Summary

Current macroeconomic trends and prospects

Overview of the ERM statistics: third quarter 2007

Restructuring as a consequence of mergers or acquisitions

Restructuring of Nokia Siemens Networks

Restructuring in Cyprus and Malta

Note on methodology
There is a growing perception of increased risk across global financial markets and government bond yields, the basic measure of financial risk, have fallen considerably around the world. However, both the jobs and growth data continue to be very positive in Europe. With complete and reliable data now available, it has become clear that 2006 saw the highest GDP growth in the euro area for six years and the outlook remains good. Unemployment continues to fall, with significant decreases in Germany, Poland and Slovakia. Unemployment also fell in the two new Member States Bulgaria and Romania.

During the third quarter of 2007, the ERM recorded 277 restructuring cases. These cases announced 79,120 job losses and 85,704 job gains. The largest such announcement was that of BZ Company, with the creation of 8,400 jobs in Slovakia. Service Public Français and Dutch Central Government are particularly notable instances of reported job losses as a result of internal restructuring.

Most job losses were reported in France, where the ERM recorded 25,692 reported job losses during the period. France was followed by Netherlands, UK, Germany and Romania. 61,175 of the 79,232 reported job losses in the ERM during the quarter are attributable to cases from these five countries.

As has been the case in previous quarters, announced jobs created in the ERM in the current quarter have been more prevalent within the new Member States. In the current quarter, Poland (17,060 jobs), Romania (15,880 jobs) and Slovakia (15,010 jobs) were the three countries in which ERM reported the most job creations.

The two sectors which recorded the highest number of announced job gains were transport and storage (17,400 jobs reported created) and motor (16,400 jobs reported created). Both sectors register a substantial increase in the number of jobs reported created against the previous quarter. Most announced job cuts were in the public sector.

This quarterly focuses on the employment impact of mergers and acquisitions in the ERM over several years, with emphasis placed on recent developments. It highlights the fact that these events lead not only to job losses but in some cases, particularly regarding acquisitions in new Member States, to some job creation. Job loss does, however, predominate at a ratio of 7 to 1. The employment and industrial relations impact of the job losses following the Nokia and Siemens joint venture is dealt with in some detail in this issue.

Data for this issue was extracted on 12 October 2007.
The growing unease in financial markets, reported in recent editions of the ERM quarterly, has heightened considerably during this quarter. Triggered by the tensions in the sub-prime mortgage market in the United States, it has spread to a wide range of financial assets worldwide. This has resulted in a significant fall in shares and a shift to more secure assets such as government bonds. The equity losses were quite severe in the banking sector, even in Europe, which has revealed considerable exposure to the US mortgage market. The ensuing increase in inter-bank and other short-term money market interest rates has placed a few European banks in acute difficulties. The response of central banks in the USA and Europe has been to either cut interest rates or to defer expected increases and other measures to increase liquidity.

As yet, the impact of the financial turbulences on the real economy has been limited. Although the tightening of credit standards to companies and households will act to limit investment and consumption, the reversal of the trend of interest rate increases may, at least temporarily, have a mitigating effect. Indeed, the medium-term outlook remains relatively positive for Europe. The dynamic factor model for quarterly GDP growth in the euro area, developed by the European Commission’s Directorate General for Economic and Financial Affairs, projects GDP to grow steadily over the second half of 2007 and the first quarter of 2008. For both the third and fourth quarters of this year, GDP growth is projected in the range of 0.3% to 0.7%. For the first quarter of 2008, the projected growth range is 0.3% to 0.8%.

However, the most recent composite leading indicators (CLIs) data from the OECD (5 October 2007) suggest a slight dampening of economic expansion. August 2007 data show weakening performance in the CLI’s six-month rate of change in all the major seven economies. The latest data for major OECD non-member economies point to a moderation of expansion in China, India and Brazil, but an improved outlook for Russia. In the euro area, the European Central Bank considers that ‘the prevailing balance of risks to growth lie on the downside’. These risks are related to (1) a potentially broader impact from the financial markets, (2) concerns about protectionist pressures, (3) ongoing concerns about global imbalances (largely the twin deficits in the USA) and (4) further oil and commodity price rises.

