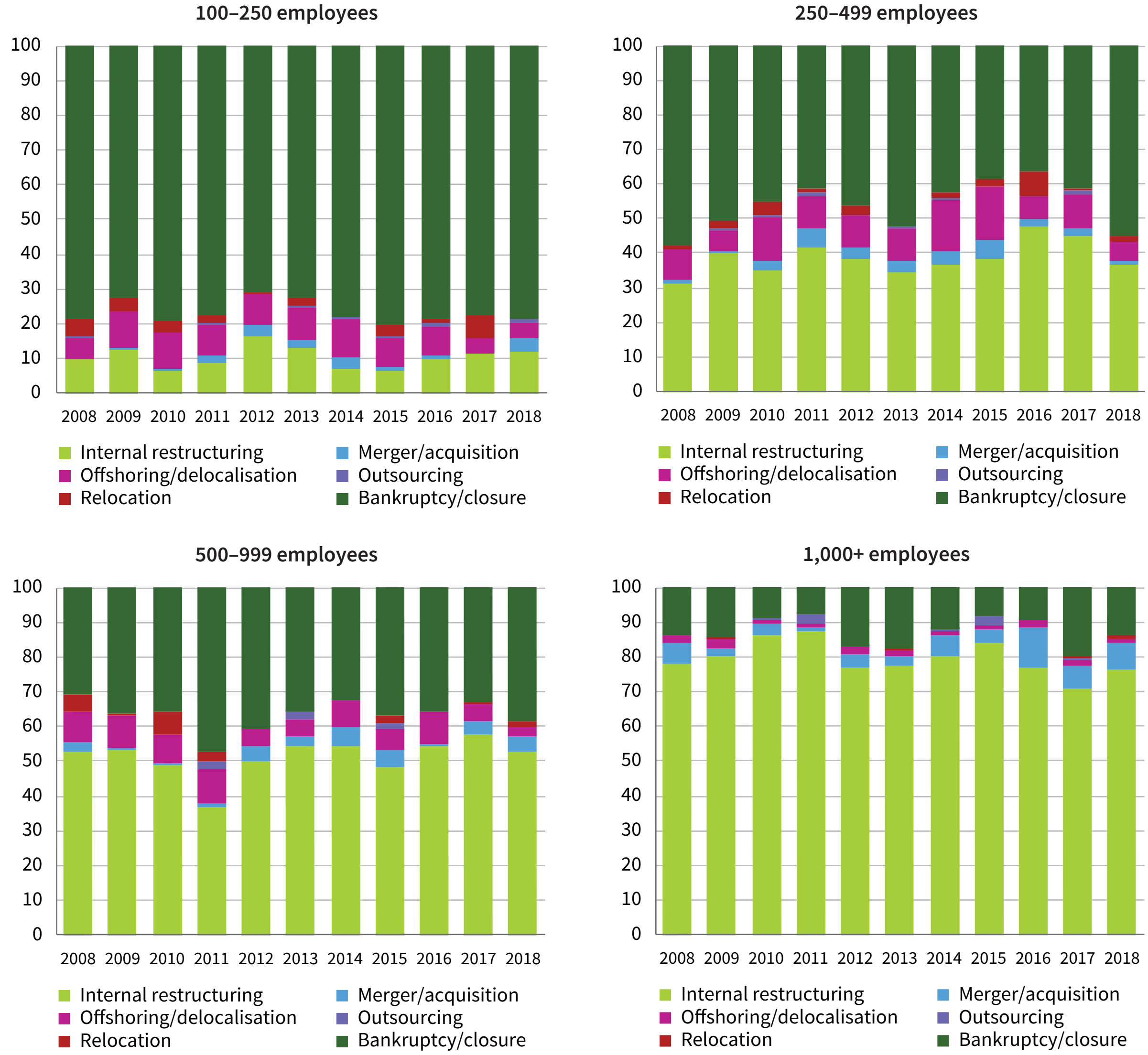
Union reaction to the case has been highly critical, demanding a criminal investigation into the collapse of Carillion. GMB Union has called for an end to outsourcing and privatisation contracts in UK public services, which it says increased in value by 53% during 2018. Carillion has so far cost British taxpayers at least GBP 150 million (€174 million), including redundancy pay.

Cases by company size

As seen in Figure 3 (p.6), SMEs are much more likely than bigger establishments to suffer job losses as a result of bankruptcy and closure. For larger establishments (more than 500 employees), internal restructuring is more likely to be cited as the type of restructuring.

Of the 738 cases of job loss recorded in the ERM during 2018, some 492 contain information about the number of people employed at the establishment or at the company level (in some cases, the total workforce for small companies coincides with the number employed at the establishment level). With this limitation in mind, when the data is split by company size some differences can be noted in terms of the type of restructuring

Figure 3: Share of job loss by establishment size and type of restructuring (%)



Source: *ERM*

that causes the most job losses. In small companies (100–250 employees), around 70–80% of the jobs lost through restructuring are the result of bankruptcy or closure. For medium-sized enterprises (250–499 employees), bankruptcy/closure and internal restructuring account for 50–60% and 30–40% of job losses, respectively. For bigger medium-sized enterprises (more than 500 employees), internal restructuring represents more than 50% of the job losses, and for large enterprises (more than 1,000 employees) this percentage rises to around 80%.

