



Added value of the European Globalisation Adjustment Fund: A comparison of experiences in Germany and Finland

EMCC case studies

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Introduction

Technological change and increasingly globalised markets, together with the rise of new economic powers, are rapidly altering the world economic scene. The implications of such changes are diverse. Many expect to benefit from economic growth, more and better jobs and cheaper goods. But there are also those whose livelihoods are threatened by new technologies, stronger competition and changes in economic and market patterns, which have led many European companies to offshore production. While the benefits of these developments usually take time to materialise, the costs are more immediate and visible. In fact, the negative effects of globalisation have been more publicly visible and higher profile than the benefits, and are usually seen in the form of job losses.

The European Globalisation Adjustment Fund (EGF)¹ was established in December 2006 to help compensate workers affected by redundancies resulting from globalisation. It aims to help workers made redundant as a result of changing trade patterns to find another job as quickly as possible. It also serves as another response to those who criticise European institutions as being exclusively concerned with market liberalisation, and is backed by real money and not just declarations (Tsoukas, 2005).

The global interconnectedness of world markets has rarely been demonstrated more clearly than by the impact of the financial and resulting economic crisis. The shockwaves of the collapsing subprime market in the United States (US) and the subsequent meltdown in the world financial markets quickly affected company and individual liquidity, as well as consumer confidence worldwide. As a result, the pace of restructuring has increased significantly in recent months, as demonstrated by the number of restructuring incidents registered by the European Restructuring Monitor (ERM).

As part of the European Commission's response, some provisions of the EGF's founding regulation were amended in recent times, and approved by the European Parliament in May 2009. These changes were designed to ensure that the fund can act as an effective crisis response instrument. It is hoped that the revised EGF will be able to intervene more effectively in support of workers made redundant, and ensure that these workers are quickly reintegrated into employment.

This report aims to compare EGF experiences in two countries: Germany and Finland. In both countries, changes in market patterns have affected mobile phone and component manufacturers, with BenQ in Germany and Perlos in Finland shifting production from Europe to low-cost countries in Asia with resulting large-scale factory closures and thousands of workers losing their jobs. The purpose of this case study is to explore the support measures implemented as a result of EGF intervention and the added value of the EGF in these two cases.

The report begins by giving an overview of the EGF. This is followed by a brief analysis of the impact of globalisation on employment trends in the mobile phone electronics sector, with details of the timeline for restructuring in the two case study companies. The report continues to assess the regional impact of the respective plant closures, the impact of restructuring on employees and the types of active labour market measures introduced to support redundant workers. An assessment of the use of funding and success of various interventions is also given. The report concludes with key messages regarding the added value of the EGF in restructuring cases shaped by globalisation.

¹ <http://ec.europa.eu/egf>.

European Globalisation Adjustment Fund (EGF)

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The European Union has developed a number of tools and initiatives in recent years to respond to current restructuring issues and challenges. The establishment of the European Globalisation Adjustment Fund (EGF) as one of these initiatives marks a significant financial investment and commitment from the European Commission to address the negative impacts of restructuring for workers. The fund began operating in January 2007 and is accessible to all EU Member States. In its design, the EGF complements the EU Structural Funds. While the Structural Funds support activities with a strategic and long-term perspective in the context of anticipating and managing change, the EGF is intended to provide a swift response to a specific restructuring event caused by global market pressures. The period of implementation of the EGF is linked to the EU's financial framework, running from 1 January 2007 to 31 December 2013.

Purpose of EGF

The EGF was designed specifically to support people, not companies, industrial sectors or institutions. As well as the workers of the company directly affected by restructuring, employees in a company's dependent suppliers can also receive support from the fund.

The main focus of the EGF is to retain workers in or reintegrate them into the labour market, through supporting active labour market policy (ALMP) measures such as (European Commission, 2006):

- job-search assistance, occupational guidance, tailor-made training and retraining including information technology (IT) skills and certification of acquired experience, outplacement assistance and entrepreneurship promotion or aid for self-employment;
- special time-limited financial support measures, such as job-search allowances, mobility allowances or allowances to individuals participating in lifelong learning and training activities,
- measures to target particularly disadvantaged groups such as low-skilled or older workers in order to help them remain in or return to the labour market.

The maximum amount of funding available through the EGF amounts to €500 million each year.

Overview of EGF interventions

By December 2008, 14 applications for EGF funding from eight EU Member States had been received, of which 12 had been approved by the Commission, leading to a mobilisation of funds with a value of €73 million. As illustrated in Table 1, some 11,339 workers benefited from EGF assistance in 2007. Out of nine EGF applications submitted that year, five targeted over 1,000 workers and two concerned 'small labour markets' – Malta and Portugal. In the case of the other two contributions, they provided assistance for a subset of the workers affected, whose employer had gone bankrupt.

In 2008, five EGF applications were submitted to provide support to almost 5,500 workers who lost their jobs in the automobile or textiles sectors. In both years, the funds were used for active employment measures that included: advice and counselling, the promotion of entrepreneurship, training and mobility allowances, and advice for families with one or more unemployed members.

Table 1: EGF applications received by European Commission, 2007 and 2008

Year	EU Member State	Company, sector or region affected	Workers targeted for assistance	EGF support requested (€)
2007	France	Suppliers to Peugeot Citroën	267	2,558,250
2007	France	Suppliers to Renault	628	1,258,030
2007	Germany	BenQ (Mobile phone and IT component manufacturer)	3,303	12,766,150
2007	Finland	Perlos (Mobile phone and IT component manufacturer)	915	2,028,538
2007	Italy	Textiles sector in Sardinia	1,044	12,038,700
2007	Italy	Textiles sector in Piedmont	1,537	9,286,850
2007	Italy	Textiles sector in Lombardy	1,848	14,660,750
2007	Malta	Textiles sector	675	681,207
2007	Portugal	Automotive sector in Lisbon-Alentejo	1,122	2,425,675
2008	Italy	Textiles sector in Tuscany	1,558	3.854.200
2008	Spain	Delphi (Automotive component manufacturer)	1,589	10,471,778
2008	Lithuania	Textiles sector in Alytaus	600 (out of 1,089 redundant)	298 994
2008	Spain	Automotive sector in Castile and León, and Aragon	588	2,694,300
2008	Spain	Textiles sector in Catalonia	1,100	3,306,750

Source: *European Globalisation Adjustment Fund website*

Criteria for EGF interventions

During the funding period of the two case studies (BenQ in Germany and Perlos in Finland) and up to 6 May 2009, the key provisions of the EGF regulation were as described below.

First, an application could be made if the link between job losses and significant structural changes in world trade patterns could be clearly demonstrated by a Member State (Art. 2 of EGF regulation). This can, for example,

take the form of a substantial increase of imports, a given sector experiencing a rapid decline of its EU market share, or economic relocation to third countries. Secondly, these changes have to result in:

- at least 1,000 redundancies over a period of four months in an enterprise in a Member State, including workers made redundant in its suppliers or downstream producers (Art. 2(a));
- at least 1,000 redundancies, over a period of nine months, particularly in small and medium-sized enterprises (SMEs), in a sector as defined by the Statistical Classification of Economic Activities in the European Community Revision 2 (NACE Rev. 2) in one region or two contiguous regions at NUTS II level (Art. 2(b));
- in small labour markets or in exceptional circumstances, duly substantiated by the Member State(s) concerned, even if the conditions set out in relation to Articles 2 (a) and (b) – as noted above – are not entirely met, when redundancies have a serious impact on employment and the local economy (Art. 2(c)).