The most recent GDP data, presented in Table 1, show that the euro area GDP grew by 0.3% and EU25 by 0.5%, compared with the previous quarter. This compares to 0.8% in both areas in the previous quarter. Highest growth in the second quarter 2007 was in Latvia (2.7%) followed by Slovakia (2.4%) and Lithuania (2.1%).

Table 1: GDP growth second quarter 2007, compared to previous quarter (seasonally adjusted figures)

<table>
<thead>
<tr>
<th>Country</th>
<th>Percentage Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Belgium</td>
<td>0.6</td>
</tr>
<tr>
<td>Czech Republic</td>
<td>1.4</td>
</tr>
<tr>
<td>Denmark</td>
<td>-0.4</td>
</tr>
<tr>
<td>Germany</td>
<td>0.3</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.9</td>
</tr>
<tr>
<td>Greece</td>
<td>-0.9</td>
</tr>
<tr>
<td>Spain</td>
<td>0.9</td>
</tr>
<tr>
<td>France</td>
<td>0.3</td>
</tr>
<tr>
<td>Finland</td>
<td>-0.4</td>
</tr>
<tr>
<td>Iceland</td>
<td>0.9</td>
</tr>
<tr>
<td>Austria</td>
<td>0.1</td>
</tr>
<tr>
<td>Norway</td>
<td>1.7</td>
</tr>
<tr>
<td>Portugal</td>
<td>2.7</td>
</tr>
<tr>
<td>Slovenia</td>
<td>2.1</td>
</tr>
<tr>
<td>Slovakia</td>
<td>1.3</td>
</tr>
<tr>
<td>Japan</td>
<td>2.4</td>
</tr>
<tr>
<td>Euro area</td>
<td>0.9</td>
</tr>
<tr>
<td>Sweden</td>
<td>0.9</td>
</tr>
<tr>
<td>Luxembourg</td>
<td>1.3</td>
</tr>
<tr>
<td>United States</td>
<td>1.2</td>
</tr>
<tr>
<td>Finland</td>
<td>0.9</td>
</tr>
<tr>
<td>Estonia</td>
<td>0.9</td>
</tr>
<tr>
<td>Malta</td>
<td>0.3</td>
</tr>
<tr>
<td>Malta</td>
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</tr>
<tr>
<td>Iceland</td>
<td>0.9</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>0.3</td>
</tr>
<tr>
<td>EU25</td>
<td>0.9</td>
</tr>
</tbody>
</table>


2 Speech by José Manuel González-Páramo, Member of the Executive Board of the ECB at the opening ceremony of the doctoral course in ‘Economic Integration and Public Policies’, University of La Coruña, 11 October 2007.
Figure 1 shows that unemployment continues to fall in the large Member States, with increases noted only in Estonia, Finland, Ireland, Luxembourg, Portugal and Romania. France registered a 0.15% fall in its unemployment rate; unemployment continues to fall in Germany, a trend highlighted in previous quarters. Particularly notable was the case of Poland, where the unemployment rate fell by 0.68%. ERM data for Poland confirms this general trend. Within the quarter, the ERM recorded 17,060 jobs as being created in Poland, against 680 that were reported as being lost. Significant reductions in unemployment were also observed in Denmark (-0.40%) and Sweden (-0.45%).

Figure 1: Standardised unemployment rates second quarter 2007 (average of July and August ) and percentage point increase from first quarter 2007.

Source: European Labour Force Survey
Note: Bars sorted by increase since previous quarter. No data available for Greece, Italy, Norway, and the UK.
During the third quarter of 2007, the ERM recorded 277 restructuring cases. These cases announced 79,120 job losses and 85,704 job gains.

Top five cases of job loss and job creation announcements

The five most prominent cases of job loss and creation are listed in Table 2. The company name links to further details of these cases on the ERM website.

