ETUI-REHS

Plant-level responses to the economic crisis in Europe

Vera Glassner and Béla Galgóczi

WP 2009.01

ETUI-REHS RESEARCH DEPARTMENT

Plant-level responses to the economic crisis in Europe

Vera Glassner and Béla Galgóczi

WP 2009.01

European Trade Union Institute
for Research, Education and Health and Safety (ETUI-REHS)

Brussels, 2009

Print: ETUI-REHS Printshop, Brussels

D/2009/10.574/02
ISSN 1994-4446 (print version)
ISSN 1994-4454 (pdf version)

The ETUI-REHS is financially supported by the European Community. The European Community is not responsible for any use made of the information contained in this publication.

Contents

1. Introduction

How the crisis spread to Europe

The immediate causes of the financial crisis triggered by the collapse of the US subprime mortgage market have been widely discussed in the media (Balzli *et al.*2008). How this evolved into a major financial crisis due to the opaque financial techniques previously heralded as financial innovations has also been broadly covered (The Economist 2008a). The extent to which financial services came to be decoupled from the real economy and develop into a recklessly unregulated financial market, ending up in a huge bubble with a value ten times world GDP (Balzli *et al.*2008: 79) inflated by so-called 'structured investment vehicles' has also been addressed and the attendant risks emphasised (van den Burg and Rasmussen. 2007, ETUC 2008).

The contagion was spread through different channels in parallel via globalised financial markets. This is unprecedented.

The main effect is that 'toxic assets' have resulted in huge losses at financial institutions and the previously abundant liquidity has turned into a credit crunch paralysing the entire banking system, not only in the US and Europe, but worldwide. The European financial system provided fertile soil for these opaque financial instruments, as accumulated profits desperately sought higher returns than investments in the real economy could offer. The contagion has engulfed the European banking system and the dramatic effects of the financial crisis on the European economy have surprised everybody. As late as the Lehman Brothers bankruptcy in mid September 2008, the effects of the US crisis on Europe were still seen as moderate.

The basic mechanism by means of which the financial and banking crisis has hit the real economy is the failure of the banks – due to their financial losses and the evaporation of trust – to perform their basic function of financing the economy. Enterprises are unable to finance their daily operations, investments are blocked and consumption has collapsed in market segments in which credit financing had played an important role (construction in the US and in a number of European countries, automobiles generally in the US and Europe).

All this led to a sudden demand-shock, affecting exports, investment goods and private consumption. A number of other factors also played a role, aggravating the situation further, such as the drag caused by previously high energy and raw material prices, exchange rate effects and unnecessarily tight monetary policy in Europe up to the last phase of the crisis (Watt, A: 2008).

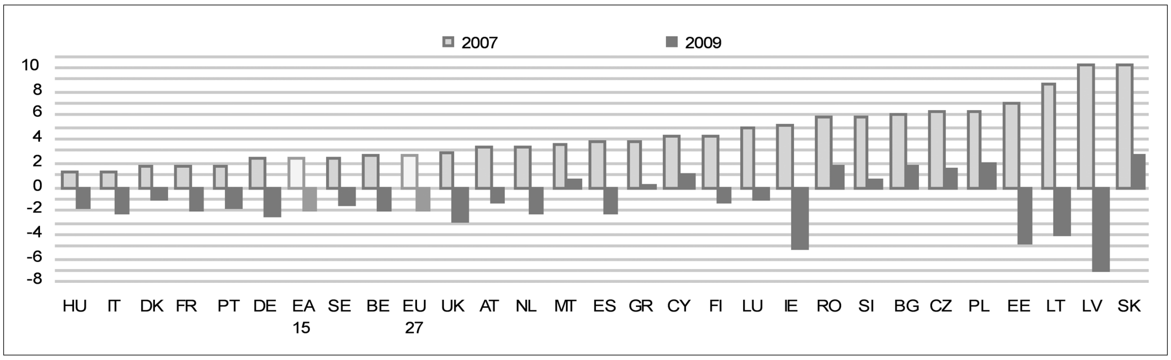
The fundamentals underlying the spread of the crisis, however, were chronic imbalances in the world economy, within the Euro area and within the national economies of many member states.

In the course of 2008, fears of recession were finally realised, with the OECD and the European Commission each outdoing the other in their downward revisions of economic growth. For instance, in its Spring 2008 Forecast the Commission predicted annual GDP growth rates of 1.7 per cent (Euro area) and 2.0 per cent (EU-27) for 2008 (European Commission 2008a), corrected downwards in the Commission's Autumn 2008 Forecast (European Commission 2008b) to 1.2 (Euro area) and 1.4 (EU-27), then further downwards by the Commission's 2009 January Interim Forecast (European Commission 2009) to 0.9 per cent (Euro area) and 1.0 per cent (EU-27). Likewise, projections of annual GDP growth for 2009 have been subject to consecutive downward revisions from 1.8 per cent for the EU-27 and 1.5 per cent for the Euro area to 0.2 and 0.1 per cent respectively, then even more dramatically in the 2009 January Interim Forecast (see next paragraph and Fig 1). The most recent data indicate that in 2008 Europe plunged into a technical recession with successive negative quarter-on-quarter GDP growth of –0.2 (2nd quarter) and –0.1 (3rd quarter) in the Euro area (European Commission 2008b).

The 'hard landing' that is visible in Figure 1 refers mostly to those economies with unsustainable past growth strategies, characterised as 'bubble growth'.

The most dramatic downturn is to be seen in Latvia, where above 10% GDP growth in 2007 is likely to turn into a decrease of 6.9% by 2009. Previous high-growth economies, such as Estonia, Lithuania and Ireland, are also expected to be hit hard, with a projected drop in GDP of 4-5 % in 2009, while the 2.8% negative growth forecast for the UK also represents a huge setback. Other major economies are expected to experience a downturn of around 2%, with the Euro area GDP set to fall by 1.9% and the EU27 by 1.8% in 2009 (European Commission 2009). This is a dramatic change compared to the 2007 performance, but also in comparison with the prognosis of the Commission nine months ago.

Figure 1: *Real GDP growth 2007 vs forecast 2009*



Data Source: European Commission (2009).

Symptomatic of the economic downturn is the slump in industrial production in Europe. For the period August to September 2008 a decrease in industrial output of 1.6 per cent was recorded in the Euro area (1.1 per cent in the EU-27) compared with the same period in 2007.

The latest national data paint an even bleaker picture. Year-on-year industrial production figures for October already show a dramatic contraction of industrial activity across Europe. Italy, France and the UK all showed year-on-year decreases of between 6 and 7 per cent. In November 2008 Czech industry suffered an unexpectedly serious downturn with a decrease of 17.4 per cent on the previous year.

According to the latest Eurostat figures, euro-area industrial output contracted by 7.7 per cent in November 2008 compared to the same period of the previous year.

The effects of an economic downturn are normally reflected in labour markets with a time lag. This time, however, a rise in unemployment due to the crisis occurred without delay and was particularly high in the Euro area, in which the unemployment rate went up from 7.4 per cent (2007) to 7.7 per cent in October 2008 (European Commission 2008c).

Europe was hit so hard within such a short time due to a series of factors that made previous growth unsustainable once the external environment took a turn for the worse.

As a consequence of the gap between growth in labour productivity and in wages that has widened in the EU-27 over the past decade private consumption – an essential element of domestic demand – has been fragile. Not being based on real wage development, private consumption was either fuelled by a credit and asset bubble – as in the UK, Ireland, Spain and in some of the NMS – or remained depressed, as in Germany. Germany, where domestic demand was chronically depressed not least because of sustained wage moderation, was able to grow through an export offensive that, in turn, was stopped in its tracks by the crisis. As a result, European growth became more dependent on external factors , as the intensity of the current downturn clearly shows.

The new member states were especially vulnerable to the economic crisis, even though their average growth rates over the last decade were characteristically between 4 and 5 per cent, with the Baltic states attaining a growth dynamic of up to 10 per cent in some years. In most of the region this was largely driven by foreign direct investment, supplemented in the Baltic states by credit financed consumption and asset bubbles.

In several new member states consumption was financed to a large extent by credit denominated in foreign exchange. With the continuing paucity of domestic capital 'catching up economies' are reliant on external financing; together with high current account deficits this made them especially vulnerable to financial market turbulence.

Moreover, the economies of the new member states are integrated with the European and the world economy to a greater extent than most EU-15 economies and so are highly dependent on external demand.

The steep economic downturn that has engulfed European economies with increasing speed since summer 2008 has resulted in severe cuts in production and output, and the jobs of tens of thousands of European workers are suddenly at stake.

In this report we summarize the responses to the symptoms of recession of a variety of social policy actors. The institutional settings of industrial relations systems vary widely between member countries, as do the instruments available for dealing with the effects of the crisis by means of collective agreements at national, industry and company/plant level. Furthermore, in some countries extensive use is made of law-based labour market instruments aimed at keeping workers in employment despite cuts in production and working time, whereas in the new member states such provisions are generally lacking. We shall consider macro-level policy measures – such as social pacts on employment and economic recovery – only briefly as they are not central to the focus of this report.

We shall present an overview of the effects of the crisis on employees and the micro-level responses of the social partners to crisis-induced reductions of working time. Based on media research, we shall summarize the various tools to which crisis-hit companies have resorted, such as collective agreements at the sectoral, industry and company/plant level and legal regulations. We shall focus in particular on plant-level agreements on working time flexibilisation aimed at avoiding redundancies, as well as on labour market instruments to regulate short-time working. We shall conclude with an overview of the scope and effects of the crisis in terms of employment, wage regulation and working time.

2. Plant-level responses to the economic crisis in Europe

We shall examine the main trajectories of company responses to the crisis for the period end of September/beginning of October to mid-December 2008, based on a wide range of relevant publications throughout Europe. The inevitable bias towards large and multinational companies should be noted, however, due to their overrepresentation in daily news coverage. Developments in SMEs integrated in the production value chain – mostly as suppliers to large and multinational companies – are less visible and tend systematically to elude this type of research.

We shall address the following questions:

- How have organised labour and capital responded to the crisis? In particular, how have micro-level social partners responded within companies/plants to crisis-induced cuts in production and output?
- What collective bargaining tools are available to deal with the effects of the crisis aimed at safeguarding jobs – for example, agreements on working time flexibilisation/reduction such as time banks – and on which bargaining level (industry/sector, company/plant) have they been negotiated?
- What accompanying measures have been taken, including labour market instruments for avoiding redundancies, such as short-time employment?

- What are the main trends with regard to the adoption of measures and instruments for the flexibilisation/reduction of working time ? What are the differences between industrial sectors, countries and types of employees ?
- What is the position of the employers in different industries – in particular in the automotive and metal industries – with regard to job cuts or the avoidance of redundancies ?

In Europe the banking sector and the automotive industry have been most severely affected by the crisis. However, the effects of the crisis have been addressed very differently by management and by organised labour. In the automotive industry collective bargaining instruments have been employed extensively to counter the employment effects of the crisis, while the banking sector has resorted to mass redundancies, in particular in the UK, Belgium, the Netherlands, Luxembourg, France, Germany and Denmark.

The European banking sector : mass redundancies as a partial response to the crisis

The banking sector in Europe – as in the US – has been subject to mass redundancies. In the US and the UK major job losses occurred in investment banking and other financial institutions trading short-term financial instruments against long-term securities and loans. For instance, in the UK HSBC and Credit Suisse will cut 500 and 650 jobs, respectively, in investment banking. In continental Europe state-owned banks, such as the three federal state banks Westdeutsche Landesbank, Bayrische Landesbank and HSH Nordbank, have also laid off a considerable number of employees : as a direct effect of the crisis Bayrische Landesbank plans to lay off 5,600 employees by 2013, 1,000 of them in Germany. HSB Nordbank plans to lay off between 600 and 4,800 employees in the next two years, including 400 in Germany. Westdeutsche Landesbank ('West-LB') announced that redundancies had been planned even before the economic downturn and that a social plan covering the redundancy of 1,350 employees had been drawn up. The bank plans to achieve this by means of early retirement rather than redundancies.

