

## **Enterprise restructuring in times of crisis: Overview and trends**

### **Major restructuring trends: European Union**

In the period 2002-2007 there were over 7,000 cases of large-scale restructuring in the Member States according to the data of the European Restructuring Monitor and equate to over 2.9 million jobs.

In the European Union (27 Member States) by July 2009, 22 million men and women were unemployed, five million more than the previous year. Eurofound's European Restructuring Monitor (ERM) has been monitoring the extent of restructuring in Europe and the consequences of this for employment since 2002

The most recent ERM report (fourth annual report) found that between 1 January 2008 and 30 June 2009, there were approximately 3,000 cases of restructuring, around 70 per cent of which led to job loss.

Total job losses from restructuring (excluding cases of international restructuring) amounted to over 900,000 jobs, with just over 400,000 new jobs being announced in the same period.

The dominant form of restructuring in 2008-2009 – as in previous years – was “internal restructuring”, i.e., all forms of restructuring that do not fall into the other more specific categories (mergers and acquisitions, bankruptcy/closure, outsourcing, relocation or offshoring). Internal restructuring accounted for half of all cases in 2008–2009 (up from 36 per cent in 2002–2007) and 70 per cent of announced job losses in ERM restructuring cases. The second most common form of restructuring was “business expansion” (constituting 25 per cent of cases in 2008–2009). In the other restructuring categories, there were significant shifts with a sharp rise in cases of bankruptcy or closure but a decline in cases of offshoring, outsourcing and relocation. Offshoring has accounted only for 3 per cent of announced job loss in the ERM in 2008–2009 (down from 8 per cent on average since 2002) and was responsible for a significantly lower proportion (at least five percentage points less) of announced job losses.

In terms of sectors affected by restructuring, the primary sector (agriculture, fishing etc.) and construction accounted for only a very small proportion of overall job losses and gains. 49 per cent of ERM announced job loss occurred in industry and 47 per cent in services. Industry was affected proportionately more by restructuring job loss than was the service sector: Six of the top 10 job loss sectors were in manufacturing. In particular, car production has been especially hard hit by the decline in consumer demand. Manufacture of machinery/equipment (including production of engines, domestic appliances, weapons and capital equipment etc.), was also responsible for a significantly increased proportion of job losses.

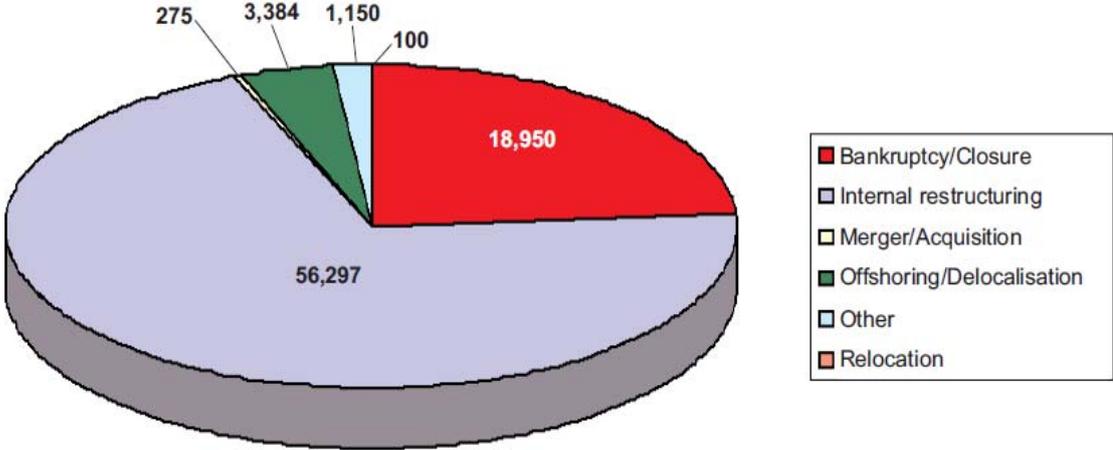
Numerous examples of company agreements aimed at mitigating the negative impact of the crisis on employment at plant level have been identified for the period 2008-2009.

Companies have negotiated agreements with public authorities and/or unions to avoid the closure of plants or large scale redundancies. Particularly in the car manufacturing and mining/steel sectors which have been particularly hard hit by the global recession, companies have made extense use of two instruments to adapt employment to the changing economic situation, namely, voluntary departures and partial unemployment. These measures are often complemented with income support made available by governments, and varous types of training to improving employability of workers.

## Overview of ERM cases January–March 2010

The ERM recorded a total of 244 cases of restructuring between 1 January 2010 and 30 March 2010. These cases involved 80,156 announced job losses and 31,725 announced job gains. Internal restructuring accounted for over 70% of the announced job losses and bankruptcy/closure for nearly a quarter.

Figure 4: ERM job losses by type of restructuring, January–March 2010



Source: ERM