Table 2a: Top five cases of job creation

<table>
<thead>
<tr>
<th>Company</th>
<th>Jobs</th>
<th>Location</th>
<th>Restructuring type</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>BZ Company</td>
<td>8,400</td>
<td>Slovakia</td>
<td>Business expansion</td>
<td>Transport and storage</td>
</tr>
<tr>
<td>Ford</td>
<td>5,100</td>
<td>Romania</td>
<td>Merger/Acquisition</td>
<td>Motor</td>
</tr>
<tr>
<td>Northern Port</td>
<td>5,000</td>
<td>Poland</td>
<td>Business expansion</td>
<td>Transport and storage</td>
</tr>
<tr>
<td>Hanil Electronics</td>
<td>3,400</td>
<td>Romania</td>
<td>Business expansion</td>
<td>Post and telecommunications</td>
</tr>
<tr>
<td>CTP Invest</td>
<td>3,000</td>
<td>Slovakia</td>
<td>Business expansion</td>
<td>Consultancy business services</td>
</tr>
<tr>
<td>ZF Friedrichshafen AG</td>
<td>3,000</td>
<td>World</td>
<td>Business expansion</td>
<td>Motor</td>
</tr>
</tbody>
</table>

Table 2b: Top five cases of job reduction

<table>
<thead>
<tr>
<th>Company</th>
<th>Jobs</th>
<th>Location</th>
<th>Restructuring type</th>
<th>Sector</th>
</tr>
</thead>
<tbody>
<tr>
<td>Service Public Français</td>
<td>22,900</td>
<td>France</td>
<td>Internal restructuring</td>
<td>Financial services</td>
</tr>
<tr>
<td>Unilever</td>
<td>20,000</td>
<td>World</td>
<td>Internal restructuring</td>
<td>Post and telecommunications</td>
</tr>
<tr>
<td>Dutch Central Government</td>
<td>12,800</td>
<td>Netherlands</td>
<td>Internal restructuring</td>
<td>Metal and machinery</td>
</tr>
<tr>
<td>STMicroelectronics</td>
<td>4,000</td>
<td>World</td>
<td>Bankruptcy/Closure</td>
<td>Construction and woodworking</td>
</tr>
<tr>
<td>Romsilva</td>
<td>2,800</td>
<td>Romania</td>
<td>Merger/Acquisition</td>
<td>Financial services</td>
</tr>
</tbody>
</table>

Source: ERM, 1 July-30 September

Type of restructuring

Of the 85,704 jobs reported created in the ERM during the quarter, 92% (79,009) were attributable to business expansion. The largest such case was that of BZ Company, which announced the creation of 8,400 jobs in Slovakia. Some other restructuring categories also reported job gains: 6.3% (5,380) of jobs reported created in the quarter were due to mergers and acquisitions. This figure can be largely explained through the case of Ford in Romania. Here, the firm announced the creation of 5,100 jobs in Craiova as a result of the firm’s acquisition of a former Daewoo plant in the region.

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3 Data for this issue was extracted on 12 October 2007.
Figure 2 shows reported quarterly job losses by type of restructuring. Internal restructuring was the cause of 78% (61,590) of the 79,232 jobs reported lost in the quarter. The cases of Service Public Français and Dutch Central Government are particularly notable instances of reported jobs lost as a result of internal restructuring. Bankruptcy/closure was the cause of 13.9% (11,040) of reported quarterly job losses, although this marks a relative decline when measured against the previous quarterly figure of 21% (15,103 jobs lost).

Figure 2: Job reduction by type of restructuring

Source: ERM, 1 July-30 September
Restructuring across countries

Figure 3a: Job reduction by country

Figure 3b: Job creation by country

Source: ERM, 1 July-30 September.
Figure 3 illustrates the distribution of restructuring cases on a country-by-country basis during the quarter. Most job losses were in France, where the ERM recorded 25,692 reported jobs lost during the period. France was followed by the Netherlands, UK, Germany and Romania. 61,175 of the 79,232 reported job losses in ERM during the quarter are attributable to cases from these five countries.