These patterns, which have been more or less stable over the past 10 years (during the crisis and the recovery period), can partly be explained by size-specific enterprise dynamics: large enterprises are more likely to undergo wider internal reorganisations that may include a range of restructuring measures (and as a consequence end up being categorised in the ERM as 'internal restructuring'), while restructuring in medium-sized and especially small enterprises is often less planned, more urgent and may affect the entirety of a company's operations.

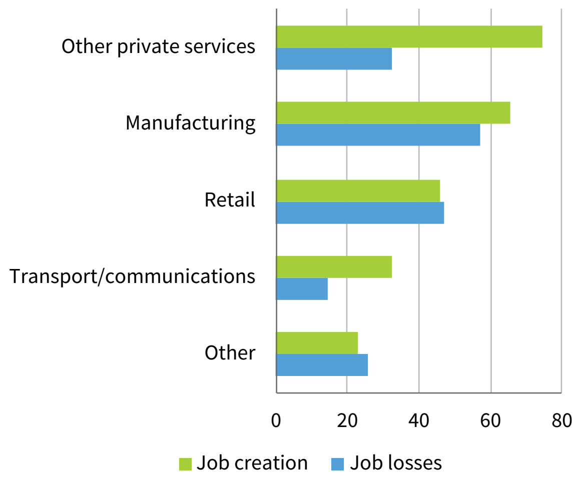
Cases by sector

Figure 4 shows that the ‘other private services’ (see description below), manufacturing and transport/communications sectors recorded more job gains than job losses during 2018.[3] Retail, financial services and public administration, in contrast, registered more job losses than jobs created.

The fact that manufacturing is the sector with the greatest number of announced job losses is unsurprising. This is a sector with predominantly large workplaces where wide-scale collective dismissals take place and, as a result, is overrepresented in the ERM dataset due to the size thresholds of such cases. What could be seen as surprising is that this sector – with employment in long-term decline in most developed economies – recorded such significant job gains during 2018; however, this is consistent with a revival in EU manufacturing headcount, which has seen nearly 2 million new jobs created since 2013.

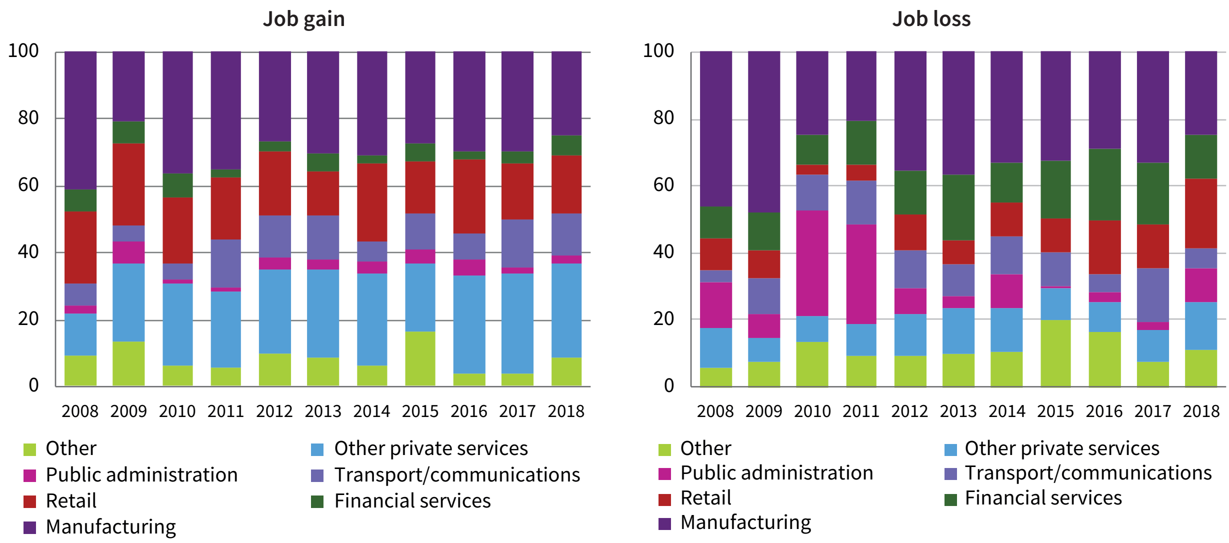
Also of note is that the other private services category has overtaken retail in the total number of announced jobs created when compared to 2017. This sector label is quite broad and encompasses activities ranging from information and communications technology (ICT) and business support to real estate and hotels/restaurants. The services sector accounts for over 70% of the EU workforce and for around 90% of net job creation. As seen in Figure 5, the financial services sector, where job losses were greater than job creation in 2018 (30,314 versus 16,985), has undergone deep transformations in the past decade. Initially a result of the economic crisis, more recently, this has been due to pressures from the move to digitalisation in the sector. As highlighted in the case of Lloyds Banking Group (see p. 13), restructuring in this sector is largely in the form of ‘creative destruction’, with older job types making way for newer profiles with an emphasis on digital skills.

