



# Recent restructuring trends in the EU

**Net employment change in the EU 27 and Norway**  
**Evidence from the ERM on recent structural change in Europe**  
**Appendix 1: The European Restructuring Monitor**

## Country codes

### EU27

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

### Other

NO Norway  
TR Turkey

**Authors:** Xabier Irastorza and Donald Storrie

**Research officer:** Donald Storrie

**Research project:** European Restructuring Monitor (ERM)

The ERM report 2007 **Restructuring and employment in the EU: The impact of globalisation** argues that the nature and extent of globalisation has so far not had any serious overall negative consequences for aggregate employment in Europe. This report complements the ERM report 2007 with pertinent data from the European Restructuring Monitor (ERM). It provides evidence of restructuring and employment in all 28 countries included in the ERM, i.e. the EU27 and Norway.

In spite of widespread concern about the impact of restructuring on employment, there is no firm statistical evidence on the employment consequences of restructuring – whether caused by globalisation or other drivers of change. Only two sources can provide EU-wide evidence: the European Labour Force Survey (ELFS) and the European Restructuring Monitor. The ERM monitors restructuring cases reported in the press and while there is little reason to question the quality of these reported cases, they may not be fully representative of all restructuring cases.<sup>1</sup> The European Labour Force Survey (ELFS) provides reliable information on net employment change by economic sector and by region. However, it does not provide evidence on the extent of job loss due to restructuring. Here, matching ELFS data with information available from the ERM can bring valuable insights. In this report the employment shifts between sectors described by ELFS data are exemplified with more detailed and concrete evidence on company restructuring cases from the ERM. The fact that ERM data is based on publicly available information allows analysing the behaviour of named companies and to compare it with the aggregate data. As will be seen below, trends identified in the ELFS fit rather well with the evidence from the ERM.

These trends confirm the shift out of primary sectors and manufacturing into services. However, the loss in manufacturing jobs is more pronounced in the EU15 and Norway than in the new Member States where, unlike in the EU15, some manufacturing sectors are among the top 10 sectors for employment growth. Also, it is interesting to note that some of the top 10 declining sectors in the EU15 and Norway as well as the NMS 10 (manufacture of electrical machinery and manufacture of food products, respectively) are among the top 10 growth sectors in Bulgaria and Romania. This may suggest a geographical shift in production and can be seen as one indicator of a new globalisation phase leading to a new division of work within Europe. ERM data analysed in this report confirms, however, the findings of the ERM report 2007 that a significant increase in the phenomenon of a shift of identifiable jobs to other locations (offshoring) cannot be observed.

## **Net employment change in the EU 27 and Norway in the European Labour Force Survey**

The net labour market effects of structural change between 2001 and 2006 may be summarised by analysing the changes in the level and composition of employment by economic sector. This is shown in Table 1 below, where the relative growth rates and employment structure are presented by broad economic sectors (NACE 1 classification) between 2001 and 2006.<sup>2</sup>

The primary sectors, agriculture, fishing, mining and quarrying, have experienced a significant decline in employment in the EU27 and Norway. Only employment in fishing has increased in the new Member States (NMS10) and Bulgaria and Romania, but levels remain very low. Agriculture is likely to experience further job losses in the years to come, particularly in eastern European countries, as the sector is undergoing a rationalisation process fostered by the implementation of the Common Agricultural Policy (CAP) reforms throughout the EU27. Significant reductions in

---

<sup>1</sup> Appendix 1 provides details on the ERM methodology and discusses possible sources of bias.

<sup>2</sup> The relative growth rate is equal to  $100 * (\text{employment}_{2006} - \text{employment}_{2001}) / \text{employment}_{2001}$ .

agriculture occurred in Bulgaria and Romania between 2001 and 2006. The current large size of this sector (22%) suggests that many more jobs will be lost in the near future. Manufacturing, the largest employer at NACE 1 level across the EU27 and Norway, continues its decline due to the negative development in the EU15 and Norway. Employment in manufacturing has remained stable in the NMS10, while in Bulgaria and Romania it has increased slightly.

The largest relative increase in employment is in private households, but levels remain very low. Business services are an appreciably more significant sector and have also exhibited high growth. This growth has been particularly striking in the NMS10 (34%) and Bulgaria and Romania (74%). Simple trend projections would suggest that this will continue to be the case for many years to come as their economies continue to develop.

Table 1: Employment share and change in the EU27 and Norway, by NACE 1 sectors, 2001–2006 (%)

	EU27 and Norway			EU15 and Norway		
	Change	Share		Change	Share	
	2001–2006	2001	2006	2001–2006	2001	2006
Agriculture, hunting and forestry	-17.1	6.7	5.3	-9.2	3.8	3.3
Fishing	-13.9	0.1	0.1	-18.3	0.1	0.1
Mining and quarrying	-14.2	0.6	0.5	-10.7	0.3	0.3
Manufacturing	-4.3	20.2	18.5	-6.4	19.7	17.5
Electricity, gas and water supply	-3.9	1.0	0.9	2.5	0.7	0.7
Construction	9.1	7.6	7.9	8.1	7.9	8.1
Wholesale and retail trade	4.7	14.3	14.3	3.6	14.7	14.4
Hotels and restaurants	17.2	3.8	4.2	17.5	4.1	4.5
Transport, storage and communications	1.2	6.4	6.2	1.4	6.3	6.1
Financial intermediation	1.8	3.1	3.0	1.7	3.4	3.3
Business services	22.0	7.9	9.2	20.1	9.0	10.2
Public administration and defence	3.5	7.3	7.2	2.0	7.6	7.4
Education	9.6	6.8	7.1	10.6	6.8	7.1
Health and social work	13.6	8.9	9.7	15.1	9.8	10.7
Social and personal services	13.2	4.3	4.7	13.0	4.6	4.9
Private households	36.1	0.8	1.1	35.7	1.0	1.3
Extraterritorial organisations	10.0	0.1	0.1	7.6	0.1	0.1
<b>Total</b>	<b>4.7</b>	<b>100.0</b>	<b>100.0</b>	<b>5.5</b>	<b>100.0</b>	<b>100.0</b>

	NMS10			Bulgaria and Romania		
	Change	Share		Change	Share	
	2001–2006	2001	2006	2001–2006	2001	2006
Agriculture, hunting and forestry	-14.6	12.4	10.2	-31.6	31.6	22.2
Fishing	21.2	0.1	0.1	43.2	0.0	0.0
Mining and quarrying	-12.1	1.4	1.2	-27.2	1.7	1.3
Manufacturing	2.0	22.9	22.5	5.5	21.3	23.1
Electricity, gas and water supply	-16.5	2.0	1.6	-6.1	2.1	2.1
Construction	7.9	7.3	7.6	35.7	4.6	6.4
Wholesale and retail trade	7.2	13.8	14.3	18.0	10.6	12.9
Hotels and restaurants	14.2	2.7	3.0	21.1	2.0	2.5
Transport, storage and communications	0.8	7.0	6.8	0.0	5.8	6.0
Financial intermediation	2.6	2.2	2.1	4.8	1.0	1.1
Business services	33.8	4.7	6.1	74.4	1.9	3.3
Public administration and defence	13.3	6.1	6.6	6.2	5.5	6.0
Education	8.0	7.3	7.6	-2.5	5.2	5.2
Health and social work	0.7	6.4	6.2	13.4	4.0	4.6
Social and personal services	13.0	3.6	4.0	18.8	2.4	3.0
Private households	25.1	0.1	0.1	105.5	0.1	0.3
Extraterritorial organisations	40.2	0.0	0.0	423.3	0.0	0.0
Total	3.8	100.0	100.0	-2.7	100.0	100.0

Note: *Figures for Belgium and Luxembourg are from 2001 to 2005.*

Source: *ELFS, 2001–2006.*

Hotels and restaurants also saw a considerable growth between 2001 and 2006 in all three regional groups, as did construction, with the latter sector growing rapidly in Bulgaria and Romania. Education and social and personal services have grown quite rapidly in most regions and – given their size – have contributed appreciably to aggregate employment growth, particularly in EU15 and Norway. It is also notable that the large wholesale and retail trade sector has grown substantially.

Tables 2, 3 and 4 show changes in employment levels according to the NACE 2 sector classification, which is more detailed than the NACE 1 presented in Table 1. The tables present the top 10 sectors in terms of absolute changes in the level of employment between 2001 and 2006. They provide an overview of the sectors that have contributed most to job creation in Europe since 2001.<sup>3</sup>

<sup>3</sup> It is important to stress that these figures are neither job creation nor job destruction figures specifically, but rather net employment effects in absolute terms. Hence, employment growth in health and social work, for example, will certainly include some job destruction.

Table 2: *Employment changes in top 10 growing and declining NACE 2 economic sectors in the EU15 and Norway, 2001–2006 (absolute increase/decrease in thousands)*

Top 10 employment growth sectors			Top 10 employment decline sectors		
		Change			Change
1	Health and social work	1,372	1	Agriculture, etc.	-557
2	Other business activities	2,130	2	Manufacture of wearing apparel	-353
3	Education	1,162	3	Manufacture of textiles	-327
4	Hotels and restaurants	1,146	4	Manufacture of machinery and equipment	-255
5	Construction	1,033	5	Manufacture of radio, televisions, etc.	-194
6	Private households	590	6	Insurance and pension funding	-187
7	Wholesale trade	447	7	Post and telecommunications	-185
8	Recreation and sport	420	8	Leather tanning and dressing	-178
9	Real estate activities	392	9	Manufacture of office machinery, etc.	-150
10	Computer and related activities	277	10	Manufacture of electrical machinery	-134

Note: *Figures for Belgium and Luxembourg are from 2001 to 2005.*

Source: *ELFS, 2001–2006.*

The figures show significant differences between the old and the new Member States in their respective patterns of employment growth. As can be seen in Table 2, the top 10 growth sectors in the EU15 and Norway are all service sectors (except construction), while the top 10 declining sectors are all manufacturing related (except agriculture, insurance and pension funding and post and telecommunications). Additionally, it is also significant that a large share of recent growth in employment in the EU15 and Norway is attributable to the largely public or ‘not for profit’ sectors, such as health and social work and education. On the other hand, in the NMS10, two manufacturing sectors recorded high employment growth between 2001 and 2006: motor vehicles and fabricated metal products. The EU15 and Norway and the NMS10 share six sectors in their respective top 10 lists, namely construction, other business activities, hotels and restaurants, health and social work, wholesale trade and computer and related activities. With the exception of computer and related activities, the other five are also among the top 10 growth sectors in Bulgaria and Romania. These countries record some manufacturing-related sectors among their top 10 growth ones, namely electrical machinery, furniture and food products.

Regarding the declining sectors, there are five common sectors in the EU15 and Norway and in the NMS10: agriculture, manufacture of wearing apparel, manufacture of textiles, post and telecommunications and leather tanning and dressing. Some of the manufacturing sectors, such as wearing apparel and textiles, are regarded as some of the most low-tech in manufacturing, but in both areas, the lists include other manufacturing sectors, too. It is also interesting to observe that one of the top 10 declining sectors in the EU15 and Norway (manufacture of electrical machinery) and one in the NMS10 (manufacture of food products) are among the top 10 growth sectors in Bulgaria and Romania, which may suggest a geographical shift in production. It is also worth stressing the noticeable reduction in employment that agriculture has experienced in these two countries, which is entirely due to the decline in Romania.

These data show that the geographical regions are at different stages of their economic development, as shown by the presence of employment in private households and recreation and sports among the top 10 growth sectors in the EU15 and Norway, while the NMS10 and Bulgaria and Romania still record high growth among manufacturing sectors.