The 25,692 job losses in France during the quarter is up from 4,687 during the previous quarter. The dramatic increase would not appear to be the result of a sudden downturn in the economic outlook, but is rather the result of the decision by the incoming Sarkozy Government to cut 22,900 jobs in the French Civil Service. A similar trend is evident in the Netherlands. Here, the 13,100 reported job losses in the quarter are almost solely attributable to the decision of the Dutch coalition government to cut 12,800 across the functions of the Dutch Central Government. In both of these cases, future compulsory redundancies are also likely to be minimal. The French Government has stated that the 22,900 job losses will be implemented through non-compulsory measures while the Dutch Government has also stated that it is unlikely that any direct dismissals will be made.

The tendency for reported job losses to affect old Member States more than new Member States, evident in previous quarters, is also confirmed in the current quarter by the positioning of UK (10,766 reported job losses) and Germany (6,177 reported job losses) behind France and Netherlands as the top four countries in terms of jobs reported lost. The total quarterly job losses recorded in the UK consists of a larger number of small to medium-sized cases, in contrast to a small number of large cases as was the case in France and Netherlands. BAA (2,000 jobs reported lost), Kwik Save (1,100 jobs reported lost), Co-operative Financial Services (1,000 jobs reported lost), and Dixon Motors (800 jobs reported lost) are all examples of medium-sized cases of restructuring that are typical in the UK. A similar trend is evident in Germany. Within the quarter, the 6,117 jobs that were reported lost in Germany are composed of a fairly evenly spread of cases. The cases of O2 (700 jobs reported lost), Motorola (650 jobs reported lost), Hertie (650 jobs reported lost), and Siemens Enterprise Communications (600 jobs reported lost) are all illustrative of this trend.

As has been the case in previous quarters, announced job creations reported by the ERM in the current quarter have been more prevalent within the new Member States. In the current quarter, Poland (17,060 jobs), Romania (15,880 jobs) and Slovakia (15,010 jobs) were the top three countries for reported job creation. The combined total of the jobs reported created in these states make up 56% of the total jobs reported created by the ERM in the quarter. Notable cases within these countries include those of BZ Company in Slovakia (8,400 jobs reported created), Ford in Romania (5,100 jobs reported created), and Northern Port in Poland (5,000 jobs reported created). In addition to these larger cases, a large number of small to medium cases of reported job creation are also to be found in these countries. This demonstrates, as does data from previous quarters, that there is a long-term trend of job creation in these countries.

The Czech Republic (7,313 jobs reported created) and UK (7,104 jobs reported created) were the countries in which the next largest number of jobs created was recorded by ERM in the quarter. In the case of the Czech Republic, this represents a decline from the second quarter of 2007 when the ERM recorded 12,502 jobs created in the state. Conversely, the 7,104 jobs reported created in the UK during the current quarter represent a large increase on the 2,461 reported created in the previous quarter. This increase is attributable to a significant number of small to medium-sized reported cases of job creation, but chief amongst these cases are those of Sainsbury (1,000 jobs reported created) and Garlands (1,000 jobs reported created).
Restructuring across sectors

Figure 4 plots the top ten sectors in terms of reported job losses in the quarter. The sector in which reported job losses were most prevalent was the public sector, where ERM recorded 35,979 jobs lost in the current quarter. The public sector was followed by the financial services sector (8,825 reported job losses), the post and telecommunications sector (5,428 reported job losses), the transport and storage sector (4,717 reported job losses), and the commerce sector (3,985 reported job losses).

Figure 4: Job reduction and creation by sector

ERM records more than a ten-fold increase in public sector job losses from the previous quarter to the current quarter. In the second quarter of 2007, 3084 job losses were recorded against the 35,979 recorded in the current quarter. This rise is almost solely attributable to two cases; those of Service Public Français in France (22,900 reported job losses) and the Dutch Central Government (12,800 reported job losses). As was stated above, the job losses in both cases are highly likely to be implemented via non-compulsory means. This demonstrates that both cases are likely to be more limited in their socio-economic impact than they might otherwise have been, and that, generally, job losses in the public sector are less likely to be implemented through direct dismissals than is the case in some other sectors.