It is important to note that in the last few years the banking sector, particularly commercial banking, has been a hotbed of mergers and acquisitions. The economic crisis is expected to accelerate this. However, major staff reductions often go hand in hand with mergers and acquisitions, as in the case of the merger of Commerzbank and Dresdner Bank in Germany, which will result in 9,000 job losses, 6,500 of them in Germany. In the Netherlands, the state's acquisition of Fortis NV and Fortis's share in ABN AMRO as a temporary measure are likely to result in the loss of 8,000 jobs.

As regards the new member states, the crisis has so far had a limited effect on financial sectors in these countries as the banks were not directly exposed to toxic assets, in contrast to those in the USA and Western Europe. There have not been substantial employment reductions in this sector in Central and Eastern Europe, for example.

In general, the banking sector is characterised by the weakness of organised labour at both company and industry level. Thus, the room to manoeuvre of trade unions and company-level employee representatives is very limited when it comes to responding to the current economic downturn, and often no use is made of plant-level instruments for the flexibilisation of working time in order to avoid redundancies. Banking employees have suffered a deterioration of working conditions due to cost cutting – for instance, no full pay for overtime work, no full reimbursement of training, longer notice periods or the use of offshoring and subcontracting (UNI Europa Finance). Many believe that the current crisis is often being used by employers as a pretext for laying off staff sooner than originally planned.

European manufacturing: a variety of instruments for dealing with the crisis

In general terms, manufacturing has proved to be the main arena of action for company-level social partners in response to crisis-induced cuts in production and working time. First, we shall briefly review the situation in Germany, France, Belgium, the Netherlands and the UK. These countries are characterised by two sets of instruments for the regulation of working time: first, *collective agreements* (both inter-sectoral and sectoral and company/plant level), and second, *short-time working* as a labour market instrument incorporated in national labour law and aimed at keeping workers in employment by subsidising labour costs under certain conditions and for a limited period of time.

Beyond the impact of macroeconomic turbulence, the new member states from Central and Eastern Europe (CEE), and specifically the so-called Visegrad Four (V4) countries – the Czech Republic, Hungary, Poland and Slovakia – are particularly affected by the crisis because of their high level of economic and trade integration with Western Europe, especially Germany.

The large automobile production capacities established in the Visegrad countries are highly dependent on the economic cycle, but also on their parent companies in Western Europe (in a few cases in Japan, Korea or the US). The electronic components industry, especially contract manufacturers, are even more exposed to economic cycles. As these industries constitute a large part of the reshaped industrial landscape in the new member states they are vulnerable to external shocks. Developments in Germany are crucially important for the CEE new member states as most industrial investments and most of their industrial exports involve Germany. A downturn in Germany has immediate effects for most new member states.

A factor that seems to have somewhat balanced the negative external effects for the new member states is their high growth levels in previous years, which have helped to maintain domestic demand for a certain period (though this does not apply to Hungary). It is noteworthy in this context that while new car orders were plunging in Western Europe by the end of 2008, in Poland and Slovakia they still showed double-digit growth. Furthermore, given the lower cost levels in the new member states, their production facilities still offer cost saving opportunities for Western multinationals and thus may benefit from the relocation of certain activities in response to the crisis. On balance, however, the negative effects are dominant, concentrated, as already mentioned, in the automobile and electronics industries, with a particularly high share in the economies of the Czech Republic, Hungary and Slovakia.

The affiliates of multinationals that have been severely affected by the fall in demand, with order books suffering double-digit setbacks by autumn 2008, have started to apply similar measures to their mother firms. Volkswagen, Audi, Dacia-Renault, Fiat, Ford, General Motors, Skoda and Suzuki have instigated temporary production breaks and cutbacks at their new member state affiliates. Car part suppliers, including Bosch, Michelin and a large number of local suppliers, were hit even harder.

Large-scale redundancies have commenced. In the case of larger firms these have affected vulnerable groups of employees, first of all, temporary agency workers, migrant workers, workers on fixed-term contracts (or on probation) and commuters. In the case of SMEs and suppliers, dismissals were, from the beginning, the major means of adjustment, and regular employees were equally affected.

The new member state affiliates of Western multinationals have adopted measures similar to those applied by their Western European parent companies, but with a heavier hand and less based on negotiation, as we will see in the overview that follows. In case of temporary production breaks, either the normal holiday reserves are used or, in many cases, people were sent home on basic pay. Compensation tends to come from companies' own resources, subject to negotiations with works councils and/or trade unions, if employee representation exists at all or there is a collective agreement.

In more serious cases lay-offs have already been announced (see Tables 1 and 2). Lay-offs are regulated by labour law, within the framework of which a minimum level of severance pay is provided for. Beyond this, collective agreements – where they exist – are applied and works councils and trade unions are involved in managing the measures. As in the case of lay-offs they negotiate on concrete measures and compensation packages.

None of the countries in question yet have in operation specific labour market policy measures equivalent to the German 'Kurzarbeit' or the French 'chômage partiel'. An overview of these measures is given in the Appendix.

3. Country-specific overview based on media research and trade union information

Germany: hesitant government responses and plant level as the main arena of action

The German government's response to the crisis has been comparatively hesitant. The first 'recovery package' of €12 billion, adopted in November 2008, has been criticised as inadequate. A more substantial package totalling €50 billion was adopted in January 2009, with the lion's share of spending going to investment in public infrastructure (motorways, schools, universities, internet), thereby indirectly boosting the construction sector. Income tax cuts have also been discussed. However, the pact does not provide for direct subsidies for companies or certain sectors (with the exception of the banking sector) as demanded by, for instance, IG Metall. However, a number of DAX-listed companies announced that they would seek to avoid redundancies for operational reasons (‘*betriebsbedingte Kündigungen*’) in 2009, including Opel and Porsche.

‘Short-time working’ and ‘working time accounts’

The widest range of policy instruments can be observed in German manufacturing, particularly in the automotive industry. For example, there are *different types of collective agreements*:

- sectoral collective agreements on the regulation of working time, such as the IG Metall Working Time Agreement that includes the option to reduce working time to 30 hours (West) and 33 hours (East) per week in order to avoid redundancies;
- company/plant level collective agreements on the flexibilisation of working time, including working time accounts and time banks;
- ‘deviant’ agreements based on ‘opening clauses’, as provided for in the ‘Pforzheim Agreement’ (2004) which allow the undercutting of provisions stipulated in sectoral collective agreements.

The Pforzheim Agreement led to a paradigm shift in collective bargaining in the manufacturing sector since it entails a change in the application of ‘opening clauses’, which were originally intended for use only in exceptional cases. On the basis of the Pforzheim Agreement plant-level agreements may deviate from higher-level collective agreements if they serve to improve the innovative capacity, competitiveness or investment conditions of the firm, or if they *protect employment* or create new jobs.

The adoption of *measures* aimed at reducing working time follows a *hierarchy* that can be summarised thus:

- *Company and plant-level agreements* on *working time flexibilisation* in the form of working time accounts and the reduction of holidays have been the primary instrument since the crisis began.
- When all means for reducing working time by collective agreements have been exhausted *short-time working* comes to the fore. As a labour market instrument it guarantees employment by offering hours that fall short of the regular working hours regulated in collective agreements. Furthermore, it compensates for losses in income due to temporary inactivity for certain groups of employees such as construction or seasonal workers. Losses of income due to a decrease in working time are compensated by state subsidies issued by the Bundesagentur für Arbeit. In the case of inactivity, 60 or 67 per cent – according to family status – of the last net wage is borne by the state, while the rest is paid by the employer. The employee retains all social security entitlements such as health, accident, pension and nursing care

insurance. Conditions for the deployment of short-time work include economic difficulties, such as sharp declines in demand. Due to the current economic downturn the period of entitlement for short-time work has been extended from 6 to 12 months for the second half of 2008, and to 18 months for 2009. In case of a protracted crisis, the period of entitlement can be further extended to 24 months by decree of the Minister of Labour.

Working time accounts generally serve two aims. First, 'long-term' working time accounts serve the purpose of the life-time planning of an individual's active career (including training) and retirement within a certain framework. Second, 'flexible' working time accounts are a means of evening out fluctuations of capacity utilisation due to product and market cycles. One of the most prominent examples of a working time account is the agreement at Volkswagen on 'flexible working time' (2004) that combines both short- and long-term elements by allowing for a time corridor of plus/minus 400 hours and providing for the accumulation of working time for early retirement. In the current situation, Volkswagen's working time agreement has proved to be an effective instrument for reducing working time. So far, the company has not felt the need to resort to short-time working.

Working time reduction by means of working time accounts was used extensively by a number of companies in October and November 2008. At Daimler the number of hours used to reduce working time accounts was extended to 200 in order to bring down weekly working hours and impose a 'prolonged Christmas holiday break' of four weeks. Likewise, at BMW Munich minus hours in time accounts were increased to 300. Working time reduction via time accounts has also been adopted at the Steyr plant in Austria, while at the Leipzig plant 400 agency workers will be dismissed since working time reductions via time accounts have been exhausted. At Opel there were temporary closures between October and early November at the Bochum, Eisenach, Antwerp, Luton, Gliwice and Trollhättan plants. In addition, at the Eisenach plant prolonged Christmas holidays are planned, extending from 15 December to 12 January. Working time accounts have been employed to balance eight days of production shutdown at Porsche between November 2008 and January 2009. At MAN (producer of commercial vehicles) the plants at Munich, Nuremberg, Salzgitter and Steyr will be closed for 40–50 days, probably by means of time accounts. The car component suppliers Continental, Schaeffler and ZF Friedrichshafen also made use of working time accounts to counter declines in demand. In the chemical industry working time accounts have also been used frequently to deal with working time reductions, for example, at BASF.

Measures such as the *reduction of overtime* and the *prolongation of holidays* – in particular prolonged Christmas holidays – often go hand in hand with the use of *working time accounts*, as at Volkswagen, Daimler, BMW, Porsche, MAN, ZF Friedrichshafen, BASF, and producer of primary products K + S and Continental.

Short-time working tends to be used when other instruments have been exhausted. In general, short-time working is preferred by trade unions as it compensates employees for losses in income. However, the downside is that it does not protect employees from redundancies for operational reasons ('*betriebsbedingte Kündigung*'), in contrast to working time reductions on the basis of the collective agreement on safeguarding employment (*Beschäftigungserhalt*) for the metal/electro sector that provides for reductions in weekly working hours from 35 to 30 (western Germany) and 38 to 33 (eastern Germany). This option has been discussed in companies such as Opel, Daimler and Bosch. In some Daimler plants and in Bosch's Bamberg plant weekly working time has been reduced to 30 hours on the basis of this collective agreement.

Since October 2008 *short-time working* has been used increasingly by companies in a range of manufacturing sectors, in particular in automotive production (including suppliers), metal and chemicals. Bosch was one of the first companies to register for short-time working in October at the Baden-Württemberg plant, and in early November at the Bamberg plant (halving working time for 3,500 workers for a six-month period) and successively extending short-time working to other locations in Germany. Likewise, the car component producer MAGNA Austria adopted short-time working in early November, and expects to deploy this instrument until January or February 2009 (for around 2,900 employees). At Daimler, short-time working is planned for 20,000 employees for a three-month period in 2009, and it is also being discussed at BMW Munich as an option for 2009. Short-time working was adopted at the Ford Cologne plant in November 2008 for certain production areas. At Opel the option of short-term working was adopted in December for the Eisenach plant. MAN negotiated short-time work in November for several German locations, and it was introduced in the Austrian Steyr plant for 2,000 workers. Continental adopted short-time working for some plants, such as the one in Hanover (600 workers) from December 2008 onwards. Strikingly, no short-time working has been introduced so far at Daimler and at Volkswagen where the decrease in demand has been countered by arrangements on flexible working time.

According to data of the Federal Agency for Labour (Bundesagentur für Arbeit), which registers company applications for the introduction of short-time working, the number of persons in short-time work (excluding construction and seasonal workers) increased from around 52,000 in October to approximately 137,000 in November, and leaped to 295,000 in December 2008 (see Appendix). It should be noted, however, that the number of persons for whom short-time labour has been requested does not reflect the number of workers who will in fact be employed short-time but rather indicates the potential number of workers who might affected by short-time work.

Measures for the *vocational training* of employees on short-time working or on reduced working time have not been widely reported in German companies. However, some companies do use times of crisis-induced inactivity for training purposes, such as the vehicle component manufacturer ZF Friedrichshafen.