Table 3: *Employment changes in top 10 growing and declining NACE 2 economic sectors in the NMS10, 2001–2006 (absolute increase/decrease in thousands)*

Top 10 employment growth sectors			Top 10 employment decline sectors		
		Change			Change
1	Construction	245	1	Agriculture, etc.	-169
2	Other business activities	166	2	Manufacture of wearing apparel	-63
3	Retail trade	118	3	Manufacture of food products	-52
4	Hotels and restaurants	100	4	Manufacture of textiles	-48
5	Manufacture of motor vehicles	91	5	Leather tanning and dressing	-44
6	Public administration	85	6	Post and telecommunications	-44
7	Health and social work	79	7	Electricity, gas, etc.	-39
8	Manufacture of fabricated metal products	73	8	Education	-22
9	Wholesale trade	52	9	Manufacture of basic metals	-21
10	Computer and related activities	49	10	Manufacture of other non-metallic mineral products	-15

Note: Poland has been excluded, as NACE 2 data are only available from 2004 onwards. This skews the NMS10 figures quite considerably and does not allow for a comparison between Table 1 and Table 3.

Source: ELFS, 2001–2006.

Table 4: *Employment changes in top 10 growing and declining NACE 2 economic sectors in Bulgaria and Romania, 2001–2006 (absolute increase/decrease in thousands)*

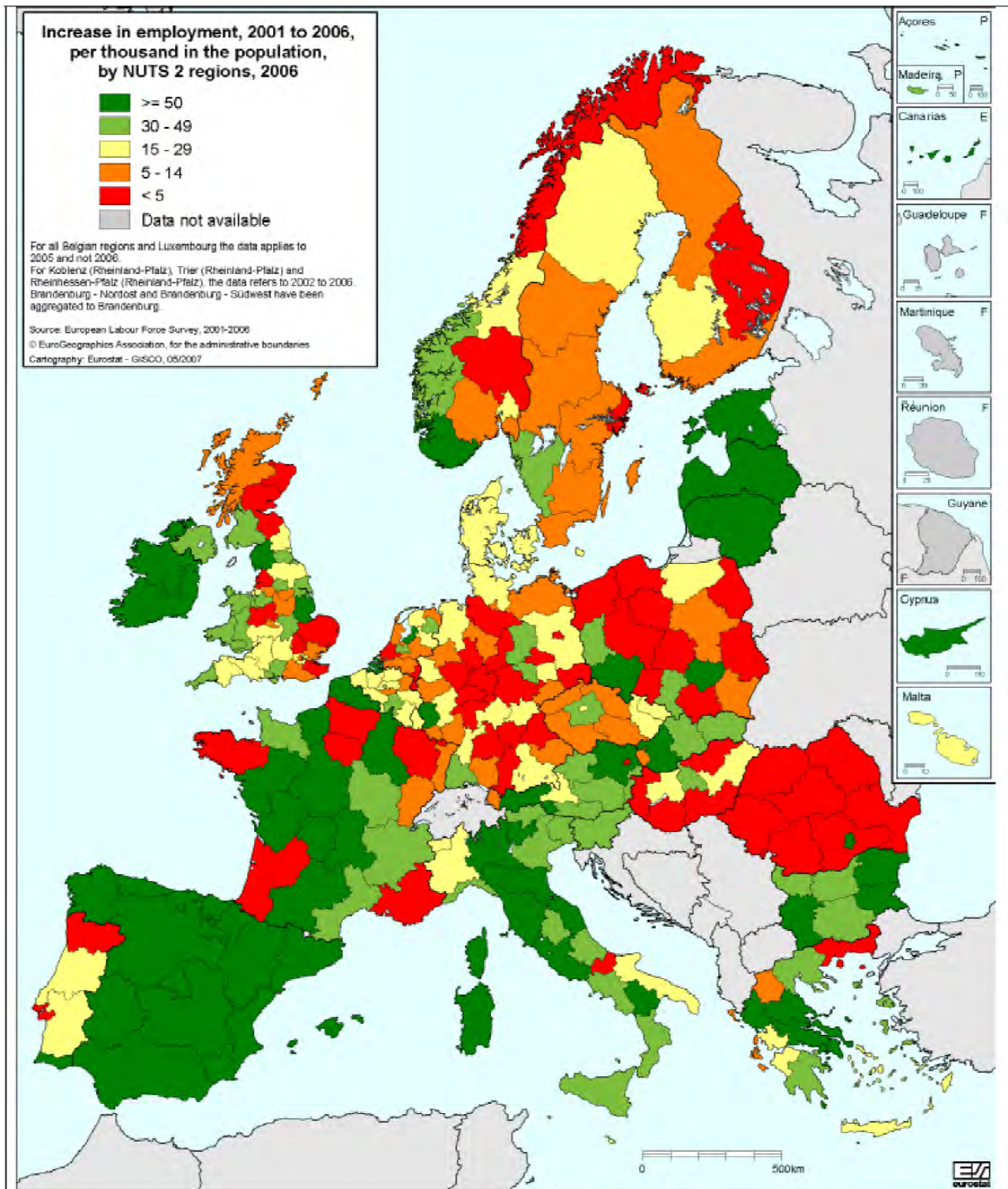
Top 10 employment growth sectors			Top 10 employment decline sectors		
		Change			Change
1	Construction	202	1	Agriculture, etc.	-169
2	Wholesale trade	170	2	Manufacture of machinery and equipment	-63
3	Other business activities	150	3	Electricity, gas, etc.	-52
4	Manufacture of electrical machinery and apparatus	93	4	Manufacture of basic metals	-48
5	Sale, maintenance and repair of motor vehicles and motorcycles	71	5	Mining of coal and lignite	-44
6	Health and social work	66	6	Manufacture of chemicals and chemical products	-44
7	Hotels and restaurants	53	7	Extraction of crude petroleum, etc.	-39
8	Manufacture of furniture	51	8	Research and development	-22
9	Manufacture of food products	49	9	Land transport	-21
10	Public administration	42	10	Manufacture of coke, etc.	-15

Source: ELFS, 2001–2006.

Structural change also has a regional dimension and recent employment performance has varied greatly throughout the EU27 and Norway. The map in Figure 1 shows the absolute increase in employment per 1,000 people in the NUTS 2 regions<sup>4</sup> between 2001 and 2006.

<sup>4</sup> The Nomenclature of Territorial Units for Statistics (*Nomenclature des Unités Territoriales Statistiques*, NUTS) was established by Eurostat more than 25 years ago in order to provide a single uniform breakdown of territorial units for the production of regional statistics for the EU.

Figure 1: *Employment increase per 1,000 people in NUTS 2 regions, 2001–2006*



Source: *European Labour Force Survey*.

The map clearly shows where employment has increased most in the last five years throughout the EU27 and Norway, notably in the south and west of Europe. Ireland and Spain record high employment growth in all their regions, while Austria, Greece, Italy and France also present a mostly positive picture, with pockets of employment reduction in Wien (AT), Anatoliki Makedonia (EL), Molise (IT) and the north of France (Ile de France, Picardie, Lorraine and Bretagne). The situation is less positive in central and northern Europe, with some pockets of significant growth in the Netherlands (Flevoland and Zeeland), and the UK (Lincolnshire and Cumbria). The picture is particularly diverse in the Nordic countries, where some regions in Norway (Agder og Rogaland) and in Sweden (western Sweden) exhibit high growth. Among the new Member States, the Baltic States, Bulgaria, Cyprus, Slovakia and Slovenia (except Bratislava) record substantial employment growth. On the other hand, Hungary, Romania and Poland present a somewhat bleaker situation, with the exception of some high employment pockets in Kozep-Magyarország (HU), Dolnoslaskie, Swietokrzyskie (both PL) and Bucuresti (RO).

Tables 5 and 6 combine the sector and geographical dimensions of employment growth and decline. It shows that most of the sector trends presented in the tables above are quite evenly distributed across the EU27 and Norway. Of the top five growth sectors, the most geographically widespread is business services, which appears in the top five growth sectors in 22 countries. Italy reports the greatest employment growth in this sector, with a net increase of some 695,000 jobs. Construction is the second most widespread sector, appearing in the top five growth sectors in 21 countries, with Spain recording the highest net increase, with around 640,000 jobs.

## Recent restructuring trends in the EU

Table 5: Increase in employment in the top five NACE 2 economic sectors (absolute increase in thousands) in each Member State and Norway, 2001–2006

NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's
<b>Austria</b>		<b>Belgium</b>		<b>Bulgaria</b>		<b>Cyprus</b>		<b>Czech Republic</b>		<b>Germany</b>	
85	51.9	85	45.6	45	80.5	45	9.3	34	54.0	74	477.5
74	36.6	80	40.5	51	52.2	74	8.3	74	47.6	85	459.9
55	36.1	75	27.1	18	40.2	95	6.3	28	42.4	80	162.3
51	36.1	01	19.1	74	34.4	80	6.1	55	32.0	34	160.8
67	20.8	45	15.9	55	33.6	75	5.0	85	29.8	55	154.7
<b>Denmark</b>		<b>Estonia</b>		<b>Greece</b>		<b>Spain</b>		<b>Finland</b>		<b>France</b>	
45	27.1	45	19.3	75	78.2	45	640.4	85	26.4	85	458.2
75	24.3	60	14.8	80	68.2	74	418.5	74	21.6	74	176.6
52	23.8	51	14.6	45	50.0	55	393.4	45	19.0	45	161.8
85	23.8	80	8.5	74	47.2	85	341.1	52	14.1	75	150.6
74	16.3	55	7.0	85	42.0	95	303.7	92	9.8	52	69.3
<b>Hungary</b>		<b>Ireland</b>		<b>Italy</b>		<b>Lithuania</b>		<b>Luxembourg</b>		<b>Latvia</b>	
45	48.3	45	82.2	74	695.6	45	67.4	75	4.1	45	27.2
74	39.1	85	55.5	51	389.6	52	29.6	85	4.1	75	19.0
52	38.4	80	31.0	55	307.1	74	18.4	74	3.4	52	16.3
85	30.4	75	23.7	85	250.9	20	14.7	99	3.1	02	15.5
75	26.9	74	23.1	45	202.5	50	14.1	80	2.8	74	12.2
<b>Malta</b>		<b>Netherlands</b>		<b>Norway</b>		<b>Poland</b>		<b>Portugal</b>		<b>Romania</b>	
45	3.2	85	135.5	85	57.3	45	136.4	85	67.6	45	122.0
80	2.6	52	97.0	52	21.1	52	77.8	75	48.9	51	118.0
85	2.2	80	76.5	74	17.1	93	62.9	74	45.0	74	116.1
75	1.6	36	59.5	45	10.6	28	56.1	63	28.0	31	88.0
51	1.4	55	45.8	92	6.2	80	55.7	80	22.2	85	65.4
<b>Sweden</b>		<b>Slovenia</b>		<b>Slovakia</b>		<b>UK</b>					
80	137.2	74	16.1	45	57.5	85	435.7				
45	37.8	85	13.6	55	30.0	80	414.0				
74	26.5	80	12.8	31	25.3	45	283.4				
73	19.2	75	10.4	34	21.6	75	188.4				
50	12.5	52	7.0	52	20.5	74	92.0				

### NACE 2 classification occurrence in country top five lists

Code	Occurrence	Code	Occurrence	Code	Occurrence			
01	Agriculture, etc.	1	50	Sale and repair of motor vehicles	2	75	Public administration	13
02	Forestry	1	51	Wholesale trade	6	80	Education	14
18	Manufacture of wearing apparel	1	52	Retail trade	11	85	Health and social work	20
20	Manufacture of wood, etc.	1	55	Hotels and restaurants	9	92	Recreational, sporting activities	2
28	Manufacture of fabricated metal products	2	60	Land transport	1	93	Other service activities	1
31	Manufacture of electrical machinery	2	63	Supporting and auxiliary transport activities	1	95	Private households	2
34	Manufacture of motor vehicles	3	67	Diverse financial services	1	99	Extraterritorial organisations	1
36	Manufacture of furniture	1	73	Research and development	1			
45	Construction	21	74	Other business activities	22			

Note: Figures for Belgium and Luxembourg are from 2001 to 2005; figures for Poland are from 2004 to 2006.

Source: ELFS, 2001–2006.

The major growth sector in the EU15 and Norway is health and social work (NACE 85), which appears in the top five growth sectors in all countries but Sweden. In absolute figures, the biggest increases in the sector have been recorded in Germany, France and the UK. The growth of business services (NACE 74) is also evenly distributed among a majority of the countries, while education (NACE 80), the third ranked sector in terms of employment growth in the EU15 and Norway, appears in the top five growth sectors in nine of these countries, the highest absolute increases being reported by the UK, Germany and Sweden.