The sectors in which quarterly reported job losses were second, third and fourth most common, those of financial services, post and telecommunications, and transport and storage, exhibit two tendencies that distinguish them from the public sector. Firstly, the change in their relative position from the previous quarter is not particularly marked. 10,300 job losses were recorded in the previous quarter for the financial services sector as against the 8,825 in the current quarter, whilst 5,315 were recorded for the transport and storage sector against the 4,717 in the current quarter. Recorded job losses in the post and telecommunications sector did fall by approximately 50% from the second quarter figure of 10,725 to the current quarterly figure of 5,428, yet this change is relatively small when compared to the extent of the
change in the public sector. The second difference is that the recorded quarterly job losses in these sectors are composed of a broad range of small to medium-sized cases rather than, as was the case in the public sector, a couple of large or very large cases. The cases of BAA in the transport and storage sector (2,000 jobs reported lost), Banca Comerciala Romana in the financial services sector (2,400 jobs reported lost), and Österreichische Post in the post and telecommunications sector (1,500 jobs lost) represent the largest cases of job losses in these sectors in the current quarter. When these cases are taken as a proportion of total sectoral job losses for the quarter, it is apparent that total quarterly job losses in each of these sectors are not dominated by a couple of large cases as was the case in the public sector.

Figure 4 also charts ERM recorded job creation on the basis of sector. The two sectors in which recorded job creation was most common in the quarter were those of transport and storage (17,400 jobs reported created) and motor (16,400 jobs reported created). Both sectors register a substantial increase in the number of jobs reported created compared to the previous quarter. In the case of the transport and storage sector, 8,770 jobs were reported created in the second quarter of 2007 as against the 17,400 in the current quarter, while for the motor sector the corresponding figures are 10,560 and 16,400. As is consistent with the country trends identified above, the majority of jobs reported created in these sectors in the quarter are located in the new Member States. Within the transport and storage sector, it is worth highlighting the cases of BZ Company in Slovakia (8,400 jobs reported created), and Northern Port in Poland (5,000 jobs reported created). In the motor sector, notable cases include those of Ford in Romania (5,100 jobs reported created) and Škoda Auto in the Czech Republic (2,000 jobs reported created).

Sectors such as consultancy business services (9,195 jobs reported created), post and telecommunications (8,998 jobs), and metal and machinery (4,155 jobs) exhibit little change in terms of reported job creation as against their figures for the previous quarter. A notable increase is evident in the electrical sector, however, in which the ERM recorded 6,997 jobs created in the current quarter against 1,248 in the previous quarter. This upturn in the quarterly figures for the sector is largely attributable to the cases of SUEZ (2,000 jobs reported created), ACE Romania (1,100 jobs reported created), and SolarWorld AG (1,000 jobs reported created).

Restructuring as a consequence of mergers or acquisitions

One restructuring form that the ERM records is the merger and acquisition process that companies and organisations often engage in. In this section, the effect of merger and acquisition activity on ERM-reported jobs lost and jobs created will be analysed, as will the degree to which restructuring from merger and acquisition activity affects different countries and sectors in different ways. Given the relative scarcity of reports of merger and acquisition activity in the previous quarter, trends are analysed over a longer time frame in order to establish representative patterns.

General Trends

In total, ERM has recorded 104,485 jobs as being lost as a result of mergers and acquisitions since it began tracking such activities. ERM has also recorded a total of 14,873 jobs as being created through merger and acquisition activity. This is a ratio of over 7 to 1. Clearly, the restructuring activity involving mergers and acquisitions entails a far greater likelihood of jobs being lost than being created. In the previous year, ERM reported 31,870 jobs lost through mergers and acquisitions against 9,018 reported as having been created. This represents a smaller ratio, although there are still far more recorded jobs lost through merger and acquisition activity than recorded jobs created. In the current quarter,

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4 ERM records date from January 2002 and data was extracted on 16 October 2007.
5 1 October 2006 to 30 September 2007.
ERM has recorded 965 jobs lost through mergers and acquisitions and 5,380 jobs created through mergers and acquisitions. However, given the short time frame and the fact that one case alone, Ford in Romania, is responsible for 5,100 of these jobs created, it is difficult to draw firm conclusions from the quarterly data.