The dismissal of *temporary agency workers* and employees with *fixed-time contracts* has been one of the main effects on employees of the economic downturn. In Germany, it is estimated that between 50,000 and 100,000 temporary agency workers will lose their jobs as a direct consequence of the crisis. Trade unions have actively promoted measures such as agency workers' entitlement to short-time work. However, in a large number of companies temporary agency workers have been laid off as a consequence of falling demand, some in the early phase of the crisis, others after other instruments for regulating working time reductions have been exhausted, if they existed. At Volkswagen a quarter of the company's 3,700 agency workers have been dismissed, while Daimler, BMW (400 agency workers at the Leipzig plant), the Ford Cologne and Saarlois plants (200 temporary agency workers in total) and – to a lesser extent – Porsche have also been affected. As many as 2,000 agency workers have been laid off at MAN. At supplier companies the situation is even worse. A large number of agency and temporary workers have been dismissed, for example, at Continental and Schaeffler (the jobs of 4,000 agency workers may be affected). In other sectors, such as metal, lay offs of agency workers have been reported at Rheinmetall (500 agency and temporary workers) and Thyssen-Krupp (2,100 agency workers).

In general, redundancies are more frequent among – mostly smaller – supplier companies than in multinational car manufacturers that tend to adopt other employment policy measures and instruments to counter cyclical declines in demand. There is a clear divide with regard to arrangements for working time flexibilisation between the service sector – banking, in particular – from which they are largely absent, and the manufacturing sector. However, large-scale redundancies have also been reported at companies in the metal sector, such as ArcelorMittal (a planned cut of 6,000 jobs in Europe, around 800 of them in Germany).

France: 'partial unemployment' ('chômage partiel') and government policies in response to the crisis

The French government announced a recovery pact of €26 billion aimed at creating between 80,000 and 110,000 jobs in 2009. Large-scale public spending is being targeted in particular at the automotive and construction sectors. The automotive sector is one of the largest labour market segments, employing 10 per cent of the French workforce. The sectors hit hardest by the crisis – besides cars and construction – include suppliers of vehicle parts, machinery and electro-technical equipment, and the metal and printing industries. Also affected by the current economic downturn, though to a lesser extent, are food, chemicals, wood and paper, with expected growth rates of between –0.6 and +0.7 per cent in 2009. Relatively untouched by the crisis are pharmaceuticals, aeroplane and airshuttle construction, shipbuilding and body and health care products (Xerfi 2009).

Companies suffering from severe declines in demand have introduced a range of *collective bargaining and government measures* to respond to the economic downturn:

- '*Partial unemployment*' as a labour market instrument to (partly) compensate employees working shorter hours in times of economic downturn (see Appendix).
- Extension of so-called *occupational transition contracts* ('CTP' – Contrats de

transition professionelle) from 8 to 25 'employment pools' (*bassins d'emploi*). These contracts provide for the compensation of employees dismissed for economic reasons by funding 80 per cent of gross income for a period of one year. During that time employees undergo vocational training. This measure, which was originally applied only to companies with more than 1,000 employees, has now been extended to all companies. Social partners and unemployment agencies are required to find solutions that ensure the occupational training of the unemployed.

- Reduction of working time on the basis of the *framework agreement on the 35-hour working week* (1999). This instrument allows for the reduction of working time without loss of wages and provides for the flexible shifting or prolongation of holidays within the given framework. However, bonus payments are not compensated for.
- Company/plant-level agreements on the flexibilisation of working time, such as *working time accounts*.
- '*Voluntary departures*' backed up by a *social plan* that guarantees severance payments to employees.

The increase in 'involuntary' *partial unemployment* is a strong indicator of the worsening labour market situation. In the first trimester of 2008 around 4,600 persons were registered under this category, increasing to 4,900 in the ensuing trimester (INSEE). Similar to the German instrument of short-time work ('*Kurzarbeit*'), the labour market instrument of 'partial unemployment' compensates for losses in income incurred by employees working reduced hours and thus ensures employment in times of recession (see Appendix). A number of companies – including PSA (four plants), Renault (three plants), Renault Trucks (three plants), Sonas Automotive (two plants), Bridgestone, Toyota, LME, Oxford Automotive, GM, Bosch, Rhodia, Michelin, STA, MPAP, Philips, NTN, Valeo, Ford, Solutions plastiques, Faurecia, Lear, Mefro and Buisard – had registered for partial unemployment for a period of 15 days before the end of November 2008. The sectors primarily affected by partial unemployment in October and November 2008 were the automotive industry, metal, chemicals and textiles.

Plant-level developments

Responses to the economic crisis at plant level include the temporary (full or partial) closure of production sites (entailing a loss of income for workers who are temporarily inactive or working reduced hours), the HRM measure of voluntary redundancy, the adoption of partial unemployment, and other labour market measures such as occupational transition contracts (CTP), as well as redundancies and terminal closures.

In the course of October, November and December 2008 a considerable number of company plants were closed and production shut down, either completely or partly. Several instruments for the reduction of working time have come to the fore, such as the prolongation of holidays, flexible working time accounts and, as a final measure, partial unemployment (see following paragraph). Company closures have been reported for several PSA plants in France (Hordain, Poissy, Rennes, Sochaux, Mulhouse), as well as in Spain (Madrid and Vigo) and Slovakia (Trnava). Likewise, Renault announced the closure of tertiary operations such as research for a two-week period and for another 15 production plants. The reduction in working time is implemented by prolonging holidays within the framework of the collective agreement on the 35-hour week. Dacia, a Romanian affiliate of Renault, has shut down production repeatedly since the end of October, and workers are 'technical unemployed' and so face wage losses. Furthermore, the dismissal of 3,000 workers is contemplated if demand remains low. Bridgestone closed one plant for a three-week period in December, and Toyota's French plant at Onnaing was closed for two weeks in December and will be closed one week in March 2009 . Ford closed its Blanquefort plant for six weeks from the end of November to early January. Michelin closed sites at Clermont-Ferrand and La Combaude, either by prolonging holidays, working time accounts or, as a final measure, partial unemployment. Michelin's Roanne plant was reported as likely to close from mid-December to early January. ArcelorMittal announced the temporary closure of three sites in France – at Dunkerque, Florange and Fos-sur-Mer – in November and December 2008, and further production halts are expected for the first trimester of 2009.

A large number of companies in various sectors – but particularly in the automotive, metal, chemical and construction industries – have resorted to the labour market instrument of 'partial unemployment'. PSA Citroen adopted partial unemployment at the Rennes plant from the end of January 2008 onwards for an undetermined period. Renault introduced partial unemployment at the Cléon and Mans plants in December 2008. Renault Trucks plans to register for partial unemployment for at least a 30-day period in 2009. At the car component supplier Valeo, 440 employees at the Suze-sur-Sarthe plant are in partial unemployment (early December–beginning of January) and for the Mondeville plant 10 days of partial unemployment have been announced. Faurecia, a car component supplier 71 per cent of which is owned by Renault, has adopted partial unemployment during periods of closure between early December and early January 2009. Partial unemployment affecting 1,300 employees has also been adopted for a two-week period between the end of December and the beginning of January at Michelin's Joué-les-Tours plant. The car component supplier Mefro plans to adopt partial unemployment throughout 2009 (one week per month except during summer). The engineering company Manitou has announced the adoption of partial unemployment for around 700 employees for repeated periods in December, January and February. Likewise, the crane producer Manitowoc reports registering for partial unemployment (285 employees) in January and February 2009. The temporary closure of production sites by ArcelorMittal is expected to be implemented partly by partial unemployment, when other means, such as the reduction of overtime and holidays, have been exhausted.

Several improvements were made concerning the regulation of partial unemployment in mid-December 2008. Following the president's proposal to renegotiate the 1968 collective agreement on partial unemployment, the social partners agreed on an increase of state-funded hourly payments (from €2.44 to €3.64/hour for companies with fewer than 250 employees, and from €2.13 to €3.33/hour for other companies), a rise in minimum wage levels (from €4.42 to €6.84/hour, or from 50 to 60 per cent of the hourly gross wage), the extension of the period of entitlement to partial unemployment payments from 600 to 800 or 1,000 hours, and a prolongation of partial unemployment from four consecutive weeks to six (see Appendix). Furthermore, it has been decided that part-time workers (working on average fewer than 18 hours/week) will also be entitled to partial unemployment payments from 2009 onwards. The accord has been signed by all main trade union federations with the exception of CGT.

The social partners – and CFDT in particular – called for intensified efforts to adopt training measures for workers in partial unemployment and the setting up of 'crisis funds' to be financed by other public funds for vocational training. However, the employers have underlined the need to involve unemployment insurance institutions in vocational training measures for the partially unemployed and insist on their decision-making power when it comes to utilising the funds. The most contested issue is the increase in the obligatory employers' contribution for vocational training measures.

Another labour market policy instrument for the training of unemployed workers is 'occupational transition contracts' ('CTP') currently in use at 25 company sites, for example, Renault's Sandouville plant.

'Voluntary departures' in terms of which workers are offered a severance payment are frequently used to reduce employment. For instance, at PSA Citroen 3,550 employees are reported to be affected by this HRM measure. Furthermore, the PSA Rennes plant laid off 850 employees by voluntary departure, and in return the management guaranteed that the location would not close before 2010. At Renault a social plan for 4,000 employees (1,000 of them in France) was negotiated in early September 2008. In the same month another 2,000 employees at European locations are reported to have been dismissed, 900 of them in France. Peugeot Motorcycles set up a social plan for the voluntary departure of 250 employees. Likewise, La Barre Thomas, one of around 800 suppliers of PSA, has set up a social plan for the voluntary departure of 200 to 300 employees.

The economic downturn has been accompanied by large-scale redundancies. One of the most prominent examples is ArcelorMittal, which reported the dismissal of 1,400 employees in France alone. As a preliminary finding, the dismissal of temporary agency workers seems also to be widespread in France (for example, Toyota dismissed 450 temporary agency workers, Peugeot laid off 1,200 agency workers and did not prolong the fixed-term contracts of around 1,000 employees). However, this assessment should be approached with caution since, as already mentioned, the method of media research is inevitably biased towards large multinational companies, which are overrepresented in the coverage. Furthermore, it is often unclear whether measures to reduce the number of employees are a direct effect of the current crisis or are part of longer term planning involving restructuring or reorganisation. Final closures or relocations due to the economic downturn have been reported by, for example, the US group Molex, operating in car component production, which announced the closure of a plant in Villemur-sur-Tarne, employing 300 workers, in June 2009, with plans to relocate production to Slovakia.

Belgium: 'economic unemployment' and a new interprofessional agreement

In Belgium a large number of companies in the metal, automotive, construction and chemical sectors have suspended their production since October, making extensive use of temporary economic unemployment (see Appendix). Certain segments of the labour market, such as temporary agency workers, have been strongly affected by the current economic downturn. Although total unemployment remained more or less stable over 2008, unemployment projections for 2009 and 2010 are bleak. For instance, the rate of total unemployment is expected to rise from 7.9 to 8.2 per cent between 2008 and 2010 (EC Economic Forecast, autumn 2008). In response to the crisis, the Belgian government adopted a €2 billion recovery plan (0.6 per cent of GDP) that provides an extra €100 million for economic unemployment, the boosting of consumer purchasing power by means of energy subsidies, VAT cuts for the construction sector, investments in public infrastructure, such as railways, and measures to improve companies' competitiveness. In addition, labour market measures have been announced for the activation of the unemployed and for vocational training. The social partners have been called upon to work out a new interprofessional collective agreement, including the renegotiation of rates for economic unemployment payments.

The new Interprofessional Agreement 2009–2010, as part of the government recovery plan, provides for a range of measures that will be implemented in 2009 and 2010, including the abovementioned VAT cut for construction and energy subsidies, as well as the reindexation of wages with an increase of €125 net in 2009 and €250 in 2010, as well as increases in temporary unemployment payments (see Appendix). Furthermore, temporary agency workers have been included in the scheme for the payment of temporary unemployment benefits as demanded by the trade unions. In the construction sector a special regulation is in force. In cases of *excessive temporary unemployment* (more than 110 days/year/employee) the *employer* has to compensate the employee in temporary unemployment €46.31/day *for every day exceeding 100 days* of temporary unemployment/year.