In the NMS10, the major growth sector between 2001 and 2006 was construction, which tops the ranking in eight of these countries, as it does in Bulgaria and Romania. Business services appears among the top five growth sectors in six of these countries, with the greatest increases taking place in the Czech Republic and Hungary, while in Bulgaria and Romania, wholesale trade is the second fastest-growing sector. Retail trade ranks among the top five growth sectors in six of the NMS10, with Poland reporting the biggest net increase. The apparent shift in manufacturing from the old to the new Member States is supported by the appearance of manufacturing sectors among the top five growth sectors in the NMS10 and Romania and Bulgaria. In the case of manufacturing of wearing apparel, the shift seems to be from the EU25 to Bulgaria, which shows an employment increase in the sector. Meanwhile, the important manufacturing of motor vehicles sector is among the top five growth sectors in Germany, the Czech Republic and Slovakia.

As regards employment decline, and as shown in Table 6 below, the reduction in employment has been scattered among a greater variety of sectors than employment growth. As was shown above, the largest reduction has been witnessed by agriculture (NACE 01), which is ranked in the top five declining sectors in 18 countries, followed by manufacturing of wearing apparel (NACE 18) and manufacture of textiles (NACE 17). It is interesting to point out that the aforementioned rationalisation of the agricultural sector in the NMS10 and Bulgaria and Romania is evident in the national data, as the sector is the top declining sector in seven of these 12 countries. Particularly striking is the decline of 1,233,200 people in Romania. In the EU15 and Norway, agriculture is one of the top losers of employment in 10 countries, with the largest reductions in Germany, Italy, Greece and Spain. It is also worth pointing out that construction (NACE 45), one of the biggest net job creators in the EU27 and Norway between 2001 and 2006, has witnessed a decline in employment of about 490,700 in Germany.

Regarding manufacturing, there are a variety of NACE 2 sectors that feature among the top five declining sectors. In the EU15 and Norway, both manufacture of wearing apparel and manufacture of textiles are ranked among the top five declining sectors in five of these countries. The large decline (145,800) in textiles is particularly notable in Italy. Manufacture of machinery and equipment (NACE 29) appears in four countries, with the largest decrease in Germany (121,200). This sector is also among the top five declining sectors both in Bulgaria and Romania. In the NMS10, the biggest losers of employment have been manufacturing of wearing apparel (six countries), manufacture of textiles (five countries) and manufacture of food products (four countries). These are typically viewed as low-tech manufacturing sectors.

## Recent restructuring trends in the EU

Table 6: Decrease in employment in the top five NACE 2 economic sectors (absolute decrease in thousands) in each Member State and Norway, 2001–2006

NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's	NACE 2 code	000's
<b>Austria</b>		<b>Belgium</b>		<b>Bulgaria</b>		<b>Cyprus</b>		<b>Czech Republic</b>		<b>Germany</b>	
52	-25.2	17	-10.4	62	-9.0	55	-2.3	01	-33.8	45	-490.7
36	-22.5	52	-10.2	24	-5.2	18	-2.2	17	-21.4	01	-131.8
66	-20.0	22	-8.8	29	-4.8	67	-1.4	80	-20.5	29	-121.2
33	-13.7	27	-6.6	73	-4.3	62	-1.1	18	-13.8	52	-109.7
18	-9.7	36	-5.9	16	-3.6	19	-0.6	10	-13.0	75	-100.7
<b>Denmark</b>		<b>Estonia</b>		<b>Greece</b>		<b>Spain</b>		<b>Finland</b>		<b>France</b>	
01	-15.1	64	-5.2	01	-110.0	01	-102.4	01	-20.2	64	-56.4
22	-13.4	15	-4.4	18	-26.3	18	-49.7	29	-6.5	80	-50.0
63	-12.2	01	-4.0	67	-5.9	36	-31.1	15	-6.2	21	-43.5
29	-12.1	63	-2.8	17	-5.2	32	-12.2	55	-5.6	18	-40.8
64	-10.7	11	-2.6	62	-5.0	19	-11.7	40	-5.2	17	-38.5
<b>Hungary</b>		<b>Ireland</b>		<b>Italy</b>		<b>Lithuania</b>		<b>Luxembourg</b>		<b>Latvia</b>	
01	-49.0	32	-10.5	75	-452.4	01	-39.3	55	-1.4	01	-19.5
18	-40.2	28	-8.6	52	-274.5	80	-26.9	60	-1.4	15	-14.6
19	-20.5	01	-7.3	17	-145.8	40	-8.2	27	-2.1	80	-10.1
15	-15.6	22	-4.6	01	-117.4	24	-6.7	45	-2.4	17	-4.7
60	-14.2	17	-4.5	66	-89.2	17	-6.6	52	-4.6	92	-4.4
<b>Malta</b>		<b>Netherlands</b>		<b>Norway</b>		<b>Poland</b>		<b>Portugal</b>		<b>Romania</b>	
55	-2.3	51	-127.3	64	-9.3	01	-99.6	18	-56.3	01	-1233.2
25	-1.5	29	-36.3	22	-8.2	70	-44.3	01	-52.9	29	-84.9
35	-1.2	91	-23.3	21	-7.6	18	32.8	19	-19.4	18	-35.7
17	-0.9	32	-19.1	01	-7.0	15	-23.1	31	-16.3	40	-28.6
18	-0.8	15	-17.8	75	-5.8	51	-23.0	52	-15.7	10	-25.9
<b>Sweden</b>		<b>Slovenia</b>		<b>Slovakia</b>		<b>UK</b>					
85	-84.0	18	-11.2	01	-26.4	51	-89.4				
32	-27.4	60	-5.6	90	-11.3	29	-87.6				
64	-19.4	31	-5.5	40	-10.8	28	-76.2				
34	-16.8	19	-5.2	27	-10.5	32	-65.3				
01	-14.0	65	-2.8	17	-10.2	34	-58.3				

### NACE 2 classification occurrence in country top five lists

Code	Occurrence	Code	Occurrence	Code	Occurrence			
01	Agriculture, etc.	18	29	Manufacture of machinery and equipment	7	63	Supporting & auxiliary transport activities	2
10	Mining of coal and lignite	2	31	Manufacture of electrical machinery	2	64	Post and telecommunications	5
11	Extraction of crude petroleum and natural gas	1	32	Manufacture of radio, TV, etc.	5	65	Financial intermediation	1
15	Manufacture of food products	6	33	Manufacture of medical instruments, etc.	1	66	Insurance and pension funding	2
16	Manufacture of tobacco products	1	34	Manufacture of motor vehicles	2	67	Diverse financial services	2
17	Manufacture of textiles	10	35	Manufacture of other transport equipment	1	70	Real estate activities	1
18	Manufacture of wearing apparel	12	36	Manufacture of furniture	3	73	Research and development	1
19	Leather tanning and dressing	5	40	Electricity, gas, etc.	4	75	Public administration	3
21	Manufacture of pulp, paper, etc.	2	45	Construction	2	80	Education	4
22	Publishing, printing, etc.	4	51	Wholesale trade	3	85	Health and social work	1
24	Manufacture of chemicals & chemical products	2	52	Retail trade	6	90	Sewage and refuse disposal	1
25	Manufacture of rubber & plastic products	1	55	Hotels and restaurants	4	91	Activities of membership organisations	1
27	Manufacture of basic metals	3	60	Land transport	3	92	Recreational, sporting activities	1
28	Manufacture of fabricated metal products	2	62	Air transport	3			

Note: Figures for Belgium and Luxembourg are from 2001 to 2005; figures for Poland are from 2004 to 2006.

Source: ELFS, 2001–2006.

## Evidence from the ERM on recent structural change in Europe

As mentioned earlier, the possible problem of representativeness of the ERM is addressed by first using the European Labour Force Survey (ELFS) to identify trends in net employment change by economic sector and then by illustrating these trends with more detailed and concrete evidence from the ERM. As will be seen below, trends identified in the ELFS correspond rather well with the evidence from the ERM. Thus, while the ERM cannot claim representativeness concerning employment trends in Europe, it obviously does capture many of the prominent trends. The identifiable cases<sup>5</sup> can provide substance to the numbers from the ELFS and may even give an indication of the reasons for some of these trends. While the data on employment growth in the previous section referred to the years 2001 to 2006, the ERM data outlined in this section mainly refers to 2006 and therefore provide information about the most recent trends. Indeed, as the ERM cases refer to ‘intended’ business creation or job loss, they may also provide some indication of short-term developments in the future. This is an important point, as in many instances, announced employment effects in 2006 do not necessarily imply labour consequences for 2006, but rather in the following years.

This chapter includes a specific section devoted to restructuring in Bulgaria and Romania, where an analysis of the ELFS and ERM data is provided. This is not only due to their recent entry into the EU on 1 January 2007, but also because there is evidence of significant restructuring taking place in Bulgaria and Romania in recent times.

### Significant growth of business services

As was shown in the previous section, business services have been one of the main contributors to employment growth in the EU27 and Norway and many ERM cases support this evidence. The sector includes a wide range of business services, such as accounting, call centres and business and management consultancy activities (NACE 74) that feature prominently in the ERM, but also real estate activities and renting of machinery and equipment (NACE 70 AND 71).<sup>6</sup> Even though Italy reported the largest increase in employment in the sector between 2001 and 2006, Germany showed the largest growth between 2005 and 2006, with an increase of over 149,000 jobs according to the ELFS (NACE 70, 71 and 74). Altogether, the six business expansion cases in the consultancy business services sector recorded by the ERM in Germany in 2006 announced the creation of nearly 12,000 jobs.

#### Germany

The most prominent cases in Germany involved temporary agency work at Randstad and Manpower, which together announced the creation of 9,000 jobs. In September 2006, Randstad stated that it was looking for about 6,000 employees to fill job openings. Whereas most of the job openings were for blue-collar jobs, the company noted a strong demand for engineers, bank employees and clerks. In 2005, Randstad employed about 28,950 temporary employees with an internal staff of 1,400 in Germany. Manpower also announced its intention to hire 3,000 employees to fill openings for temporary workers in September 2006. The company, which in some cases has recruited from abroad to fill job openings for engineers, employed about 16,500 temporary employees and an internal staff of 1,000 in 2005. These cases show that the rapid growth of agency work experienced in Germany up to early 2006 is likely to continue. According to labour placement statistics from the German Employment Agency, there were close to 500,000 workers employed in the sector in January 2006,<sup>7</sup> while in 2004, the corresponding figure was 400,000. Employment in the sector continues to be largely for men working in blue-collar positions in manufacturing, but as shown in the ERM cases, agency firms also recruit for

<sup>5</sup> The cases can be found on the ERM website: <http://www.eurofound.europa.eu/emcc/erm/>.

<sup>6</sup> The ERM classifies as ‘Consultancy Business Services’ NACE codes 70, 71 and 74. Hence, the analysis in this section is not limited to NACE 74 only.

<sup>7</sup> IAB Discussion Paper No. 18/2006.

other categories. The rapid recent increase in agency work in Germany has coincided with new regulation of the sector. Previously, agency work in Germany was tightly regulated. For example, it was conducted only on an open-ended contract and assignments at user firms were strictly limited in duration. The bout of reforms following the Hartz Commission was enacted by 2003. Licensing and monitoring and the ban on agency work in construction remained. In other respects, however, the sector has been significantly deregulated. Most importantly, the contract can now be of limited duration and there is no stipulation that the contract at the agency should be of the same duration as the assignment at the user firm. The only limits on contract duration and renewal are those that apply to all fixed-term contracts. While the law now also requires equal treatment for agency and in-house workers, this does not apply if the workplace is covered by a collective agreement. These agreements are widespread in German companies.