Under the EGF regulation, the responsibility for applying and implementing the funding lies with the authorities of the Member States concerned, which also have to provide 50% cofinancing.

Given that Member States were initially rather hesitant to apply for EGF assistance (only five applications were made in 2008), in its Communication '*Solidarity in the face of change: The EGF in 2007 – review and prospects*' (COM(2008) 421 final)², the Commission announced its intention to amend the EGF regulation. This was confirmed in the Commission's comprehensive plan to drive Europe's recovery from the current economic crisis presented in November 2008. The European Parliament and the Council of the European Union approved the following changes in June 2009:

- the fund's eligibility criteria were broadened until the end of 2011, to include redundancies resulting from the global financial and economic crisis;
- the EU funding rate was increased from 50% to 65% until the end of 2011, as a special crisis measure;
- the eligibility threshold for EGF applications was lowered from 1,000 to 500 redundant workers in a sector and region or undertaking;
- the funding period was extended from 12 to 24 months to leave sufficient time for the measures to be effective in reintegrating particularly the most vulnerable workers into new jobs.

The purpose of these changes is to enable the EGF to act as a more effective crisis response instrument.

² <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=COM:2008:0421:FIN:EN:PDF>.

Overview of sectoral development

The telecommunications sector has undergone significant changes in the past two decades.³ These changes were primarily triggered by the development of mobile services (particularly short message services) and the growth in internet and associated services. This rapid expansion of mobile telephony and broadband communications generated significant growth in the sector in the 1990s. Accordingly, the high competitiveness of the marketplace has been forcing large incumbent operators to increase their efficiency and labour productivity. This is mainly due to the fact that more start-up companies and SMEs began to operate in the market, while in the past the sector consisted mainly of large state monopolies.

The strong expansion of the mobile phone market has continued during the current decade, although at a slower pace. Following its peak in 2001, when the total number of mobile subscribers doubled within two years reaching 308 million subscribers, the mobile phone market was hit by a downswing of almost 10%. Yet, by the end of 2003, the EU had the highest density of mobile subscribers among world regions (81.2 subscribers per 100 inhabitants). In 2007, mobile was the largest sub-component of telecommunications operators and accounted for €80 billion of value added.

Starting from 2000, the following factors have contributed to the changing shape of the industry:

- rapid expansion of the volume of new phone models and other wireless terminal devices;
- shortening of the product life cycles;
- a focus on the speed of the design and production processes;
- declining average sales price of mobile phones;
- a decreasing number of components needed in a mobile phone and a combination of many functions in one device;
- the growing importance of Asia, particularly China, as both a manufacturing base and end market.

In order to adapt to this changing environment, the major European companies have started to engage in various activities to become more competitive. First, mobile phone makers are concentrating their procurement with an increasingly smaller number of suppliers who are able to provide a wide range of design and manufacturing services. As a result, many suppliers are striving to consolidate their market position by expanding their service provision. Suppliers have also increased in size and scale through mergers and acquisitions. Secondly, outsourcing and offshoring are becoming major practices in an effort to sustain cost efficiency in the industry. With the help of outsourcing, for instance, mobile phone companies can focus on their core functions, such as brand management, product design and marketing. In terms of offshoring, the low cost of labour and proximity to emerging markets became the main rationale behind the transfer of production and activities abroad, particularly to Asia.⁴ Strategies that are most often accompanied by outsourcing and offshoring include:

³ This section is based on information from the following sources: EMCC (2005b and 2005c) and CEBR (2008).

⁴ For instance, China remains the biggest manufacturer of mobile phones (about 50% of the total volume) and India is becoming the important production base for a number of mobile device retailers. In addition, both countries have about 580 million mobile phone subscribers and growth in the sales of subscriptions is expected to continue. The number of mobile phone users was estimated to exceed three billion in early 2008.

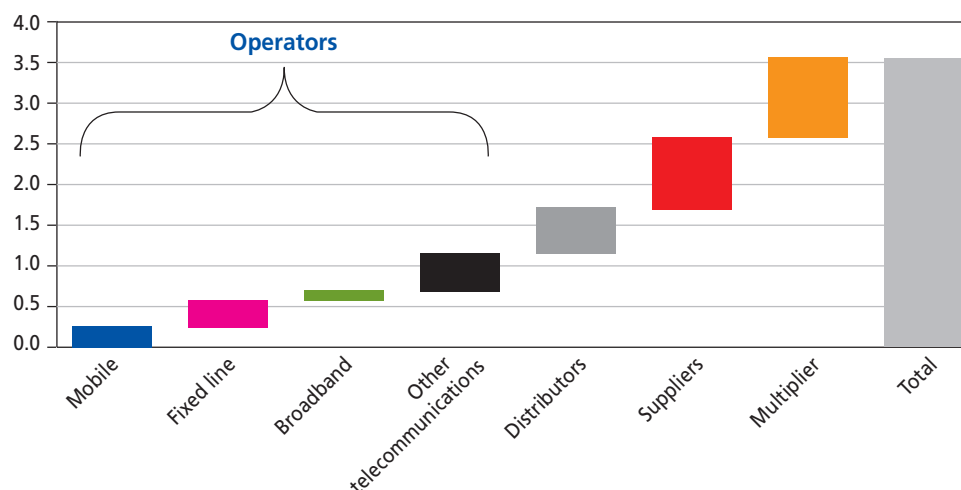
- refocusing on domestic markets;
- integrating mobile and internet units;
- consolidating IT platforms, staff and processes.

According to economic forecasts, mobile services or operators will continue to grow over the next five years by 5.8% a year and further modernise their services by implementing new technologies – for example, Voice over Internet Protocol (VoIP) or Third Generation Mobile. However, it is expected that this growth will be slower than in the previous years due to increased maturity of the mobile market and the current economic downturn.

Impact on employment

The development of mobile phone technology has had a visible impact on employment trends in the sector. During the 1990s, employment in the telecommunications sector increased steadily, eventually peaking in 2001. Since then, there has been an overall decline in employment in the sector, particularly in the area of fixed line activities. Nevertheless, this tendency has been compensated by strong employment growth in mobile communications. For instance, in 2007, the telecommunications sector accounted for 3.56 million jobs in the EU, of which 260,000 persons worked in the mobile phone subsector (Figure 1) (Centre for Economics and Business Research (CEBR), 2008).

Figure 1: Employment in the EU telecommunications sector, millions, 2007



Source: CEBR, *The changing economic impact of the telecommunications sector in the EU. A report for Telefónica*, 2008, based on Eurostat data

There are two major trends that can be distinguished in the field of employment in the mobile phone sector. First, the use of new digital technologies has resulted in a reduced need for traditional skills, such as maintenance and repair. As a consequence, the demand for telephone operators and telecommunications equipment installers and repair personnel is expected to decline by 40% and 5% respectively by 2010, according to estimates by the United States Bureau of Labor Statistics. At the same time, information systems managers and computer specialists are becoming the most sought-after workforce.

