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研究ノート

Basic data source for the examination of corporate dynamics under European economic integration*

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I. Introduction.

Along with the development of the regionalism for the last decade, the research of theory and empirical studies, and policy making concerning the corporate dynamics become more important than ever, and they should be conducted based on the concrete and precise data and information. However, it is also well known that the economics research cannot carry out the experimental method in laboratory like natural sciences. Furthermore, the available data are quite different in quality one after another, and those concerning the international economy are not so high quality as those of domestic ones. Even if the first task of international economics professions like this present author is to collect the appropriate data and information for the research purpose, but this is not easy task. Concerning European economy, the Eurostat is the main source of statistics with wide range of categories of the EU economy and general matters. The Eurostat data becomes comparable more and more in these days through unifying the methodology and the format. The Eurostat data are generally aggregated at the regional (EU), the national, or the local (sub-national) level, and make us enable to follow the changes of, for example, GDP, employment, international transactions like trade and capital flows under the development of EU integration. However, they are not sufficient for the purpose to look at the dynamics at the corporate level, and the researchers tend to undertake the qualitative empirical studies through various methods like questionnaires, interviews, and so forth.[1] It is better to combine such qualitative analysis with the quantitative ones. Here, we can suggest that the potential source for this objective

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[1] This present author also conducted a series of interview research to investigate Japanese multinational enterprises in Europe. See, Ando (2005).

to investigate the dynamics at the corporate level is the data provided by the European Restructuring Monitor (ERM). This short memorandum gives an assessment on the ERM data for our understanding on the dynamics of corporate change.[2]

II. Explanation of ERM data.[3]

First of all, it should be emphasised that the EU has long history of commitment on the social issues, which is closely related with the corporate dynamics. This makes the EU differed from other regional integration schemes such as NAFTA, ASEAN, and so on (Ando, 2009). In 1975, the EU established the European Foundation for the improvement of living and working conditions (Eurofound) as a body to deal with social affairs (EEC, 1975). This timing of establishing the Eurofound is quite interesting. After the first Oil Shock in 1973, until when the EU had enjoyed the Golden Age of capitalism as well as the smooth development of its own in the 1960s, it had to face with the very first global recession after the Second World War. That led the confusions and conflicts of policy reactions from the protectionism pressure to the Keynesian-Monetarist debates. Thus, the main purpose of the Eurofound is to provide the scientific data, information, and analysis for the improvement of living and working conditions.

The Eurofound is constructed with various organisations and activities, and one of them is the European Monitoring Centre on Change (EMCC), which was established in 2001 in the Eurofound. The EMCC provides the company restructuring data and information as the ERM data every day, along with others like the sector research, the exchange of experience, and so forth. The ERM data was not so accurate in the early days as later. For example, the ERM data did not report any case of job creation in 2002, and showed relatively small number of job creation cases compared with job reduction in 2003 and 2004. However, now it reports total more than 13,000 cases including both job reduction and creation at the end of July, 2011. In order to assess the strength and weakness of ERM data, we are going to look at it in more detail.

The ERM data is reported almost every day, and all the data is available on its homepage. It reports the restructuring cases, but we must not mistake it is concerning solely the job

[2] The data in this paper is derived from the homepage of the ERM, accessed mainly in April and May, 2011. The homepage address is http://www.eurofound.europa.eu/emcc/erm/index.htm.

[3] This chapter is based on the Eurofound and the related homepages, as well as the annual and quarterly reports of the ERM.

cuts by the companies in the private sector. Rather, the ERM data includes not only the job reduction, but also the job creation from the restructuring by the company from various private sectors. They include those in the public administration sector, too. The Exhibition-1 shows the classification of each data, which put in 7 categories, 8 types of restructuring, and 14 sectors. Furthermore, the company profile in each case shows more detail information in the homepage. Thus, we can confirm the restructuring case at the company level precisely.