Other prominent business expansion cases reported by the ERM in Germany refer to different types of business service providers, such as technical, consultancy and advertising services, and are all part of long-term business expansion plans of the companies, suggesting long-term growth of the sector. In May 2006, Dekra, one of the country's leading technical service groups, announced the creation of up to 1,000 jobs by the end of 2006, following the company's business expansion strategy initiated in 2005. In November 2006, business consultancy group Cap Gemini announced its plans to create 600 new jobs in 2007. The company, one of the leading service providers in management and information technologies consulting, aims to create around 250 jobs in consulting services, while the remaining 350 are needed for its technology services. The recruitment of staff shall be completed by the end of 2007. In June 2006, another company offering consultancy services and engineering solutions, Ferchau Engineering, announced the creation of 250 jobs by the end of 2006 and a further 250 by the end of 2008. Ferchau is benefiting from the outsourcing strategies of many German companies in the automobile industry, in the telecommunications and information technologies sectors and in the aerospace industry. Finally, in April 2006, Germany's leading advertising group, BBDO, announced its plans to increase its workforce by 600.

### *Poland*

The business services sector has exhibited a striking increase in the NMS10 and Bulgaria and Romania, where it is ranked among the top five growth sectors in eight of these countries. The ERM has picked up 11 cases from Poland, corresponding to 4,500 job creation announcements. Most of the cases concern accountancy centres that will serve the international operations of both the parent companies and corporate customers. In March 2006, Shell announced its decision to open a finance and accountancy centre in the Kraków Special Economic Zone, a project that will bring an investment of PLN27 million (around €7.1 million<sup>8</sup>). The centre will initially employ 400 people, but the workforce is expected to grow to 800. One of the significant factors that influenced Shell's final decision was the availability of public financial support from the Polish government. About 40 multinational companies have already opened similar finance and accountancy offices around the country and according to some estimates, by 2010 these centres might employ as many as 550,000 people. Similarly, in September 2006, Accenture opened a business processes outsourcing centre in Warsaw, which will mainly provide outsourced services in finance and accounting for Scandinavian and German customers. The workforce will be increased from the current 200 to 1,000.

In April 2006, KPIT Cummins opened an IT services and bookkeeping centre in Poland which will employ about 500 people. Later in the year, in September 2006, the company announced that it was starting to operate in Wrocław with the opening of an information and accounting service centre which will provide business and IT outsourcing services to KPIT Cummins corporate customers throughout the world. By March 2007, the company was expecting to employ more

---

<sup>8</sup> The euro equivalents in this report are calculated at the rate of PLN1 = €0.26233, as at 28 May 2007.

than 100 people and by the end of July 2011 this figure is to be increased to 500. The estimated value of the investment is up to US\$20 million (about €14.9 million<sup>9</sup>). In September 2006, the German company MAN opened an accounting service centre in Poznań with the aim of employing 360 people by 2008 and a final target of 500 jobs. The centre will provide support to MAN units around Europe and is related to another investment by the company in Poland, where it is hiring highly skilled employees. Similarly, in May 2006, the Danish company Sonion, a manufacturer of hearing aids and mobile handset components, announced the opening of an accountancy services centre in Mierzyn by Szczecin. The facility, which was expected to create 150 new jobs by July 2006, will mainly provide bookkeeping services for the six Sonion units operating in various European countries.

Other companies opening international service centres in Poland include Lionbridge, a provider of software testing services, which announced the expansion of its European service centre in Warsaw with the creation of 350 new jobs by the end of 2008. The branch specialises in translation into eastern European languages and Arabic and in multilingual desktop publishing services, including document layout. Three other companies reported job creation in the sector in Poland in December 2006. Cap Gemini, the international provider of services for the financial sector, announced its plans to upgrade the IT capacities of its service centre in Katowice, hiring another 300 people. The expanded centre will also provide accounting services. Franklin Templeton Investment, one of the world's largest investment management companies, reported plans to establish a business process outsourcing centre in the country, either in Poznań or Gdańsk, employing between 300 and 500 people. Finally, Polskie Centrum Marketingu (PCM) is opening a call centre in Lublin, where it expects to hire approximately 270 people.

#### *France and Romania*

Two other big cases in the sector have been reported in France and Romania. In April 2006, the French consultancy Altran announced the creation of 2,000 new jobs for engineers in France, while in July 2006, the US consulting company Accenture announced its intention to recruit 1,000 people in Bucharest. The company is opening a centre for business process outsourcing to be integrated into its global network.

Therefore, the ERM cases suggest that much of the expansion in the sector found in the ELFS is directly linked with the outsourcing of accounting services by large companies, which in turn led to the growth of accounting centres, mostly in the NMS10. These centres provide their services to international corporate customers and require a highly qualified workforce. Similarly, the remarkable expansion of temporary agency work in Germany, even if still mainly aimed at blue-collar employment, also includes skilled jobs.

#### **Expansion of commerce most prominent in eastern Europe**

The ELFS data show that wholesale and retail trade experienced a significant employment increase in Europe between 2001 and 2006. Even though this trend has been widespread throughout the EU27 and Norway, the expansion has been the strongest in the NMS10 and Bulgaria and Romania.

#### *Poland*

According to ELFS data for 2005 and 2006, the commerce sector<sup>10</sup> in Poland has witnessed a net employment growth of over 58,000 people in 2006, while in Bulgaria and Romania,<sup>11</sup> the net increase has amounted to 65,000 and 103,000 jobs, respectively. As will be seen below, this growth is largely due to the expansion of large British, French and German chains in eastern European countries as well as local chains and retailers of pharmaceutical products.

---

<sup>9</sup> The euro equivalents in this report are calculated at the rate of US\$1 = €0.74333, as at 28 May 2007.

<sup>10</sup> The commerce sector in the ERM includes NACE 50 (sale, maintenance and repair of motor vehicles), NACE 51 (wholesale trade) and NACE 52 (retail trade).

<sup>11</sup> For more information on Bulgaria and Romania, see the 'Employment effects of structural change in Bulgaria and Romania' section below.

The ERM has recorded 15 business expansion cases in the commerce sector in Poland during 2006 that announced the creation of almost 13,500 jobs. The largest business expansion cases were announced towards the end of the year, in October 2006. The British supermarket chain Tesco unveiled plans to open up to 50 new stores across the country with the consequent creation of some 3,000 new jobs. French Carrefour is planning to open 20 new supermarkets across Poland and to employ 2,200 in the next two years, while Polish supermarket chain Biedronka intends to open up 100 new stores across the country and recruit 2,000 new employees. At the same time, German retailer Aldi, one of the leading discount supermarkets, began recruiting Polish personnel as part of its plan to enter the Polish market. In the first wave of expansion, Aldi will open between 30 and 50 outlets. Overall, the company is expecting to create some 1,500 new jobs. Similarly, the German supermarket chain Real announced the opening of two new supermarkets in Poland, recruiting 600 new people, while Piotr i Paweł, the Polish supermarket chain, will be opening eight new stores across Poland, employing about 400 new workers.

In August 2006, Ikea announced the opening of a store in Łódź, its eighth in Poland. The company, which currently employs approximately 10,000 people in the country, will invest PLN260 million (about €68 million) in a new furniture store and commercial park to open by September 2008 and which will employ some 1,200 people. In September 2006, German Rewe announced its plans to invest €130 million in Poland in the next five years, increasing the number of Billa and Selgross supermarkets from 31 to 90 by the end of 2010. Employment will increase by more than 1,000. Also in September, Dino, the Polish food store chain, announced plans to open 50 new outlets by the end of 2007, which will create 500 new jobs.

Finally, two business expansion cases of retailers of pharmaceutical products were announced. In September 2006, the Dutch drug company Ozone Laboratories announced the creation of 160 new jobs following the signature of a cooperation agreement with American company, Bristol-Myers Squibb (BMS), by which Ozone distributes non-prescription drugs made by BMS. In October 2006, Polish company Polbita announced plans to expand its drugstore chain, with the opening of some 30 new stores every year in major and smaller towns across Poland. By the end of 2006, Polbita planned to open eight new stores, creating 150 new jobs.

### *France*

Finally, it is worth mentioning the expansion recorded by the ERM in the commerce sector in France, with the announcement of over 15,000 new jobs in 2006. The biggest case was announced in June 2006 by Carrefour, which is recruiting 9,000 new employees – including 3,000 apprentices – before December 2006. Carrefour also expanded into internet commerce in June 2006 and was planning to hire between 200 and 300 white-collar employees for this new activity. Also in June 2006, La Samaritaine announced the opening of a new store in Paris by autumn 2011, which is expected to lead to 1,400 new jobs. Similarly, the French leading group in house equipment, Conforama, announced in October 2006 that it would recruit 1,500 new employees by February 2007. In November 2006, Deret Group announced that in 2010 it would open a centre devoted to catalogue sales of cosmetic and pharmacy products with would create 600 new jobs. In December 2006, Spanish clothing retailer Inditex announced the opening of 25 new stores in France, which will lead to the creation of 500 additional jobs by December 2007. Finally, Ikea, the Swedish furniture retailer, announced the opening of three stores in France in 2006 with the consequent creation of almost 800 jobs in the coming years. Ikea France, the second largest retailer of furniture in France, has 19 stores in the country and is aiming to own a total of 40 stores by 2016.

### *United Kingdom*

In the UK, too, there have been prominent business expansion cases in commerce. In February 2006, supermarket group Asda announced its plans to open at least 25 stores in 2006, creating 7,000 jobs. The stores will include supermarkets, small neighbourhood shops and non-food stores. Similarly, in July 2006, Marks & Spencer announced that it was taking on 4,000 customer assistants throughout the UK. A key reason for the recruitment drive is the growing number of its Simply Food stores, following the acquisition of 28 outlets from retailer Iceland in January 2006.

ERM data support the significant growth witnessed by retail and wholesale trade in Europe, hinting at a big expansion of large EU15 groups not only in the NMS10 and Bulgaria and Romania, but also in their home countries.

### Increase in employment in hotels and restaurants

The hotels and restaurants sector experienced one of the most widespread increases in employment between 2001 and 2006, as shown by the ELFS data above. The most prominent job creation cases recorded by the ERM come from Spain, the United Kingdom and Greece. In **Spain**, which according to the ELFS data had the highest increase in net employment in the sector between 2001 and 2006, the ERM picked up three cases that amount to the creation of over 2,700 new jobs. Vips, a Spanish company operating restaurants, signed an agreement in November 2006 with the National Employment Agency of Morocco to employ 2,000 workers between 2007 and 2011. In May 2006, the Spanish company Golf Resort opened a tourist resort in Puerto Real where 500 jobs have been created, while in July 2006, Starwood, the owner of Sheraton Hotels, announced the opening of a five-star hotel in Montroig del Camp in January 2008, creating 200 direct jobs.

In the **UK**, leisure group JD Wetherspoon announced plans in December 2006 to open 30 new pubs in 2007, creating 1,200 jobs. The expansion plans come as the pub group prepared for the introduction of a smoking ban in England and Wales. Wetherspoon said it hoped the ban would eventually encourage more people to visit its pubs. The company already prohibits smoking in many of its pubs and said it would invest £35 million (about €51.6 million<sup>12</sup>) in the new sites. The company added that it planned to spend £25 million (about €36.8 million) on its existing estate of 662 pubs, including creating smoking areas outside of pubs. Smoking has been banned in Scottish pubs since March 2006 and has been prohibited in Wales and Northern Ireland from 2 April and in England from 1 July 2007. Finally, in **Greece**, Omilos Leptou announced in September 2006 its intention to build and run three new hotels in Crete, which will lead to the creation of some 1,000 new jobs.

### Expansion in the motor industry

The manufacture of motor vehicles is a key sector in the economy for a variety of reasons. Automobiles are the most expensive product commonly purchased by consumers apart from housing. Moreover, employment generated from the sector, broadly defined along the entire supply chain, is highly significant. The sector is also at the centre of the debate on restructuring in Europe and the shift of production from the EU15 to the NMS10 (see section on offshoring below). The ELFS data showed that the manufacture of motor vehicles was one of the fastest-growing sectors in the NMS10 between 2001 and 2006, being among the top five growth sectors in the Czech Republic and Slovakia as well as in Germany.

