

European ICT sector: impact of COVID-19

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The companies in the European ICT sector have been hit by the COVID-19 crisis to varying degrees, mainly depending on whether they are predominantly active in the service sector or in the manufacturing sector. Especially in the services, most of the workers can work remotely. Manufacturing, however, faces more severe consequences, with companies often resorting to short-time working schemes. A major problem for the sector is the disruption of supply chains and a reduced demand. On the other side, an increased demand for infrastructure needed for telework is bolstering some of the companies. Especially multi-national companies often refrain from making use of short-time working schemes.

According to the [2019 PREDICT Key Facts Report](#), the European ICT sector employed in 2016 approximately 6 million people/ 2.6% employment of the EU. The value added was 591 billion Euros/ 4.0% of the EU value added. Being one of the most dynamic sectors, the ICT sector multiplied its value added from 1995 until 2016 by a factor of 3.6, compared to an increase of the total economy by 1.4%. There is a sharp contrast between the ICT services sector and the ICT manufacturing sector in the EU. Whereas the services are thriving, the manufacturing sector employment almost halved in the period 1995-2018.

IDC [already predicted in March](#) that total ICT spending growth in Europe would go down from 2.8% to 1.4% in 2020, a scenario which might already have deteriorated.

DIGITALEUROPE has conducted a [survey among their members](#) which indicates that a vast majority of them (74%) expect or already facing disruptions in their supply chains, and 35% of them expect lay-offs. 82% of their workers are working from home, and 18% are making use of short-time working schemes or reduced working hours. 65% of them report that costumers are postponing orders. Yet, it should be noted that only 7% of the respondents are from the ICT manufacturing sector, and 69% are from software and IT services.

Country reports

Belgium

Despite the lockdown since 16 May, the ICT sector is still doing well. More than 50% of the employees are working from home, more than 30% are occasionally doing site visits. Under the technical unemployment scheme in place, workers receive 70% of their net income. The bigger companies do not send their workers into technical unemployment, or they compensate the loss of income, as they are eager to keep their workforce. Smaller companies, though, use the scheme extensively. Some of them apparently misuse it and send workers into technical unemployment who are not entitled to claim, in order to save non-wage labour costs. The unions try to raise awareness on this issue.

Denmark

Since 11 March, all public employees are obliged to work from home. In the ICT sector, most of the companies are still producing. Currently, about 150 000 workers / 5% of the work force are on wage compensation. As the technical unemployment scheme is in place, there is only a small increase in unemployment figures. Danish health authorities are suggesting that COVID-19 will probably affect the economy for well over a year.

France

The confinement is set to end on 11 May. Currently, all schools are closed. Workers with children under the age of 16 can benefit from a daily allowance depending on their salary during this period. If

possible, workers have to work from home. If this is not possible, a short-time working scheme is in place. As the ICT sector with its 700 000 workers in 460 plants has been declared a sector of strategic relevance, work is supposed to continue as effective as possible. However, there are no exact figures of the impact on the sector available. At the end of March, production in the sector had decreased to 29%, as the companies were busy setting the necessary sanitary measures in place. After this, productivity started rising again. The employment rate in the sector (including services) was around 50% by the end of March, and is back to around 70% as of today. Especially in the services, companies try to push as many workers as possible into the technical unemployment scheme. Trade unions are very concerned with the situation and monitor it closely. The government has asked the unions to report any abuses of the scheme. Since the beginning of the crisis, costs of production have risen by 10%. The sector suffers from longer shipping times, as the plants in Southeast Asia are completely closed. The semiconductor supply chain is especially hit, as production is highly integrated and globalized, and losses of production cannot be compensated on short notice.

Currently, 15% of SMEs are expected to fall victim to the crisis, which will lead to a high unemployment rate. Large companies are expected to lay-off large numbers of workers as well. Unions are trying to already start a social dialogue on this. They especially want to negotiate the numbers, the compensation, and training schemes that need to be set up. Another issue to negotiate will be telework. Before the crisis, only 2% of the people used to work remotely, now it is around 25%. This will be an opportunity for companies to reduce the size of their premises.

Lastly, unions will start to negotiate with the employers how jobs, especially in the essential industries, can be relocated to France. Also, they already demand from the government to put consumption incentives in place as they think that, once people start buying again, they will mainly be buying electronics, which would benefit the sector.

Germany

The German ICT sector is highly diverse. Of the approximately 1.1 million employees only 100.000 work in the production sector. The vast majority is employed in the services. Production is hit harder by the crisis than the services are, with short-time working schemes being widely used. Production, however, has not been stopped and usually not more than 50% of the workforce actually go on short-time work. Services such as software development or software ergonomics are currently booming, as the demand increased with the lockdown. Since many employees have already worked from home before, at least on a daily basis, they were often able to adapt swiftly and the major bulk of the work has been relocated to telework without significant complications. In a few cases short-time work is deployed in the services as well, but the income losses are usually compensated.