Exhibition-1 ERM categories and classifications

Category	Category 4) Type of restructuring	Category 5) Sector
1) Announcement data 2) Country 3) Company 4) Type of restructuring 5) Sector 6) Planned job creation 7) Planned job reduction	1) Internal restructuring 2) Closure 3) Bankruptcy 4) M&A 5) Offshoring / Delocalisation 6) Other 7) Relocation 8) Outsourcing	1) Agriculture / fishing 2) Construction 3) Education 4) Financial services 5) Health / social work 6) Hotels / restaurants 7) Manufacturing* 8) Mining / quarrying 9) Other services 10) Public administration 11) Real estate / business activities 12) Retail 13) Transport / communication 14) Utilities

Source: ERM homepage
Note: * manufacturing is further divided, in the company profile category on the ERM homepage.

The uniqueness of the ERM is the data collection methodology, which is the basis of its own strength and weakness. The coverage of ERM in 2011 is the 27 EU member states plus Norway, although some countries were missed due to the data collection criterion. The data is not collected from the official one, but from the media reports at national and EU level. The correspondents in each country check the quality newspapers, the specialised economic press, and the online sources everyday from 2002. The criterion for collection is that the restructuring plan in question affects over 100 jobs or 10% of workforce in the site employing 250 people or more.[4] All the data is formatted in the above mentioned classification

[4] As will be seen in the example case, less than 100 job creation / reduction cases are actually reported.

method.

The strengths of the ERM are the speedy supply of restructuring information, no issue of privacy, and the easy online data processing. Compared with the official sources, the ERM data is quite fast to be published, and it takes only a few days from the announcement. Since the actual job reduction or creation does not occur at the timing of announcement, the actual effects of planned restructuring would be realised lately. That makes some room for worker's side to prepare for it, even if they are not always affected directly. Since the data is collected from the public media, there is no matter on privacy issues or confidentiality. In addition, the original data is processed and categorised according to the common criteria around 28 countries, and the ERM data is easily further processed online. Thus, the ERM data has some potential to analyse the company dynamics through the change of jobs with the actual causes.[5]

At the same time, we must keep in mind the weaknesses of the ERM data, which are some biases caused by the methodology. Because of the data collection method, the Eurofound itself recognises that the ERM data has three biases; the size-bias, the manufacturing-bias, and the country-bias. The size-bias is caused by the 100 or more job criterion, which gives the threshold to construct the data. Thus, small- and medium-size enterprises (SMEs) tend not to be included in the ERM data. Due to the same reason, the manufacturing sector is more likely to be covered, whereas the service sectors, in which SMEs are more representative, would be missed from the collection. Therefore, the ERM data is biased more for the manufacturing sector over others. In addition, the absolute size of 100 jobs does not have the same meanings for each country. Namely, the same size of job reduction is more significant impact for smaller countries than bigger ones, while the latter have more big companies to conduct 100 or more job reduction / creation programme than the former. Indeed, it is difficult to compare these offsetting effects, but this is likely to suggest the existence of country-bias. Furthermore, the preference of national media coverage on the company restructuring is pointed out to be different from one country to another, and this is also a cause of country-bias. Finally, there is another possibility of bias, that is,

[5] For example, Copenhagen Economics uses the ERM data to confirm the job losses associated with the restructuring by EU firms between 2002-2004 (Copenhagen Economics, 2010, pp.49-51). It is worth to mention that the losses of employment are categorised in different types, and that the bankruptcy and closure are not the only cause.

job-reduction bias. Because it is often said that “a good news for the media is a bad news”, the job reduction might well be reported more frequently than the job creation. It is difficult to give the concrete evidence for this bias, but the following example cases make us to keep this point in mind.

This chapter made clear that the ERM data provides a unique and interesting data reflecting the company’s dynamic change, but some concerns are also pointed out. So, before considering the potential of ERM data, it is worth to compare it with other information concerning employment dynamics in the EU.