Secondly, lower wage rates and increasing education levels in developing countries have made it more possible for companies to hire qualified workers offshore and to save money in communication functions (call centres, customer support and sales) as well as in operations (finance and accounting, data processing and administration, operations and project management). According to the 2003 Deloitte Global Telecommunications Operator Survey (Deloitte, 2003), communications operators could employ at least 5% of the industry’s global workforce offshore. This practice has already been accepted for at least one operator in some European countries, such as Belgium, Denmark, the Netherlands and Poland. However, in some cases – for example, in France, Germany and Italy – offshoring has so far remained a less popular solution to increase cost efficiency. This is due to a number of reasons ranging from difficulties in laying off staff to problems with managing the process in relation to data security or political instability in some developing countries.

Globalisation has affected component manufacturers in the mobile electronics sector in a similar way. Many European companies have relocated physical manufacturing processes to lower-cost destinations and the two case study companies provide prime examples of this trend. Developments at BenQ and Perlos are outlined below, illustrating the impact of changes in the sector as a result of globalisation.

Background to Perlos factory closures

Established in 1953, Perlos Oyj (Perlos) is a Finnish component supplier for the telecommunications industry. The company specialises in the design, manufacturing and assembly of mechanical and electronic modules for mobile phones, particularly plastic covers and mechanics. The company’s biggest clients are telecommunications companies such as Nokia and Sony Ericsson. It employs over 8,000 workers worldwide with manufacturing sites in Asia, Europe and the Americas. For a long time, employment growth at Perlos followed the typical employment trend in the mobile phone technology sector.⁵ Employment grew steadily throughout the 1990s, reaching its

Figure 2: Employment trends at Perlos, in Finland and abroad, 1989–2008



Source: Adapted from information supplied by Perlos in March 2009 on the number of employees at the company

⁵ Based on interviews with employee and management representatives at Perlos, as well as statistics provided by them and a report written by Timo Hirvonen (2009).

highest level in 2000 and then again in 2004. During the 1990s, all activities from research and development (R&D) and design to manufacturing were located in Finland, apart from small-scale activities in the United Kingdom and later in the Americas. This changed fundamentally at the turn of the decade. A quarter of the company's employees were employed outside Finland in 1999 and the number of employees in Asia in particular increased exponentially during the following seven years. Over half of the company's employees were located in countries providing cheap labour, particularly in Asia, eastern Europe and the Americas (Mexico and Brazil) in 2003. By 2008, only 2% of the company's employees were employed in Finland (Figure 2).

Perlos' main production sites were located in the structurally weak region of North Karelia in eastern Finland. By 1995, Perlos had become the largest employer in the region. In 2005, the number of Perlos employees in North Karelia reached 2,200, including temporary staff (Perlos' total Finnish workforce peaked at about 3,100 employees in 2004) (Table 2). During this time, mobile phones became a mass produced good and a focus of global price competition. Transfer of production to Asia, eastern Europe and the Americas started in 2005. In June 2005, Perlos decided to close down the first Finnish factory in Ylöjärvi in western Finland, which resulted in 579 job losses. In February 2006, the company initiated negotiations to cut a further 600 jobs in the country, following a decision to reduce production in Finland and to increase manufacturing in low-cost production countries close to emerging markets in Asia, Central Europe and the Americas. These negotiations were completed in April 2006 with Perlos announcing a loss of 573 jobs around the country. This round of redundancies led to another factory closure in Nurmijärvi in southern Finland and staff reductions in North Karelia – at the Joensuu and Kontiolahti factories. At the end of 2006, the company decided to reduce its global workforce by 4,000 workers. Soon after,

Table 2: Timeline of job losses at Perlos in Finland

Year	Job losses / factory closures	Average no. of workers in Finland	Average no. of workers outside Finland
2004–2005	Division specialised in manufacturing of hospital devices sold to Ratos Oy	3,071	4,331
2005	Closure of Ylöjärvi factory, in Tampere region Loss of 579 jobs	3,004	9,888
2006	Closure of Nurmijärvi factory and job losses in the North Karelia factories (Joensuu and Kontiolahti) Loss of 573 jobs	1,600	11,344
2007	Closure of Joensuu and Kontiolahti factories Reduction of over 1,100 workers in Finland; the remaining 200 workers mainly to support development of operations abroad Perlos Oyj bought by a Taiwanese company Lite-on Group	267	8,364
2008	Negotiations to reduce the number of workers in Finland to 100. Redundancies due to take effect by the summer of 2009.	188	8,022

Source: Various sources

on 15 January 2007, the company announced that it was going to stop production in Finland and therefore close down the remaining two factories operating in the country – namely those in Joensuu and Kontiolahti. The negotiations lasted several months and resulted in 1,104 redundancies in the country as a whole, including over 950 job losses in North Karelia. Only 200 workers remained in the country to offer technical and operational support, continue R&D work and run the company's head office, including the finance and human resources (HR) teams. The number of workers in the North Karelia factories declined from over 1,500 to only 100 staff. Today, the company employs 43 workers in Finland and most are working on assignments abroad.

Since then, the company has continued to reorganise the business, not least due to poor financial performance. Net sales have decreased from €674 million in 2006 to €376 million in 2008 and operating results indicated losses in 2006 and 2007. In August 2007, Lite-On Technology Corporation of Taiwan, China, announced its intention to submit a tender offer for all Perlos shares. Today, Perlos operates under the umbrella of Liteonmobile, which was established in 2008 bringing together the services of three companies in the mobile phone accessory sector: Perlos, Silitech and Lite-On.

In 2008, Perlos began negotiations to reduce the number of employees in Finland from 200 to 100. These redundancies were due to be initiated by the summer of 2009. Plummeting European demand for mobile phone handsets has since forced the company to also close a factory in Hungary.

'Demand for Perlos services in Finland has continued to shrink, and there are no preconditions to continue production operations in the present form.' This was the official reason given by the Chief Executive Officer (CEO) of Perlos for the closure of North Karelia factories in 2007. In recent times, the HR director at Perlos reflected on the closures by stating: 'globalisation is affecting Finnish mobile phone manufacturers, component manufacturers and their upstream suppliers by forcing them to relocate closer to the fastest growing mass markets, technology partners and cheaper labour force...We needed to move close to the production facilities of our main customers (primarily Nokia and Sony Ericsson)...It is no longer enough to be close to the headquarters of our customers but we need to be located close to their production facilities.'

Background to BenQ insolvency

On 1 October 2005, the Taiwanese company BenQ acquired the mobile phone division of Germany's electronics giant Siemens AG, which subsequently traded as BenQ Mobile GmbH & Co OHG and Inservio GmbH. The sites purchased were responsible for producing (BenQ Mobile) and repairing (Inservio) mobile handsets. Siemens had announced its decision to exit the increasingly competitive mobile phone production market in June 2005, following several years of significant losses in this sector, which eventually climbed to a staggering €1 million a day. In order to counteract the downward trend, Siemens had already shifted some of its production to eastern European countries, such as Hungary in particular, and had negotiated a 30% salary sacrifice with its workforce in 2004 in exchange for job security. To appease what was perceived as an 'emergency sale' in 2005, Siemens additionally provided BenQ with €400 million in capital. The sale affected around 6,000 employees worldwide, just over half of whom were based at three German sites in Munich, Bocholt and Kamp-Lintfort.