In response to crisis-induced declines in demand and the temporary shutdown of production sites, the following instruments have been utilised: economic/temporary unemployment, working time accounts, the dismissal of temporary agency workers and the non-renewal of fixed-term or temporary contracts. Although Belgian labour law provides for the partial compensation of employees on short-time work – that is, economic unemployment – the rates of compensation are often not sufficient to make up for income losses. However, workers affected by economic unemployment remain employed, and in some sectors – such as metals – the collective agreement guarantees the payment of a daily sum in addition to economic unemployment benefits, which are funded by the state (up to a certain limit – see Appendix).

In the steel sector, production came to a halt in a large number of companies from October onwards. For instance, at ArcelorMittal's Genk plant around 3,000 of the 3,850 workers were affected by a four-week period of economic unemployment at the end of 2008, and other plants, such as Châtelet, Liège and Seraing, are reported to have adopted economic unemployment. Furthermore, the dismissal of 800 employees in Belgium and the drawing up of a social plan for the voluntary departure of administrative and commercial staff have been announced. The recourse to economic unemployment and the reduction of working hours are central to ArcelorMittal's global strategy for responding to the current crisis. However, the company expects a recovery of demand at the beginning of 2009 and announced that it would not close any European locations. The steel producer Duferco announced the adoption of economic unemployment for a period of three weeks in December at the Jemappes Steel Centre. The non-continuation of the fixed-term contracts of six employees led to protests at the Jemappes Steel Centre where 55 workers went on a half-day strike. At Duferco's La Louvière plant economic unemployment was announced for the first time for a four-week period between the beginning of December and early January, and later on for one week in January (two weeks for steel-mill workers). In total, 3,500 workers at Duferco are reported to be affected by economic unemployment, including the plants at Louvière, Clabecq and Charleroi. At Ségal, a Corus affiliate, 100 workers are on temporary economic unemployment. Despite the provision of a daily payment in addition to compensation for economic unemployment on the basis of the sectoral collective agreement, workers will have to suffer income losses. Doosan Infracore Europe, a producer of motor engines formerly affiliated to Daewoo, reported having recourse to economic unemployment for at least one period in January 2009, and the contracts of 900 temporary workers have not been renewed.

Likewise, prolonged halts in production have been widespread in the Belgian automotive industry. For instance, at Ford's Genk plant temporary economic unemployment has been adopted for one month, starting in mid-December, and 800 temporary agency workers have been dismissed. This contrasts with the situation at Opel, where the number of days of economic unemployment have been reduced from 36 to 18 due to the relocation of Opel Astra production to the Antwerp plant. At the Volvo Trucks Ghent plant production came to a halt in December 2008. 1,700 workers are temporarily working only three days per week. Likewise, at the Volvo Car plant in Ghent workers are on temporary unemployment until 19 January 2008. The car component manufacturer Fédéral Mogul announced the adoption of economic unemployment for one week in December, followed by a prolonged Christmas holiday until the first week of January and further phases of economic unemployment in the first trimester of 2009.

The most prominent case of extensive reductions in working time is BASF. At its Antwerp subsidiary 350 workers were affected by temporary closures for the entire month of December. Furthermore, BASF is contemplating having recourse to economic unemployment in January 2009 after exhausting other instruments, such as the reduction of overtime and holidays.

The Netherlands: government demand- and supply-side measures to counter the crisis

In late November 2008 the Dutch government announced a €6 billion recovery package to stimulate consumer spending and industrial production. The most important measure is the reintroduction of accelerated write-offs on investments for businesses, which is expected to bring tax benefits for companies worth €2 billion. The government will also make the unemployment benefit fund available to companies that have to dismiss workers or introduce shorter working hours as a consequence of cuts in production. The government's measures for economic recovery also include an extra €200 million for the unemployment benefit fund, which will be made available for workers in temporary unemployment. Further measures to stimulate consumption are the lifting of the regulation whereby money could not be withdrawn from employees' tax-free savings schemes for four years. Furthermore, investments in public infrastructure and the speeding up of planning procedures are aimed at supporting the construction sector. Additional measures include the extension of high-speed internet access, as well as financial incentives for the automotive sector to make cars that are more environmentally friendly. The Dutch recovery package is worth the equivalent of around 1 per cent of GNP.

The sectors hit most severely by the crisis are the metal sector in general and the automotive sector in particular. As elsewhere in Europe, temporary closures of production sites have been widespread in the Netherlands as a consequence of steep declines in demand.

In order to regulate reductions in working time, both institutional – labour market – instruments and collective agreements at the inter-sectoral, sectoral and company levels have been employed. Workers who are – for a limited period of time – employed on shorter hours are covered by legal provisions within the framework of the law on the reduction of working time and unemployment.

The Law on Unemployment – 'Werkloosheidswet' (WW)

Public unemployment funds based on the Law on Unemployment have around €9 billion in accumulated capital. As mentioned above, the government recovery package of November 2009 made available an extra €200 million for the fund. The regulation on short-time work ('*werktijdvermindering*') that normally applies in situations of temporary crisis caused by 'force majeure' such as fire, flood, and so on, has been extended to include economic crises due to the severity of the current economic downturn. Social partner organisations in the metal sector are the first to have reached agreement to demand application of this regulation. Employers in the metal sector concur with the trade unions on the need to keep workers in employment due to the severe shortage of qualified workers. Thus, the prospect of a sudden recovery of demand has caused employers to retain employees despite temporary slack demand, provided that income losses are subsidised by public unemployment funds.

In November 2008 the Minister of Social Affairs temporarily extended the regulation on short-time work. Companies that can prove an average reduction in profits of 30 per cent – previously 20 per cent – two months before the application to introduce short-time work is made shall be entitled to access temporary unemployment funds fully or partly for a period of 6 to 24 weeks. The temporary unemployment allowance funded by the public unemployment fund represents 75 per cent of the wage in the first two months and 70 per cent thereafter (see Appendix). The trade unions have expressed their discontent that only permanent staff are entitled to temporary unemployment benefits, while temporary and agency workers are excluded. The government extended the deadline for applications for short-time work from 1 to 15 January 2009, and later on to 1 March. However, trade unions such as FNV have complained that the deadline is too restrictive and the financial resources provided by the government are not sufficient to counter a protracted crisis. Furthermore, the tight deadline for applications favours the sectors that were hit by the crisis first, such as the metal and automotive industries, and so 'discriminates' against those sectors in which the repercussions of the crisis became clear only later. By mid-January 223 applications have been admitted for a total of 340.000 hours (see Appendix).

Mobility centres

Another labour market instrument is the so-called 'mobility centre'. These centres are temporary 'internal' work agencies that make it possible to allocate temporarily unemployed workers more efficiently. One example in this regard is car producer NedCar with its '*Mobiliteits centrum Automotive*'; 85 per cent of employees threatened by unemployment have been helped to find a new job. The training of 'temporarily' unemployed workers is a long-standing trade union demand recently given new emphasis by FNV. The Minister of Social Affairs announced the establishment of regional mobility centres as soon as possible in regions with more than 150 job losses. So far, around 30 centres have been set up.

Due to the strict regulation of the application procedure concerning short-time work, based on the Law on Unemployment, adoption of temporary unemployment within companies has been comparatively slow. By early December only 10 out of 43 companies had obtained permission to apply for temporary unemployment, the majority of them from the metal industry. Corus was the first large company to apply for a temporary unemployment allowance, asking for short-time working for 6,300 workers out of 10,000. The Ministry for Social Affairs also approved the application of the truck producer DAF, the car producer NedCar (for all of its 1,500 workers) and the microchip producer ASLM (1,100 workers). Employers such as DAF, NedCar and DSM – which experienced a fall in profits of 30 per cent in December alone and are facing an acute slump in demand– exemplify the difficulties involved in proving a decline in demand before the expiry of the application period. Thus, the employers – together with the trade unions – have been pressing the government to liberalise the regulations. By mid-December, more companies – most of them small metal sector enterprises – had been granted the right to apply for temporary unemployment allowances. However, some companies, such as the transport firm VOS, were not granted ministerial approval and announced that they would therefore have to dismiss workers (for instance, 145 workers at VOS). Other recent applications are from chemical companies such as DSM and Sabic. DMS' application has been approved for its plant in Emmen but has been refused for parts of its Geleen plant. In some cases, the application for short-time work has not prevented the companies from dismissals (e.g. loss of 170 jobs at DAF). Typically, temporary and agency workers have been hardest hit by redundancies, including 1,250 agency workers laid off at DAF Eindhoven and 1,000 temporary workers laid off by microchip manufacturer ASLM.

United Kingdom: large-scale dismissals and 'voluntary' redundancies as means of reducing the labour force

The UK has been severely hit by the crisis. In the third quarter of 2008, the number of people out of work rose by 137,000 to 1.86 million, the highest level since 1997. The unemployment rate increased from 5.8 to 6 per cent (third quarter 2008, Office for National Statistics). Accordingly, the number of people claiming Jobseeker's Allowance rose by 75,000 to 1.07 million, the largest rise since March 1991. Hardest hit are the banking sector, the automotive industry, IT and communications technology, the chemical and pharmaceutical industry and the retail trade. As a consequence of the collapse of the housing market, even some public sector jobs are in danger. In January 2009 municipal councils throughout the country announced plans for a total of 7,000 redundancies.

In late December, government officials were discussing a motor industry bailout package of £667 million for companies such as Jaguar Land Rover. Trade unions, such as Unite, are pressing for a 'strategic support package' from the government that would involve direct payments to car manufacturers, and the Confederation of British Industry proposed the provision of short-term loans to troubled auto producers in order to safeguard jobs. In January, the government announced plans to set up a multibillion-pound 'special liquidity scheme' that would give finance companies linked to the auto industry access to loans from the Bank of England.

All the significant global players in the UK automotive industry – that is, Ford, GM, Toyota, Honda, Nissan, BMW and VW – are experiencing steep declines in demand. Temporary plant closures have been reported for the main car producers, as well as for suppliers. Temporary agency and fixed-term workers have been most severely affected by redundancies.

Honda plans to close its Swindon plant in February and March 2009, although the company announced that it would refrain from redundancies, instead reducing the number of working hours, for example, by means of unpaid holidays. Longer term, Honda plans to reduce its labour force via HRM programmes such as the 'Associate Release Scheme' that provides for a payout which exceeds the statutory minimum redundancy payment and six-month 'sabbaticals' via the 'Personal Development Scheme'. Likewise, GM is offering employees 'sabbaticals' on 30 per cent pay between January and September 2009 at the Ellesmere Port plant in order to avoid redundancies. The site was closed for a one-month period over Christmas (until 12 January). This measure could be extended to the Luton plant and other affiliated companies such as Saab in the UK and Opel in Europe. At Opel's Luton plant repeated halts in production were reported at the end of October and early November 2008. Production also came to a halt at Nissan Sunderland for repeated periods in December 2008 and workers have had to face income losses. Likewise, there are plans to shut down production at the Toyota Burnaston plant in the last week of February and the first week of March 2009, though the company announced that all staff will receive full pay. At BMW Oxford a break in Mini production has been reported for an extended four-week Christmas holiday period, with further shutdowns in mid-January. BMW announced that it would pay all staff at the plant the basic wage during the shutdown, including agency workers. Further BMW plants – that is, in Coleshill, Warwickshire and Swindon – were shut between 5 December and 5 January. Moreover, 290 agency workers were dismissed in January 2009. An extended Christmas break (by two weeks) until 19 January at the Aston Martin plant in Gaydon did not prevent the cutting of 300 full-time and 300 temporary jobs. Production at Jaguar Land Rover's plant in Halewood was halted in early November. Furthermore, around 850 temporary agency workers at several Jaguar Land Rover plants – Castle Bromwich, Solihull, Whitely and Gaydon – lost their jobs by the end of 2008. In January, Jaguar Land Rover announced the loss of 450 jobs, including 300 management posts, and large-scale redundancies of around 1,200 jobs were reported at Nissan's Sunderland plant.