III. Validity of ERM data.

For the purpose of examining the validity of ERM data, we are evaluating it with reference to the data from other source, i.e. European Labour Force Survey (ELFS) by the Eurostat. Indeed, the ELFS is the most comprehensive statistics of labour market, but the comparison between the ERM data and the ELFS is not an easy task. The ELFS does not report the employment situation at the company level, while the ERM data is not total employment number of the company in question, but that affected by the restructuring plan. In short, the reported numbers concerning jobs are differently categorised with each other. Additional difficulty is the ERM does not fully cover SMEs, nor the self-employed, but they are included in the ELFS. Therefore, we have to re-arrange the data from both sources for the comparison, and the following is the adjusting method for this purpose.

First, we calculate the ERM data to be suitable for the comparison. It is possible for those lost job due to the job reduction restructuring to find out new job in the same year. Thus, the number of job reduction in the ERM data is not always the same as the increase of unemployment in the ELFS. Similarly, the number of job creation in the ERM data does not mean the same degree of employment growth, since those obtaining the job include both those formerly unemployed, and those shifted from other jobs. Thus, in order to compare the aggregated employment data from the ELFS, net job creation is appropriate, and we can obtain the value with the equation that the job creation minus the job reduction. If the job reduction exceeds the job creation, the net value is negative. This means that the total employment could be reduced, at least, at the large-scale enterprise (LSE) level, due to the 100 or more job criterion. Here, we do not count the job creation and reduction at European and global level, since they may well be also reported in national press. This procedure is

necessary to avoid the double counting.[6] Net job creation from this procedure is the aggregated change of employment at the LSEs in the year,[7] but the data of the ELFS is not the change, but the situation in the same year. Thus, we must further go advance to adjust the ELFS data.

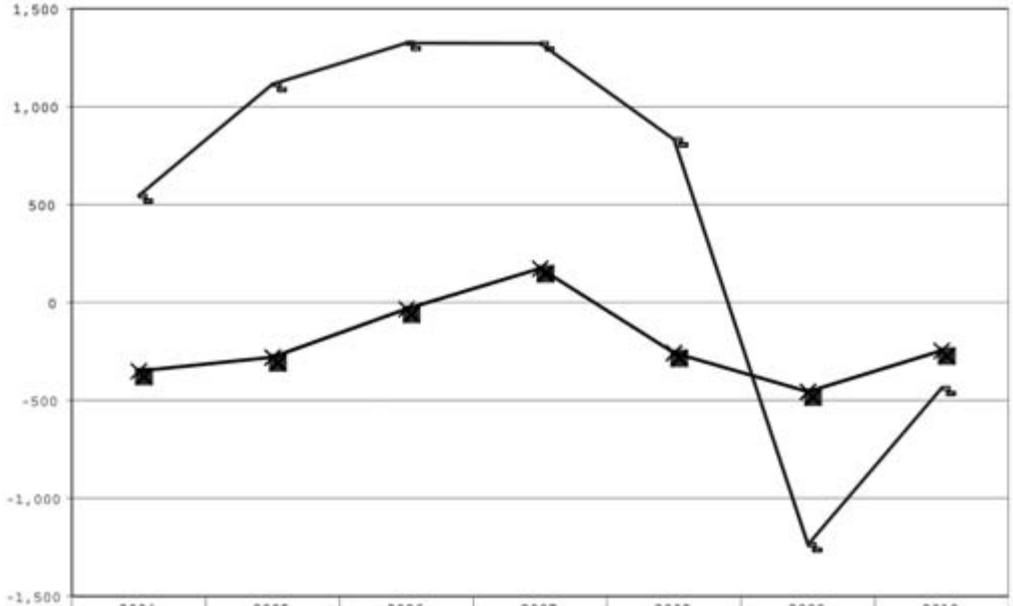
The ELFS data adjustment for the comparison is to take two stages. The ELFS includes the employment both of LSEs, and SMEs, as well as the self-employed. However, because of the 100 or more job criterion, the ERM data does not include the employment influenced by the SMEs and the self-employed, which are reported to cover 68% of total employment in the EU (EIM Business & Policy Research, 2010, p.18). In order to estimate the employment by LSEs from the ELFS, we use the share of LSEs in total employment, 32%. The obtained number of employment is the total employment at LSEs level in each year. Then, as the second stage, this should be further adjusted to fit for the comparison with the net job creation in the ERM data, since the data is the total employment number, but not the change. Therefore, we calculate the difference of LSEs' employment from previous year as the change of employment, which is counted from the ERM data, for every year from 2004 to 2010.