For BenQ, this was considered an important acquisition as the company was keen to expand its market share in Europe and South America. The ability to use the Siemens brand name and the ability to take over the company's

highly-skilled workforce were prime reasons for the deal from BenQ's perspective. However, the hope generated among the workforce by this fresh start quickly faded when six months later it became clear that the company was continuing to make significant losses under the new owners. The situation quickly deteriorated despite the company's attempt to make savings by announcing 500 job losses.

At the end of September 2006, just one year after taking over from Siemens, the Taiwanese parent company withdrew all financial support from its German subsidiaries, having made annual losses totalling more than €850 million. Insolvency proceedings began in January 2007. The insolvency led to 1,342 redundancies at the company's site in Munich, 1,719 in Kamp-Lintfort and 242 in Bocholt. As well as the significant job losses, the collapse of BenQ in Germany started a protracted legal process between the Taiwanese parent company, Siemens, the insolvency administrator and former BenQ staff concerning the information provided during transfer proceedings and various payments made just prior to the insolvency which only ended in the spring of 2009.

Restructuring both at Perlos and BenQ had a significant impact on the companies' respective regional labour market. This is particularly true for Perlos' operations in North Karelia and BenQ's production sites in Kamp-Lintfort, where these mobile phone manufacturers provided among the most significant sources of employment in structurally otherwise already weakened regions.

Perlos in North Karelia region

Perlos had played a very important part in the economic life of North Karelia for several decades. It was not only the biggest employer but also the founder and developer of modern industrial culture in the region. The company offered sought-after jobs due to the international nature of the business and high-level manufacturing technology. Joensuu became the national R&D hub for plastics technology and was the only city in the country to offer university-level education in this field.

For these reasons, the redundancies at the company had significant economic consequences for the region. Over 950 workers were made redundant directly at Perlos and several more at their suppliers in the Joensuu area. However, it has been estimated that some 2,000 workers lost their job either directly or indirectly in the region (Hirvonen, 2009). The average age of workers was about 34 years, a quarter of employees were white-collar workers and women made up 31% of the workforce (Jolkkonen, Koistinen and Kurvinen, 2008a). Most of the jobs were classified as high added-value jobs of which economic value was nearly twice as high at €97,500 per person as the added value of an average job in the region (€49,500) (Finnish Ministry of Employment and the Economy, 2009a). Therefore, although the direct redundancies accounted for only 1.5% of all jobs in the region, the economic impact was twice as high at 3%. The consequences were particularly heavily felt by the municipalities of Joensuu and Kontiolahti, where most of the jobs were located.

The redundancies have also had an effect on the level of unemployment in the region. Before the first wave of redundancies in 2006, the unemployment rate in North Karelia had been declining at a faster rate than in any other region in the country. Unemployment continued to decrease in 2007 but at a much slower rate than in the rest of the country. The high number of redundancies at Perlos reduced employment options for existing jobseekers because the work experience held by many Perlos jobseekers was sought after by many local companies.

The state earmarked €8 million to support the region in order to cope with structural change and the aftermath of the closure. As Finland held the EU presidency in the second half of 2006, the Ministry of Employment and the Economy was heavily involved in finalising the EGF regulation. This meant that individuals at the Ministry of Labour had a solid understanding of the EGF and therefore were able to prompt regional actors to submit an application together with the ministry. The cooperation negotiations were completed some weeks after the news of the closure and the final redundancies were confirmed on 6 July 2007, six months after the closure announcement. The EGF application was submitted just days later and was approved in December 2007. Just over €2 million of EGF funding was granted (€2,028,538) under Article 2(c) of the EFG regulation and the total package with matched national funding amounted to just over €4 million (€4,057,075).

BenQ in Kamp-Lintfort

The three sites affected by the BenQ insolvency were faced with a range of very different labour market contexts. The management and R&D department of BenQ Mobile GmbH & Co OHG were located in Munich in Bavaria in southeastern Germany, where the employee profile, as well as the positive local labour market situation made it easier to limit the negative impact of the redundancies on individuals. There was particularly strong demand for qualified workers, whereas it proved more difficult for administrative and commercial staff to find new employment quickly.

The situation was much more difficult in Kamp-Lintfort, a town of 40,000 inhabitants in the region of North Rhine-Westphalia in western Germany, where BenQ was the second largest employer providing over 1,700 jobs or 13% of local employment. The situation in this region is further aggravated by the fact that the coal industry employs the most workers in the region, which currently amounts to about 3,500 jobs, but has been in continuous decline for many years. In addition, the imminent expiry of subsidies for coal further exacerbates the situation and weakens the local labour market potential. In the absence of any major manufacturing employer in the area and given the low qualification level of many of the workers made redundant at BenQ's Kamp-Lintfort site, finding new job opportunities in the area was likely to prove much more challenging. The situation was similar for the workers at BenQ's other plant in North Rhine-Westphalia, the Bocholt plant, with both towns showing an unemployment rate above the German average at 12.2% in Kamp-Lintfort and 10.3% in Bocholt when the BenQ redundancies were announced. Future labour market prospects for BenQ workers were complicated by the fact that, as former Siemens employees, their salaries tended to be above the regional average for relatively low-skilled work, which made the search for work at a comparable salary more difficult. In addition, many of the workers in the production and packaging facilities were parents with childcare and family responsibilities, who would find it more difficult to relocate for employment.

Partly as a result of the poor potential labour market outlook, local and regional politicians, together with the insolvency administrators, spent many months trying to find a new investor to take over all or some of the BenQ sites. However, these efforts ultimately failed when the last interested parties withdrew from the area in April 2008. The situation was further aggravated by the Taiwanese parent company's refusal to support any efforts to set up arrangements to assist redundant workers in finding new employment opportunities. This situation led to a high-profile campaign by the trade unions, which erected a 'solidarity tent' outside the company gates in Kamp-Lintfort providing the workers affected with a place to meet for about 13 weeks. This campaign was supported by local and regional politicians and ultimately the national government to mount pressure on the former owners Siemens to provide financial assistance in setting up a transfer company to support redundant BenQ employees. This high-profile campaign and pressure brought about by the pending legal action relating to the transfer of the German sites to BenQ forced Siemens to back down from its initial refusal to assist. Subsequent negotiations resulted in the following package of measures being made available by Siemens:

- the establishment of transfer companies to support former BenQ employees with placement services, careers guidance and training and retraining support, costing about €25 million;
- top-up payments to increase the legally available minimum short-term transfer payments from 60%–65% of the previous salary to 80%–85% of the previous salary;⁶

⁶ The short-term transfer allowance is a 12-month payment available under German law for employees contracting with a transfer company while they undergo placement and further training or retraining activities.

- payment of an ‘inducement bonus’ of €24,000 for anyone leaving employment with the transfer company prior to the end of the scheduled 12 months’ support period on 31 December 2007;
- a ‘bridging payment’ of at least €2,700 for each year of completed employment with Siemens for all individuals leaving the transfer company on 31 December 2007 without having found employment.

