The European Restructuring Monitor *quarterly* (ERM *quarterly*) is an information service which analyses data on industrial restructuring in Europe. This issue, the first in the series, focuses on information collected between April and June 2003.

The European Restructuring Monitor is a project of the European Monitoring Centre on Change, implemented by Groupe One. ERM is served by a network of correspondents whose task is to register cases of industrial restructuring announced in the press in the 15 EU Member States. Basic information about each case and its employment effects is freely accessible through [www.erm.emcc.eurofound.eu.int](http://www.erm.emcc.eurofound.eu.int).

**Overview**

*Country focus – spotlight on Belgium and Finland*

*Company focus – spotlight on Alstom and SNCB*

*Note on methodology*
During the period 1 April to 30 June 2003 the European Restructuring Monitor registered 132 cases of company restructuring in the European Union. Job losses totalling 61,419 were announced in connection with these restructuring activities. There were no announcements of any planned job creation arising from the recorded restructuring activities.

The distribution of the recorded cases and job reductions across the 15 EU Member States is shown in figure 1.

*Figure 1: Distribution of recorded cases and job reductions across the EU*

In order to make a more meaningful comparison between the different Member States, the size of the 15 economies ought to be taken into account. Figure 2 below shows the number of announced job losses per 10,000 people employed in each country.
Figure 2: Announced job reductions due to restructuring per 10,000 people employed

The figures illustrate clearly that it is in fact the small economies – such as Belgium (27.2 announced job losses per 10,000 jobs), Finland (26.9 announced job losses per 10,000 jobs), Denmark (16.7 announced job losses per 10,000 jobs) and Portugal (14.3 announced job losses per 10,000 jobs) – which experience the most significant employment effects of announced restructuring activities, given the overall size of their active labour force. Employment effects in the large economies, such as France (3.5 announced job losses per 10,000 jobs) are less severe when the size of the active labour force is taken into account, even if France according to ERM records had the highest number of cases in the reference period. It is also interesting to note that in countries such as Germany and Italy, considered to be in economic crisis and under strong pressure to reform, there is very little restructuring activity compared to other big economies like France or the UK.

The distribution of the 132 cases registered for the reference period across sectors is presented in figure 3, along with the related employment effects. Manufacturing accounted for the highest number of cases (62). However, since companies in this sector tend to be smaller, the employment effects of individual cases are usually not as far-reaching, resulting in a lower overall figure (21,000 jobs threatened). The transports and communications sector accounted for the highest number of job reductions (more than 30,000).
To allow for a more meaningful comparison between sectors, taking sector size into account, figure 4 below shows the announced job losses per 10,000 people employed in the sector in the EU.
Figure 4 shows that the high number of cases recorded for the manufacturing sector in the reference period (62 cases) is offset by the size of the sector (31,570,000 employed in the sector across the EU in 2000). For every 10,000 jobs in manufacturing, 6.9 jobs will be lost according to the recorded restructuring announcements. Even if this is not a very large figure, the high number of cases indicates that the sector is undergoing a period of active restructuring.

The transport and communications sector (34.0 announced job losses per 10,000 jobs) is experiencing the most severe employment effects. This result is due to the large-scale restructuring of state-owned railway companies in Belgium (SNCB, see company focus below) and the UK (British Railways) as well as restructuring activities in private and public telecommunications service providers in Portugal (Portugal Telecom), the UK (Cable & Wireless), Sweden (Telia Sonera) and Denmark (TDC).

> Country focus

This section examines the two countries most affected by job reductions during the second quarter of 2003 as announced in the press and recorded by ERM – Belgium and Finland – and gives details on the most important cases in these two countries.

>> Spotlight on Belgium

The restructuring announcement which propelled Belgium to top position in ERM’s quarterly statistical overview is that of the state owned Belgian national railway, SNCB, which announced its plan to shed 10,000 jobs by the end of 2007 as part of a major restructuring effort. The time scale for the restructuring is long, and as the plan will have to be discussed with trade unions and workers’ representatives, it is difficult to predict the number of jobs effectively lost at this early stage of the restructuring (see information provided below under the company focus).