Exhibition-2 shows the result of our comparison between the ELFS and ERM data, and the similar trend can be confirmed. Both data shows the upward trend until 2007, until when the prosperity of global and European economy brought the fruit of job growth. Actually, the main theme of the ERM annual report in 2008 is the quality, rather than the quantity of job (European Foundation for the Improvement of Living and Working Conditions, 2008). This reflects the euphoria in that period. However, the financial and economic crisis after the Lehman Shock in 2008 set back the trend to downward. This goes along with the increase of unemployment rate in Europe. Because of the difference of the methodology for data collection between the ELFS and the ERM data, we cannot compare them directly, but their similar movements can be confirmed.

[6] It should be, however, emphasised that national sources, on which the ERM data depends, do not report all national cases affected by European or global restructuring plan by the company in question. This might well lead our comparison data smaller than the actual ones.

[7] Since the ERM data sometimes suggest the range of job affected, rather than the strict number, we take the average in the former case.

Exhibition-2 Comparison of ELFS and ERM data (,000)



	2004	2005	2006	2007	2008	2009	2010
ELFS	546	1,115	1,325	1,323	833	-1,235	-436
ERM	-350	-280	-32	174	-257	-455	-246

Source: Author's calculation from the ERM & the ELFS data.

From the above comparison, we cannot reject that the ERM data shows the relatively realistic trend of European jobs, although we have to be careful for using it. For example, it represents the jobs influenced by big companies, while the job reduction bias as suggested in the last chapter seems to be plausible from the comparison with the ELFS, whose change suggests more jobs created than the ERM data shows, except for the last two years, 2009 and 2010.

IV. Potential of the ERM data.

In the previous chapter, we proved the ERM as a unique and useful data source, and now we will look at how it can be used for the analysis of corporate dynamics in the EU. As already mentioned, the homepage of the ERM makes us enable to extract and handle the data quite easily, and this function is very much useful to follow the job creation and reduction. Indeed, the ELFS is the most important source of labour market conditions, but it has some limits to consider the job creation and reduction. This is mainly because they

are shown as the net results of combining job creation and reduction. When the ELFS reports the increase of 1 million employments, there are some possibilities for this 1 million employment. As one possibility, we can consider that the EU economy creates 1.2 million jobs in some sectors, while other sectors reduce 0.2 million jobs. As another possibility, 2 million jobs are created, and 1 million jobs are cut. Both cases lead the same result of the 1 million jobs creation, but the economic implications are quite different with each other. On the other hand, since the ERM can provide the job creation and the job reduction data separately at the corporate level, we can understand the dynamic change in more deeply.

Moreover, there is further potential of the ERM data for the research. The ERM data is collected at the company level data, and this makes us enable to establish the interesting database set. One of the most interesting possibilities is to recollect and process the ERM data for the purpose of constructing the panel data at the company level. Exhibition-3 is an example for this trial. We picked up a Sweden-Switzerland engineering company, ABB, as an example,[8] and tried to extract the restructuring data compiled in the ERM data. Then, there are 21 cases concerning ABB. As an example, Exhibition-3 shows the dynamics of ABB, and it reports 20 cases of restructuring in European countries,[9] and 1 world-wide restructuring case.[10] Among 20 cases, only 4 cases are job creation with total 750 new jobs, while more than 5,000 jobs are lost through job reduction restructuring. However, the bankruptcy and the closure are only three cases, 2 in Ireland, and 1 in France. The job creation cases are mainly in new member states of the EU. Italian subsidiary reports job creation in 2008, but the same subsidiary announced the lay-off more jobs one and half year later. Thus, we can confirm the eastern shift of job in a company group.