Figure 4: Announced restructuring job losses/gains by broad sector, 2018 (thousands)



Source: *ERM*

Figure 5: Share of announced job loss and job gain by broad sector, 2008–2018 (%)



Source: *ERM*

3 ERM job announcements often include job loss and job creation figures in restructurings spanning more than one year.

Box 3: Restructuring and Brexit

Perhaps surprisingly, the ERM has not captured many restructuring cases that explicitly reference Brexit as a cause. Many companies have indicated that they are considering shifting activities to EU27 countries in order to avail of single market access or that Brexit is likely to influence future investment and location decisions. In some cases, companies have only moved headquarters to another Member State in order to stay in the EU, and have left operations unaltered – a recent example being **Sony** (BBC News, 2019) ¬– resulting in insufficient job losses/gains to warrant inclusion in the ERM. Overall, though, relatively few ERM cases feature job losses directly attributable to Brexit.

One particularly noteworthy case – submitted just after the time frame of this analysis – in which Brexit is explicitly mentioned as a cause of plant closure is that of car manufacturer, **Ford**. In January 2019, the company outlined plans to cut jobs across the EU as a way to restore profitability. According to reports, around 1,000 of the projected 1,150 losses will be from the plant at Bridgend, South Wales (UK). Subsequently, another car manufacturer, **Nissan**, announced that it was undecided as to whether it would be using its Sunderland plant to develop newer car models – as had originally been intended. Uncertainty brought about by Brexit was indicated as a reason, as well as the decline in the diesel market. However, no jobs cuts have been announced thus far in this case.

Roger Vanden Berghe, a carpet production plant in Beveren-Leie, Belgium, filed for bankruptcy in November 2018, with all 144 employees set to be dismissed. According to the company, the main reason for its closure was due to a lack of orders. The interior textiles market is particularly sensitive to economic uncertainty, since people tend to postpone the purchasing of such types of goods. Other long-established textile companies within the region, such as **Escolys** and **Tansens & Casaert**, have recently declared bankruptcy as well, each citing a decline in sales to the UK market amidst Brexit uncertainty as one of the reasons for their demise.

During the third quarter of 2017, Brexit was explicitly mentioned as the reason for restructuring in three cases. In two of these, the job reductions affected educational institutions: **Aberystwyth University** (150 job cuts) and Edinburgh-based **Heriot-Watt University** (100 job cuts). Both cited financial difficulties caused by a reduction in the number of applications from prospective EU students due to uncertainties caused by Brexit. The third case was that of a British manufacturer based in Romania. Textile company, **Alison Hayes**, announced the closure of its plant in Urziceni, resulting in the loss of all 394 jobs (permanent full-time positions). The company also announced that some 60 workers, supervisors, managers and administrative staff, employed in Urziceni, would be relocated to the plant in Buzau. The closure of the plant was mainly attributed to the increase in minimum wages, the poor infrastructure in the area and the weakening of sterling following Brexit.