Engineering services are under pressure, as OEMs have started to insource e.g. software development. Reshoring is already being discussed, especially in the telecommunications industry, and in some cases planned off-shoring will probably be subject to a review. Yet, there is no clear overview of the situation, as it is highly dynamic and the consequences of the crisis are still to be seen.

IG Metall and the works councils are closely monitoring the health and safety measures in place. IG Metall has published a guide and advises works councils on company agreements.

Recent collective agreements in the sector mainly focus on working time, timekeeping, and flexibilisation.

Romania

The government has refrained from imposing production stops. A scheme for technical unemployment is in place, which guarantees 70% of the worker's net income. In the ICT sector, 95%

of the workers are working from home. So far, there is little negative impact on the colleagues in the sector, as only an insignificant number of them has been sent into technical unemployment. However, pressure starts to increase and reports are coming in that they are asked to go on unpaid leave. Should the crisis persist, technical unemployment will most probably hit the ICT sector as well, probably as of May. Where applicable, necessary sanitary measures are put in place at the moment in order to keep the production running.

Spain

Most companies are currently closed, although some are already restarting their activities. There is a short-time working scheme in place. People working under this scheme are prevented from being laid off. The Spanish unions try to ensure that health and safety regulations are complied with. They are in constant communication with their delegates in the companies and the works councils to monitor the developments and try their best to prevent the disease from spreading at the work place. Most of the companies in the ICT sector, especially the multinational companies, do not take advantage of the short-time working scheme but send their workers to work from home.

A committee of experts is currently working on plans to resume activities. There is no fixed date yet, as the health authorities will closely monitor the developments. The priority lies in preventing the hospitals from collapsing. UGT is of the position that, after the crisis, Social Dialogue is of utmost importance to organise the restart. This crisis shows how important it is for companies to have a functioning teleworking practice in place and this should be negotiated.

For UGT, the most important challenges are health and safety issues of the workers, but also the social cohesion of Spanish society. The crisis poses a threat especially to small and medium-sized companies, which employ most of the Spanish workforce. The unemployment rate could probably rise up to 20% after the crisis.

United Kingdom

Manufacturing has not been shut down as such. However, it is recommended to work from home if possible. A short-time working scheme is in place, which guarantees 80% of a net income. Yet, there is no uptake of the scheme in the ICT sector, as the sector is almost exclusively service-based and off-shored. In the public sector, where the services are not off-shored and where the ICT engineers are often expected to conduct on-site visits, the situation is slightly different. As they are now forced to work remotely, this may have severe implications on jobs in the UK as well.

Global level

On the global level, the magnitude of the impact of the Covid19 on the ICT, Electrical and Electronics industry is currently unmeasurable. As of March 2020, a research indicated that 40 percent of the global electronics manufacturers and suppliers believed that consumer electronics were likely to be the most impacted industry, mainly because the world's largest electronics production hub in China has been mostly shut down from January to March. However, the electronics factories in China are now back in full operation since end of March, and the supply of electronics products and goods seems to be gradually recovering in Asia, where 90% of world electronics devices are manufactured.

In other regions, especially in Europe and the United States, where the pandemic of Covid19 is still not contained, (as of beginning of April), "non-essential" electrical and electronics production has widely been stopped since mid-March. There is concern about stagnant demand in major markets of the industry due to world's economic downturn and decline in demand of electronics devices such as for the automobile industry.

On the other hand, the demand for semiconductors and devices related to the data center and next generation high-speed communication network systems such as "5G" is rising and some electronics

MNCs turned to investing aggressively in this field as “stay home” and teleworking measures continue to be recommended worldwide. The ICT EE companies impacted by Covid19 will likely be accelerating to promote Industry 4.0 technologies such as robotization, IoT (Internet of Things) and artificial intelligence (AI) for the recovery phase of the pandemic.

During the months of March-mid April, some of affiliate unions in the ICT, Electrical and Electronics (ICT EE) sector reported cases of lay-offs due to interrupted supply chains and temporary closures of workplaces following the governments’ orders. ICT EE workers in telecommunication, energy and healthcare divisions, though, are even busier than usual as those activities are considered as essential to maintain lifelines. There are case reported that some of the laid-off workers are called back to work to continue the production of healthcare related devices (such as integrated circuits (IC) for ventilators) for rescuing lives amid the covid-19 outbreak. Unions are demanding the government and employers to ensure the safety of those workers by providing testing, proper protection measures and personal protective equipment like face mask, sanitizers and gloves. The overall impact to the employment in this sector is still unforeseen.

Covid19 is also impacting on collective bargaining. In Southeast Asia, some ICT EE unions have reported cases of managements’ unilateral decisions using Covid19 as an excuse to suspend e.g. CBA negotiations, to cancel wage increases and promotions, and to lay off workers.