

## 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

*15/06/2020*

The lockdown has almost ended and the economy is slowly starting to normalise. Companies can still make use of the temporary unemployment scheme until 31<sup>st</sup> of August.

In the ICT sector, 80% of the normal activity is still going on. Depending on the company, between 0-20% of the workers are currently in temporary unemployment. The companies deploy the scheme differently: they either put certain groups of people on temporary unemployment, or all employees are on temporary unemployment for certain days of the week, while working on others. Most people are still WFH.

Belgian unions have started a press campaign, demanding that companies who are highly profitable should not make use of the temporary unemployment scheme. Some companies have already agreed to not make unnecessary use of the scheme.

In the companies, the unions discuss how to safely get back to work, especially with regard to social distancing and disinfection.

There are currently no COVID-19-related plans to put people in redundancies, or to discuss restructuring. Restructurings that were already planned are continuing.

For the unions, online meetings pose a problem, as it makes it difficult for them to organise support.

WFH will be the new normal in Belgian IT companies. Many companies are already exploiting the situation and will reduce their spending on office infrastructure, etc. Unions discuss on both the national and the company level how workers can be compensated for WFH, i.e. with regard to energy costs, internet contract, etc.

On the national level, they are also advocating for a New Deal: as right-leaning parties are trying to make sure that it is the workers who need to pay for the crisis, the unions try to present an alternative, with asking for investments in a greener industry, and with massive investments in the healthcare sector.

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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**

**15/06/2020**

The lockdown has practically ended and most companies have already begun to restart their activities. A total of 170 000 workers have been on wage compensation since the beginning of the crisis, which amounts to 80% of the net income. Of those, only 5000 are working in the ICT sector and most of the ICT workers have been WFH.

Unemployment figure has risen from 2.5-3% before the crisis to 5.1% today. This figure will increase as the wage compensation scheme will be reduced by the end of August.

The number of apprentices has decreased by 90%. The unions have started a dialogue with the government to agree on wage subsidies for companies, which continue to employ apprentices for the rest of the year. Companies who hire new apprentices would get wage compensation up to 90% until the rest of the year

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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**

**15/06/2020**

The country faces a massive rise of unemployment, with an additional 1,1 million of workers losing their jobs due to the crisis. The unemployment rate will probably rise to over 10% by the end of 2020.

The full lockdown has ended on the 11<sup>th</sup> of May and workers are allowed to return to their office, if the necessary sanitary measures are being taken care of. Yet, home office is still mandatory until companies have their hygiene concept approved. As social distancing has to be applied, it is certain that not all workers can be on site at the same time. Also, public transportation does not run at full capacity yet. As of today, there are still lots of people. It is expected that many will WFH well until September.

Over 12 million workers have been in short time employment which represent more than 50% of workers in private companies. Over 1 million private companies have used the scheme . At the beginning of the crisis, the French government has set up a specific short-time working scheme, paying to the employers 100% of the salary of the workers. It has been adapted then, reducing the part subsidized by government to 85% from the 1<sup>st</sup> of June. This scheme is supposed to be maintained up to the end of the year.

The economic situation of a lot of companies, especially SMEs, is bad. As of now, it is not clear how many will definitely close their doors. In order to avoid mass lay-offs, the French government is encouraging the use of what they call a Collective Performance Agreement which allows to reduce the salary of the workers up to a minimum, to require the workers to work more hours without being paid. Also, the government is currently working on recovery plans for the car, aeronautics, and construction industries

The situation in the ICT sector is unclear. In the delivery of services, a large number of projects have been postponed or cancelled. Thus, workers have and are still benefiting from short-time working. In the production of goods, the situation varies depending on the product. If the product is critical, production has not been stopped, unless the supply chain was severed. Non-critical production may have been shut down.

Figures for the sector indicate that there has been a loss of 10 to 25% in productivity by the end of May, the production volumes were still reduced by 50%.

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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

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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.

## Norway

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The unemployment rate is currently at 6%, coming from 13% in March. There is still a number of emergency measures in place. The initial layoff arrangement, which allowed to put workers redundant should they have no work for more than three days has been exploited by some employers and a significant number of people has been fired without any substantial foundation. The government has now changed this to ten days, which partly explains the decrease of the unemployment rate.

There is a wage compensation scheme in place, which supports companies that take back laid-off workers. There are also a number of support measures for redundant workers in place: they can i.e. take classes at university, or advanced training, and still receive their unemployment benefits. This is especially relevant for job related skills.

