The re-employment of laid-off workers and the functioning of the change security model in a mass layoff

Abstract

The consequences of the global economy are ever more subtle and unpredictable from both the regional and the workers’ point of view. North Karelia got its share of globalization in 2007, when Perlos Oyj Ltd, the region’s most significant industrial employer and subcontractor of plastic products, closed down its operations in Finland. This meant the immediate loss of 2000 jobs from the region, and the indirect effects were estimated to have extended even further. Closings of factories are a challenge to the region, but to the individual, the loss of one’s job is always a risk situation, where the person’s coping is affected by the growth stage of the economy, the structure and functioning of the labour market, and the person’s resources for competition at the labour market. To level the risks of globalization, new forms of support and models of operations have been developed. The development of a flexicurity model, which has been under discussion, means improving the chances of the labour market and the economy to become more flexible on the one hand and ensuring job security in non-steady situations on the other hand. This study examines the re-employment of the workers who were laid off from the Perlos Ltd North Karelia plants and the factors affecting the re-employment, the organization of support measures in the region, and the significance of active labour market measures and change security model, in a mass dismissal situation. The research data consist of a questionnaire directed to the workers, interviews of informants, documentary data, statistics, and information gleaned from the career system of labour administration.

In the results, vocational standing and gender emerged as the most important factors predicting re-employment. Also, as expected, the jobseeker’s age turned out to be one of the most significant factors predicting unemployment. In the short run, the decreasing of the income level was more common than its rising or remaining unchanged. One half of the white-collar workers reported an increase in their income, whereas only a tenth of the blue-collar workers experienced an increase. Income development depended significantly on vocational standing but also on gender, age, the length of the employment contract with the company, and whether the person had resigned or been laid off. An examination of the relocation within the labour market of the people who had lost their jobs brought out strong selective features, which were not restricted to re-employment but also concerned the factors describing the quality of the job, such as income development and job satisfaction. For the after-care of the Perlos case, there was an exceptionally large amount of resources available, and besides, the laid-off workers received other support arranged by various quarters. In the short run, the re-employment of the laid-off workers seemed to have succeeded better than expected, but in the longer run the loss of their job has been an economical and social risk for most of them. The change security programme provided economical security for the laid-off people and, in particular, encouraged them to study. The support of the European Globalization Fund ensured individualized services and provided further resources for the arrangement of training. Even so, one must keep in mind when taking societal support action that the closing down of production causes significant long-term social and societal expenses and that the support measures directed to individuals and households should be continued even years after the lay-offs.
This paper is based on a study\(^1\) carried out in the 2008-2009 at the Karelian Institute, University of Eastern Finland, examining the closing down of the Perlos Oyj Ltd plants in the Joensuu region, North Karelia. Perlos, a subcontractor to Nokia, had employed about 2000 workers in North Karelia at its peak in 2005. Since the 1990s its chief client had been Nokia, in whose wake the company had rapidly grown into a globally operating stock exchange company with production on four continents and a workforce of over 13 000 workers at its largest. In the years 2005–2007, Perlos closed down its production activities in Finland stage by stage and was merged into the Liteonmobility concern.

The unusually extensive lay-offs at Perlos mobilized many national and local actors to offer support to the structural change region and the laid-off workers. Along with the labour authorities, the organizers of support measures included educational organizations, trade unions, the local employers’ association, the Evangelical Lutheran parish, and the Joensuu Regional Development Company (JOSEK). The Joensuu region was granted the status of a region of abrupt structural change, and additional resources, to the amount of 16 million euro, for entrepreneurial development projects and promoting employment. Funding for support measures to the laid-off workers was received not only from national funds but also, to the amount of 4 million euro (EGF 2 million and the national share 2 million), from the European Globalisation Adjustment Fund (EGF). To find re-employment for the laid-off workers, use was made of the opportunities offered by the Change Security Programme\(^1\) instituted in 2005 and the additional resources obtained through the EGF.

The after-care work following the ending of Perlos’s production activities provided a real test for the change security model, with the number of people laid off at once for productional and economic reasons amounting to more than a thousand. How did the change security model work in a mass lay-off situation? Did the actors manage to draw up re-employment programmes for all within the target time, and were they able to offer the laid-off workers the services they needed to promote their re-employment? Were they able to speed up the re-employment by means of the change security model, how did they manage to provide educational services to the required extent, and how did the laid-off workers perceive the change security model? These questions were addressed in the study by means of information from the labour administration register, a questionnaire directed to the laid-off workers, and interviews of informants. We examined the functioning of the change security model as part of the total set of support measures taken in the mass lay-off situation.