[8] The selection of ABB is based on the fact that it is the second highest level of the transnationality in the annex table of UNCTAD (2010), which can be obtained from the UNCTAD homepage. The homepage address is http://www.unctad.org/Templates/Page.asp?intItemID=2443&lang=1. Unfortunately, the top highest one, Xstrata PLC, cannot be found in the ERM data.

[9] Since ABB is a Sweden-Switzerland company, the restructuring cases in home, Switzerland, are not reported in the ERM data which does not cover non-EU member states. This may well be another weakness of the ERM data.

[10] The facts sheet of the ERM homepage reports this world-wide case creates 13,000 jobs, but the detail explanation of this case in the company file oppositely indicates 13,000 job reduction. Thus, Exhibition-3 shows the job reduction number.

Exhibition-3 An example of panel data

ID	Announcement date	Country	Company	Type of restructuring	Sector	Planned job creation	Planned job reductions
1	14-12-2002	Sweden	ABB	IR	Mfg		1000
2	07-03-2003	Germany	ABB	IR	Mfg		1350
3	22-03-2003	Belgium	ABB	IR	Mfg		597 - 610
4	14-05-2003	Netherlands	ABB Lummus Global	IR	Mfg		200
5	05-03-2004	Ireland	Wessel Industries	BR/CL	Mfg		120
6	30-06-2005	World	ABB	IR	Mfg		1300
7	14-10-2005	Germany	Stotz-Kontakt	IR	Mfg		145
8	24-11-2005	Sweden	ABB	RL	Mfg		107
9	13-02-2007	Estonia	ABB	BE	Mfg	300	
10	17-12-2007	Poland	ABB	BE	Mfg	150	
11	26-05-2008	Italy	ABB Italia	BE	Mfg	200	
12	19-03-2009	Norway	ABB Robotics	OD	Mfg		100
13	27-04-2009	Sweden	ABB	IR	Mfg		266
14	25-06-2009	Ireland	ABB	CL	Mfg		178
15	24-08-2009	Sweden	ABB High Voltage Cables	IR	Mfg		55
16	14-09-2009	France	ABB	BR	Mfg		540
17	01-10-2009	Ireland	ABB	OD	Mfg		67
18	06-12-2009	Italy	ABB Italia	IR	Mfg		248
19	18-05-2010	France	ABB	IR	Mfg		156
20	07-10-2010	Czech Republic	ABB	BE	Mfg	100	
21	27-05-2011	Spain	ABB	IR	Mfg		99

Source: ERM homepage
Note: Type of restructuring, BE: Business expansion, BR: Bankruptcy, CL: Closure, IR: Internal restructuring, OD: Offshoring / Delocalisation, RL: Relocation, Mfg: Manufacturing.

Although the reported categories in this Exhibition are limited to the first stage extraction from the ERM homepage, each of them has its own case files including the more detail industrial classification to the location of the influenced establishments. Thus, if we take out the full detail of each case, it would be a huge panel data set, which precisely shows the job creation and reduction at the company level with some time and geographic durations. However, it should be reminded that this potential has its own hurdle. The original data of the ERM is not provided for the panel data format. Therefore, we must pick up each of

more than 13,000 data from the ERM homepage, so that we can construct the panel data for more detail analysis of job dynamics under European economic integration. This needs time and resource consuming efforts, but is still worth to try.

V. Concluding remarks.

Along with the development of regional economic integration, the investigation on the reaction by various economic actors increases the importance more and more. This memorandum suggests the case to use the ERM data, and to re-establish more appropriate database set for this purpose. This present author is going on this direction to construct the ERM database, and intends to analyse the corporate dynamics under European integration.

As the concluding remark, we would like to add the importance of the ERM data in the context of company restructuring. As mentioned before, one of the most significant advantages is that the ERM data can provide the valuable data and information very quickly. This may well contribute to strengthen the position of labour side at the negotiation table. The unique institutional configuration in the EU is not seen in other economic integration scheme. The governance of social issues at European level is another interesting research theme in the future along with the analysis with the ERM data set.

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