At the same time, the Germany Ministry of Labour, in cooperation with the regional government, the German Metalworkers’ Union (*Industriegewerkschaft Metall*, IG Metall) and the insolvency administrator worked on an application to the EGF for additional funding, which was submitted in June 2007 and approved for intervention from 1 January 2007, when the measures to support the workers commenced.

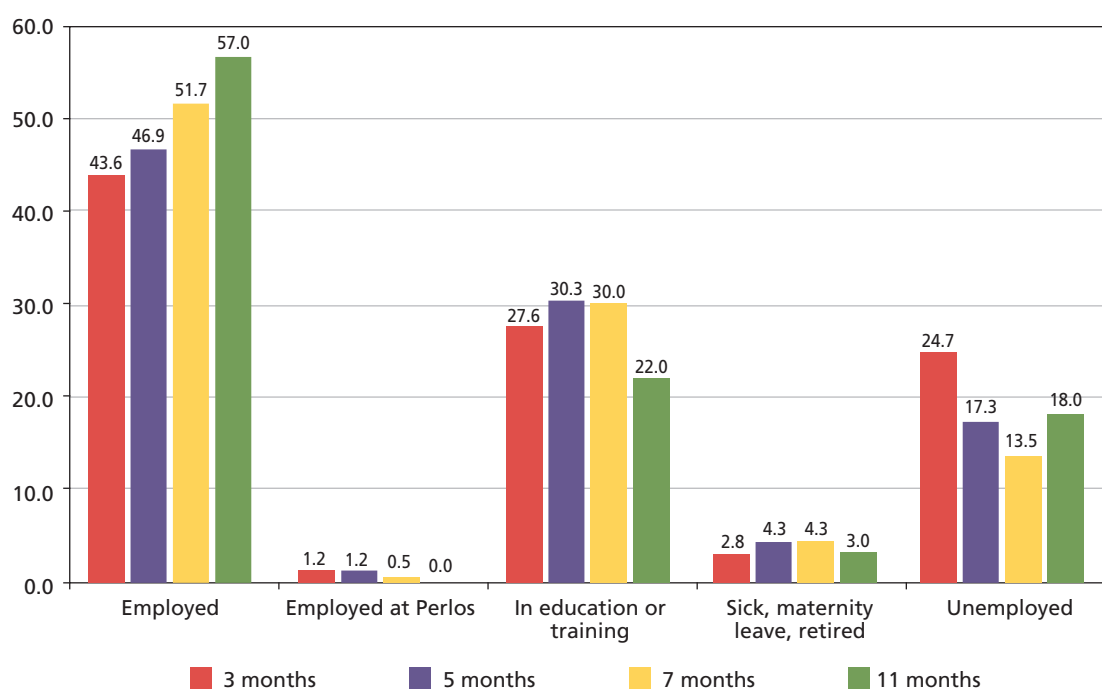
Although restructuring and associated job losses clearly have a significant financial and psychological impact on all workers, it is widely acknowledged that the detrimental effect of job losses is exacerbated for certain groups who find reintegration into the labour market more difficult. This is particularly true for low-skilled or unskilled workers, single mothers and women with caring responsibilities, as well as older workers. The danger and likelihood of a prolonged spell of unemployment following redundancy is much greater for individuals from these groups than for highly-skilled workers and those with professional qualifications in areas with shortages of labour.

This was confirmed by Jürgen Wichert of the Peag Transfer company assisting former BenQ employees, who stated that ‘the workers with academic and professional qualifications were easy to place. It was much more difficult to find jobs for unskilled workers, older workers or women’. Meanwhile, Sven Kramer of Peag Transfer also commented: ‘In the beginning, the phones never stopped ringing, engineers in particular were snapped up; even those over 50 had no difficulties in finding a new job.’

Redundancies and destinations of former Perlos employees

All 1,243 employees of Perlos in North Karelia were subject to cooperation negotiations⁷ following the announcement of the Joensuu and Kontiolahti factory closures in January 2007. A total of 964 workers were made redundant over the following months and some 86 workers left the company voluntarily. About 50–60

Figure 3: Outcomes for former Perlos workers (%)



Source: Adapted from data of the Joensuu public employment service by Jolkkonen, A., Koistinen, P. and Kurvinen, A., *Irtisanomisen riskit ja riskien hallinta - Uudelleentyyöllistyminen ja riskikokemukset Perloksen Joensuun seudun tehtailta irtisanoutuneiden ja irtisanottujen työntekijöiden kokemana*, Powerpoint presentation (preliminary findings based on ongoing research, which is due to be finalised in September 2009), University of Joensuu, 2008a

⁷ <http://www.eurofound.europa.eu/emire/FINLAND/ANCHOR-YHTEISTOIMINTANEUVOTTELUTSAMARBETSF-Ouml-RHANDLINGAR-FI.htm>.

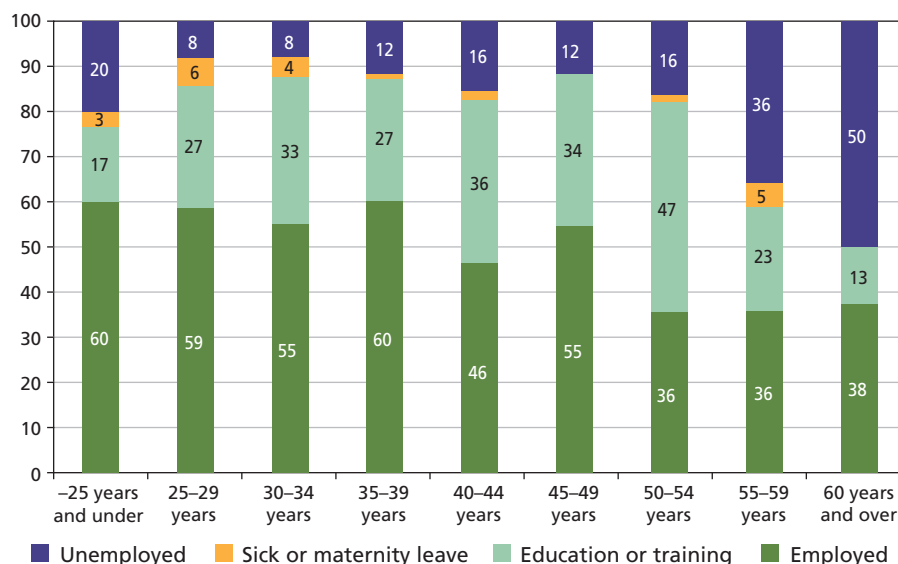
employees who were laid off never registered with the local job centre, which suggests that they found a new job without any support from public authorities.

Figure 3 shows the outcome for workers who were made redundant. Data available on the situation of former Perlos employees is particularly strong because of a study carried out by the University of Joensuu, which is due to be finalised in September 2009 (Jolkkonen, Koistinen and Kurvinen, 2009a). This study and public employment service data demonstrate that the employment rate of former Perlos workers grew steadily for 11 months after they were laid off by the company. Over 57% of the workers were employed 11 months after being made redundant. Unemployment grew slightly between seven and 11 months due to the high number of workers finalising their studies and re-entering the labour market.