The ICT sector has not seen much unemployment. Yet, the situation differs from company to company. In some cases, people are forced to work extra hours in order to cope with an increased workload. In other cases, i.e. in micro consultancies, hundreds of people have been dismissed.

NITO has sent a health and safety questionnaire to their members to find out about their work reality in the home office. According to the survey, many of them are satisfied with their situation, but a significant number feels socially isolated.

## Romania

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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

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Health and safety measures are still in place. Unions are closely monitoring the situation and that workers are protected at a maximum level. The ICT sector has been severely hit by the crisis, which led to mass redundancies and economic losses. The sector is impoverished and urgently needs support at a European level.

It is still not clear how many people in the sector are in short time working, but as the situation in the sector continues to deteriorate, the numbers are probably very high. The number of people WFH has risen from 17% before the crisis to 70% right now.

Companies are slowly recovering and adapting to the new situation. Telework may well become the "new normal" and new working models are to be developed.

The trade unions are currently discussing with the companies and the government how to improve the working condition and how to make industry in Spain more resilient.

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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

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The technical unemployment scheme is still in place until the end of July. The net income compensation, which currently is 80%, will then be reduced until October. More and more employers from almost every sector are planning significant redundancies.

In the ICT sector, no COVID-19 related redundancies are planned as of now. Yet, already planned redundancies have not stopped and restructurings continue.

As of now, most people in the sector WFH. The employers have failed to ensure that health and safety in the home place are taken care of. Workers are more and more complaining about health issues related to WFH. The government has ruled that employers who wish to reopen the offices have to publish a plan on health and safety first.

A number of ICT engineers in the public sector who were previously expected to conduct on-site visits are now forced to WFH as well, which will most probably be exploited by the companies.

Unions are currently seeing an increase in membership. The government has been forced to discuss with them how to get through the crisis. But should the crisis eventually mean mass unemployment, this will bring a loss in union membership as well.

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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

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The impact of the crisis on the ICT sector is currently unmeasurable. In the electronics industry, several reports show that the global electronics manufacturers and suppliers believed that consumer electronics were likely to be the most impacted industry, mainly because of shipment delay in the supply chain including the world's largest electronics production hub in China from January to March. The world's largest electronics manufacturer and Apple supplier, Foxconn's first-quarter profit plunged to its lowest in two decades. However, the electronics production has been gradually back in full operation since the end of March, most of the electronics companies predict their supply chains and businesses would be back to normal by this summer, especially in Asia where manufacture 90% of world electronics devices.

There is a growing concern about a stagnation of demand in major markets of the electrical equipment and electronics device industry due to the world's economic downturn and a decline in demand for the automobile and aviation industry. For example, aircraft engine manufacturer General Electric has lost over 45% of the company's stock value since the outbreak of COVID-19 and announced massive dismissals and lay-offs in the USA and in Europe.

On the other hand, the impact on the ICT industry is very limited. The demand for semiconductors and devices related to the data center and next generation high-speed communication network systems such as “5G” is moving strongly and some electronics MNCs such as Ericsson and Samsung Electronics continue to investing aggressively in this field as “stay home” and teleworking measures continue to be recommended worldwide. This will likely be accelerating the rolling out of 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 the pandemic, some of the affiliate unions in the ICT sector reported cases of lay-offs due to the stoppage of their production supply chain and the temporary closure of workplace following the governments’ orders. In contrast, ICT workers in telecommunication, energy and healthcare divisions are even busier than usually, as those activities are considered to be essential. There are cases 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.

There is a strong concern on how to secure workers’ rights with regard to health and safety at ICT factories, especially in Latin American regions where the pandemic is still accelerating. ICT unions are demanding from the governments and employers to ensure the safety of union members by providing testing, proper protection measures and personal protective equipment like face mask, sanitizers and gloves.

The crisis is also impacting collective bargaining. Some ICT unions have reported cases of the management’s unilateral decision in excuse of the COVID-19 crisis, such as dismissals, suspension of CBA negotiation, cancellation of wage increases and promotions, laid-off with unpaid leave, etc. While the overall impact to the employment in this sector is still unforeseen, many unions have succeeded to negotiate (or are in negotiation) with the government and the employers to secure jobs and income to the union members. In East Asia, there was a case to improve COVID-19 related national directive on OHS measures of pregnant women workers demanded by the ICT union.

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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 worlds’ 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.