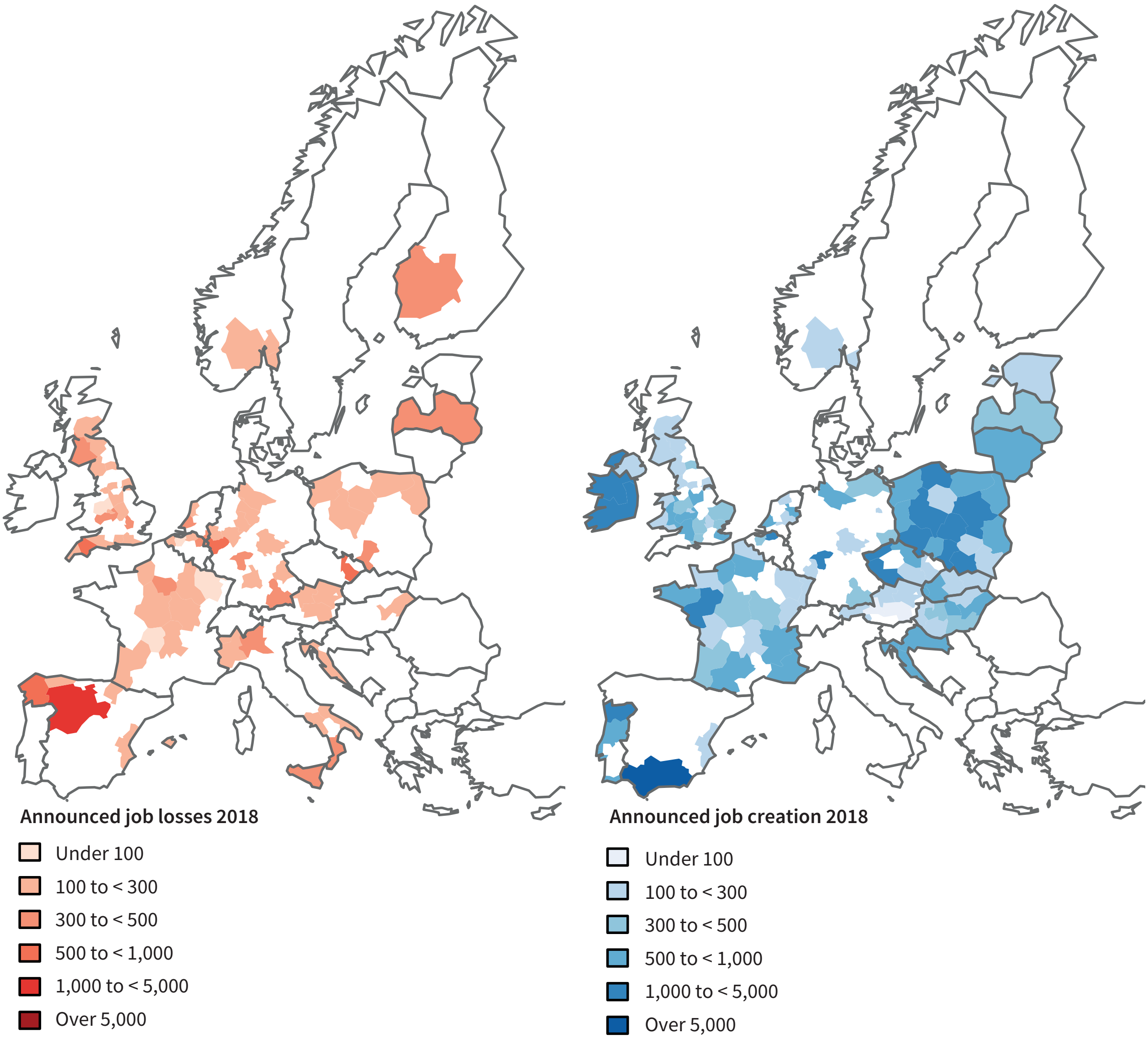
Cases by country and region

The countries reporting the highest number of restructuring cases in 2018 were the UK, France, Germany and Poland. The UK had the largest volume of announced job losses – nearly 74,000 across 151 individual cases – but countervailing job gains of nearly 61,000 jobs in 176 predominantly business-expansion cases. France had the largest number of announced job gains in 2018 – nearly 64,000 in 160 cases. Czechia, Ireland and Poland were all notable in having a much greater number of job gains than job losses, with a 3:1 ratio in announced large-scale restructuring in each of these Member States.

The specific location information that the ERM collects covers the third level of the Nomenclature of Territorial Units for Statistics (NUTS) in terms of regional detail.[4] Some cases are national or affect different regions, and are excluded from Figure 6. For these figures, cases for which NUTS 2 level data is available have been used. Figure 6 represents the 2018 distribution of cases for NUTS 2 regions. Darker shades represent a higher number of jobs created or lost. In Figure 6, the creation by Spanish electricity firm **Endesa** of 10,000 new positions for the development of broadband infrastructure is what makes the region affected stand out to such a degree. In terms of job loss, the Spanish region of Centro Castilla y Leon was one of the most affected regions, with four cases of job loss – two in the manufacturing sector and two in construction – accounting for 1,900 positions lost.

4 The maps in Figures 6 and 7 were produced using the 2003 version of NUTS; the NUTS regions were then converted to version 2016. NUTS 3 data have been added to the NUTS 2 level data.

Figure 6: Announced job loss/gain by region, 2018



Source: *ERM*

Top 10 regions for restructuring

Looking over a longer time frame (2008–2018), Table 2 (p. 10) reveals that the top two regions in terms of actively restructuring are both in Poland: Dolnośląskie and Śląskie. The Bucureşti Ilfov region (Romania) is the third in terms of job creation, followed by – in Ireland – the region including and surrounding Dublin. In both the Bucureşti Ilfov and Eastern and midland regions, most of the job announcements are related to the services sector. The Polish region of Śląskie is the top region for job loss. Being one of the most industrialised parts of Poland, it saw a surge of job creation at the beginning of 2008, followed by significant losses from 2009 onwards in mining companies and companies related to mining.

Table 2: Total announced job loss/gain by region, 2008–2018

NUTS Code	Aggregate announced job loss 2008–2018	Region name
PL22	31,768	Śląskie
SI01	20,641	Vzhodna Slovenija
SI04	20,115	Zahodna Slovenija
FR10	18,537	Île-de-France
HU21	18,434	Közép-Dunántúl
ES51	17,895	Cataluña
BE21	15,936	Provincie Antwerpen
DK01	15,794	Hovedstaden
HU11	15,681	Budapest
ITC4	15,125	Lombardia

NUTS Code	Aggregate announced job gain 2008–2018	Region name
PL51	51,788	Dolnośląskie
PL22	50,721	Śląskie
RO32	41,496	Bucureşti Ilfov
IE06	33,583	Eastern and midland
SK02	26,808	Západné Slovensko
RO11	25,198	Nord-Vest
PL71	21,630	Łódzkie
PL21	20,930	Małopolskie
PL63	19,277	Pomorskie
RO12	18,584	Centru