The various characteristics outlined below affected the workers' chances of finding new work (Jolkkonen, A., Koistinen, P. and Kurvinen, A., 2008a).

- Gender: Men were nearly three times more likely to find a new job than women. Women were three times more likely to take up training than men.
- Employment status: White-collar workers were nearly three times more likely to find employment than blue-collar workers. Blue-collar workers were four times more likely to take up training than white-collar workers.
- Length of employment at Perlos: Those who had worked four to nine years at Perlos found work more easily than other categories of employees. Employees with 10 or more years of experience were twice more likely to find work than workers with under four years of experience.
- Age: Younger workers were more likely to find employment than older workers. Under 35-year-old employees were nearly three times more likely to be employed than workers aged 50 years or more. Figure 4 below

Figure 4: Situation of former Perlos employees, as at 5 May 2008, by age group (%)



Source: Joensuu Regional Employment Office (*Joensuun seudun työvoimatoimisto*), based on the situation as at 5 May 2008

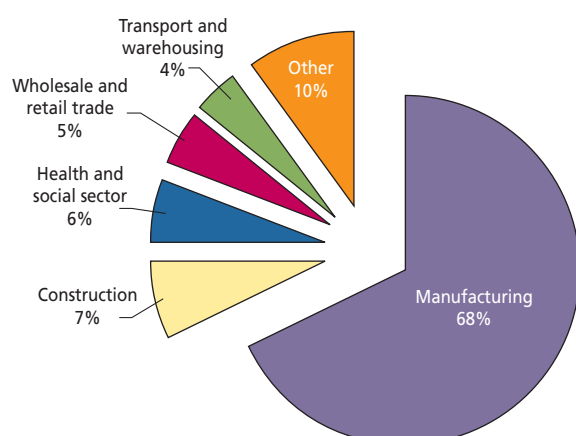
illustrates that, 16 months after the shutdown was announced, half of those aged over 60 years were unemployed while only 8% of some younger age groups were looking for work.

As outlined in Figure 5, more than two thirds (68%) of workers found jobs in other manufacturing companies, such as Abloy Oy and Valukumpu Oy, and forestry businesses, such as John Deere Forestry and Mantsinen Oy) (Jolkkonen, A., Koistinen, P. and Kurvinen, A., 2008a). In terms of employment provision, manufacturing was followed by construction (with 6.6% of the workers finding work), health and social services (6.4%), wholesale and retail trade (5.2%), and transport and warehousing (4%). Some 11.5% of all employees who left Perlos in the spring of 2007 – either voluntarily or involuntarily – had to move to a new location in order to take up a new job. Just over 7% of the workers left the region and 4.5% found work within the region but outside the immediate surroundings of Joensuu. Anecdotal evidence suggests that white-collar workers were more mobile and willing to accept jobs outside the Joensuu region.

It has been estimated that 30–40 new companies were established by former Perlos employees. Most of the new companies operate in retail, service, maintenance and technical fields. A small number of companies – for example, Kaptas Oy – were also set up by former employees on the premises of the Joensuu factory to continue some of the services provided by Perlos. The company supported this form of new job creation at the Joensuu site by offering discounts on rent to former company employees. These new companies proved to be an important source of jobs for many workers who were affected by the company closure. More than 10% of those who left Perlos voluntarily or involuntarily during the spring of 2007 found employment in one of these new companies. Around 5% of workers returned to work for their previous employer – that is, their employer prior to working at Perlos.

A survey carried out by the University of Joensuu among former Perlos employees found that over a third of them (38%) had to accept a new job that paid less than their job at Perlos (Table 3). Some 30% of the workers saw an increase in their salary in their new job and just under 32% saw no significant change in terms of remuneration.

Figure 5: Employment outcomes of former Perlos employees



Source: Adapted from Jolkkonen, A., Koistinen, P. and Kurvinen, A., *Irtisanomisen riskit ja riskien hallinta - Uudelleentyöllistyminen ja riskikokemukset Perloksen Joensuun seudun tehtailta irtisanoutuneiden ja irtisanottujen työntekijöiden kokemana*, Powerpoint presentation (preliminary findings based on ongoing research, which is due to be finalised in September 2009), University of Joensuu, 2008a

The workers who were made redundant while on fixed-term employment contracts at Perlos have been particularly affected by the closure. Some 60% of employees on fixed-term contracts had to accept a reduction in salary and some 41% of workers who were made redundant found a job that paid less than their job at Perlos.

Table 3: Impact on salaries of employed former Perlos workers, 2008 (%)

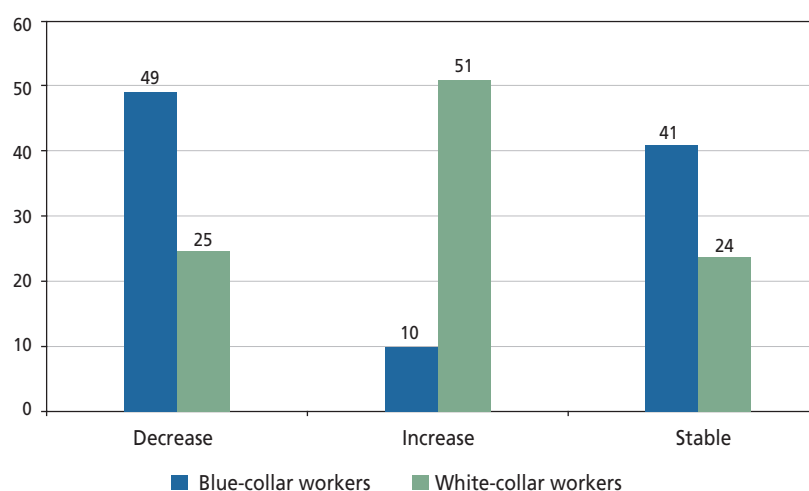
Categories of workers	Trend		
	Decrease	Increase	Stable
Redundant employees	41.4	24.2	34.4
Employees who resigned voluntarily	29.8	51.1	19.1
Perlos employees on fixed-term employment contracts	60.0	40.0	0.0
Former Perlos employees who took up jobs in companies that continued to operate on the premises of Perlos	0.0	20.0	80.0
Total	37.9	30.4	31.7

Note: Based on responses from 224 respondents.

Source: Jolkkonen, A., Koistinen, P. and Kurvinen, A., PowerPoint presentation (preliminary findings based on ongoing research, which is due to be finalised in September 2009), 2008a

Half of the white-collar workers who found a new job soon after the closure of the Joensuu factory enjoyed a higher salary in their new job. At the same time, nearly 50% of blue-collar workers ended up in jobs that paid less than the job they had at Perlos. Only 25% of white-collar workers were paid less in their new job while only 10% of blue-collar workers reported an increase in salary in their new job. Employees who resigned were happier with their salary than employees who were made redundant.