#### *Czech Republic*

Focusing on the ERM data, the expansion of the sector is supported by the 19 business expansion cases recorded for the Czech Republic and the 14 cases for Slovakia in 2006. Most of these were foreign-based companies. The Czech cases announced the creation of nearly 6,000 jobs, the largest one being the French automotive equipments producer Faurecia, which in December 2006 announced the creation of 1,000 jobs following the launch of the production of seat frames in Písek at the beginning of 2007. In March 2006, Automotive Lighting announced plans to expand its current production at its site in Pávov and to increase its current staff by 630 new workers within four years. The company aims to become the main supplier for South Korean automotive company Hyundai Motor's new plant, planned to be built in the Czech Republic in the near future. In September 2006, American company Dura Automotive Systems announced the expansion of the production of automotive parts in its Czech subsidiary in Kopřivnice and the increase of the current workforce by 450 workers.

---

<sup>12</sup> The euro equivalents in this report are calculated at the rate of GBP1 = €1.47377, as at 28 May 2007.

In August 2006, Ronal, a wheel producer for the automotive industry, announced its plans to employ between 400 and 500 workers in its assembly unit in Pardubice by the end of March 2007. Meanwhile, in November 2006, Skoda Auto, a subsidiary of the Volkswagen Group since 1991, started construction of a new development centre in Mladá Boleslav which is to be opened in the middle of 2009 and is to employ 360 people, mainly university graduates. Other companies announcing expansion plans in the country in 2006 were the German-owned Fränkische (300 jobs), South Korean automotive interiors supplier Hanil E-Hwa (300 jobs), Cooper Standard Automotive (300 to 500 jobs) and American company Ingersoll Rand (300 new jobs), which is also planning to shift its training centre of the Bobcat brand from Belgium to the Czech Republic and to provide services to customers from Europe, the Far East and Africa. The remaining cases of business expansion reported in the Czech Republic are slightly smaller in the planned figures of job creation but follow the same pattern of being mostly foreign companies from Germany, the US and Japan/South Korea investing in the country. As reported by the ERM, foreign investment in the country is significantly boosting the local labour market and in some regions there are already some skill shortages, especially for machinery specialists.

### *Slovakia*

The 14 cases recorded by the ERM in Slovakia have picked up the creation of almost 7,000 jobs in the country. The most prominent case was announced in June 2006 and was the Mobis Slovakia Company, the main subcontractor of Kia Motors in the country. The company will deliver around 40% of the components for cars produced by Kia Motors in Slovakia, a move that will lead to the creation of 2,000 new jobs. In November 2006, German company ZF Sachs, one of the biggest European producers of components for motor vehicles, announced plans to create a new production plant in Levice with the investment of around €75 million and the creation of 1,100 new jobs in the next five years. In April 2006, Volkswagen announced that its assembly plant in Bratislava would recruit between 500 and 800 new employees in order to increase the production capacities for Audi Q7.

Another important expansion was announced in September 2006 by American TRW Automotive Holdings, which decided to invest in a new factory to produce components for the growing automotive industry in Central and eastern Europe. By spring 2007, the company was expecting to create about 300 new jobs while in a second phase, in 2008, it is planning to recruit a further 350 new workers. There has also been some investment by companies from other NMS10 countries, such as Czech Autotext, which in July 2006 announced that it would create 500 jobs by 2008 in its plant which produces components for Ford and Audi car interiors, e.g. carpets and seat headrests. In October 2006, German company Kamax decided to join the companies producing components for the automotive industry in eastern Slovakia by announcing the investment of around €12 million in the Bardejov industrial park to establish a new production plant by the end of 2007. Full production capacity is expected to be reached in 2009, employing more than 200 employees.

### *Germany*

Germany also recorded a notable increase in employment in motor manufacturing and the biggest ERM business expansion case reported in the country was Porsche, which in May 2006 announced that it would hire 1,000 new workers for the development and production of the four-seater Panamera. Some 400 jobs will be created at Porsche's locations in Stuttgart-Zuffenhausen and Weissach, while another 600 jobs will be created at its plant in Leipzig. Recruiting of new staff shall be completed by the end of 2009.

### *Poland*

The ERM has also recorded significant job creation in the motor sector in Poland in 2006, with 36 ERM business expansion cases that reported the announced creation of about 11,000 jobs. Fiat Auto Poland is expanding its activity at its factory in Tychy and is planning to employ 1,000 new workers by the end of 2009. In March 2006, German company MAN announced plans to build a truck factory in Niepołomice, creating 650 jobs, while in April 2006, American company Johnson Controls announced the building of a car component factory in Siemianowice, which is expected to employ at least 600 people. In July 2006, two companies announced their expansion plans in Poland. TRW is looking to hire 600 new employees for its two existing factories in the Katowice Special Economic Zone (KSEZ), in Czechowice

and Gliwice, as well as several dozen more for a new engineering centre to be added to its Częstochowa facility. Meanwhile, Toyota is planning to increase employment at its two existing factories by 580 people. This decision is triggered by growing European demand for Toyota vehicles and by the good results posted by its Polish factories.

Other business expansion plans announced by motor industry companies in Poland and recorded by the ERM in 2006 include French Valeo Electric and Electronic Systems (500 new jobs), Haering (460 jobs), French Faurecia (400 jobs), Japanese NGK Ceramics (400 jobs), Italian Magneti Marelli (400 jobs) and Spanish Ficomirrors Polska (400 jobs), among others.

### Decline in textile industry in the EU15 and Norway and the NMS10

According to data from the ELFS, the textile industry has recorded an ongoing decline in employment both in the EU15 and Norway and in the NMS10. As shown by the ELFS data in the tables above, NACE codes 17, 18 and 19 appear in the top five declining sectors across many European countries. The main reasons given by the companies are the increased competition in the market, mainly from Asia, which together with increasing energy prices have put the sector under pressure, leading to financial difficulties and high debts that in many occasions have forced companies to close down.

This increased competitive pressure has motivated the transfer of activities to lower-cost countries, such as Bulgaria,<sup>13</sup> which is well covered by the ERM.<sup>14</sup>

In **France**, nine ERM cases reported the announced loss of over 1,700 jobs. The biggest case was DIM, which in May 2006 announced plans to cut 450 jobs in France. Several other companies announced closures throughout the year, like Filature Cheniménil in May 2006, dismissing all its 116 employees, and Picardie Plasturgie announcing the loss of all 200 jobs in June 2006. At the end of the year, in November 2006, two more closure cases were recorded by the ERM, with Well cutting 298 jobs and Nomexy dismissing all 103 employees.

In **Spain**, six ERM cases account for the announced loss of almost 1,700 jobs. In February 2006, Saez Merino went into suspension of payments and announced 654 dismissals, which in April 2006 were brought down to 429. In May 2006, DB Apparel announced the dismissal of 300 employees following a reduction in the number of sales, while a month before, in April 2006, Cortefiel closed its centre in Malaga with the loss of all 278 jobs. In December 2006, Autotex, owned by American company Milliken, closed its plant in Asturias, dismissing 207 employees. Similarly, and citing competition from China too, Torcidos Ibéricos, a manufacturer of nylon threads, announced in March 2006 its plans to close two factories, both in Barcelona, with the loss of 156 jobs, most of them held by women.

In the NMS10, the ERM has recorded a significant loss of employment in the textile industry in Slovenia and the Czech Republic. In **Slovenia**, three ERM cases amounted to a loss of almost 1,500 jobs in the sector. The most prominent one is Mura, which in November 2006 announced the loss of almost 1,400 jobs which will be spread over the coming years as the company gradually concentrates its production on small and more sophisticated collections of clothing.

---

<sup>13</sup> The information about job growth in textiles in Bulgaria is presented in the 'Employment effects of structural change in Bulgaria and Romania' section below.

<sup>14</sup> Evidence of offshoring in the sector is presented in the 'Restructuring and offshoring in the ERM in 2006' section below.

In the **Czech Republic**, five ERM cases account for the announced loss of over 1,000 jobs. Four of these cases were company closures, the largest one, in November 2006, being OP Prostějov, the largest Czech textile company, which closed two plants with the loss of 290 jobs. Half of the affected employees accepted the option given by the company to commute to the main factory located in Prostějov and receive a travel subsidy of CZK600 per month (about €21).<sup>15</sup> In March 2006, Benar went bankrupt and about 260 people lost their jobs, while in June 2006, Šohaj Stráňnice filed for bankruptcy with the loss of 200 jobs. In April 2006, ALMA Nová Bystřice went bankrupt with the consequent loss of 190 jobs. In March 2006, Czech linen textile producer Opavlen Opava announced the need to reduce its workforce by 127 jobs due to the inflow of cheaper textile products from China.

### Increase of jobs in Lorraine and decline in Upper Silesia in 2006

The ERM annual report 2006 featured these two regions, as the ELFS showed significant employment growth in the Polish region of Upper Silesia (Województwo Śląskie or, according to NUTS code, PL22 Slaskie) and employment decline in Lorraine in France between 2000 and 2005. The divergent growth rates in these two regions were interesting, as both of these regions are border regions and are traditional bases for heavy industry. The growth in Upper Silesia was remarkable, as all surrounding regions showed a decline in employment, while in declining Lorraine the surrounding regions had grown significantly. The 2006 ELFS data show a reversal of these trends and this is reflected by many cases in the ERM. Employment in Upper Silesia decreased by almost 70,000<sup>16</sup> between 2005 and 2006, which represents the biggest employment decline per thousand in the population in Poland between 2005 and 2006.

This trend has been captured by the ERM to some extent, as Upper Silesia has once again featured prominently in the ERM with 37 cases, of which 34 were business expansions. However, concerning employment effects, the cases reporting job losses in the region are big and support the data provided by the ELFS. They are also significant because they affect the coal and steel industries, which have been traditionally important sectors in Upper Silesia's economy and which have been undergoing significant restructuring recently. The most important restructuring case in Upper Silesia was recorded in October 2006 when steel giant Mittal Steel Poland announced plans to restructure, which may lead to the loss of over 9,300 jobs by the end of 2007. Another prominent case with negative employment effects was reported in August 2006, as Kompania Węglowa, a group with 17 coal mines in Upper Silesia employing over 67,000 people, announced its intention to cut 2,000 jobs among employees working aboveground. This decision has been triggered by the new strategy for Poland's mining industry drawn up by the Ministry of the Economy for 2007–2013, which contemplates the restructuring of non-mining employment at Kompania Węglowa and the reduction of coal extraction costs. This case is particularly interesting, as previously, in March 2006, Jastrzębska Spółka Węglowa (JSW), one of the coal mines of Kompania Węglowa, announced its plans to recruit over 1,200 miners in 2006, a surprising decision given the restructuring programme for the mining industry. However, as the shifting of workers from unprofitable mines due to close to profitable ones had not been achieved as foreseen in the government's restructuring programme, profitable mines were short of labour and were forced to hire new workers.

The remaining case involving job loss is the electricity company ZEC Bielsko, which in October 2006 found out that the town council of Bielsko-Biała is planning to close down the power plant due to its age, the environmental damage it creates and because the machines currently being used will have to be changed by 2010. The plant has no resources to finance the needed modernisation, and furthermore, another combined heat and power plant in nearby Czechowice-Dziedzice has been modernised and can supply energy to the town of Bielsko-Biała. The closure will result in 200 job losses.

---

<sup>15</sup> The euro equivalents in this report are calculated at the rate of CZK1 = €0.0353, as at 28 May 2007.

<sup>16</sup> ELFS, 2005–2006.

As far as the Lorraine region in France is concerned, and similarly to Upper Silesia, ELFS data for 2005 and 2006 reveal a trend reversal showing employment growth in the region in 2006. In line with this trend, the ERM recorded 14 cases in Lorraine in 2006 which have announced more employment growth than reduction.

The business expansion cases have been recorded across a variety of sectors. The largest one is the group Pierre et Vacances, which announced the opening of a leisure park run by holiday village operator Center Parcs, which is expected to create 670 new jobs in the Moselle by 2010. The park will have a forest of 400 hectares, 4,080 beds and a covered water space of 5,000 square metres and is targeted at customers from France, Germany, Luxembourg and Belgium. The manufacturing of household appliances has recorded two job creation cases in Lorraine. In December 2006, Modulex, the Canadian company that makes wood-frame houses, acquired a factory in Vecoux from SEB, the French manufacturer of household appliances. Modulex is planning to create about 500 jobs before the end of 2007. Similarly, in September 2006, Manuest, the French manufacturer of kitchens and bathrooms, recruited 65 new employees following an increase in the number of orders.