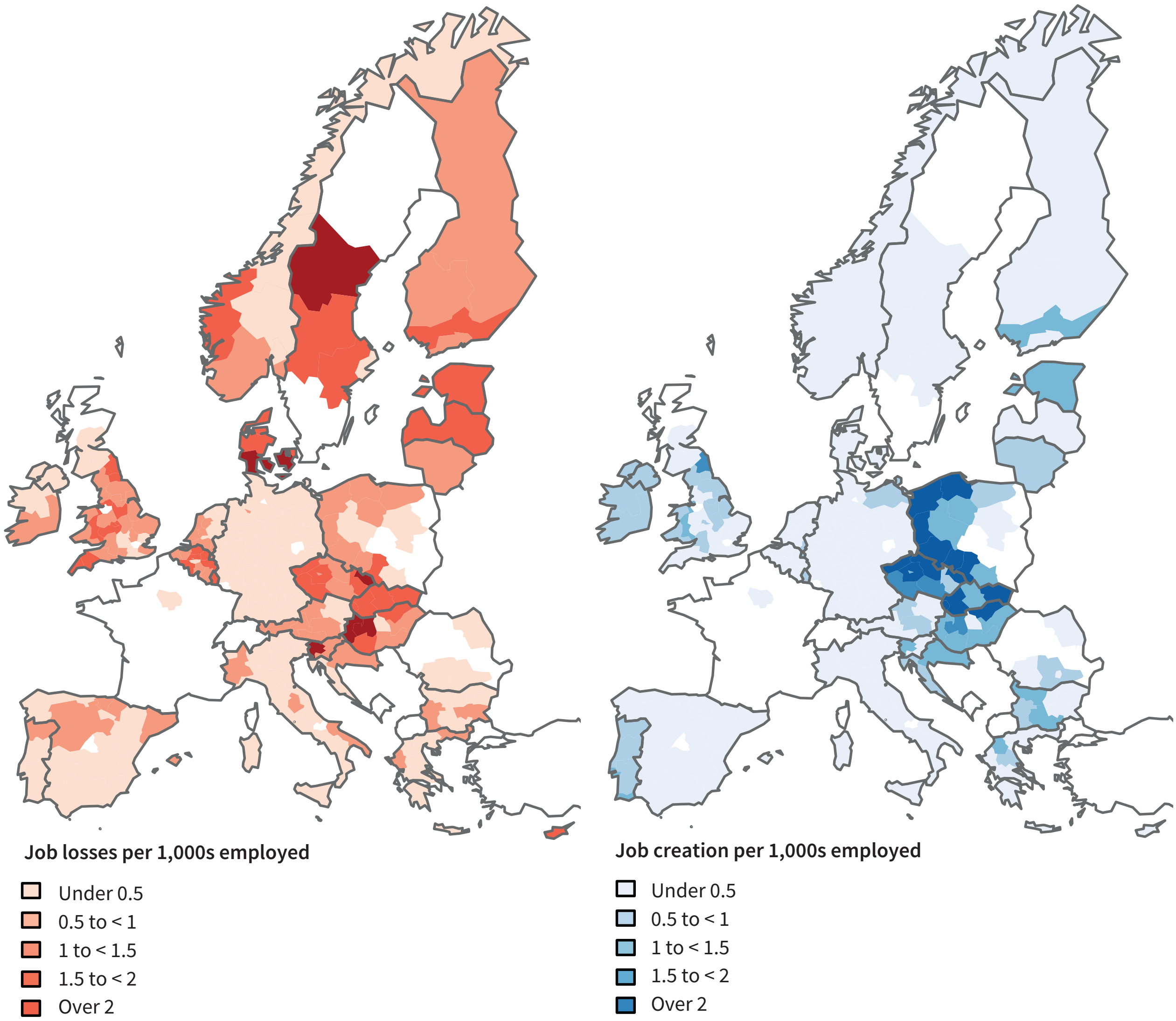
Note: *Regions are coded at the NUTS 2 level.*
Source: *ERM*

Analysis of job losses

By its very nature, the ERM is indicative and not representative of large-scale restructuring activity in the EU, relying as it does on media coverage of the phenomenon. To interpret the data, in addition to looking at the absolute numbers of job losses/gains, it is also important to put these numbers in context. A case involving 100 jobs lost in Malta has a bigger impact on the share of employment than the same case in Germany, for example. Figure 7 combines data from both the ERM and the European Union Labour Force Survey at NUTS 2 level in order to show the level of restructuring job loss scaled by total employment at the regional level. The ERM regional data analysis looks only at cases of restructuring recorded at NUTS 2 level and excludes cases involving units spread nationally, at NUTS 1 level or across different geographical units. There is information on job losses for 293 regions. The period considered is the decade 2008–2018.

During this period, the regions most affected by restructuring job losses as a share of total employment at regional level were Zahodna Slovenija (eastern Slovenia, with 20,115 jobs lost), Vzhodna Slovenija (western Slovenia, with 20,641 jobs lost) and Közép-Dunántúl (the north-western part of Hungary, with 18,434 jobs lost). The fifth and sixth most affected regions are Mellersta Norrland (Sweden) and Sjælland in Denmark (not shown in Table 2).