**Sectoral Trends**

**Figure 5: Top 5 sectors of recorded job losses through mergers and acquisitions**

Various trends are apparent at the sector level regarding the type of restructuring associated with mergers and acquisitions. One notable trend is the degree of activity in the financial services sector. A total of 40,271 job losses have been recorded as a result of mergers and acquisitions in the sector, and this represents 38% of all ERM recorded job losses associated with mergers and acquisitions. This trend has been more pronounced in recent months. Since the beginning of 2007, ERM has recorded 8,500 job losses in the financial services sector as a result of mergers and acquisitions. This represents 46% of the total ERM reported job losses that are attributable to mergers and acquisitions in 2007. This figure is partly due to large-scale cases such as UniCredit-Capitalia and DBV-Winterthur that occurred recently. No cases of mergers and acquisitions in the financial services sector have been recorded in the previous quarter, though this could be a quarterly anomaly given longer-term trends.

Job losses arising from mergers and acquisitions are rather limited in ‘traditional’ manufacturing sectors. In the metal and machinery sector, which may be regarded as the ‘bellwether’ for the other manufacturing sectors, the ERM records a total of 5,854 job losses as a result of mergers and acquisitions. This places the sector sixth overall and gives it a 6% share of all recorded job losses arising from mergers and acquisitions. Since the beginning of 2007 and in the previous quarter, job losses in the ‘traditional’ manufacturing sectors have also been scarce. No job losses as a result of mergers and acquisitions have been recorded in the metal and machinery sector in 2007, and only 320 have been recorded in the motor sector in 2007.
The potential of merger and acquisition activity to create jobs also affects sectors differently. It should be noted that recorded job creation through mergers and acquisitions largely comes about through acquisitions, rather than mergers. The ERM records high levels of job creation as a result of mergers and acquisitions in the ‘traditional’ manufacturing sectors. To date, ERM has recorded 5,750 jobs created as a result of mergers and acquisitions in the motor sector, and 2,945 in the metal and machinery sector. The two sectors are the top two sectors in terms of ERM recorded job creation through mergers and acquisitions. However, these figures are largely attributable to recent large-scale cases (in 2007 ERM has recorded 5,750 jobs created in the motor sector and 2,000 in the metal and machinery sector), and the existence of large cases such as Ford in the motor sector and Arcelor in the metal and machinery sector means that the figures should be treated with caution. ERM has reported a total of 1360 jobs created as a result of merger and acquisition activity in the financial services sector. Since the beginning of 2007, ERM has not recorded any jobs being created in the financial services sector as a result of mergers and acquisitions. This is in contrast to the substantial amount of jobs lost in the sector through mergers and acquisitions. It may be concluded, then, that in a services sector such as the financial services sector the ratio of recorded jobs lost to recorded jobs created through mergers and acquisitions is very high, whereas in manufacturing sectors such as metal and machinery and motor the ratio is much lower.

Geographical Trends

Figure 6: Top 5 countries in terms of recorded job losses through mergers and acquisitions

The employment effects of mergers and acquisitions vary from country to country. One prominent trend is that job reductions reported in ERM arising from mergers and acquisitions are more frequent in old Member States than in new Member States. The UK was the country in which this trend was most apparent, with 23,488 recorded job losses. Germany (21,598 job losses), Italy (17,760 job losses) and France (13,743 job losses) followed. If one considers ERM data for 2007 only, the trend remains the same. In 2007, Italy (8,400 job losses), Germany (4,090 job losses), and France (1,867 job losses) are the countries in which the ERM has recorded the most job losses as a result of mergers and acquisitions. These figures are attributable to cases such as UniCredit-Capitalia, Bayer Schering Pharma AG, and Alcatel-Lucent. Quarterly data also confirms this trend. Of the 965 jobs reported lost through mergers and acquisitions in the quarter, all are based in old Member States.
ERM reported job creation as a result of mergers and acquisitions is more common in the new Member States. Here, it should be noted that these cases of job creation are largely attributable to acquisitions rather than mergers. Cases such as Ford, Pozmeat and Royal Greenland Seafood are all illustrative of companies in new Member States being taken over by Western groups who then bring substantial new employment to the countries in which they invest. Romania (6,040 jobs created), Poland (2,000 jobs created), and the Czech Republic (1,350 jobs created) represent three of the top four countries in which the ERM has recorded job creation as a result of merger and acquisition activity. In 2007, Romania (5,200 jobs created) and the Czech Republic (630 jobs created) have shown strong rates of reported job creation through mergers and acquisitions. The quarterly cases of Ford and PLIVA-Lachema partly account for these figures.