The remaining business expansion cases have been reported by German Viessmann, a manufacturer of solar panels, which is creating 250 new jobs by December 2010 following increasing sales, and Critel, a French company specialising in the provision of security services for banks, which will create 150 new jobs by March 2007 when it opens a new centre in Nancy.

### Employment effects of structural change in Bulgaria and Romania

The two new Member States Bulgaria and Romania have seen significant recent restructuring. Starting with Bulgaria, Table 7<sup>17</sup> shows that employment in the country expanded by 14% between 2001 and 2006, the largest employing sector being manufacturing, which makes up almost 24% of the total employment in the country. Interestingly enough, as opposed to the trend in the rest of the EU27, employment in manufacturing has increased in Bulgaria (12.3%), a finding that hints at the likely offshoring of certain activities from the EU15 and even the NMS10 to the country. Agriculture has also recorded a contrary evolution in Bulgaria to what has been the trend in the EU27, witnessing a slight increase in employment (1.4%) and maintaining its position as the third largest employer in the country.

Wholesale and retail trade is the second largest sector in Bulgaria in terms of employment and, like the rest of the EU27, there has been job growth in the sector (22.6%). It is worth stressing the employment increases recorded by construction (59.2%) and business services (36%) in Bulgaria, which again follow a trend that has been picked up in the whole of the EU27. Other sectors reporting remarkable employment growth in Bulgaria between 2001 and 2006 are social and personal services (30.8%) and hotels and restaurants (27.4%).

As far as Romania is concerned, the first point to make is that employment actually decreased in the country between 2001 and 2006 (-7.4%), which is almost entirely due to the remarkable reduction experienced by agriculture. Table 7 shows that employment in the sector, the largest employer of all sectors in Romania, dropped by 33.8% between 2001 and 2006, losing over 1.2 million people. This may be explained by the higher starting point the sector had in terms of share in total employment (38% in 2001), which may lead to further job losses in the near future as agriculture is undergoing a rationalisation process triggered by the implementation of the Common Agricultural Policy reforms. In any case, agriculture was still the largest employer in Romania in 2006, accounting for more than a quarter of all employment (27.2%).

<sup>17</sup> The table shows the relative growth rates and employment structure by broad economic sectors (NACE 1 classification) for 2001 and 2006. The relative growth rate is equal to  $100 * (\text{employment}_{2006} - \text{employment}_{2001}) / \text{employment}_{2001}$ .

Manufacturing is the second largest sector in Romania, making up 22.8% of employment, and similarly to Bulgaria, employment grew between 2001 and 2006, which again might be explained by some offshoring of activities from the rest of the EU27 to Romania. However, the biggest relative growth in employment has been witnessed by other business activities (106.4%), which may be expected to go on as the economy of the country continues to develop. Similarly to the rest of the EU27, wholesale and retail trade experienced an increase in employment (16%), consolidating its ranking as the third largest employer in Romania. Other sectors showing significant employment growth in Romania between 2001 and 2006 were construction (28.2%), health and social work (19.6%) and hotels and restaurants (15%).

Table 7: *Employment level and growth in the EU27 and Norway and Bulgaria and Romania, by NACE 1 sectors, 2001–2006 (%)*

	EU27 and Norway			Bulgaria			Romania		
	Change	Level		Change	Level		Change	Level	
	2001–2006	2001	2006	2001–2006	2001	2006	2001–2006	2001	2006
Agriculture, hunting and forestry	-17.1	6.7	5.3	1.4	9.0	8.0	-33.8	38.0	27.2
Fishing	-13.9	0.1	0.1	280.8	0.0	0.1	-0.8	0.0	0.0
Mining and quarrying	-14.2	0.6	0.5	-14.8	1.5	1.1	-30.1	1.8	1.3
Manufacturing	-4.3	20.2	18.5	12.3	24.3	23.9	3.2	20.5	22.8
Electricity, gas and water supply	-3.9	1.0	0.9	-4.6	2.2	1.9	-6.6	2.1	2.1
Construction	9.1	7.6	7.9	59.2	5.0	7.0	28.2	4.5	6.2
Wholesale and retail trade	4.7	14.3	14.3	22.6	15.1	16.2	16.0	9.4	11.7
Hotels and restaurants	17.2	3.8	4.2	27.4	4.5	5.0	15.0	1.3	1.6
Transport, storage and communications	1.2	6.4	6.2	6.4	8.1	7.6	-2.9	5.2	5.5
Financial intermediation	1.8	3.1	3.0	-1.3	1.4	1.2	7.7	0.9	1.0
Business services	22.0	7.9	9.2	36.0	3.8	4.6	106.4	1.3	2.9
Public administration and defence	3.5	7.3	7.2	4.7	7.7	7.1	6.9	4.8	5.6
Education	9.6	6.8	7.1	1.1	7.8	6.9	-4.3	4.5	4.6
Health and social work	13.6	8.9	9.7	0.3	5.9	5.1	19.6	3.4	4.4
Social and personal services	13.2	4.3	4.7	30.8	3.5	4.0	13.4	2.2	2.6
Private households	36.1	0.8	1.1	255.0	0.0	0.2	91.3	0.1	0.3
Extraterritorial organisations	10.0	0.1	0.1	148.0	0.0	0.0	0.0	0.0	0.0
Total	4.7	100.0	100.0	14.0	100.0	100.0	-7.4	100.0	100.0

Note: *Figures for Belgium and Luxembourg are from 2001 to 2005.*

Source: *ELFS, 2001–2006.*

Taking a look at the data by NACE 2 sector classification, Table 8 and Table 9 show changes in employment level according to NACE 2 sector classification, which is more detailed than the NACE 1 presented in Table 7. The top 10 sectors in terms of absolute changes in their respective level of employment between 2001 and 2006 are presented in Tables 8 and 9, providing an overview of the sectors that have contributed most to job creation in Bulgaria and Romania since 2001.<sup>18</sup>

<sup>18</sup> It is important to stress that these figures are neither job creation nor job destruction figures specifically, but rather net employment effects in absolute terms. Hence, the employment growth, for instance in wholesale trade, also includes job destruction.

In Bulgaria, construction and wholesale trade reported the greatest absolute increase in employment between 2001 and 2006. These sectors also appear among the top 10 growth sectors both in the EU15 and Norway and the NMS10, like other business activities and hotels and restaurants, which are also among the biggest employment creators in Bulgaria recently. The list of top growth sectors in Bulgaria, though, bears more resemblance with that of the NMS10, as apart from the aforementioned four sectors, these countries share three more among their respective top growth employment sectors: manufacture of fabricated metal products, retail trade and public administration. The most significant difference in Bulgaria, though, is the notable growth recorded by the manufacture of wearing apparel, a sector that ranks among the top losers of employment both in the EU15 and Norway and the NMS10. This finding points to the offshoring of production activities in the sector from the rest of the EU27 (including Romania, as can be seen below) to Bulgaria. Concerning employment decline, the biggest loss has been experienced by air transport, followed by the manufacture of chemicals and the manufacture of machinery and equipment.

Table 8: *Employment changes in the top 10 growing and declining NACE 2 economic sectors in Bulgaria, 2001–2006 (absolute increase/decrease in thousands)*

Top 10 employment growth sectors			Top 10 employment decline sectors		
		Change			Change
1	Construction	80	1	Air transport	-9
2	Wholesale trade	52	2	Manufacture of chemicals and chemical products	-5
3	Manufacture of wearing apparel	40	3	Manufacture of machinery and equipment	-5
4	Other business activities	34	4	Research and development	-4
5	Hotels and restaurants	34	5	Manufacture of tobacco	-4
6	Sale, maintenance and repair of motor vehicles and motorcycles	27	6	Manufacture of basic metals	-3
7	Manufacture of fabricated metal products	19	7	Mining of coal and lignite	-3
8	Sewage and refuse disposal	18	8	Manufacture of coke, etc.	-2
9	Retail trade	14	9	Manufacture of motor vehicles	-2
10	Public administration	10	10	Recreational activities	-2

Source: *ELFS, 2001–2006*.

Meanwhile, in Romania, and similarly to Bulgaria, construction, wholesale trade and other business activities reported the greatest absolute increase in employment. Interestingly, these sectors appear among the top 10 growth sectors in the EU15 and Norway and the NMS10, too. These are not the only similarities, as health and social work is also among the top 10 employment growth sectors in all three areas (EU15 and Norway, NMS10 and Romania). There are, however, also significant differences, as Romania has four manufacturing sectors among the top 10 employment growth sectors as opposed to none in the EU15 and two in the NMS10. In this sense, the biggest absolute growth in employment in manufacturing in Romania has been due to electrical machinery and apparatus, which is one of the top declining sectors in the EU15 and Norway. Similarly, the manufacture of food products, one of the top 10 growth sectors in Romania, is among the top declining sectors in the NMS10, which may indicate certain offshoring of manufacturing activities from the EU15 and the NMS10 to Romania.

Concerning the employment decline sectors, as mentioned above, agriculture is the big loser, followed at considerable distance by the manufacture of machinery and equipment. Even though the absolute numbers are smaller, it is significant that two sectors belonging to the extractive industries – mining of coal and lignite and extraction of crude petroleum and natural gas – are among the top 10 employment decline sectors in Romania.

Table 9: *Employment changes in the top 10 growing and declining NACE 2 economic sectors in Romania, 2001–2006 (absolute increase/decrease in thousands)*

Top 10 employment growth sectors		Change	Top 10 employment decline sectors		Change
1	Construction		1	Agriculture, etc.	
2	Wholesale trade		2	Manufacture of machinery and equipment	
3	Other business activities		3	Manufacture of wearing apparel	
4	Manufacture of electrical machinery and apparatus		4	Electricity, gas, etc.	
5	Health and social work		5	Mining of coal and lignite	
6	Sale, maintenance and repair of motor vehicles and motorcycles		6	Manufacture of basic metals	
7	Manufacture of furniture		7	Manufacture of chemicals and chemical products	
8	Manufacture of food products		8	Post and telecommunications	
9	Public administration		9	Extraction of crude petroleum, etc.	
10	Manufacture of other transport equipment		10	Land transport	

Source: *ELFS, 2001–2006.*

#### *ERM evidence on Bulgaria*

The ERM evidence in 2006 shows that some of the ELFS trends explained above have been well documented by the ERM. The ELFS data revealed the significant employment growth experienced by commerce, particularly wholesale but also retail trade, in Bulgaria. In 2006, the ERM recorded 12 business expansion cases in the commerce sector in Bulgaria that announced the creation of over 5,600 jobs. Business growth in the sector is characterised by the expansion of foreign supermarket chains in the country, along with the creation of shopping malls. The biggest case is Carrefour, which is planning to invest €81.6 million in Bulgaria until 2008 to build its first shopping centre in the country, where it will employ 2,300 people. The project, the biggest by Carrefour in the Balkans, is to be followed by the establishment of a network of stores in Sofia and across the country. In March 2006, three companies – Technopolis, Mr. Bricolage (the French-owned DIY chain) and Alexandra Films (the biggest Bulgarian video distribution company) – announced their plans to invest BGN100 million (about €51 million<sup>19</sup>) near Stara Zagora in the first shopping mall of the region, which is expected to create 1,000 new jobs.

In February 2006, Petrol AD, the leading distributor of automotive fuel in Bulgaria, announced the construction of 50 shopping areas in some of its petrol stations before the end of 2006 which will lead to 300 new jobs, while in June 2006, Metro Cash&Carry, the German retailer, said it had started the construction of its eighth supermarket in Bulgaria, in Blagoevgrad, where it will create 250 new jobs. In September 2006, Hipolend, the biggest Bulgarian company selling children’s accessories and toys, opened its fifth shop in the country and the first one in Sofia, where it will employ 250 people.

The German chain Kaufland was active in Bulgaria in 2006, announcing several business expansion cases which are all part of the company’s plans to open 40 stores in Bulgaria. In March 2006, the company opened its first store in Plovdiv, creating some 200 new jobs, while in July 2006, Kaufland opened its first supermarket in Sofia, employing 250 people. Two further stores were opened in Ruse (200 new jobs) and Sliven (200 jobs).