Figure 7: Announced annual average job loss/gain in large-scale restructuring as a share of total regional employment, 2008–2018



Source: *ERM and EU Labour Force Survey*

Job creation is recorded in the ERM using the same threshold criteria as for job losses: that is, at least 100 new jobs announced (net of replacement of retiring employees) or at least 10% of a workforce of at least 250. Similar to job loss announcements, job creation is not announced with the same emphasis in all Member States; it may also be the case that companies announce an expansion of the workforce as part of their year-end reports, rather than announcing it at the time it happens. Bearing in mind these limitations, when mapping the ERM announced job creation onto LFS data, the regions in which jobs created were in excess of the total share of employment were mainly located in central and eastern Europe (Figure 7). Regions in western Poland (Dolnoslaskie, Lubuskie, Opolskie, Zachodniopomorskie, Slaskie, Pomorskie) and the Czech regions of Strední Cechy, Moravskoslezsko, Severovýchod and Severozápad registered an increase in employment more than twice the share of total employment in the region. Lithuania, Malta and the Eastern and Midlands region in Ireland also recorded high levels of job creation.

3 Large national cases of restructuring

As highlighted in Table 3, the biggest case of job loss registered by the ERM during 2018 was the announced loss of 14,500 public jobs by 2020 in the French public administration (**Fonction publique d'État**), with a government target to cut around 50,000 positions in the area of central administration by 2022. The cuts will be made through voluntary departures and the non-replacement of retiring employees. The aim of the restructuring is to meet a targeted reduction of public expenses amounting to 3% of GDP in five years (€60 billion) as planned in the current mandate of the President of the Republic. In 2019, the reductions will focus on the Ministry of Finance, public broadcasting services and the Foreign Affairs and state external network departments. The government plan also envisages additional recruitments in the police force (2,000 additional positions in the national police, in the Gendarmerie and in the General Directorate of Homeland Security) and in the justice department (1,300 positions). This reflects the public-policy priority of counteracting security and terrorism threats.

The second and fourth biggest job loss cases of 2018 took place in the UK: **Lloyds Banking Group** (6,240) and **Poundworld** (5,100), with the former planning on investing GBP 3 billion (€3.49 billion) in technology and staff to improve its digital services (Eurofound, 2018a). Lloyds announced that it is cutting over 6,000 existing positions while creating 8,000 new jobs oriented towards digital technologies. The move reflects the growing shift towards digital service provision by the world's biggest banking firms, with the amount of transactions in high-street banks falling and those online increasing. Over 6,000 existing jobs will be cut, affecting various segments of the bank, including the retail, corporate and group transformation divisions.

Meanwhile, 8,000 new jobs will be created in Lloyds's digital strategy operations. The bank has said that 75% of the new positions will be filled by existing staff, who will undertake comprehensive training, but some specialist roles, such as data scientists and software engineers, will be recruited externally. A spokesperson for the Unite trade union highlighted the negative consequences this move will have on the confidence of the workers, who have had to bear continuous job cuts, branch closures and constant upheaval over the last decade. The ERM has recorded 35 restructuring events in the UK involving Lloyds since 2009; in total, this restructuring has resulted in 52,660 announced job losses and 2,670 jobs created. Employee numbers in the UK have fallen from over 110,000 in 2012 to just over 75,000 in 2017. In September 2018, the bank announced plans to close 15 more branches across the UK between January 2019 and March 2019. Unite indicated that it would be pressing Lloyds to guarantee that the latest redundancies will not be compulsory. Lloyds, of course, is not alone in implementing cost-saving programmes. Between 2008 and 2017, the number of bank branches across the EU decreased by a quarter, from over 237,000 in 2008 to around 183,000 in 2017 (Eurofound, 2018a).

The third biggest case was that of German telecommunications company, **T-Systems**, a subsidiary of Deutsche Telekom. It announced 6,000 jobs cuts in Germany (included in a 10,000 worldwide job cut overhaul) for the period June 2018 to June 2021. In Germany, where around 17,800 people work for T-Systems, 2,000 jobs are to be eliminated or relocated every year. According to the company's future strategy, only four major technical centres will remain: one will stay in Germany while the locations in Hungary and Slovakia will be expanded. Remaining positions are

Table 3: Top five cases of job loss at national level, 2018

Date	Company	Job losses	Country	Sector	Type of restructuring
28 August	Fonction publique d'État	14,500	France	Public administration and defence	Internal restructuring
6 November	Lloyds Banking Group	6,240	United Kingdom	Financial service activities	Internal restructuring
21 June	T-Systems	6,000	Germany	Telecommunications	Internal restructuring
10 July	Poundworld	5,100	United Kingdom	Retail and wholesale	Bankruptcy
1 May	Eon	5,000	Germany	Utilities	Merger/acquisition

Source: *ERM*

Table 4: Top five cases of job creation at national level, 2018

Date	Company	Job creation	Country	Sector
29 April	Endesa	10,000	Spain	Utilities
1 October	Aldi	5,000	United Kingdom	Retail and wholesale
22 January	Alten	3,800	France	ICT
15 March	BT Openreach	3,500	United Kingdom	Telecommunications
6 March	Altran Technologies	3,000	France	Professional activities

Source: *ERM*

being transferred to India. The managing director admitted that the restructuring – which includes the reduction of hierarchy levels from eight to three – is going to be expensive, in part because the company has preferred to adopt socially acceptable departure measures for its employees. The company is also streamlining its business towards cloud services and digitalisation.