Restructuring of Nokia Siemens Networks

Merger process
Nokia, the Finnish producer of mobile phones, and the German company Siemens, announced the plan to combine their network equipment units into Nokia Siemens Networks (NSN). According to analysts, for Nokia and Siemens this move was necessary in order to become a significant player on the networks side. A broader product line-up and increased financial power are expected to boost competitiveness.

Following the merger, effective since April 2007, the joint venture Nokia Siemens Networks announced a 15% reduction in its workforce. This is in many respects a very important case, not least due to the industrial relations repercussions.

The new joint venture that started its commercial operations on 1 April 2007 has its operational headquarters in Helsinki and regional headquarters in Munich. NSN predicts annual sales of around 16 billion euro. With a share of 18.3% of the global market, NSN has become the world’s third-largest telecoms infrastructure provider behind Ericsson-Marconi (21%) and Alcatel-Lucent (20%). The joint venture is expected to achieve annual cost savings of 1.5 billion euro. Nokia chief executive Mr. Kallasvuo said a further 500 million euro of cost synergies had been identified and he would not rule out that some of them could come from job losses.

Restructuring plan
After the announcement of the joint venture in June 2006, managers of both companies had already stated that by 2010 there would be a 15% cutback of the 60,000 employees. In May 2007, Nokia Siemens Networks reiterated its plans to cut 9,000 jobs by 2010, arguing that job cuts are necessary because of the overlaps in the product portfolio of the two merged companies. Furthermore, the management sees the need to streamline the company and to generate savings also in R&D functions.

In Finland, where about 10,000 people are employed, 700 workers will be dismissed in a first round of reductions. Within three years, job cuts in Finland will affect about 1,700 employees. In Germany, where about 13,000 people are employed, 2,900 jobs will be cut within three years. Italy will lose 15% of its workforce, around 500 jobs.
In addition to the announced job cuts, the outsourcing of activities in a number of countries was also confirmed. In Italy, the plants in Milan (Cassina de’Pecchi) and Caserta (Marcianise) will be affected by outsourcing plans. Although not all countries have received concrete information regarding the impact of the restructuring of their sites, it is clear that no country will be spared.

**Trade union response**

Although a downsizing of the workforce had been forecast when the merger was announced, the news of drastic downsizing in EU Member States has caused deep concern among the NSN employees.

In February 2007, trade union and employee representatives from Austria, Belgium, Finland, France, Germany and Spain met for a coordination meeting organised by the European Metalworkers’ Federation (EMF). They criticised the lack of transparency on the part of the NSN management. According to the employee representatives, Nokia Siemens Networks has consistently refused to disclose any information on the new structure, thus depriving them of the right of consultation.

In order to ensure information and consultation rights at European level, a second meeting took place on 25 May 2007. Trade union representatives met under the auspices of the EMF to discuss the restructuring plan of the NSN management. Invited to participate in the meeting, the NSN management confirmed the scope of the restructuring plan. The trade unions representing NSN employees across Europe decided unanimously to oppose the plan and to

- demand that NSN management withdraws its restructuring plan;
- reject the announced 15% workforce downsizing;
- express their opposition to any possible site closure in Europe;
- oppose the announced outsourcing of activities at a number of sites;
- ask for relevant information and a constructive dialogue between employee representatives and management;
- call for a European Works Council.