The re-employment of the laid-off workers

The cooperation negotiations at the beginning of the year 2007 had concerned 1243 workers, 975 of whom were eventually laid off. The rate of re-employment among those who had been laid off

and had registered as jobseekers was surprisingly high at first. Out of those who had became clients of the labour force bureau, 57% were working at the end of the first year after the lay-off, and most of them, as many as 69% of the re-employed in fact, had found the job on their own. Out of all the laid-off workers, 18% were unemployed and 22% in training. Only a few had retired. The employment situation of the laid-off workers was also affected by the economic recession and the waning of the demand for labour, so that in February 2010, one in five of the workers laid off from Perlos was still unemployed.

As many as 83% of those re-employed had entered employment contracts that were in force until further notice. However, 28% of the women had entered fixed-period employment contracts, which showed that the women were more flexible than the men in that they accepted fixed-period contracts as well. Among those re-employed, 70% continued in the field of industry at their new job as well, whereas 30% had changed fields. Two thirds had found employment in large or medium-size enterprises and a fourth in small ones.

White-collar workers found re-employment easier and were able to obtain an income level better than they had had at Perlos more often than blue-collar workers. Laid-off women were less likely to find re-employment and more likely to take a cut in their income level at the new job than laid-off men were. Entering retraining or education was best predicted by the worker’s gender and vocational status, so that women started studying more often than men and blue-collar workers more often than white-collar ones. The worker’s age turned out to be the chief predictor of unemployment, with people who had turned 50 at the highest risk. As many as 83% of the laid-off workers had been unemployed at least once, and blue-collar workers had experienced repeated unemployment more often than white-collar ones had.

The results obtained from the Perlos case confirmed the findings of previous studies regarding the social selectivity of re-employment in a lay-off situation. The re-employment was selective in terms of vocational status, gender, length of work experience, and age. In addition, the selectivity showed up in the quality of the employment contract, the development of the pay rate, and satisfaction with the new job.

Active labour market measures and the experience gained from them

Counselling and guidance

The employment office brought its services for laid-off workers to the Perlos plant as soon as the cooperation negotiations had begun in January 2007, and in May 2007 the services were transferred to the change security unit founded at the employment office of the Joensuu region. The counselling and guidance services offered to the laid-off workers were arranged by means of support from the European Globalisation Adjustment Fund. The change security unit served only those who had been laid off from Perlos and its subcontractors, and it operated till the end of
April 2008. The staff serving the laid-off workers comprised a labour force director, four labour force advisors, a vocational guidance psychologist, and an assistant. The unit was able to function on the EGF funding for one year, which was estimated to be too short a period to help the laid-off people to find re-employment.

The laid-off workers’ experiences with the services they were offered were surveyed by means of a questionnaire. Those over 50 regarded the support measures offered as more important than other age groups did, and women seemed to regard them as more important than men did. The support measures held more significance for blue-collar workers than for white-collar ones and were seen as more important by those who had been laid off than by those who had given notice on their own. Also, the support measures seemed to hold more significance for those who remained unemployed after the lay-off than for others.

The results of the study showed that the realization of the change security model in a mass lay-off situation benefits from the information, counselling, personal guidance, and moral support given to the laid-off people. What was essential in the organizing of support measures at Perlos was the services being offered quickly and being offered at the plant, close to the people who were under the threat of being laid off, and sufficient resourcing of the services. The results also showed that the support measures offered did reach those groups whose re-employment after the lay-off proved to be the most difficult, i.e., people over 50, women, those who remained unemployed after the lay-off, and blue-collar workers.

The use of the services provided by the change security model

The laid-off workers quickly registered as jobseekers after Perlos announced the threat of its production activities being closed down; this happened in mid-January 2007. Their job-seeking plans were also drawn up quickly, mostly before their unemployment had started, thanks to the services that the employment office had brought to the plant. The durations of the first periods of unemployment and the reasons for their ending show that the laid-off workers were quickly provided with support measures and that the measures were comprehensive. For 94 % of the people who had lost their jobs, the first unemployment period already ended by the end of our investigation period, i.e., by the end of the year 2008. For as many as 48 %, the first unemployment period was ended through active labour market measures, which shows that active labour market measures played a very significant role in cutting the unemployment.