The second largest case is the restructuring of Siemens Atea, a subsidiary of the Siemens group, active in the metal and machinery sector. The producer of office machinery and computers will relocate certain activities internally, leading to collective redundancies of 345 employees in three different locations: Mons, Herentals and Gent. Another company in the metal sector, Umicore, which produces basic precious and non-ferrous metals, announced internal restructuring affecting 126 jobs at its plant in Olen.

The Belgian financial services sector will be affected by the bankruptcy of two companies. CB Direct, a subsidiary of Achmea, which deals in insurance and pension funds, has filed for bankruptcy, with 200 expected job losses in Brussels. Similarly, Ohra Belgium, a subsidiary of Delta Lloyd, active in the field of non-life insurance, will close its offices in Brussels and Gent after declaring bankruptcy in April 2003.

Other cases include the restructuring of Wolters Kluwer Belgium, a subsidiary of Wolters Kluwer NV, active in the publishing and media sector (book publishing), with 146 jobs affected; the closure of Tourtex, active in the textile and leather sector and more specifically in the manufacturing of cordage, rope, twine and netting, with155 jobs affected in Tournai; and the restructuring of Saint-Brice, a subsidiary of 3 Suisses, a mail order company, with 120 jobs affected again in Tournai.
It is interesting to note that in nearly half of the cases recorded for Belgium (four companies out of nine), the announced job reductions are the consequence of internal restructuring, justified by improving the offer to customers, cutbacks of certain activities or relocation of parts of the business to countries with a more favourable cost structure. The last point shows that what is presented as internal restructuring may in fact involve relocation of activities abroad. A second point of interest is the fact that in three out of nine recorded cases, job losses were the consequence of bankruptcy. The number of bankruptcies in Belgium has been on the increase continuously for several years: 6,805 bankruptcies were recorded in 2000, 7,095 in 2001 and 7,222 in 2002. According to economic projections, they could exceed 7,700 in 2003.

As an open economy heavily dependent on its neighbours, Belgium clearly feels the impact of the negative economic climate in Germany and the Netherlands. The required downsizing of the labour force in many companies is said to be achieved through natural decline (retirement), early retirement and non-renewal of temporary contracts or direct dismissals.

>> Spotlight on Finland

With one exception, the restructuring announcements affecting employees in Finland all come from companies with headquarters in the country. The best known Finnish company Nokia has announced internal restructuring in order to improve its profitability and this could affect up to 1800 employees in 4 locations: Uusimaa, Tampere, Jyväskilä and Oulu.

Finnish state carrier Finnair is reacting to the difficulties facing the airline industry and will reduce its workforce by 1,200 people. Valmet automotive, the producer of specialty cars, has to adjust its workforce to decreasing demand for its products and will cut 730 jobs in the Manner-Suomi region. The Finnish iron and steel manufacturing company, Rautaruukki, plans to shed 565 jobs as part of a cost-cutting programme.

The increase of internet banking will lead to internal restructuring within Sampo Bank, affecting 400 jobs. Finnish pharmaceuticals company Orion Pharma will react to a bleak economic outlook by shedding 300 jobs and the restructuring of Radiolinja, active in telecommunications, will lead to the reduction of 290 jobs.

The only non-Finnish multinational to announce major restructuring activities affecting its Finnish subsidiary in Hämeenkyrö is Flextronics, a manufacturer of electronic valves, tubes and other electronic components. In this case, 130 jobs are expected to go.

In all cases, the restructuring plans and their implementation have to be negotiated with the local trade unions. Direct dismissals are usually avoided and are only considered as a last resort if other measures (early retirement, non-renewal of fixed-term contracts, re-training schemes etc.) fail to achieve the necessary reductions.
This section presents data concerning the cases of two companies which recently announced plans to restructure: French multinational engineering group, Alstom, and Belgian transport company, SNCB.

**Spotlight on Alstom**

**EU-level**

In March 2003, the French multinational engineering group, Alstom, announced a major European restructuring plan. The plan includes measures in subsidiaries in Germany, France, the United Kingdom, Switzerland, Poland and Italy.