Figure 6: Impact on salaries, by occupational status, 2008 (%)



Source: Adapted from Jolkkonen, A., Koistinen, P. and Kurvinen, A., PowerPoint presentation (preliminary findings based on ongoing research, which is due to be finalised in September 2009), 2008a

The reasons for the salary differences between blue-collar and white-collar workers (Figure 6) include the following:

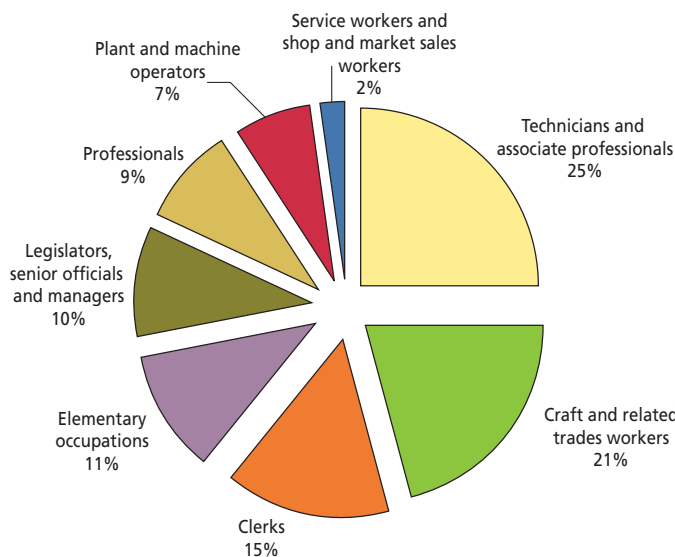
- the salaries paid by Perlos were competitive;
- most blue-collar workers used to work shifts, which were well paid. While many workers have seen a reduction in their salary in their new job, working hours are shorter and more sociable;
- white-collar workers gained important international experience at Perlos, which is highly valued by many SMEs in and outside the region. Therefore, many of them were able to negotiate a good salary.

At the peak of unemployment for those made redundant, only 170 of 965 workers who were made redundant remained out of work. This meant that only 18% of workers had yet to find a job. The global recession which started to affect European economies in the second part of 2008, however, changed this situation and many workers who were successfully reintegrated into employment have now been made redundant again. According to the Joensuu public employment service, unemployment in the region is currently at 16%, which is the highest in Finland. Moreover, employee representatives have estimated that as many as 600 of the former Perlos employees who were made redundant in 2006/2007 could currently be unemployed again. Workers in the forestry and metalworking sectors in particular have lost jobs in recent months. For example, a tools manufacturer for the forestry industry, which employed dozens of former Perlos employees, has announced that it will lay off 80 of its 400 workers. Another tools manufacturer, which employed around 60 former Perlos workers, recently made the majority of its employees redundant as it cut its workforce from over 100 to just 13 workers.

Redundancies and destinations of former BenQ employees

The BenQ insolvency affected just over 3,300 employees at the companies' three sites in Germany. Around two thirds of the workers affected were men (63%) and just over one third were women (37%). The vast majority of

Figure 7: Professional classification of former BenQ staff



Source: ??

the workers (95%) were aged between 25 and 54 years, 4% were aged over 55 years and 1% were under 25 years of age. Figure 7 shows the professional classification of BenQ workers affected by the redundancies.

As explained below, the majority of former BenQ workers were placed in transfer companies, following the end of their employment relationship with BenQ on 31 December 2006. A transfer company is an establishment provided for under German law that can be set up in cases of restructuring with resulting job losses. The transfer company makes it possible to prepare redundant workers for a new job through qualification and placement activities. Transfer companies, once established, generally operate for a 12-month period. There is no legal obligation to create a transfer company. This decision is left to the discretion of the social partners in each case. In practice, this instrument is used in most cases of large-scale restructuring involving job losses in Germany. For the employees affected by the restructuring, there is no obligation to move to the transfer company once it has been created. However, those workers who do not join the transfer company will be dismissed.

The different labour market situations facing workers of the Munich and the Kamp-Lintfort and Bocholt sites were reflected in redundant workers' decisions regarding whether to join the transfer company. In Munich, only 54% of the workforce agreed to move to the transfer company, indicating the likelihood that they had already found or had no difficulty in finding alternative employment. In Kamp-Lintfort, the percentage of workers joining the transfer company amounted to 91% and in Bocholt 83%. Between January and April 2007, 41% of the workers in the transfer company in Munich had already found another job compared to 15% in Kamp-Lintfort and 14% in Bocholt. By May 2008, 90% of former BenQ employees in Munich had found alternative employment or became self-employed. For the two sites in North Rhine-Westphalia (Kamp-Lintfort and Bocholt), despite the more difficult labour market conditions, the placement rate of those available to enter employment was over 80% by May 2008. Table 4 summarises the status regarding redundancies and destinations of former BenQ employees at the point at which support from the EGF and transfer companies ended in May 2008.

Table 4: Redundancies and new destinations of former BenQ employees

Former BenQ site	Redundancies	Entering transfer company	Exit from transfer company into employment by 31 May 2008	Exit from transfer company into self-employment by 31 May 2008
Munich	1,342	771	617	60
Kamp-Lintfort and Bocholt	1,961	1,756	1,143	About 15
Total	3,303	2,527	1,760	About 75

All measures supporting redundant workers in Finland and Germany were implemented in accordance with national legislation, as well as with the EGF regulation. In Finland, this refers to the operational model for employment and change security, which aims to improve the position of employees if they are threatened by dismissal or have been dismissed on economic or production-related grounds.⁸ This flexicurity model, which was introduced in 2005, seeks to ensure that active job-seeking measures intended for dismissed workers can begin as early as possible during the period of notice, and those within the scope of change security are entitled to a personal employment programme and an increase in their unemployment benefit.

As mentioned above, in Germany, the law provides the option of setting up a transfer company, which will establish a contract with redundant employees for a period of 12 months, once employees have terminated their employment contract with the company. As previously stated, both the establishment of a transfer company and the individual employee's decision on whether to avail of the services of this company are voluntary. Over the past five to 10 years, the use of such transfer companies has become more commonplace in cases of large-scale industrial restructuring and has become part of the social plan negotiated between trade union and management (or in this case insolvency administrator) representatives. It is the transfer companies that are subsequently responsible for arranging counselling, placement and training services to integrate redundant workers back into the labour market as soon as possible.

Application of Finnish change security model at Perlos

Local actors reacted swiftly to the news about the Perlos factory closures because the company was the largest employer in the region. These actors set up a tripartite Perlos working group (*Perlos työryhmä*) to deal with the change and reduce the impact of redundancies on workers. The working group included representatives from the regional Employment and Economic Development Centre of Joensuu, the local job centre, the regional development agency JOSEK, the municipalities of Joensuu and Kontiolahti, the regional education and training consortium, and employee and management representatives of Perlos. The activities of the working group ranged from practical (planning and implementation of measures to help redundant employees) to strategic (how to attract new businesses to the region and support existing businesses to cope with the aftermath) measures. A national working group on structural change was already in place and helped to coordinate a national response to the redundancies, including the provision of €8 million in emergency funding for the region.