One third of those laid off took part in vocational labour market training. They comprised a third of the female and the male blue-collar workers, 18 % of the female white-collar workers, and 15 % of the male white-collar workers. Forty per cent of those who took part were training for a new field, so that a change of vocations turned out to be an important form of flexibility. In a short-term view, training for the field of welfare and health offered the best re-employment
prospects, and in that field the demand for labour did not seem to be affected by the changed economical situation. From the point of view of re-employment, the best results seemed to be reached by training courses based on the demand for labour (recruitment training) or on the trainee’s individual starting-points.

The workers laid off from Perlos made an active use of the active labour market measures, especially in the training opportunities that were developed for them. On the basis of the jobseeker registers and the laid-off ones’ own experiences we can say that the change security operations model encouraged those who had lost their jobs to enter training. Besides, the resources from the European Globalisation Adjustment Fund enabled the provision of many different training opportunities, such as single trainee places, for the laid-off ones. This also means that the change security model and the support from the EGF functioned as a future-oriented security option for the laid-off ones. As to how the training arrangements will lead to the re-employment of the laid-off ones in the future, that question remains open and outside the scope of this study.

Labour market placements, supported employment in particular, are traditional active labour market measures that have usually been taken in cases of unemployed jobseekers who are difficult to employ or need work experience. These laid-off ones made less use of labour market placements than training, although a placement at the private sector, for example, was an effective measure from the point of view of re-employment. Apparently the criteria and conditions of supported employment were such that the measure was not nearly applicable for all the people laid off and thus did not function as a quick track from job to job. In the change security operations model, novel forms of training have been developed and offered to people laid off for productional and economic reasons, but in other respects the active labour market measures of the change security operations model need further development.

It was feared that the skilful labour force of Perlos would move out of North Karelia in search for work. Out of the laid-off jobseekers, 12 per cent used mobility subsidies and nearly 40 per cent of those also received compensations for removal expenses. The moving out was not so great, however, as had been feared in the early days, for at that time there was demand for labour in our region, too. The latent labour needs of the companies in the region, surfacing after the Perlos layoffs, apparently obviated a more extensive emigration.

Perceptions of the functioning of the change security model

The experiences gained on the Perlos mass lay-off and the re-employment of the laid-off workers show how important it is to complement the change security model with other services promoting employment. In the Perlos case, the realization of the change security model was supported by the employment office’s services at the plant and the change security unit’s
services at the Joensuu region employment office. In a mass lay-off situation, special services are of importance, for they bring additional support to critical places, such as the initial briefing, the early activation of those to be laid off, and the guidance towards employment. What is also of the essence in the realization of change security is sufficient and flexible opportunities of training. In the Perlos case, there were additional resources available for arranging extra training courses and for arranging trainee places flexibly by obtaining single trainee places at both vocational institutes and polytechnics.

For big employers such as Perlos, the obligations of change security cause no problems; on the contrary, perhaps, the obligations offer an operations model for a lay-off situation. Also, the cooperation between the employer and labour administration was fluent in the Perlos case, and the company was sympathetic to the presence of labour administration at the plant. However, the company’s own role in promoting the re-employment of the workers remained small. Despite the extra resources and the fluency of the cooperation, the realization of change security encountered problems; among other places, problems occurred in the initial briefing, in the complexity of the change security operations model and its conditions, in the sufficiency of jobs and trainee places, and in educational choices. From the point of view of the workers who made use of change security, the operations model was mostly positive and encouraged them to re-training and job-seeking in particular, whereas its significance for speeding up employment was regarded as lesser. Also, there were doubts about the functionality of the change security model among aged people and in situations where jobs and trainee places were not available in sufficient quantities. The blue-collar workers felt they had benefited more from the change security model than the white-collar ones had. The realization of the change security model in the Perlos case also introduced into discussion the question of equality between the laid-off workers and other jobseekers in regard to services. The people who had been laid off from Perlos and were in the scope of change security were regarded as privileged in comparison with other jobseekers.

Conclusions

The Perlos case study showed that the security systems for mass lay-off situations are in need of further development, for mass lay-off situations are strongly selective socially. The risk of exclusive transitions, i.e., from employment to unemployment or out of the labour market, requires long-term as well as short-term support. More attention should be paid in the future to identifying the risk groups and their service needs and to the allocation and sufficient resourcing of the services. The social selectiveness of the lay-off situation and its long-term effects on the person’s life, career, income development, and wellbeing also mean long-term costs to the society. The new forms of support, such as the change security model and EGF support, turned out to be mostly positive and to level the selectivity, but the study showed that they also need further development and expansion.
One significant factor for the success of the support measures is comprehensible and well-timed briefing about the change security operations model as well as other opportunities available to those laid off. Another essential factor in the realization of the change security operations model is sufficient individual guidance and counselling, offered sufficiently early. In the Perlos case, the voluntary and unofficial support measures offered were of great significance for those laid off.