Alstom is currently active in the power, transport infrastructure and ship-building sectors and employed more than 119,000 workers worldwide at the end of 2002. The planned job reductions are made in Alstom’s power, transport and energy transmission and distribution divisions.

Patrick Kron, the group’s new chief executive, who unveiled his strategy and action plan when he was appointed on 12 March 2003, informed the Alstom European Works Council of the restructuring plan in a meeting on 25 April. Mr Kron has set himself the goal of restoring the profitability of the group. In a statement published on its website, Alstom explained the measure as: ‘the adaptation of its production capacity to its markets and the reduction of its overhead costs’.

Quoted on the stock exchange since 1998, Alstom has reduced employment levels several times since 1999 by approximately 10,000 jobs. Results for the group have nonetheless gradually declined and the share prices were down 90% in early July compared with the flotation price in 1999.

During the April European Works Council meeting, Alstom announced the reduction of 3,000 jobs in Europe, of which 700 in Germany, 600 in France, 450 in the United Kingdom, 500 in Switzerland, 300 in Poland and 300 in Italy.

In June, the group announced that restructuring in the European power division would exceed measures foreseen so far and, at the beginning of August, the possible loss of another 5,000 jobs in the United Kingdom was announced. This would bring the total number of job reductions to 10,000 across the EU.

**Alstom France**

Following the announcements made to the Alstom European Works Council in April, the French group works council (Bureau du Comité du Groupe France) was informed about the restructuring project and about the economic difficulties faced by the French plants, especially in the power division.

The restructuring activities of Alstom in France as they affect individual plants are detailed in the table below.
## Alstom restructuring plan

<table>
<thead>
<tr>
<th><strong>Power turbo systems</strong></th>
<th>Restructuring of the turnkey activities with the transfer of 97 workers from the Levallois and Saint-Priest units to the Belfort unit; cost reduction measures in the Levallois unit leading to 68 job losses; concentration of ‘control systems’ leading to the transfer of 60 jobs from the Levallois unit to the Massy unit; reduction of 260 out of 603 jobs in steam turbine production in Belfort; reduction of 230 out of 536 jobs in electric machine production in Belfort; reduction of 100 jobs at the Châtenoy-le-Royal unit;</th>
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<tbody>
<tr>
<td><strong>Power services</strong></td>
<td>Reduction of 170 jobs at the Belfort and La Courneuve units</td>
</tr>
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<td><strong>Power environment</strong></td>
<td>Reduction of 125 jobs at the Grenoble unit</td>
</tr>
<tr>
<td><strong>Steam turbines</strong></td>
<td>Reduction of 300 jobs at the La Courneuve unit; reduction of 60 jobs at the Vélizy unit;</td>
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<tr>
<td><strong>Subsidiary</strong></td>
<td>50% of capital in ‘Chantiers de l’Atlantique’ will be sold, job cuts have been announced.</td>
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</tbody>
</table>

According to a statement on the company’s website, consultations with workers’ representatives were conducted in all units concerned in order to negotiate acceptable solutions.

### Latest developments

In July, management obtained shareholders’ approval for an increase in capital. This is part of a rescue plan announced on 5 August. A total of EUR 2.8 billion will be raised including support from the French government. The plan envisages the issuing of bonds, new bank credits and French state guarantees. The transmission and distribution division will be sold off to state owned Areva group. The transaction for an amount of almost EUR 14 billion will be completed by 15 September.

The trade unions have welcomed the intervention of the French government following protests against the workforce reduction staged in July. In June, a French court had confirmed that the information and consultation rights of the Alstom European Works Council had been breached. Since the restructuring affects more than one EU country, the EWC should have been informed and consulted first.

It is unclear whether the rescue plan will be sufficient to save the company since an industrial development strategy is still missing as some observers have pointed out.