Particularly hard hit by the crisis are car component suppliers, though job losses at these smaller – predominantly SME – companies are covered by the media only to a limited extent. One example is SDC, a car component supplier of Honda, which announced the loss of 135 permanent and 39 temporary jobs. The difficult situation of SMEs can be inferred from a survey conducted by the Federation of Small Businesses (FSB) among its members according to which an estimated 10 per cent (i.e. 500.000 members including self-employed) are planning to close for two weeks over the Christmas period.

The doubts of British trade unions concerning the effectiveness of voluntary schemes for temporary redundancies such as 'sabbaticals' have been justified in the wake of large-scale dismissals in manufacturing and services, as well as in the public sector. Due to the lack of labour market instruments for the protection of employees in times of economic crisis, in contrast to those available in countries such as Germany, France, Belgium and the Netherlands, the UK labour force – in particular, temporary workers – is vulnerable to redundancies.

Hungary: in search of measures to tackle the employment effects

Hungary is particularly exposed to the crisis because of its high level of global economic and financial integration. Apart from its high trade integration with Europe, its vulnerability is a result of its high need for external financing. Although the share of total government debt in GDP (65%) corresponds to the euro area average, this is the highest level among the new member states. It was a secondary effect of the financial crisis that a crowding-out effect of safeguarding measures applied in the West (deposit guarantees, bank rescue measures) highlighted Hungary's vulnerability and, as a result of the mounting risk aversion on the part of financial investors, Hungarian government bond markets were drying up and the national currency came under speculative attack. The IMF credit package (backed by the ECB and the European Commission) was aiming to restore the confidence of financial investors and will be used by the government according to need (partly for filling up foreign exchange reserves, partly for bank stabilisation and partly for credit schemes to SMEs). It must be added that, in contrast to the fiscal stimuli used by the US and Western Europe, Hungary was obliged (as a condition of the IMF support) to pursue further fiscal tightening and will be one of the few EU member states to remain within the Maastricht government deficit criterion in 2009.

On the basis of information provided by the Hungarian Metalworkers Union (Vasas), 1,500 employees were facing dismissal in November 2008 at enterprises where the union is present, 85 per cent of them in the automobile industry. A more general picture of company measures can be obtained through media research, as summarised in Table 1.

Work organisation measures and negotiated ways of managing the crisis are characteristic more of large (multinational) companies with a trade union presence, workers' participation and collective agreements. Even in these cases dismissals take place, mostly involving those in precarious employment. The situation is much more difficult at SMEs, which do not have the resources, institutional or otherwise, to cushion the effects of the crisis. For example, most firms in the Pannon Automobile Cluster (PANAC), which includes 450 automobile suppliers (around 300 of which are Hungarian SMEs), do not have the flexibility or financial means to cope with production breakdowns and bottlenecks and cannot afford production to lay in stock. Several thousand workplaces are under threat in this segment. In response, the Hungarian government has developed a special subsidy programme to help finance such SMEs with targeted credit schemes.

The case of the Suzuki car factory in Esztergom, North Hungary, should be mentioned separately because of the controversial measures it has adopted to cope with the crisis. Already 1,200 workers – out of 5,523 – have been dismissed. Initially, 320 workers on probation were made redundant; the number of shifts was reduced from three to two, production will be terminated on Saturdays and night shifts cancelled. The next phase of lay-offs focused on temporary agency workers, in respect of whom the trade unions have no influence whatever.

The most controversial measure applied by Suzuki, however, was as follows. In connection with the reduction of the number of shifts from three to two, the company announced the termination of the company bus service that transported commuter workers distances greater than 30 kilometres. At the same time, it offered the affected employees a three month bonus payment if they accepted voluntary departure. Thirteen bus transfers in Hungary and twelve bus transfers from Slovakia were stopped. Eight hundred employees accepted redundancy, mostly Slovakian guest workers.

Table 1: *Company measures in response to the economic crisis, Hungary*

Company	Measure	Dismissal (Number of employees)
Audi Gyõr (Western Hungary)	4 weeks' temporary closure at the end of 2008, use of internal WT flexibility, supported by CA	40 temporary agency workers dismissed
GM Opel, Szentgotthard (Western Hungary)	3-week production stoppage (conditions negotiated)	40 temporary agency workers laid off
Suzuki, Esztergom, North Hungary	longer Christmas break (20 December–5 January); reorganisation of shift work (3 shifts>2 shifts)	Dismissals in stages: – 320 workers on probation – temporary agency workers – commuters given opportunity to quit voluntarily
Michelin tyres, Budapest	Longer Christmas break (from 19 December)	No lay-offs
Michelin, Eastern Hungary plant	Longer Christmas break (from 13 December)	All temporary agency workers laid off
Nokia, (Komárom), mobile phones	8-day Christmas break, unilateral rescheduling of holidays	Temporary agency workers laid off
Perlos (Nokia subcontractor)		500 temporary agency workers laid off Full closure announced for mid 2009
Foxconn (Nokia subcontractor)		1,000 temporary agency workers laid off
Raba Gyõr Truck company		260 employees laid off
Robert Bosch, Hatvan (Eastern Hungary)		100 employees laid off
Shinwa (Eastern Hungary), car parts supplier		100 employees laid off
Videoton, Hungarian electronics, auto part division		250 workers laid off (150 to follow soon); plans partial relocation to the East
Dunaferr Steel Company		200 temporary agency workers laid off

Source: www.napi.hu; www.index.hu; Hungarian Metalworkers Union (Vasas).

In the electronics sector, Nokia, the biggest mobile phone manufacturer, has cut back production and laid off a small number of temporary agency workers at its major European manufacturing plant in northern Hungary. Component manufacturers, mostly suppliers for Nokia, have cut employment more drastically and one of them – Perlos – has announced the closure of its production unit in Hungary by mid 2009.

On the other hand, in some cases the crisis has not affected Hungarian plants negatively; on the contrary, the parent companies' cost saving measures have led to job creation.

Electrolux, the household electronics company, has announced 3,000 job cuts worldwide, but has expanded production in Hungary, by 200 at one plant and by 130 at the other.

Daimler will press on with its planned establishment of a new Mercedes factory in Kecskemét (Eastern Hungary) in accordance with its plan to produce low emission small Mercedes vehicles of classes A and B, at a time when production is being cut in Germany.

Although no specific labour market policy instrument is currently available in Hungary to tackle the specific labour market challenges of the current crisis, the Labour Ministry has developed a plan to introduce such an instrument on the basis of Western examples. The idea is to reform the employment creation pillar of the Labour Market Fund (used to subsidise firms that make major investments involving job creation) and to develop a pillar for the 'maintenance of employment'. Companies applying for this support could run their production on a four-day-week basis, wages for the fifth day being financed by the Labour Market Fund (see Appendix).

Czech Republic: radical employment cuts in the automobile industry

The Czech Republic has a large industrial base that is fully integrated in the European economy and is thus greatly dependent on the economic cycle in Europe, especially in Germany. Even so, the sudden breakdown of industrial production in November 2008 was a surprise. The 17.4 per cent year-on-year fall in industrial production registered in November 2008 was among the highest in Europe. In response, companies have applied radical measures, with dismissals the dominant method.

Czech automobile firms are to lay off 13,550 employees in the near future, that is, 10 per cent of all employees in the branch, as revealed by a survey of 160 companies conducted by the Czech Automobile Employer Federation (SAP) in November 2008. It shows the rapid deterioration of the situation that SAP estimates a month before were as low as 3,000 (Mlada Fronta Dnes, 2008).

Despite the lay-offs, total automobile production will increase in the Czech Republic in 2009, as Hyundai started production at its new factory in October 2008 and plans to produce 300,000 cars a year.

Skoda Auto Company (Mlada Boleslav), with a total workforce of 20,000, has been most severely hit by the crisis. Skoda implemented a production break between 20 December and 5 January and a four-day week will remain in effect until June 2009. Furthermore, 1,500 temporary agency workers were dismissed, with further dismissals involving 2,000 workers from January 2009, mostly temporary agency workers and migrant workers, the majority of the latter coming from Poland (www.lidovky.cz).

On top of this, the Arcelor Mittal Steel Plant made 1,200 employees redundant, and Tatra Truck Company laid off 820 employees.

Slovakia: relying on market forces to fend off the more limited employment effects

Slovakia has been one of the fastest growing EU member states in recent years and with a well balanced macroeconomic situation has good prospects of remaining on a growth trajectory, albeit at a much more moderate pace. Where the country is vulnerable, however, is in its ‘mono-industrial structure’ heavily based on the automobile industry.

The car industry is fully exposed to the crisis and its large share of the Slovak economy may jeopardise economic output and employment overall. The country hosts three major car producers: Korea’s Kia, France’s Peugeot-Citroen and Germany’s Volkswagen.

No wonder that the negative effects of the worldwide economic crisis are becoming apparent in Slovakia’s overall economic performance. Industrial production stagnated in the third quarter, while in October it fell significantly below the projected 4 per cent growth. The number of unemployed has started to grow, especially in export-oriented sectors.

According to the Slovakian Automotive Industry Association (ZAP) the total output of the three Slovakian automobile factories will reach 600,000 cars in 2008 instead of the planned 675,000. This still represents an increase on the previous year, however, when 565,000 cars were produced (www.ujszo.com).

Larger companies have made an effort to overcome the crisis without major labour reductions and have implemented measures to increase internal flexibility by means of reduced working time and a higher share of part-time labour. Where there are redundancies, early retirement is still used as a buffer.

Volkswagen Bratislava, the largest automobile producer in the country, is exposed to parallel effects of a different kind. Production was cut back in 2008: according to estimates, instead of the 240,000 vehicles produced in 2007 only around 200,000 will be assembled in 2008. The company has already announced the laying off of most of its temporary agency workers and offered a voluntary redundancy scheme for regular employees. 300 employees opted for this formula, as the compensation of – on average – six months salary goes well beyond the mandatory severance pay.

One positive development is that Volkswagen announced the commencement of production of a new small Volkswagen model, the ‘Up’, at the Bratislava plant, creating 760 new workplaces. The Slovakian government has agreed a subsidy of €14.3 million for Volkswagen for employment creation.

At the same time, Skoda announced that the number of Octavias assembled at the Bratislava plant would be reduced by half. Assembly of this model was partially moved to Bratislava in May 2008 when the Czech plant was not able to cope with the high demand for these cars.

It is still uncertain what the overall effect of these changes will be on output and employment levels at the Bratislava plant. The current economic crisis requires considerable flexibility, so far achieved through a combination of working time flexibility and the laying off of temporary agency workers.

PSA Peugeot-Citroen expects to produce 200,000 vehicles in 2008, compared to 180,000 in 2007. They do not plan dismissals but their French subcontractor Faurecia, also based in Slovakia, has laid off 70 workers.

KIA Motors Slovakia in Zilina announced in November that they had not been affected by the crisis, but by December it had become clear that a downward correction of annual output was unavoidable. Dismissals were not planned, however.

Five automobile part suppliers near Bratislava announced total dismissals of 445 persons due to falling orders. Car suppliers in the Nitra region also informed the local labour office of the dismissal of 400 employees.

Besides the limited number of lay-offs no other measures have been taken in Slovakia so far. There is no specific labour market policy instrument to support flexible working time arrangements by companies (see Table 4). There seems to be a consensus among the major policy players in Slovakia that the effects of the crisis remain limited and labour market tensions can be tackled within the framework of normal labour market fluctuations, without the need for specific instruments.

The Slovakian Metalworkers Union Kovo does not see the need for any special measure either, though they have announced that they would be pursuing a wage moderation strategy. The trade union's priority is to maintain existing employment rather than to seek wage increases. However, they do expect wages to increase to compensate for the expected 3 per cent inflation.

Poland: no specific measures to deal with the employment effects of the crisis

According to the Polish Statistical Office (GUS) 236 Polish enterprises had announced dismissals by November 2008, affecting a total of 15,600 workers. This compares to 133 enterprises laying off 5,800 people the previous year, clearly showing the impact of the economic crisis on employment.

After a huge wave of employment creation in 2006–2007, today the employment trend is downwards. Even so, limited employment creation through the relocation of production from Western Europe continues. Bosch created 40 new workplaces near Poznan by setting up a new plant to produce construction materials. The Japanese NIDEC group is establishing a new production unit with 500 workplaces to produce automobile parts and will receive an employment creation subsidy from the Polish state. British Cadbury is extending employment in Skarbimierz by 300, and another production site is under construction to employ 350 workers.