The best employment security for those laid off is a strong demand for labour, and re-employment can be facilitated by means of active labour market measures and change security. Attention should be paid to the role of labour policy, the development of operations models for change security, and the conditions of rise and recession in the economy. The anticipation of lay-off situations should also include action aiming at developing and diversifying the workers’ vocational skills, lifelong learning and the maintenance of work capacity, and this action should start before the anticipated lay-offs.

Perhaps the Finnish change security model is better than its reputation after all. Its emphasis is not so much on compensating for acquired benefits (the risk of income loss) but rather, and above all, on supporting the re-employment and integration into the labour market of workers who have come in for a mass lay-off. As to whether national flexicurity models can withstand global economic risks and whether it is altogether possible to protect the labour force from economical risks without international agreements and social dialogue, these remain open questions.

Recommendations for the further development of the change security model

On the basis of our study we present a few recommendations for supporting the re-employment of workers to be laid off and for developing the change security model.

- The change security operations model and the concomitant training were less suited for white-collar workers in expert tasks than for blue-collar workers. As future lay-offs may also fall on people working in expert tasks more and more often, the forms of training to be accepted to change security should be developed and expanded further, so that they would better serve the re-employment needs of that group also.
- The change security operations model makes use of measures developed for the re-employment of unemployed people, which are not necessarily suitable as such for supporting the quick re-employment of workers laid off for productional and economic reasons. It should be explored whether the latter workers could be given individual job-finding support in the form of employment vouchers, for example.
- Forms of activity based on the demand for labour, such as recruitment training, precision training and apprenticeship training, and different measures to support quick re-employment should be developed and stepped up.
• Special forms of support should be developed for the re-employment of people belonging to so-called risk groups, such as aged laid-off workers.

• The use of the re-employment leave to look for a new job or trainee place should be permitted as early as possible while the person is still at work under the risk of lay-off. There should be flexible opportunities for the personnel to seek training or another job by means of change security while still at work.

• Especially in situations where a company lays off its personnel on account of closing down its productional operations in the country or redeploying them abroad, the role and the obligations of the company in the re-employment of the personnel should be clearly specified.

• The supporting packages to companies should be developed further and directed to support the personnel’s endeavours to find re-employment or start studies.

The change security model of Finland

In response to a surge in company closures resulting in large-scale redundancies in Finland (see Kuusisto, 2004), a measure called “Change Security” (Muutosturva) was put into place in 2005, targeting people who lose their jobs due to structural changes. The initiative emphasises greater co-operation between Employment Offices and the private sector, which should help displaced workers to return to work as quickly as possible through measures such as early intervention, training, and job-search assistance.74

The model covers employees who i) have been dismissed for economic reasons and have at least 3 years of service with the same employer or different employers; or ii) have been on fixed-term employment contracts with the same employer for a minimum of 36 months within the last 42 months; or iii) resign after having been temporarily laid off for at least 200 days without interruption.75 It entitles those covered to:

• Employment leave (5-20 days paid by the employer)76 during the notice period without a reduction in earnings (conditional on job search);

• An Employment Programme plan within 30 days after the termination of the job, leading to participation in an employment programme; and

• A higher rate of Unemployment Allowance – also known as the Employment Programme Supplement – which is only paid during participation in measures specified in the employment plan, and during independent job search for a maximum of 20 days after the termination of employment and a further 7 days for periods of independent job search between two periods of programme participation. The higher rate can be granted for a maximum of 185 days in total. The increase is substantial: e.g. when the monthly gross pay is EUR 2,000, the regular rate of Unemployment Allowance is 56% of gross pay and the higher rate is 70%.

The employer is obliged to prepare an “employer’s action plan” setting out the planned use of employment services and his/her efforts to promote employee training and job search. In turn, the Employment Office is responsible for providing guidance to employers about the scheme and related matters. For instance, if the employer decides to use private outplacement services rather than the Employment Office, the expert working on Change Security can provide information about the range of private providers. (Nicola Duell, David Grubb and Shruti Singh (2009, 66-67) in Activation Policies in Finland. OECD Social, Employment and Migration Working Papers No. 98.

http://www.olis.oecd.org/olis/2009doc.nsf/LinkTo/NT00006F16/$FILE/JT03274864.PDF