The administrators of UK-based discount retailer, **Poundworld**, announced in July 2018 that all of the company's 335 shops, as well as its headquarters and distribution offices, were going to close by 10 August 2018, bringing the total number of job losses to 5,100. The business fell into administration in June 2018 and Deloitte, the administrators, were unsuccessful in securing a buyer for the business. Among the reasons cited for the bankruptcy were rising wage costs and business rates as well as the weakness of sterling against the dollar, which has raised the cost of imported stock.

The fifth biggest case of job losses concerns utility company, **Eon**. The German energy provider merged with a similar company, RWE Innogy, as a way to refocus on the energy grid and end-user business. The company states that job reduction will be done in a socially acceptable manner and in close cooperation with social partners. RWE Innogy's works council has already announced that one of its main demands will be to ensure compulsory redundancies are avoided. Germany's energy market has rapidly transformed since 2011 when, following Japan's Fukushima disaster, the government announced a phasing-out of nuclear power. In Germany, around one-third of electricity is produced based on solar, wind and other renewable sources of energy.

As highlighted in Table 4, the largest case of announced job gain during 2018 was at Spanish electricity firm, **Endesa**, which is set to invest €920 million to upgrade and extend its electricity distribution network in Andalusia, a region with one of the highest unemployment rates in Spain (Eurostat, undated). This will take place between 2019 and 2021. According to the company, the plan will generate 10,000 direct jobs and more than 7,000 indirect jobs by subcontracting operations in the region.

In the UK, discount supermarket, **Aldi**, announced plans in October 2018 to open 130 more stores over the coming two years as part of its target to have a network of 1,000 UK stores by 2022. The current wave of expansion will lead to the creation of 5,000 jobs. As well as the new stores, the expansion will also see new warehousing facilities in Derbyshire, Kent and Bedfordshire, and extended warehousing facilities in Bathgate and Darlington.

The other top cases of job gain are all companies with a strong focus on digitalisation. In 2018, world leader in engineering and technology consultation, **Alten**, announced plans to recruit 3,800 employees in France, including 2,700 engineers, on permanent employment contracts. 45% of those recruited were young graduates. Out of the total of new jobs, 1,700 positions were in the Ile-de-France region, 750 in south-west France, 400 in the south-east, 350 in the west, 200 in the north, 200 in the Rhône-Alpes region and 200 in the east. Alten employs 28,000 people worldwide.

2018 also saw British telecoms company, **BT Openreach**, announce plans to create 3,500 new roles. The jobs, initially at trainee-engineer level, were set to encompass roles that supported the expansion of a superfast broadband network and constituted the largest recruitment process in the company's history. They were spread across the company's ten service delivery areas, with the London region being home to the largest number of new jobs at around 500.

Also in 2018, French IT company, **Altran Technologies**, announced the recruitment of 3,000 employees. Altran currently employs around 33,000 people worldwide including over 9,000 in France. The job positions are for consultants who will provide services to Altran clients in the various engineering fields that the company operates in: automotive, aerospace, energy, well-being and telecoms.

Box 4: Amazon's rapidly expanding European footprint

The European market has been a major part of international business for online retailer, **Amazon**. Since 2010, the company has invested around USD 27 billion (€24 billion) in infrastructure, real estate, services and jobs in the EU. Over the same period, the ERM has recorded a total of 60 national restructuring cases involving Amazon – all business expansion – which has led to the creation of about 64,000 positions. According to company data, about 83,000 out of a global workforce of 647,500 are based in the EU. In 2018, Germany was Amazon's second largest market with USD 19.88 billion (€17.46 billion) in net sales revenues, followed by the UK with USD 14.52 billion (€12.75 billion). Perhaps surprisingly, the company's rapid job expansion has been accompanied by a huge investment in human-replacing robots.

Table 5: Amazon's full-time employee headcount, selected Member States, 2018

	Full-time employees		Full-time employees
United Kingdom	25,000	**Ireland**	2,500
Germany	16,000	**Luxembourg**	2,000
Poland	14,000	**Slovakia**	1,800
France	5,500	**Spain**	1,600
Italy	5,500	**Romania**	1,000
Czechia	4,500		

Source: *Amazon web page Investing in Europe* https://www.aboutamazon.eu/map/investing-in-europe

In 2018, the American firm added 18,000 new jobs to its European operations. The ERM captured most of these, recording cases in eight EU Member States (Austria, Czechia, France, Germany, Ireland, Italy, Poland and the UK) totalling 11,580 new jobs. Most of the new positions are permanent and full-time and the roles vary depending on the site's activities. The company operates distribution or 'fulfilment' centres, corporate offices, customer service centres, delivery stations and development centres across these countries. Thus, according to needs, it is hiring across a range of profiles from blue-collar workers and drivers to managers, IT software engineers, network engineers, data specialists, human resources personnel, clerks and financial specialists.

This expansion comes at a time when European e-commerce is showing strong growth. According to a report by PostNord, during a twelve-month period between 2017 and 2018, nearly 268 million European consumers made online purchases worth €198 billion (PostNord, 2018). This represents an increase of 9.4% or €17 billion compared with 2017. Amazon aims to take advantage of this rising consumer spending by utilising its ability to offer a wide variety of items which can be shipped quickly.