<sup>19</sup> The euro equivalents in this report are calculated at the rate of BGN1 = €0.5113, as at 28 May 2007.

Other companies, such as Austrian chain Billa and German home decor retailer Praktiker, also opened stores in Bulgaria in 2006 as part of their long-term business expansion plans in the country. In January 2006, Billa started building a supermarket in Pernik which will lead to the creation of 150 new jobs. In October 2006, Praktiker opened a store in Pleven, employing some 110 people.

Another sector recording significant employment growth in Bulgaria has been textiles. This ELFS finding is supported by the ERM, which reported five business expansion cases in the country in 2006 that announced the creation of almost 2,400 jobs. Most of the production in the country is aimed at exports to the rest of the EU, the US and Russia. The most prominent case is Dimitrov, which reported the investment of BGN10 million (about €5 million<sup>21</sup>) in a new factory and the creation of 1,200 jobs in the coming years. Italian firm Mirolio announced the creation of 530 new jobs, while the Turkish Santineli announced the recruitment of 200 tailors for its new premises. Other companies announcing job creation were Rodopi (300 jobs) and Colour Bulgaria (150).

### *ERM evidence on Romania*

In Romania, commerce also saw remarkable job growth between 2001 and 2006. This expansion was picked up by the ERM through eight business expansion cases that announced the creation of almost 8,000 jobs. There are cases of local companies expanding, foreign ones setting up stores in Romania and the growth of retail of pharmaceutical products. The biggest case is the creation of a shopping centre, Euromall Galați, which will create 3,000 new jobs in Galați. Real-Hypermarket Romania, owned by German Metro Group, announced it would hire approximately 2,000 people by the end of 2006 with the expansion of its existing network with six new stores, while Plus Discount reported the recruitment of 700 new people. In July 2006, French retail group Auchan announced its intention to open the first store of MGV Distri-Hiper – Auchan's arm in Romania – in Bucharest, with the creation of 740 new jobs. Auchan plans further expansion in Romania with two shops opening per year, leading to the creation of about 4,000 jobs by 2008. Job creation was also reported by Romania Hypermarche (600 new jobs), Trident Trans Tex (250) and Sensiblu (200).

The public sector in Romania also witnessed significant employment growth between 2001 and 2006. The ERM recorded 10 business expansion cases in the country in 2006 that announced the creation of almost 10,000 new jobs. Most of them correspond to the approval by the Romanian government of a set of decrees reorganising several public administration institutions with the aim of increasing the administrative capacity to absorb European Community funds. One of these cases corresponds to the Payments Agency for Interventions in Agriculture, which will play a major role in the absorption of Structural and Cohesion Funds following Romania's accession to the European Union and is expected to hire almost 4,000 people. Another prominent case was announced by the Ministry of National Defence, which is planning to recruit 2,400 servicemen following the end of the compulsory military service in Romania. Other ministries and public institutions announcing job creation in 2006 were the National Authority for Animal Health and Food Safety (806 new jobs), the Payments Agency for Rural Development and Fishing (600), the Ministry of Public Finance (549), the Public Ministry (500), the Ministry of Environment and Waters Management (200), the Ministry of Justice (200), the National Institute for Statistics (170) and the Ministry of European Integration (152).

Another sector reporting employment growth in Romania has been the motor industry. Interestingly enough, and according to the ELFS data, the sector witnessed a decrease in employment between 2001 and 2005, but in 2006 employment grew again. The ERM also recorded significant job creation in the motor sector in Romania in 2006, with 11 business expansion cases accounting for the announced creation of over 12,000 jobs in the manufacture of motor

<sup>21</sup> The euro equivalents in this report are calculated at the rate of BGN1 = €0.5113, as at 28 May 2007.

vehicles. The largest case corresponds to Automobile Dacia, part of the French group Renault, which is planning to create between 350 and 400 jobs in 2006 and a further 3,000 by the end of 2009, mainly in production. In particular, Renault announced the construction of a design and development centre for new car models at Titu-Boteni, where it will create some 2,300 jobs by the end of 2008. Similarly, German company Brose announced plans to invest jointly with Webasto (a German supplier of Brose) in Arad in a factory that could create as many as 1,000 jobs and that is expected to be completed before summer 2008 at the latest, while Japanese Takata-Petri announced the expansion of production capacity of its airbag sack manufacturing plant in Sibiu, which is expected to create almost 1,000 new jobs by mid-2007. The Western Industrial Area in Sibiu, where the plant operates, has attracted major investors from the car industry, such as Renault and Continental, which were among the first companies to be based here.

In June 2006, American Johnson Controls announced the creation of 1,000 new jobs, while a further 900 new jobs are to be created by Coindu in a factory located in Curtici-Arad Free Trade Zone. In February 2006, Ronal, the wheel manufacturer, unveiled its plans to build a factory in Hunedoara with about 700 new jobs. In July 2006, Swedish Autoliv, a manufacturer of safety systems for the automotive industry, announced the creation of 700 jobs in its new unit in Timișoara, with the immediate recruitment of 100 software engineers, while in May 2006, German Ruwel announced the construction of its first plant in Romania, where it will employ 600 people. The company also wants to open a research centre in collaboration with the Technical University of Cluj Napoca which could employ 200 people. In the same month, Alcoa Fujikura opened its third factory in Romania, in Beiuș, which is expected to create 400 new jobs by the end of 2007.

Finally, and concerning employment decline as reported by the ELFS, two sectors that have witnessed a drop in employment in Romania are metal and machinery and extractive industries. In the metal and machinery sector, the ERM picked up six job reduction cases in Romania that announced plans to cut over 4,700 jobs. The largest case was Mittal Steel Galati, which is planning to cut around 1,500 jobs, while Feral, a manufacturer of iron alloys, is cutting 1,200 jobs, blaming high electricity prices. Alum Tulcea announced the loss of almost 900 jobs, while Nicolina is closing down with the loss of 700 jobs. Other job cuts were announced by Ves (350 job losses) and Rafiserv Petrobrazi (100).

As far as the extractive industries are concerned, the 11 cases recorded by the ERM accounted for the announced loss of almost 10,000 jobs. These job cuts are the result of the restructuring the sector is undergoing following the 'National strategy for the mining sector 2004–2010', which is part of the government's strategy to accelerate privatisation and to attract new investment in the sector. The biggest case is the Compania Națională a Metalelor Prețioase și Neferoase Remin, where 2,800 jobs are to be lost, followed by Compania Națională a Cuprului, Aurului și Fierului Minvest, which announced the loss of over 2,300 jobs. Other job cuts were announced by Moldomin (850), Cuprumin (825), Compania Națională a Huilei (800), Societatea Națională a Lignitului Oltenia (650), Societatea Națională a Cărbunelui (508), Minbucovina (310), Băița (291) and Banat Anina (287).

### Employment growth in the Bucharest region

The Bucharest region in Romania reported significant employment growth not only between 2001 and 2006, but also between 2005 and 2006. What makes the capital region particularly interesting is that it represents a pocket of job growth in a country that has witnessed a clear decline in employment in the last five years. Even though several other regions in Romania recorded some employment growth between 2005 and 2006, Bucharest still shows the most significant job expansion in the country and the sixth biggest in the whole of the EU27 and Norway.

The ERM recorded 16 cases in the Bucharest region in 2006, 14 of which are business expansion cases announcing the creation of almost 6,000 jobs. The announced job reduction by the two other ERM cases in Bucharest amounts to 1,500 jobs, in line with the aforementioned ELFS data. The largest cases of business expansion concerned Petrom, a manufacturer of refined petroleum products, which announced the recruitment of 1,000 people, including many

accountants, for its new services centre located in Bucharest. Similarly, in July 2006, American consulting company Accenture announced the creation of 1,000 jobs in a business process outsourcing centre which will be integrated in the company's global network.

Half of all business expansion cases recorded in Bucharest were in the information technology sector. The most prominent one was announced in March 2006, when Hewlett-Packard (HP) reported plans to expand a business process outsourcing centre where it will invest €166 million over the next five years. The centre opened in 2005 and provides financial, administrative and technical support to HP clients and partners in Europe, the Middle East and Africa. The company is expecting to create 875 new jobs by the end of 2007. In January 2006, Amazon, one of the largest online retailers, rented office space where it is likely to hire up to 600 IT engineers and administrative staff. The Bucharest centre is the second in the country after Amazon opened a software development centre in Iași in 2005.

In August 2006, software applications developer Siveco was planning to hire 250 software specialists by the end of 2006 as a result of their growing international activities, while Wipro, India's third largest IT services company, announced its intention to set up a new facility in Bucharest offering technical engineering, accounting and financial services which will create 250 new jobs. Similarly, in June 2006, Freescale Semiconductor expanded its activity in Romania by opening a software centre in Bucharest where it will develop software applications for communication infrastructures and 2G and 3G mobile platforms. The new unit will create 200 new jobs, but this figure is expected to rise significantly in the near future. Oracle Romania also increased its workforce and created 200 new jobs following the opening of its eleventh support and services centre for financial and accounting operations in Romania. Finally, in September 2006, German company SAP, the market and technology leader in business software solutions, announced the opening of a second centre in Bucharest by March 2007, where it will initially create 100 new jobs.

Job creation has also been recorded in other sectors. For instance, in July 2006, French retail group Auchan announced the creation of 740 new jobs following the opening of its first store in Romania in November 2006. The company's plans in Romania aim at further expansion involving two shops opening per year. In the food industry, CRIS-TIM Group, a manufacturer of meat products, announced the investment of €4.97 million to build a logistics centre where it will employ 200 people, while in May 2006, Accor Hotels reported the creation of 190 jobs at a four-star Novotel hotel which was expected to open in the summer of 2006. In the public sector, the Ministry of European Integration was increasing its workforce by 152 additional jobs with the aim of strengthening Romania's administrative capacity in view of the country's accession to the European Union on 1 January 2007, while in October 2006, Technophar Equipment and Service, the manufacturer of machines for the production of pharmaceutical capsules, announced its intention to construct a new production facility where it will create 150 new jobs.

### **Restructuring and offshoring in 2006**

The ERM Report 2007 **Restructuring and employment in the EU: The impact of globalisation** presents a very systematic account of offshoring between 2003 and 2006. This section presents evidence of restructuring with a particular focus on offshoring for 2006. In addition, it mentions some cases of offshoring in the automotive and textile sectors and concludes with some significant offshoring cases from 2007.

Table 10: Total job loss and job loss due to offshoring announced in the ERM, by country, 2006

Total job loss		Offshoring job loss		Offshoring as % of total	
Germany	119,612	United Kingdom	13,351	Belgium	48.2
United Kingdom	108,897	France	6,929	Denmark	45.6
France	69,665	Belgium	4,122	Ireland	38.1
Poland	46,841	Netherlands	2,471	Austria	31.3
Hungary	43,284	Spain	2,118	Netherlands	21.5
Spain	23,748	Ireland	1,906	Estonia	20.4
Romania	23,590	Denmark	1,890	Sweden	14.6
Czech Republic	18,527	Sweden	1,402	Slovakia	13.0
Finland	13,151	Austria	1,295	Portugal	13.0
Italy	12,099	Germany	1,060	United Kingdom	12.3
Netherlands	11,479	Finland	1,029	France	9.9
Sweden	9,624	Poland	1,000	Spain	8.9
Belgium	8,545	Hungary	814	Finland	7.8
Lithuania	5,924	Portugal	589	Norway	6.4
Bulgaria	5,780	Italy	446	Italy	3.7
Ireland	5,007	Slovakia	350	Slovenia	2.7
Portugal	4,539	Estonia	300	Poland	2.1
Denmark	4,146	Norway	160	Hungary	1.9
Austria	4,144	Slovenia	94	Germany	0.9
Slovenia	3,544	Romania	0	Romania	0
Greece	3,384	Czech Republic	0	Czech Republic	0
Slovakia	2,683	Lithuania	0	Lithuania	0
Norway	2,488	Bulgaria	0	Bulgaria	0
Estonia	1,473	Greece	0	Greece	0
Luxembourg	1,445	Luxembourg	0	Luxembourg	0
Malta	870	Malta	0	Malta	0
Latvia	100	Latvia	0	Latvia	0

Source: ERM, 2006.