The Polish automobile industry finds itself in a deepening crisis due to the sharp decline in external demand. Domestic demand for cars was still dynamic as new car sales in Poland were still 12.3 per cent higher in October 2008 than a year before. This cannot counterbalance the dramatic effect of falling external demand, however. Polish automobile manufacturers have commenced negotiations with the government to explore the kinds of crisis support they might receive to stabilise employment. In October 2008 the number of assembled cars was 17 per cent lower than the previous year. In the case of Opel Gliwice, production was reduced by 60 per cent in October, while a reduction of 50 per cent was recorded at FSO Warsaw, which assembles Chevrolet Aveo cars.

Opel, VW Poznan and MAN in Niepolomice announced temporary shutdowns of production at the end of 2008. MAN has also laid off 150 employees. Table 2 summarises the most recent dismissals announced by companies on the basis of Polish media reports.

Table 2: *Dismissal plans of major Polish enterprises, November 2008*

Arcelor Mittal Poland	1 000 (at four steel mills)
Kety aluminium group	300
Konin aluminium mill	350
Amica Wronki household electronics, Konin	200 (8%)
Bank Handlowy	500 (8%)
Boryszew chemical company	680 (58%)
Optimus computer producer	50 (80%)
FLT Krasnik metal company	370
Krossglas Krosno glass fibre	150 (out of 300)
Inwroclaw glass works	350
Irena steel mill	70% (out of 500)
Szopenice (Hutmen) steel mill	355 (100%)
Teresin international automotive components group	240
MAN Truck Company Niepolomice	150 (out of 550)
Mewa (clothing)	98 (48%)
Paged furniture Jasienica	700
Ruch publishing company	570 (10%)
Remy Automotive Swidnica	360 (closure)
Tele-Fonica Cables Krakow, Myslenice, Szczecin, Bydgoszcz	900
Telekomunikacja Polska	4 900 out of 26 000 (until 2011)
Orzel textile company	250 (38%)
Prochnik Lodz textile company	105
Whirlpool household electronics Wroclaw	395 (out of 2 600)
Wielton car parts, Wielun	200 (23%)
Wistil (textiles)	130 (20%)

Source: www.rzeczpospolita.pl; www.parkiet.com.

Internal labour market flexibility is very limited in Poland; neither collective agreements nor labour market policy instruments can tackle major demand shocks and related changes in working time arrangements. Working time accounts exist only at a few enterprises and can deal only with smaller fluctuations in working time. Collective agreements, if they exist, are valid for longer periods and cannot respond to short-term changes.

The trade unions are not were not fully aware of the magnitude of these problems sofar. Their major preoccupation in 2008 concerned proposed government changes to early retirement schemes. No labour market policy measure – for example, shortened working time – exists to tackle crisis situations (see Appendix).

Individual, one-off solutions based on deals with the government or local authorities might emerge as solutions of last resort, which was the previous practice with traditional ‘crisis industries’ (steel, coal mining, ship building).

Romania: a fragmented picture

The Dacia factory instigated a one-month temporary closure from 15 December 2008 until 12 January 2009. However, this was extended until 8 February 2009. Employees will receive 85 per cent of their wages during this period.

For the first time foreign investors in a CEE new member state have asked for a state credit guarantee. Ford and Renault asked the Romanian state treasury to grant a state guarantee of €500 million to safeguard their investment in Romania.

Ford acquired a 72.4 per cent share in the former Daewoo Car Plant in Craiova for €57 million and committed themselves to a €675 million investment to modernise the factory. For this purpose Ford has asked for a €400 million guarantee from the Romanian state.

Renault has asked for a €100 million credit guarantee for its research and development unit to be established in Titu near Bucharest, providing employment for 3,000 engineers.

Bulgaria: the first signs of the crisis

Bulgaria has been affected by the crisis to a limited extent up until now. It was not until November 2008 that the government admitted that the crisis had reached Bulgaria.

Although unemployment was still low (5.85 per cent) in October, forecasts predict at least 7 per cent for 2009 (not ruling out a level of even 12 or 13 per cent). It is widely assumed that the crisis will hit the real sector most severely by spring 2009. Exporting sectors are the first to show symptoms of crisis (two thirds of Bulgarian GDP comes from exports) and, as an early sign, industrial production fell by 1,9 per cent in October (compared with a year before), the most exposed sectors being metallurgy, machinery, mining, chemical and textile industry.

Company dismissals have been reported in a few cases and in limited numbers up till now.

The trade union, KNSB has developed a proposal for a national anti-crisis programme with proposed supporting measures for a sound financial system, for fighting the grey economy and stimulating the real sector, for more efficient use of the European funds, for increasing employment security and purchasing power and for widening social protection measures. Under this proposal, KNSB requires that companies should be obliged to agree on a social package, whereas the state should install programmes to support households heavily affected by the crisis.

The government has accepted a programme of employment protection for companies affected by the financial and economic crisis to become effective from April 2009. The programme is designed to offer financial support to companies that retain their workers by reducing working hours rather than resorting to redundancy measures. It is expected that 100 000 workers will remain in employment thanks to this initiative.

4. Conclusions

Plant-level responses to the steep decline in demand due to the economic downturn are highly diverse. They include both collective bargaining and specific labour market measures financed by public unemployment schemes.

The main distinction can be drawn between instruments that ensure a high degree of 'internal flexibility' within the company with regard to the reduction of working time (such as flexible working time accounts), and instruments anchored in the legal-institutional framework of labour market organisation, such as short-time working. The existence of an inclusive multi-level system of collective bargaining is an important condition for the adoption of comprehensive company/plant-level agreements on the flexibilisation of working time and can thus be responsive to short-term challenges.

We can also conclude that in countries where targeted labour market policy instruments have existed to tackle specific labour market transition events – for example reduced working hours or prolonged periods of inactivity – it was possible to adapt them at short notice to fend off rapid developments.

From the country case studies we can infer that both collective bargaining and institutional labour market instruments aimed at cushioning the negative wage impacts of working time reductions or long periods of inactivity coexist in the countries under consideration. For instance, in Germany collective agreements at sectoral – for example, the metal sector agreement on working time – and plant level (working time accounts) complement one another and are backed by state wage subsidies for employees working shorter hours than usual. The same holds true for France, Belgium and the Netherlands, with the difference that in the latter two countries in particular workers are suffering more severe income losses because state subsidies for short-time work are either more difficult to access or cover a smaller part of compensation.

Furthermore, in those countries where the instrument of short-time working is an established feature of labour market regulation (originally intended for certain groups of workers, for example, construction and seasonal workers) its extension has been more rapid and comprehensive in response to the current crisis (for example, in terms of duration of entitlement, higher rates of payment, inclusion of certain types of employees). For instance, in Germany and France the social partners have successfully pressed their governments to include agency workers in short-time work regulation arrangements.

The UK, where no legal provisions for short-time work exist, stands out. Due to the highly decentralised and voluntary system of collective bargaining, the 'internal flexibility' of companies in both manufacturing and services is limited as regards working time reductions in response to the crisis. As a consequence, there have been large-scale redundancies.

Generally, plant-level responses in the new member states have involved more drastic measures in manufacturing than in most Western European companies. Low levels of unionisation and collective bargaining coverage mean that it is often not possible to deal with the challenges of the crisis on the basis of collective negotiations as a broad measure for the whole economy, not to mention manufacturing. Collective agreements, even where they exist in the new member states, do not have sophisticated instruments for flexible working time arrangements with the scope necessary to handle the serious downturns facing most companies. At best, they can cushion an initial period, as the examples of some affiliates of European multinationals in Hungary showed.

There is no specific labour market policy tool in operation to handle the crisis in the new member states. Instruments such as shortened working time are not available in these countries. In Hungary and in Bulgaria there are however plans to implement a measure similar to the German '*Kurzarbeit*'.

There is a clear divide between large enterprises and SMEs, both in Western Europe and – in particular – in the new member states. Large enterprises with more resources and internal flexibility are in general better equipped to fend off sudden external shocks, while SMEs are more likely to implement redundancies.

Affiliates of multinationals in the new member states tend to use more differentiated measures and have more sophisticated human resource policy options. Large enterprises, including domestic ones, have higher unionisation rates and works councils (Hungary, Czech Republic and to some extent Slovakia) and tend to have collective agreements. These agreements tend to be weak, however, with little effect on management decision-making, only on their implementation.

In the new member states – even at large enterprises – and in the UK, measures for internal flexibility have remained limited and were applied only in the initial phase of the crisis. In the absence of specific labour market policy instruments, in the case of temporary production breaks company resources were used mostly on the basis of unilateral management decisions. However, even large enterprises have introduced redundancies, in different stages. This is regulated by the Labour Code and subject to negotiations with works councils and/or trade unions, provided representation exists and a collective agreement is in effect. Redundancies have been concentrated on vulnerable employee groups, as temporary agency workers, fixed-term contract employees and migrant workers.

The dichotomy of collective bargaining and legal provisions for short-time working also applies to different types of employee, such as regularly employed workers and temporary and agency workers. Although empirical evidence shows that temporary workers are more subject to redundancies, in countries where there are extensive legal provisions for short-time workers, agency workers also fall under these regulations (for example, Germany and France). The situation of agency and temporary workers is particularly precarious in countries where institutional arrangements for short-time work are lacking.

But it must be doubted that the negotiated and labour market policy measures presented here are satisfactory to prevent massive redundancies among all groups of employees in the longer term, as the crisis deepens across Europe.

Appendix

Regulations, agreements and HRM measures on the reduction of working time (predominant measure in bold)

Country*; level of intervention	Measures and eligibility	Compensation	Procedure	Number of employees affected (by predominant measure)
Germany				
Labour market policy instruments (public agency: BAA - Bundesagentur für Arbeit)	**'Considerable' reductions in working time due to:** • **economic reasons** • **structural changes within the company** • **unavoidable one-off events (for example, weather, government measures)**	**State-funded compensation of income losses in proportion to regular working hours; all *social security entitlements* remain intact.** **In case of *total inactivity* state-funded payments according to family status (one or more children belonging either to the employee affected or their partner):** • **67% of last monthly net wage** • **60% of last monthly net wage**	**Registration at the BAA** ***Periods of entitlement for payments*:** • **usually 6 months** • **in case of exceptional conditions in certain sectors/regions 12 months** • **in case of exceptional conditions affecting the entire labour market 24 months** • **1 July–31 December 2008: 12 months** • **1 January–31 December 2009: 18 months**	***October 2008*:** **51,667 persons on short-time work (excluding construction and seasonal workers)** ***November 2008*:** **136,768;** ***December 2008*: 294,713 (preliminary data)**
Collective Bargaining (CB)	e.g. sector agreements on working time (WT), company agreements on the flexibilisation of WT (time banks, WT accounts)			
Human resource management measure (HRM)	e.g. qualification measures for employees on short-time work;			

Country*; level of intervention	Measures and eligibility	Compensation	Procedure	Number of employees affected (by predominant measure)
France				
Labour market policy instruments (public agency: DGEFP, Assedic)	• **economic downturn** • **restrictions in supply of primary products and energy** • **exceptional events involving damage or loss** • **restructuring and modernisation of company** • **other exceptional circumstances**	**State-funded payments for *lost working hours* (per employee for *600–800 or 1,000 hours*):** • **€2.44/€3.64 from 1 January 2009) for companies with 250 employees or less** • **€2.13/€3.33 (2009) for companies with more than 250 employees** ***Minimum payments*:** • **50% of hourly gross wage, min. €4.42/hour (Collective agreement February 1968 for sectors such as commerce, industry)** • ***1.1.2009*: 60% of hourly gross wage, min. €6.84** • **80% of hourly gross wage in the chemical industry** • **60% of hourly gross wage at Renault** • ***Bonus payments* for annuality or posted work are *excluded* from state-funded compensation payments**	**After consulting employee representatives the company has requested funds from the Department for Employment and Vocational Training (DDTEFP)** **In case of *total inactivity* for a period *exceeding 4 weeks/6 weeks (2009)*, payments are made by the unemployment insurance agency Assedic** **2009: Also *part-time workers* (working less than 18 hours/week on average) are entitled to partial unemployment payments**	***3rd trimester 2008*: 912,000 persons in partial unemployment, not looking for another job; 40,000 persons in full-time or partial employment, involuntarily working fewer hours than usual (INSEE, preliminary data)**
CB	e.g. framework agreement on the 35-hour working week (1999), company/plant-level agreements on the flexibilisation of working time, such as *working time accounts*			