In general, unions and political figures have welcomed the new jobs. However, in many cases, concern has been raised regarding the company's working conditions. In November 2018, strikes were held across Europe by Amazon employees demanding better working conditions and wages, and as a protest against the company's refusal to negotiate with them. In the past, Amazon has been criticised for suppressing union activity: Eurofound has monitored the establishment of trade unions at Amazon's centres in Slovakia during the third quarter of 2018 and in the Czechia during the first quarter (Eurofound, 2018b, 2018c).

Few companies have as tangible an impact on as many industries as Amazon. After reshaping the retail landscape over the last few years, the 'everything store' has set its eye on pharmacy, media and entertainment, cloud computing services with Amazon Web Services, and logistics and financial services. The company recently announced it is in the process of creating a fashion application that would allow its customers to try on outfits in the virtual realm. Since the new app would eliminate the need for a trip to a physical store, there are fears that it may bring further woe for high-street retailers. In the UK alone, an estimated 1,267 stores shut down in 2018. Some large examples of such restructuring cases include **Debenhams** (4,000 job losses), **Homebase** (1,800 job losses), **Poundworld** (5,100 job losses) and **House of Fraser** (2,000 job losses). The high-street chains blame rising costs and falling footfall as shoppers move online.

Amazon has demonstrated its determination to automate its warehouses, improve its delivery system and offer a better service to clients. In January 2019, it signed a commercial deal with the French warehouse robotics firm, Balyo, which will supply the retail giant with self-driving forklift trucks. Since the acquisition of Kiva Systems in 2012, Amazon has entered into corporate and academic partnerships to support innovation throughout its robotic systems. As of February 2019, it has more than 100,000 robots inside its fulfilment centres across the world, a process that has helped cut costs and speed up deliveries. According to Amazon, robots will not replace human labour entirely – at least, not yet – and for the time being, workers have found new roles inside the warehouses, such as robot operators, or have been moved to other positions. There is no doubt that Amazon's efforts have made other retailers think along similar lines to keep abreast of the competition. The global logistics-automation market is projected to grow from €40.31 billion in 2017 to €89.66 billion in 2024, with annual growth of over 12%. The growth of the market can be attributed to the exponential growth of the e-commerce industry as well as advances in robotics and the internet of things.

The retail sector is experiencing particularly severe disruption due to the accelerating shift away from in-store shopping towards e-commerce, with Amazon sitting at the centre of this new ecosystem. The company has expanded rapidly in Europe during the last decade and looks likely to continue doing so. It is evolving and constantly reshaping its business model and restructuring itself, forcing other businesses and sectors to do the same if they are to meet the emergent challenges.

References

Eurofound publications are available at www.eurofound.europa.eu

All web links were accessed on 25 February 2019.

BBC News (2019), *Sony to move Europe headquarters to avoid Brexit disruption*, 23 January.

Eurofound (2018a), *Lloyds bank's digital transformation*, Dublin.

Eurofound (2018b), *Slovakia: Latest working life developments Q3 2018*, Dublin.

Eurofound (2018c), *Czech Republic: Latest working life developments – Q1 2018*, Dublin.

European Commission (2018), *Mergers: Commission clears Bayer's acquisition of Monsanto, subject to conditions*, press release IP/18/2282, Brussels, 21 March.

Eurostat (undated), *Unemployment rate by NUTS 2 regions*, web page.

PostNord (2018), *E-commerce in Europe in 2018*, Stockholm.

ERM factsheets

Aldi:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/aldi-18

Alten:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/alten-3

Altran Technologies:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/altran-technologies-1

BT Openreach:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/bt-openreach-2

Carillion:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/carillion-0

Debenhams:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/debenhams-5

Endesa:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/endesa

Eon:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/eon-17

Fonction publique d'État:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/fonction-publique-detat

Ford:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/ford-25

Homebase:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/homebase-0

House of Fraser:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/house-of-fraser-0

Poundworld:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/poundworld-0

T-Systems:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/t-systems-7

Vaughan Engineering Ltd:
https://www.eurofound.europa.eu/observatories/emcc/erm/factsheets/vaughan-engineering-ltd

TJ-01-19-432-EN-N

Eurofound's European Restructuring Monitor (ERM) is a unique EU-wide dataset on larger-scale restructuring events, which monitors the announced employment effects of restructuring in the EU28 and Norway. Using reports from selected media titles, the ERM is updated on a daily basis. This report gives an overview of key trends in restructuring in 2018, detailing the companies and sectors and European regions that experienced the greatest job losses and job gains. It also looks at the importance of establishment size and type of restructuring, and focuses on a number of key themes, including the expansion of Amazon in the European retail sector and the relatively limited extent of Brexit-related restructuring job losses to date.

The European Foundation for the Improvement of Living and Working Conditions (Eurofound) is a tripartite European Union Agency established in 1975. Its role is to provide knowledge in the area of social, employment and work-related policies according to Regulation (EU) 2019/127.

Publications Office
of the European Union

ISBN 978-92-897-1871-4
doi:10.2806/427772