

Restructuring and Public Policy in “Social Europe”: An Overview

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In this issue of *Perspectives*, we present three contributions from an international research project on corporate restructuring after the financial crisis. How can firms restructure themselves in a socially responsible way? Which public policies can effectively buffer the effect of an economic downturn on workers? Coordinated by the Centre for Employment Relations Innovation and Change (CERIC) at Leeds University and funded by the World Universities Network, teams from thirteen countries are exploring various aspects of restructuring in the current crisis.

The articles focus on Europe. Although most European countries have more generous welfare states and stronger unions than the United States, European Union (EU) policymakers constantly extol the virtues of globalization and flexibility. The free movement of labor, capital, goods, and services is fundamental to the project of Europe. However, the EU is reluctant to intervene in areas of social protection. Instead it provides “benchmarks” and “advisory toolkits” to inform governments, trade unionists, and managers negotiating change.¹

Restructuring in the Recession

The articles examine restructuring in the context of a severe recession. In the twenty-seven countries that comprise the European Union, 2.5 million jobs were lost

in 2008 and the first quarter of 2009.² In November 2009, the unemployment rate stood at 9.5 percent, varying between 3.9 percent in the Netherlands and 19.4 percent in Spain. While most of the EU-27 has technically moved out of recession, growth remains sluggish, and unemployment continues to rise.

What kinds of jobs have been lost, how, and in which countries? The European Restructuring Monitor (ERM) is a database of announced episodes of restructuring—plant closures, mass layoffs, offshoring, etc.—based mostly on news reports. Although the ERM underestimates the true extent of job loss, it is helpful for mapping job losses. In terms of industry, for example, it shows that manufacturing suffered more from the downturn than services, despite high-profile mass layoffs at banks. The biggest loser, however, was construction; the collapse of the Spanish building sector alone wiped out three-quarters of a million jobs.³

Table 1 breaks down job losses and gains by type. Reported job gains outnumbered losses in 2007, but from 2008 onward, this trend reversed itself. Losses outnumbered gains in 2008 by a factor of 1.89 and in 2009 by 3.17. The main form of restructuring has been “internal retrenchment,” although losses due to corporate bankruptcy and closure more than doubled.

Table 2: Countries experiencing greatest announced job loss 2008-2010

	2008	EU rank	2009	EU rank	2010 (1st Qtr)	EU rank
United Kingdom	114673	1	130411	1	18404	1
France	95624	2	78908	2	1804	11
Germany	69990	3	61965	4	11060	3
Sweden	31722	4	20092	10	2539	8
Italy	29211	5	30600	6	1955	10
Czech Republic	24314	6	34196	5	3880	6
Poland	22736	7	70493	3	6270	4
Romania	20370	8	22845	8	14129	2
Netherlands	12690	10	29812	7	1170	12
Belgium	9349	14	20407	9	5127	5
Ireland	8139	15	19077	11	2560	7

Source: Authors' calculations from ERM; Note: top 8 countries are selected from each year.

restructuring, the UK government has not applied for funding; the French, German, and Italian governments, however, have used it. While the EU is willing to provide funding streams to promote social protection, it is reluctant to mandate such measures.

Liberalization of the Market

Market liberalization, by contrast, is dictated by Europe. Nathan Lillie shows, in his analysis of the “posted workers directive,” that the EU is much more effective at promoting the free movement of workers across national boundaries than protecting these workers. When contractors buy in labor—most commonly in construction—the directive stipulates how national governments can protect these workers. While national governments are allowed to enforce statutory minimum labor standards, they can still fall foul of open-market rules when they support (additional gains secured via) collective bargaining. In the Rueffert decision, for example, the European Court of Justice (ECJ) struck down Lower Saxony’s law mandating union rates on public works projects. Lillie shows how this and other recent ECJ rulings enable employers to use international subcontracting and la-

bor migration to create low-wage zones in high-wage countries.

These three articles show that the state, unions, and employer associations matter in buffering the effects of crisis on workers. However, they also illustrate the challenges the social partners face in protecting workers and their jobs in the face of the crisis. Time will tell how long the label “social Europe” will persist; research will tell whether it remains justified.

NOTES

1. M. Stuart and M. Martinez Lucio, “The New Benchmarking and Advisory State: The Role of the British Advisory, Conciliation and Arbitration Service (ACAS) in Facilitating Labour-Management Consultation in Public Sector Transformation,” *Journal of Industrial Relations* 50, no. 5 (2008), 739.
2. J. Hurley, I. Mandl, D. Storrie, and T. Ward, T. *ERM Report 2009: Restructuring in Recession* (Dublin: European Foundation for the Improvement of Living and Working Conditions, 2009), 1.
3. *Ibid.*, 42.
4. *Ibid.*, 66.
5. European Foundation for the Improvement of Living and Working Conditions, *European Restructuring Monitor Quarterly* 2 (Summer 2009), 12–14.



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