HRM	e.g. provisions for voluntary departures in social plans, qualification measures for employees on short-time work;			
Belgium				
Labour market policy instruments (public agency: ONEM – Office national de l'emploi/ RVA – Rijksdienst voor arbeidsvoorziening)	• **temporary unemployment for *economic reasons* which preclude the maintenance of the working rhythm (specific regulations for certain sectors such as construction, Horeca);** • **for *blue-collar workers* only**	***Maximum duration* of temporary economic unemployment:** • ***4 weeks* in case of *total suspension* of the labour contract** • ***Maximum of 3 months* for *reduced working time* (less than 3 days/week or less than 1 week/15 days)** • ***longer* than *3 months* (*de lege*, for an unlimited duration) whereby the reduced working time regime has to ensure at least 3 working days/week, or more than 1 working week/15 days** ***Rates of payment* for temporary economic unemployment, funded by the National Labour Office:** • ***from 2009 onwards (based on the new 'Interprofessional Agreement 2009–2010')*:** **- 75% of the maximum wage, not exceeding €2,206/month (for single-earners with/without children) for the first six months of economic unemployment, and €2,056/month for the following**	***Employers* have to *communicate* their intention of using the measure of temporary unemployment to *workers*, the *National Employment Office (ONEM/RVA)*, and the company's *codetermination and employee participation* bodies** **In return, the *workers* have to *inform the organs responsible for making payments*, namely *CAPAC/HVW* (agency for the payment of temporary unemployment benefits) or the *trade union*** **2009: *temporary agency workers* are also entitled to partial unemployment payments**	**By 31 October 2008:** **118,318 persons in temporary unemployment, an increase of 24.3% since October 2007 (ONEM/RVA)** **By end of November 2008 176,223 persons in temporary unemployment**

Country*; level of intervention	Measures and eligibility	Compensation	Procedure	Number of employees affected (by predominant measure)
		six months. After one year of economic unemployment the maximum is €1,921/month. **- 70% of the maximum wage, not exceeding €2,206/month (for double earners without children) for the first six months of economic unemployment, and €2,056/month for the following six months.** **After one year of economic unemployment the maximum is €1,921/month**		
CB	e.g. sector agreements on working time (WT) and pay, company agreements on the flexibilisation of WT (time banks, WT accounts)			
HRM	e.g. qualification measures for workers employed under *occupational transition contracts* (CTP)			
Netherlands				
Labour market policy instruments (public agency: Ministry of Social Affairs	**Law on Unemployment 'Werkloosheidswet' (WW):** • **normally only for temporary crisis situations caused by 'force majeure', such as fire,**	***Rates of payment* for temporary unemployment:** • **For the *first two months, 75%* of the wage, *70%* for subsequent months up to a *maximum of***	**Deadline for companies to submit *applications* extended from 1 January to 1 March 2009.** **Companies that are granted**	**By 31 December 164 applications had been made for a total of 260,217 working hours** **By 15 January 223 applications**

and Employment)	**flood, and so on** • **now extended to include *economic crises* – companies have to prove that they have suffered a 30% decrease in profits due to the crisis over the last two months** • **valid only for permanent workers, not for temporary and agency workers**	***€183.15* daily wage. This percentage is independent of allowances paid to partners** • **An employee is entitled to a WW benefit for a *maximum of 24 weeks*. However, if an employee is dismissed, his or her WW benefit rights will be reduced by the period during which he or she benefited from it before dismissal**	**permission to use this regulation can request a WW allowance for the lost working hours of their permanent staff** **Application of this extended short-time work regulation can be made from 5 January onwards.**	**had been made, for a total of 340,000 hours.**
CB	Sector agreements on working time (WT) and pay, company agreements on the flexibilisation of WT (time banks, WT accounts)			
HRM	e.g. training measures for workers in temporary unemployment			
United Kingdom				
Labour market policy instruments (no public agency involved)	Specific labour market policy instrument: No such instrument (such as public subsidies for shortened working time) is in effect			
CB	Company agreements on the flexibilisation of WT (time banks, WT accounts)			
HRM	• **Voluntary redundancy schemes** • **'sabbaticals' as a voluntary**	**Such schemes could provide for**		

Country*; level of intervention	Measures and eligibility	Compensation	Procedure	Number of employees affected (by predominant measure)
	measure for employees • **Lay offs of temporary agency workers, contract workers** • **Finally, lay offs of regular employees**	**payout which exceeds the statutory minimum redundancy payment, e.g. at Honda** **Reduced pay, e.g. 30 per cent of regular salary at Honda**		
Hungary				
Labour market policy instruments (no public agency involved)	Specific labour market policy instrument: No such instrument (such as shortened working time support) is in effect Credit subsidy for SMEs affected by bottlenecks	The Labour Ministry plans to remodel its ‘employment creation subsidy’ instrument as an ‘employment maintenance subsidy’ to support firms experiencing a temporary fall in demand. The idea is that the company would pay four days’ wages, the fifth day being covered by the Labour Market Fund up to 75 per cent of regular pay Credit access to manage the continuity of operations in order to prevent sudden breakdowns and dismissals	According to plan, application for the scheme at the Labour Ministry	
CB	Company agreements on WT flexibilisation (see below)			
HRM	**Eliminate overtime, use working time reduction in the form of internal working time flexibility (working time accounts, where they exist)**	**Loss of variable elements of pay** **Usually basic pay without supplements paid by the enterprise, terms negotiated with works councils**		Limited scope, characteristically in the initial phase of the crisis, used by large multinational companies, with trade union representation and collective

	• **Work organisation measures (for example, shift work, often in combination with the laying off of temporary agency workers),** **Temporary production stop, at a considerable number of large multinational enterprises (characteristically from 1 to 4 weeks** **- HR policy of voluntary redundancy schemes** **- Lay offs at different stages and by different methods:** **- Lay offs of temporary agency workers, contract workers, migrant workers** **Finally, lay offs of regular employees**	**and trade unions** In case of voluntary redundancy, severance pay or other compensation higher than stipulated by the Labour Code, will be offered, negotiated or as unilateral management offer		agreements (Audi, Nokia) Used by large enterprises (Audi, Nokia, Suzuki) Used by Suzuki, unilateral measures. **The first step taken by enterprises when facing signs of crisis** **Last resort at large enterprises, common practice among SMEs**
Czech Republic				
Labour market policy instruments (no public agency involved)	Specific labour market policy instrument: no such instrument exists (and there are no plans to introduce one)			
CB	Company agreements on WT flexibilisation (see below)			

Country*; level of intervention	Measures and eligibility	Compensation	Procedure	Number of employees affected (by predominant measure)
HRM	• Eliminate overtime, use working time reduction in the form of internal working time flexibility, used in a few cases in initial phase of crisis (sporadic and limited use) • Temporary production stop, • **Dismissals at different stages:** **- temporary agency workers** **- migrant workers** **- regular workers**	Loss of variable pay elements From company resources, terms in certain cases negotiated with unions **Labour Code regulations on notification periods and severance pay apply** **Collective agreements might go above the mandatory levels**		**Multinational enterprises, mostly in the automobile and steel industries** **The dominant method adopted by the majority companies to deal with the crisis**
Poland				
	Specific labour market policy instrument: no such instrument exists (and there are no plans to introduce one)	At the same time, ad hoc subsidies may be used by the state to tackle local employment crises		
CB	See above (HU, CZ)			
HRM	**As regards company measures the same applies as for the Czech Republic, with the difference that the influence of trade unions is weaker** **However, the effects of the crisis are more dispersed**			

Slovakia				
Labour market policy instruments (no public agency involved)	Policy actors see the crisis as having a limited effect on Slovakia: No special instrument needed, labour market tensions can be absorbed by the economy			
CB		The Metalworkers Union (KOVO) is pursuing a policy of wage moderation in order to maintain jobs		
HRM	• Eliminate overtime, use working time reduction in the form of internal working time flexibility. • Temporary production stop **HR policy of voluntary redundancy schemes**	 Variable pay elements lost On average, six month pay		Used in a few cases in initial phase of crisis (sporadic and limited use) Large multinationals Volkswagen Bratislava
Bulgaria				
	Although no specific labour market policy instrument in effect, government decision had been made to introduce such a measure from April 2009	Government support to companies introducing shortened working time in order to save workplaces (in effect from April 2009).		

References

Balzli, B. et al.(2008)'Der Bankraub', Der Spiegel' , (47), 44-80.
European Commission (2008a): Economic forecast spring 2008, European Economy: 1, Luxembourg, Office for Official Publications of the EC.
European Commission (2008b) Economic Forecast autumn 2008, European Economy. No. 6, Luxembourg: Office for Official Publications of the EC.
European Commission (2008c): AMECO online data basis, Brussels.
European Commission (2009): Interim Forecast, January, Brussels.
Mlada Fronta Dnes 2008: Czech Daily, November 2008, Prague.
The Economist (2008) Global finance. Moment of truth', 11th October, 83.
van den Burg, I and P. N. Rasmussen (2007): Hedge funds and private equity - A critical analysis, Brussels: Socialist Group in the European Parliament.
Watt, A. (2008) The economic and financial crisis in Europe: addressing the causes and the repercussions European Economic and Employment Policy Brief, 3, Brussels: ETUI-REHS.

Media Research (search for online and paper-version publications from 1 December 2008 to 15 January 2009)

Focus (Germany):

http://focus.de/karriere/perspektiven/branchen/autobaue-zwangspause-fuer-angestellte_aid_344294.html

http://focus.de/finanzen/boerse/finanzkrise/autobranche-krise-weitet-sich-aus_aid_344225.html

http://focus.de/finanzen/boerse/finanzkrise/autoindustrie-bosch-plant-kurzarbeit_aid_344049.html

http://focus.de/finanzen/news/stuttgart-arbeitsplatzabbau-bei-mercedes-nicht-ausgeschlosses-_aid_342191.html

http://focus.de/finanzen/boerse/finanzkrise/finanzkrise-kurzarbeit-fuer-3500-bosch-mitarbeiter_aid_345779.html

http://focus.de/auto/news/wirtschaft-keine-kurzarbeit-oder-entlassungen-in-deutschland_aid_349192.html

http://focus.de/auto/news/produktion-auch-bei-porsche-stehen-die-baender-still_aid_351244.html

http://focus.de/finanzen/boerse/finanzkrise/autobauer-produktionsstop-und-zwangsferien_aid_351197.html

http://focus.de/finanzen/boerse/aktien/autokrise-daimler-mitarbeitern-droht-kurzarbeit_aid_351650.html

http://focus.de/finanzen/news/autobauer-konzern-chefs-flehen-um-finanzspritzen_aid_353277.html

http://focus.de/finanzen/boerse/finanzkrise/wirtschaftskrise-fuer-die-deutsche-autoindustrie-wird-es-eng_aid_353610.html

http://focus.de/finanzen/news/autokrise-bmw-und-daimler-fahren-produktion-weiter-zurueck_aid_354028.html

http://focus.de/auto/news/zulieferer-zulieferer-zf-sieht-krise-als-chance_aid_355164.html