Table 10 and Table 11 reflect the ERM data on announced job losses in 2006, broken down by country and economic activity sector. It has to be borne in mind that announcements may be enacted later than 2006.

In absolute numbers, the UK records the highest job loss due to offshoring in the EU27 and Norway, followed at some distance by France and Belgium. In relative terms, Belgium and Denmark report the highest proportions, with almost half of their job cuts a result of offshoring. The high share of jobs lost due to offshoring in Ireland, a country that has commonly been perceived as benefiting from offshoring, is significant. According to ERM data, half of the jobs lost due to offshoring in Ireland correspond to the electrical sector. Some NMS10 countries have also been affected by offshoring, particularly Estonia, with offshoring in the transport sector, and Slovakia, resulting from the offshoring of textiles.

Concerning job losses by economic sector, post and telecommunications experienced the highest total job loss in 2006, followed closely by the public sector. Over 40% of the job cuts in the post and telecommunications sector were recorded

in Germany, while the public sector suffered most of its job losses in Hungary, France and Poland. The offshoring data reveal that the motor industry accounts for the greatest number of jobs lost due to offshoring, followed by financial services. Unsurprisingly, textiles and leather present the highest proportion of jobs lost due to offshoring in 2006, a finding that supports the ELFS data, which showed a significant loss of employment in textiles across the EU25.

Table 11: *Total job loss and job loss due to offshoring announced in the ERM, by economic sector, 2006*

Total job loss		Offshoring job loss		Offshoring as % of total	
Post and telecommunications	93,812	Motor	10,503	Textiles and leather	25.3
Public sector	92,345	Financial services	7,064	Electrical	22.8
Motor	67,215	Metal and machinery	5,340	Chemical	17.7
Financial services	51,109	Electrical	3,300	Glass and cement	17.5
Metal and machinery	36,138	Chemical	2,772	Motor	15.6
Transport and storage	24,902	Textiles and leather	2,547	Metal and machinery	14.8
Food, beverage and tobacco	24,324	Food, beverage and tobacco	2,424	Financial services	13.8
Commerce	19,962	Post and telecommunications	2,376	Construction and woodworking	13.4
Health and social work	19,497	Construction and woodworking	1,905	Food, beverage and tobacco	10.0
Extractive industries	19,209	Glass and cement	827	Publishing and media	6.4
Chemical	15,666	Transport and storage	803	Consultancy business services	4.6
Electrical	14,483	Publishing and media	415	Information technology	4.1
Construction and woodworking	14,242	Pulp and paper	360	Pulp and paper	3.5
Performing arts	10,975	Consultancy business services	200	Transport and storage	3.2
Pulp and paper	10,380	Information technology	200	Post and telecommunications	2.5
Textiles and leather	10,078	Health and social work	160	Health and social work	0.8
Publishing and media	6,477	Commerce	130	Commerce	0.7
Information technology	4,822	Agriculture and fishing	0	Agriculture and fishing	0
Glass and cement	4,713	Energy	0	Energy	0
Energy	4,675	Extractive industries	0	Extractive industries	0
Consultancy business services	4,383	Hair and beauty care	0	Hair and beauty care	0
Agriculture and fishing	2,718	Hotel, restaurant and catering	0	Hotel, restaurant and catering	0
Maintenance and cleaning	1,750	Maintenance and cleaning	0	Maintenance and cleaning	0
Hair and beauty care	500	Performing arts	0	Performing arts	0
Hotel, restaurant and catering	214	Public sector	0	Public sector	0

Source: *ERM, 2006*.

As mentioned above, when analysing the ELFS trends picked up by the ERM, both the manufacturing of motor vehicles and the textile industry are at the centre of the public debate on restructuring as sectors where the offshoring of productive activities and employment is taking place and affecting not only the EU15, but the NMS10 already as well. The text boxes below present some ERM information about offshoring practices in these two industries.

### Offshoring in the motor industry

The motor industry is at the centre of the debate on restructuring and more particularly, on offshoring of production activities from the EU15 to the NMS10. This is reflected in some of the business expansion cases recorded by the ERM in the NMS10 which document this shift of activities to Central and eastern European countries. What is interesting about these cases is that the transferred jobs are not exclusively blue-collar, low-skilled jobs but are also high-skilled, qualified jobs.

As mentioned above, American Ingersoll Rand is planning to shift its training centre of the Bobcat brand from Belgium to the Czech Republic and to provide services to customers from Europe, the Far East and Africa. In November 2006, Austrian Pankl Racing System announced its plans to transfer the production of piston rods for high-performance engines from Austria to Továrniky, in Slovakia. This move is expected to create around 100 new jobs. Similarly, in October 2006, Italian Toora announced the shift of most of its manufacturing units from Italy to Poland, where 200 jobs are expected to be created in the manufacturing of wheel trims and aluminium heaters. There is also some indication of offshoring negatively affecting the NMS10.

In January 2006, German Dräxlmaier announced an investment in south Slovakia to establish a production plant to produce components for car electrical systems, initially for the Audi Company. The plant was about to employ 1,200 in its initial stage and 2,000 people in 2015 and the Slovakian government had even decided to provide financial support. In May 2006, however, the company revoked the planned investment. Apparently, it will invest in Romania instead. One reason for this withdrawal might be the higher wages in Slovakia.

### Offshoring in textiles

The ERM has recorded offshoring cases of companies shifting their production from the EU25 to other countries. In October 2006, Aubade, the French lingerie manufacturer, announced its plans to cease assembly of products in France as part of a restructuring package which will see the loss of 180 jobs as activity is transferred to Tunisia and China. In November 2006, the British group Arena announced the loss of 169 jobs at its manufacturing site in Libourne in France following the transfer of activities to China due to lower costs, while Stéphane Kélian, the manufacturer of luxury footwear, announced the cut of 103 jobs as a result of the activity transfer to subcontractors in Portugal and Spain. In July 2006, Comasec announced the shift of its production – industrial gloves – to Malaysia before the end of the year with the consequent loss of 131 jobs in France.

In Spain, Tavex announced in November 2006 its plans to cut 300 jobs and keep only the research and development centre and the logistics central store in Spain. Production is to be shifted to new factories in Central America and Asia in the next five years. In Slovenia, Afit announced in December 2006 the transfer of part of its production to Bosnia and Herzegovina with the loss of 60 jobs. More jobs are expected to be lost among Afit's suppliers in Slovenia, who currently produce exclusively for Afit and employ 50 people. The reasons for offshoring part of the production are the increased labour costs in Slovenia and the new legislation on the employment of disabled people, which has introduced a quota system for the employment of disabled people. In June 2006, Austrian Boxmark Leather announced the transfer of production from Slovenia to Croatia, which will lead to the loss of 34 jobs. Similar offshoring cases were reported in Slovakia in May 2006, with the shift of activities of Samsonite to China (350 job cuts) and Hungary in June 2006, where Tulipán Ruhaipari Rt., one of the Hungarian units of Spanish Cortefiel, announced the shift of manufacturing to Northern Africa and China with the loss of 250 jobs.

Finally, this section concludes with the most relevant offshoring cases recorded by the ERM already in 2007. The largest case corresponds to insurance company Prudential, which first announced the offshoring of 210 jobs from the UK to India and later increased the figure to 3,000. It is not clear, though, how many of these 3,000 job cuts will be lost to offshoring outside the UK, as the company said it would also outsource some of these jobs. Three other significant offshoring cases have been recorded in the UK. NCR, the cash machine manufacturer, is planning to cut 650 jobs in Dundee and production is likely to be transferred to the company's plant in Hungary, even though the company has not confirmed this. Similarly, credit card firm Barclaycard is closing its Manchester call centre and moving some of the work to India, with the loss of 630 jobs, while Indesit, the appliance manufacturer, is shifting its production from Staffordshire to Poland and Italy.

In Finland, Perlos, the manufacturer of mobile telephone covers, has announced the loss of more than 1,100 jobs following the closure of its production activities in the country. The company will only keep technical support, marketing and the head offices in Finland. The job cuts are part of a global restructuring programme which will lead to the loss of 4,000 jobs. At the same time, the company is building two new factories in China and India, which suggests the offshoring of production from Finland to Asia.

## Appendix 1: The European Restructuring Monitor

The European Restructuring Monitor (ERM), located within the European Monitoring Centre for Change at the European Foundation for the Improvement of Living and Working Conditions, collects and presents cases of restructuring based on media reports in a systematic format. These cases provide much useful information on restructuring at the establishment level.

The ERM defines job loss at restructuring in a similar fashion to the European Directive on Collective Redundancies in that it refers to intended redundancies. However, the intended redundancies do not have to be notified to any public authority but rather 'announced' either in the media or some other public domain. The thresholds are at least 100 jobs or involving sites employing more than 250 people and affecting at least 10% of the workforce. Unlike the Directive, however, there is no stipulation of time within which the intended job loss is to occur. The ERM also monitors cases of job creation which announce at least 100 jobs.

The major advantage of the ERM is that as it occurs very early in the dismissal process, it will include those who come to leave very early in the dismissal process. It will, however, probably overestimate the actual number affected by the restructuring.<sup>21</sup> The early warning feature of the ERM is one of its major strengths, as information is usually available long before the reduction of the workforce is enacted. Another strength of the ERM is that it is based on information in the public domain. There are no issues of privacy and the identification of specific cases allows the process of structural change to be observed at the company level

The major problem with the ERM is whether the macro picture it presents is representative of job loss in general. There is currently some work being conducted by the ERM team within the European Monitoring Centre for Change to ascertain the extent to which the ERM is indeed representative of job loss at restructuring in general. This will be done by comparing the data in the ERM with other sources. How, then, can we expect the ERM to be biased with respect to job loss in general? A priori, there is reason to suppose the following.

---

<sup>21</sup> Note that while the ERM does require the correspondents to update any subsequent revisions of announcements, it is likely that these revisions will be less well covered in the media.

*Firm size bias* occurs by definition due to the ERM thresholds. Moreover, even within the firm size definitions, there will almost certainly be an over-representation of big firms and large workforce reductions, as these are more likely to be reported in the media. As firm size is correlated with a number of important factors, such as economic sector, size bias will lead to many types of bias. For example, the big firm bias probably leads to a higher reporting rate in the ERM for manufacturing relative to services. The manufacturing bias may in turn lead to bias as regards region and gender. The fact that the sampling error will be greater when firms are small may lead to inconsistencies over time (if firm size varies over time) and between countries with differing firm size distributions.<sup>22</sup> The most obvious impact of big firm bias impacts on small Member States such as Malta and Cyprus, as they have very few firms of the size that fall under the ERM thresholds.

*Regional bias*, apart from that which follows from the big firm bias mentioned earlier, is likely to occur when media coverage is not evenly spread throughout the country. While most of the designated newspapers are formally national, there may well be some national or regional capital city bias.

*Country size bias* is also likely. In absolute numbers, there is obviously much greater job loss in big countries. In terms of national impact, restructuring involving, for example, 100 employees will be a less frequently occurring and more prominent event in the media in Portugal or Greece than in Germany or the UK. This suggests that the reporting frequency will be higher in small countries than in big ones. This could seriously flaw comparisons between countries (but not over time). Note that because there are more big firms in big countries, this leads to better coverage in the ERM. Thus there are likely to be conflicting tendencies to bias as regards country size, leaving us with little indication on the size and direction of the bias.

*Type of restructuring bias* (in terms of internal restructuring, relocation, closure, etc.) may also occur if public and media focus is more concentrated on certain types of restructuring.

The ERM also reports cases of job creation. As the major part of ERM cases are identified in newspapers, one could presume, in accordance with the journalist adage that ‘the best news is bad news’, a higher rate of reporting of job loss relative to job creation.

---

<sup>22</sup> In the European context, there is reason to believe that the main current small firm bias and in the years to come will be the ongoing restructuring of agriculture in the new Member States. In terms of employment consequences, this is an extremely important issue and one that is typically not dealt with when the general public, academics and policymakers consider restructuring.