### References

>> Spotlight on SNCB – Belgium

On 10 June 2003, the CEO of the Société Nationale des Chemins de Fer Belges (SNCB), Karel Vinck, presented the new company strategy for the period 2003-2007, entitled ‘Move 2007’. The strategy is set in the context of public services liberalisation, which puts an obligation on SNCB to consolidate. Although the publicly owned company has increased the number of passengers per kilometre by 16.5% since 1998, its financial situation continues to give cause for concern.

Karel Vinck noted that ‘SNCB’s prices are 15% below the European average and the rise of prices has been lower than the increase in production costs, particularly in labour costs’ (L’Echo, 11 June 2003). On the basis of these observations, management proposes a restructuring plan which is expected to affect 10,000 jobs by 2007.

According to Karel Vinck, SNCB should be able to operate profitably by 2007 with its workforce reduced by 10,000 employees. The CEO announced an expected increase in customers of around 12% (that is, 170 millions travellers) and intends to outsource many costly tasks, among them the cleaning of stations, building maintenance, security, office automation and horticulture. Other relevant measures would include the closure of 50 ticket counters in stations all over Belgium.

‘Move 2007’ does not include a detailed restructuring plan. The company estimates it will operate with 32,000 full time employees by 2007. The reduction in employment should be partly achieved through natural decline through retirement. 6700 employees will have reached retirement age by 2007.

The adaptation of staff levels to the needs of the company will be aided by two additional measures, early retirement, which is currently negotiated between unions and the government, and selective recruitment.

‘Move 2007’ also recommends that the Belgian State write off part of SNCB’s debt of 7.2 billion euro.

References

> Note on methodology

The European Restructuring Monitor is a tool which records industrial restructuring cases as announced in the press. 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. The cases are identified through a review of daily papers and the financial press in the 15 EU Member States.

ERM allows for the compilation of statistics based on the information available in the database on each restructuring case. A comparison between countries and sectors is possible, identifying those with the highest number of restructuring cases and associated...
employment effects. In order to provide a more meaningful comparison of trends, statistical data will be weighted to take into account the size of the active labour force in the 15 EU Member States and the number of people employed in the sectors covered by the ERM. Only those fact sheets in the ERM database which refer to a specific country are included in the statistical analysis. Fact sheets referring to European or worldwide restructuring activities are not considered in order to avoid double counting.

The reference data for employment in EU Member States and in sectors is taken from Eurostat\(^1\). Since Eurostat does not provide data for all 26 sectors covered by the ERM, sectors had to be regrouped to match the sectors listed by Eurostat. The reference for sectoral data is employment figures for the sector across all 15 EU Member States.

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<thead>
<tr>
<th>Eurostat sectors</th>
<th>EMCC sectors</th>
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<tbody>
<tr>
<td>Agriculture</td>
<td>Agriculture and fishing</td>
</tr>
<tr>
<td>Mining and quarrying</td>
<td>Extractive industries</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>Glass and cement; Electrical; Chemical; Food; beverage and tobacco; Textiles and leather; Motor; Pulp and paper; Metal and machinery</td>
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<tr>
<td>Electricity/gas/water supply</td>
<td>Energy</td>
</tr>
<tr>
<td>Construction</td>
<td>Construction and woodworking</td>
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<tr>
<td>Wholesale and retail/repairs</td>
<td>Commerce</td>
</tr>
<tr>
<td>Hotels and restaurants</td>
<td>Hotel, restaurant and catering</td>
</tr>
<tr>
<td>Transports/communications</td>
<td>Post and telecommunications; Transport and storage</td>
</tr>
<tr>
<td>Financial intermediation</td>
<td>Financial services</td>
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<tr>
<td>Real estate/business activities.</td>
<td>Information technology; Consultancy business services</td>
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<tr>
<td>Public administration</td>
<td>Education</td>
</tr>
<tr>
<td>Other services</td>
<td>Publishing and media; Maintenance and cleaning; Health and social work; Hair and beauty care; Performing arts</td>
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</tbody>
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If you would like more information on the European Restructuring Monitor, you can visit the website at [www.erm.emcc.eurofound.eu.int](http://www.erm.emcc.eurofound.eu.int) or send a request to the e-mail address [erm@eurofound.eu.int](mailto:erm@eurofound.eu.int).

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