Spiegelonline (Germany)

http://www.spiegel.de/wirtschaft/0,1518,585272,00.html

http://www.spiegel.de/wirtschaft/0,1518,586765,00.html

http://www.spiegel.de/wirtschaft/0,1518, 591407,00.html

http://www.spiegel.de/wirtschaft/0,1518,592683,00.html

http://www.spiegel.de/wirtschaft/0,1518,592821,00.html

http://www.spiegel.de/wirtschaft/0,1518,595030,00.html

http://www.spiegel.de/wirtschaft/0,1518,595509,00.html

http://www.spiegel.de/wirtschaft/0,1518,595889,00.html

http://www.spiegel.de/wirtschaft/0,1518,595994,00.html

http://www.spiegel.de/wirtschaft/0,1518,596193,00.html

Frankfurter Allgemeine Zeitung (Germany)

http://www.faz.net/IN/INtemplates/faznet/default.asp?tpl=common/zwischenseite.asp&dox={C27D0758-D041-FFFB-9D37-94AC919D31A4}&rub={58241E4D-F1B1-4953-8ABC-24D0E82A6266}

http://www.faz.net/IN/INtemplates/faznet/default.asp?tpl=common/zwischenseite.asp&dox={3849D044-1F04-3233-CBAD-A2D0EDFF64C4}&rub={1C361F33-FC40-4444-A08B-1CFAE205D3E4}

http://www.faz.net/IN/INtemplates/faznet/default.asp?tpl=common/zwischenseite.asp&dox={71EFB624-B949-CCC5-7FB0-0841260711A0}&rub={1C361F33-FC40-4444-A08B-1CFAE205D3E4}

http://www.faz.net/IN/INtemplates/faznet/default.asp?tpl=common/zwischenseite.asp&dox={851C1570-75C5-7328-E75A-278F698318DC}&rub={1C361F33-FC40-4444-A08B-1CFAE205D3E4}

Manager-Magazin (Germany)

http://www.manager-magazin.de/unternehmen/artikel/0,2828,585275,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,587796,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,591404,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,592682,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,593133,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,593479,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,594163,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,594500,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,594904,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,595859,00.html

http://www.manager-magazin.de/unternehmen/artikel/0,2828,595929,00.html

Die Zeit (Germany)
http://www.zeit.de/online/2008/47/daimler-kurzarbeit

Handelsblatt (Germany)
http://www.handelsblatt.com/unternehmen/industrie/schaeffler-faehrt-die-kosten-runter;2069572

http://www.handelsblatt.com/unternehmen/industrie/mercedes-plant-offenbar-sparprogramm;2090245

http://www.handelsblatt.com/unternehmen/industrie/kurzarbeit-bei-daimler-weitet-sich-aus;2098790

http://www.handelsblatt.com/unternehmen/industrie/erst-kurzarbeit-bei-continental;2100977

http://www.handelsblatt.com/unternehmen/industrie/man-kappt-produktion-aber-keine-Entlassungen;2102371

http://www.handelsblatt.com/unternehmen/industrie/man-chef-fuerchtet-lange-krise;2102618

http://www.handelsblatt.com/unternehmen/industrie/opel-mitarbeitern-drohen-gehaltskuerzungen;2103104

http://www.handelsblatt.com/unternehmen/industrie/ig-metall-autokrise-kleiner-als-in-usa-;2103319

http://www.handelsblatt.com/unternehmen/industrie/auto-rise-zwingt-rheinmetall-zum-sparen;2103835

http://www.handelsblatt.com/unternehmen/industrie/bmw-macht-stammwerk-fuenf-wochen-dicht;2104563

http://www.handelsblatt.com/unternehmen/industrie/zf-leidet-unter-der-autokrise;2107605

http://www.handelsblatt.com/unternehmen/industrie/thyssen-krupp-plant-kurzarbeit;2107912

http://www.handelsblatt.com/unternehmen/industrie/bayer-mit-rueckgang-in-der-kunststoffsparte;2108423

Süddeutsche Zeitung (Germany)
http://www.sueddeutsche.de/muenchen/916/315804/text

http://www.sueddeutsche.de/wirtschaft/631/316513/text

http://www.sueddeutsche.de/wirtschaft/532/449262/text

http://www.sueddeutsche.de/wirtschaft/585/450307/text

Der Standard (Austria)
http://derstandard.at/druck/?id=1227287241151

http://derstandard.at/druck/?id=1225358912201

Le Monde (France)
Le Monde, 29 November 2008, 'Le chômage repasse la barre symbolique des 2 millions'.

La Tribune (France)
http://www.latribune.fr/actualites/economie/france/20081127trib000315054/chomage-en-france-la-liste-des-fermetures-provisoires-ou-definitives-de-sites-sallonge.html

Le Point (France)

http://www.lepoint.fr/actualites-economie/le-retour-du-chomage-partiel/916/0/297121

http://www.lepoint.fr/actualites-economie/psa-peugeot-citroen-supprime-3-550-emplois/916/0/293180

http://www.lepoint.fr/actualites-economie/renault-freine-encore-sa-production/916/0/292100

http://www.lepoint.fr/actualites-economie/l-industrie-automobile-touchee-de-plein-fouet-par-la-crise/916/0/286497

Le Figaro (France)

www.lefigaro.fr/societes/2008/12/06/04015-20081206ARTFIG00798-l-automobile-francaise-en-hibernation-forcee-.php

www.lefigaro.fr/societes/2008/12/01/04015-20081201ARTFIG00241-chomage-technique-chez-michelin-.php

www.lefigaro.fr/societes/2008/11/27/04015-20081127ARTFIG00674-la-france-pourrait-resister-mieux-que-les-autres-.php

Les Echos (France)

www.lesechos.fr/info/auto/4810156.htm

www.lesechos.fr/patrimoine/famille/300317288-chomage-partiel-l-indemnisation-revalorisee-des-le-1er-janvier.htm

www.lesechos.fr/info/auto/4809584-dacia-le-fabricant-de-la-logan-egalement-a-la-peine.htm

www.lesechos.fr/info/france/300316350-l-economie-francaise-continue-de-detruire-des-emplois.htm

www.lesechos.fr/management/former/4806952-chomage-partiel-la-cfdt-propose-un-fonds-de-crise-pour-former-les-salaries.

www.lesechos.fr/info/auto/4803301.htm

La Libre Belgique (Belgium)

www.lalibre.be/actu/belgique/article/466713/chomage-technique-mieux-couvert.html

www.lalibre.be/toutelinfo/belga/105985/jemappes-steel-center-a-l-arret-jusqu-a-jeudi-au-moins.html

www.lalibre.be/economie/actualite/article/465395/800-postes-temporaires-supprimes-chez-ford-genk.html

www.lalibre.be/toutelinfo/belga/105727/deux-semaines-d-arret-en-janvier-chez-duferco-la-louviere.html

www.lalibre.be/economie/actualite/article/464804/les-metallos-dans-la-rue.html

www.lalibre.be/actu/belgique/article/463545/100000-travailleurs-au-chomage-temporaire.html

www.lalibre.be/economie/finance/article/461250/basf-s-adapte-aussi-au-ralentissement.html

www.lalibre.be/economie/actualite/article/458453/presque-tous-les-travailleurs-gantois-d-arcelormittal-au-chomage.html

www.lalibre.be/actu/namur/article/458052/federal-mogul-dans-le-flou.html

La Dernière Heure (Belgium)

www.dhnet.be/infos/belgique/article/236932/gouvernement-et-partenaires-sociaux-discutent-du-plan-de-relance.html

www.dhnet.be/regions/liege/article/236584/segal-chomage-economique.html

www.dhnet.be/infos/economie/article/237108/voici-les-principales-mesures-du-plan.html

De Standaard (Belgium)

http://www.standaard.be/Artikel/Detail.aspx?artikelId=20254D1F&word=volvo

http://www.standaard.be/Artikel/Detail.aspx?artikelId=RS24NS8D&word=volvo

NRC Handelsblad (The Netherlands)

http://www.nrc.nl/economie/article2053385.ece

http://www.nrc.nl/economie/article2071801.ece

http://www.nrc.nl/economie/article2072331.ece

http://www.nrc.nl/economie/article2079647.ece

http://www.nrc.nl/economie/article2080507.ece

http://www.nrc.nl/economie/article2081618.ece

http://www.nrc.nl/economie/article2081975.ece

http://www.nrc.nl/economie/article2083188.ece

http://www.nrc.nl/economie/article2089301.ece

http://www.nrc.nl/economie/article2092879.ece

http://www.nrc.nl/economie/article2096573.ece

http://www.nrc.nl/economie/article2108712.ece

De Volkskrant (The Netherlands)

http://volkskrant.nl/economie/article1087770.ece/

http://www.volkskrant.nl/binnenland/article1096568.ece

BBC News (United Kingdom)

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/7751526.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/7752430.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/7759239.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/wiltshire/7759130.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/wiltshire/7763629.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/merseyside/7692456.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/oxfordshire/7766126.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/oxfordshire/7770739.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/wear/7775003.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/uk_news/england/merseyside/7781345.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7787280.stm

http://news.bbc.co.uk/go/pr/fr/-/2/hi/business/7791514.stm

The Times (United Kingdom)

http://business.timesonline.co.uk/tol/business/economics/article5505396.ece

www.timesonline.co.uk/tol/news/politics/article5512651.ece

http://business.timesonline.co.uk/tol/business/economics/article5519535.ece

www.timesonline.co.uk/tol/news/politics/article5519737.ece

Newsportals:

www.index.hu, Hungarian daily newsportal

www.napi.hu, Hungarian economic newsportal

www.lidovke.cz, Czech daily newsportal

www.ujszo.com, Slovakian daily newsportal

Data sources:

Bundesagentur für Arbeit – Federal Agency for Labour, Germany,

INSEE – Institut national de la statistique et des études économiques

Ministère du Travail, des Relations Sociales, de la Famille et da la Solidarité, France

ONEM/ RVA - Office national de l'emploi/Rijksdienst voor Arbeidsvoorziening (National Employment Office), Belgium

Interviews:

UNI Europa Finance (2 December 2008)

IG Metall (18 December 2008)

Discussion and Working Papers

Janine Leschke, Andrew Watt
Job quality in Europe
WP 2008.07

Magdalena Bernaciak
Labour cooperation or labour conflict in the enlarged EU ? Trade union responses to the rise of the automotive industry in Central-Eastern Europe
WP 2008.06

François Rycx, Ilan Tojerow and Daphné Valsamis
Wage differentials across sectors in Europe: an east-west comparison
WP 2008.05

Maarten Keune
Between innovation and ambiguity – The role of flexicurity in labour market analysis and policy making
WP 2008.04

Janine Leschke and Andrew Watt, with Mairéad Finn
Putting a number on job quality? Constructing a European Job Quality Index
WP 2008.03

Marton Kovacs
How do trade unions interact with the European Parliament?
WP 2008.02

Maarten Keune
EU enlargement and social standards: exporting the European Social Model?
WP 2008.01

Reiner Hoffmann and Otto Jacobi
Bridging gaps – Strengthening Social Europe
WP 2007.04 (E-D)

Béla Galgóczi, Maarten Keune and Andrew Watt
Relocation: Challenges for European trade unions
WP 2007.03

Thomas Blanke and Jürgen Hoffmann
Towards a European Social Model Preconditions, difficulties and prospects of a European social policy
WP 2007.02

Maarten Keune and Maria Jepsen
Not balanced and hardly new: the European Commission's quest for flexicurity
WP 2007.01

Pragma Consulting
Acquis Communautaire related to pensions
DP 2005.02

Béla Galgóczi, Maarten Keune and Andrew Watt
Relocation: Challenges for European trade unions
DP 2005.01

Mariachiara Esposito and David Mum
Pension funds in the European debate and within the multilevel decision-making of the European Union
DWP 2004.02.02

Malene Nordestgaard and Judith Kirton-Darling
Corporate Social Responsibility within the European sectoral social dialogue
DWP 2004.01.01

Jürgen Hoffmann
Co-ordinated continental European market economies under pressure from globalisation
DWP 2004.02.01

Marcus Kahmann
Changes in national trade union structures – Organisational restructuring by mergers in Central and Eastern Europe, Germany, the U.K., and Australia
DWP 2003.02.02

Marcus Kahmann
Trade unions and the growth of the information economy
DWP 2003.02.01

Marcus Kahmann
Trade unions and migrant workers: Examples from the United States, South Africa and Spain
DWP 2002.02.03

Marcus Kahmann
Trade unions and young people – Challenges of the changing age composition of unions
DWP 2002.02.02

Anne Dufresne and Emmanuel Mermet
Trends in the coordination of collective bargaining in Europe
DWP 2002.01.02 (E-F)

Stefan Clauwaert
International / transnational primary and secondary collective action
DWP 2002.01.01 (E-F-D)

These publications can be downloaded free of charge from our website.
Please visit: http://www.etui-rehs.org/research/publications