**European Action Day**

On 12 June 2007, NSN employees in Austria, Belgium, France, Finland, Germany, Italy, Spain and the Netherlands carried out a European Action Day, coordinated by the EMF. In reaction to the restructuring plan, the workers demanded sustainable employment and proper employee consultation. At various NSN sites, assemblies, walk-outs and demonstrations against the planned job cuts were organised. Following the action day, Nokia Siemens Networks declared their willingness to start negotiations to set up a European Works Council.

**Commentary**

According to the EMF, NSN is one of the cases causing deep concern regarding the future of the European ICT sector and high-added value industries in Europe. ‘With Research and Development centres closing down and R&D investments shrinking, the credibility of the EU Commission’s Lisbon strategy of making Europe “the most dynamic and knowledge-based economy in the world” is becoming tarnished’ said Peter Scherrer, EMF General Secretary in a letter to Commissioner Verheugen. According to Nokia Siemens Networks, the strong price competition in the market for telecoms equipment is prompting the joint venture to intensify its cost-cutting programme.
Restructuring in Cyprus and Malta

Due to the size of the Cypriot and Maltese economies, there are very few cases of restructuring that meet the employment thresholds applied by the ERM. Restructuring is nevertheless a phenomenon in these countries and this section summarises developments over the past quarter.

Cyprus

The banking sector has been displaying some interesting activities over the last months, especially regarding the activities of Greek banks and the creation of new employment opportunities. After Alpha Bank, the National Bank of Greece, Emporiki Bank and Eurobank, the Piraeus Bank has also decided to move into the Cypriot market. Up to 100 jobs will be created initially since Piraeus Bank aims to gradually establish its activities in all the major cities of the country over the coming year.

Eurobank, a newly arrived bank from Greece, continues to recruit staff and 60 more jobs are expected to be created during upcoming months.

Some developments have also occurred in the retail sector, with around 100 jobs having been created in the Mall of Cyprus which is located in the Siakolas Emporium Park, a large commercial centre in the area of Nicosia that includes, among other retailers, another new arrival to Cyprus, IKEA. In the future, around 1,000 persons are expected to be employed in the Mall of Cyprus as soon as all companies (to a large extent multinationals) start operating.

Malta

In July 2007, the new project of Lufthansa Technik was launched. The project includes the building of a hangar, workshops and new offices at the Malta International Airport. This investment amounts to around 55 million euro. The new hangar will be able to accommodate the maintenance of two wide body aircrafts, two smaller ones and a Super Jumbo Airbus 380. Over a five-year period, it is envisaged that this project will create around 550 new jobs, complementing the present 300 jobs.

The government has decided to completely privatise the national postal service Maltapost plc, of which it was the major shareholder. The privatisation process is unfolding in two stages. First, 25% of the shares were transferred to the Lombard Bank Malta plc, which thus became the major shareholder with a total of 60% of shares. Government reached an agreement with the bank that current Maltapost employees would have a secure job till retirement. The second stage will be the sale of government’s remaining 40% of shares to the general public.

During the third quarter, Maltese Health authorities started to recruit English-speaking nurses from other EU countries. A call for applications was made because of a shortage of workers in the health sector. Over 200 nurses are needed to maintain the current level of services and provide for the required expansion of services as a result of the transfer to the newly-built Mater Dei hospital. Before looking to recruit from outside Malta, attempts were made to recruit all the recently qualified nurses and also entice those nurses who left the workforce to return to the public service.
Note on methodology

The European Restructuring Monitor (ERM) records announcements reported in the press involving the reduction or creation of at least 100 jobs, or affecting 10% of the workforce in sites employing 250 people or more. These are to be reported by correspondents from the Network of European Observatories, which is operated by the European Foundation for the Improvement of Living and Working Conditions. The cases are identified through a review of daily papers and the financial press in the EU27 and, most recently, Norway.

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 the statistics in order to avoid double counting.

For more information on the European Restructuring Monitor, please visit the website at http://www.emcc.eurofound.eu.int/erm/. The site allows for the examination of single cases and the compilation of restructuring statistics. For further enquiries contact us at erm@eurofound.eu.int.

The data for this report was extracted on 12 October 2007. As the ERM continually updates cases in light of new information, the statistics presented here may not correspond to those extracted at a later date.

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