In order to help redundant workers to find another job as quickly as possible, various measures were introduced immediately after the news of the Perlos closures was announced. These included, for example, a total of 17 information events to inform workers about unemployment benefits, job vacancies in other companies and the availability of support from local actors (Employment and Economic Development Centre, 2007). The events were hosted by the local job centre, together with other partners (including social partner organisations), and held at the Perlos factory in order to involve as many employees as possible. Over 800 workers took part in these events. Two weeks after the announcement of the factory closures, the job centre set up temporary information stands at the factories that were manned by experienced members of staff from the local job centre and restructuring experts from other job centres. In this way, employees were easily able to follow up on their queries and access assistance. Over 300 employees used this opportunity and set up an appointment with one of the advisers.

⁸ Legislative acts concerning change security took effect on 1 July 2005. These include the: Act on the Amendment of the Employment Contracts Act (456/2005); Act on Cooperation within Undertakings (334/2007); Act on the Amendment of the Unemployment Security Act (459/2005); Act on the Amendment of the Act on Financing of Unemployment Benefits (460/2005); Act Amending Chapter 11 Section 6 of the Sickness Insurance Act (461/2005).

The job centre events were followed by other information events. The Perlos working group quickly came to the conclusion that redundancies could have serious financial implications for many individual workers and their families. For this reason, the working group requested local banks to agree to hold meetings with the workers affected to see what kind of arrangements could be made to help them. Over 440 Perlos workers also participated in eight education and training information seminars held at the factories. These events were organised in collaboration with the regional education and training consortium, the North Karelia Polytechnic and the University of Joensuu. At the request of the company's shop stewards, a public information event was held during which local actors – such as the municipality or regional agencies – answered questions about the plans to support redundant workers. Finally, a survey was carried out among 7,200 companies in the region about their future recruitment needs. The aim was to identify vacant positions and ensure that local jobseekers could be employed to take up these positions after undertaking relevant training.

Four and half months after the closure announcement, the job centre started to move the main focus of its support from the factory to other facilities at the premises of the job centre. This centre was to be known as the Perlos Change Security Unit and four employment advisers, an occupational psychologist and a team leader were employed at the unit as a result of EGF funding. The job centre wrote a letter to each employee about the services of the unit in order to encourage them to visit the centre in person.

The centre was active for 13 months. Its main task was to offer information, guidance and advice on a one-to-one basis to workers who were due to lose or had already lost their job in order to find new positions through training and other assistance. An individual employment plan was devised for each worker who required support, which included a skills assessment and a review of training needs. Over 600 employment plans were completed at the centre.

Almost 10% of the workers benefited from occupational guidance. Between April 2007 and 2008, the occupational therapist held over 340 sessions with nearly 90 individuals. Nearly all beneficiaries of this service were women (80%). Others (4%) were taken through an in-depth assessment of their ability to work. Group sessions were also organised at factories to help individuals with their job-search skills, such as writing a curriculum vitae (CV), using internet-based job search engines, as well as skills and competence reviews. Some 7% of all redundant employees, who were registered as jobseekers, participated in the group sessions.

One of the most popular measures to support redundant workers was recruitment fairs. Such fairs offered an opportunity to local employers to market their positions to jobseekers. Subsequently, and after suggestions from employees, similar fairs were organised for former Perlos workers to market their skills to potential employers. This meant that potential employers were able to meet jobseekers, view their CVs, advertise their company and vacancies, and receive information on available financial incentives to employ new workers. The recruitment fairs proved to be an immense success with 600 jobs on offer. Other recruitment channels, facilitated by the Perlos working group, resulted in 39 companies advertising 283 jobs.

Employees were encouraged to consider self-employment options. Job centre staff worked closely with the association of entrepreneurs to offer information, advice and guidance to those interested in a career as an entrepreneur. Appropriate contacts for further advice, entrepreneurship courses, start-up grants and other forms of support were made available. One of the most useful tools was the *Ideahautomo* project, which offered potential entrepreneurs an opportunity to meet with experts who offered advice on their business ideas and helped them

to develop feasible ideas into business plans. About 4% of affected workers benefited from such support, and many others took part in other municipally-run training courses for entrepreneurs.

Various financial incentives were also introduced to help with the re-employment of specific groups of workers. In addition to business start-up grants, mobility allowances were granted for those who attended interviews outside their normal commuting area and up to €700 was offered as a moving allowance for those who had to move to a new location to take up their new job. Overall, 10% of redundant workers took advantage of this opportunity. Financial support was made available to companies that recruited older former Perlos workers (aged 50 years or more), those with disabilities and other groups of workers considered to be at risk. Such support was also offered to companies employing a jobseeker as an apprentice. A total of 91 individuals were employed through one of these financial interventions, accounting for nearly every tenth worker who lost their job.

Education and (re)training were at the core of most re-employment plans. The EGF enabled local actors to implement or offer the following:

- on-the-job training organised by local training provider(s) and public authorities in association with companies seeking to recruit new staff. In total, 56 former Perlos workers were chosen on these courses, which were mainly organised in association with companies requiring skilled workers in the metalworking and wood industries;
- additional polytechnic-level courses arranged in fields experiencing labour or skill shortages: 37 workers attended courses in health and social sectors and 15 more participated in mechanical and metal engineering training;
- additional study places in existing vocational courses (from initial vocational education and training opportunities to university-level degrees). The most popular field was the metalworking sector accounting for a quarter of new study places, followed by 18% in services, 13% in health and social fields, and 11% in construction. The remaining places were provided in commerce (9%), electricity (7%), transport (6%) and other sectors (9%).
- information and communication technologies (ICT) training;
- other preparatory labour market training.

Over 400 workers took part in the abovementioned training courses, with nearly 150 individuals participating in more than one course. Every third worker trained or retrained within the national competence-based qualification system or decided to study towards a degree-level qualification. In total, the EGF funded 826 education, training and guidance-related interventions, which benefited 550 persons. Table 5 outlines the number of workers who benefited from the various training and support initiatives.

Table 5: Number of planned and actual beneficiaries of support initiatives

	Planned	Actual
Job-search assistance	400	67
Occupational guidance	1,050	Not available
Education and training		
Tailored labour market training (on-the-job training) organised in association with companies seeking to recruit new staff	250	56
Individual study places (such as initial vocational education and training (IVET), continuous vocational education and training (CVET) and Bachelor of Arts (BA) degrees)	100	295
Additional polytechnic-level courses in sectors experiencing labour or skills shortages	10	52
ICT training	200	31
Other labour market training	200	171
Outplacement assistance	1,000	Not available
Entrepreneurship support		
Start-up grant	60	10
<i>Ideahautomo</i> : Brainstorming sessions among potential entrepreneurs	150	25
Entrepreneurship training	40	0
Job search and skills mapping	350	23
Mobility allowances	300	96
Financial support to companies employing workers over 50 years old	80	15
Financial support to companies employing people with disabilities and other groups considered to be at risk	100	70
Measures to stimulate employment of apprentices	75	6
Examination of ability to work as part of vocational guidance	70	3

Note: Figures include the matched funding from the Finnish government.

Other stakeholders contributed to the ‘relief’ efforts using their own funds. For example, the local parish played an important part in supporting employees and their immediate families. Two pastors were active in each factory and their main task was to provide emotional support for workers. This was funded by the individual parishes, and was introduced as a result of positive feedback from other former employees of Perlos who had been supported by their local parishes after redundancy. Their support proved particularly valuable for the shop stewards of Perlos who were under immense pressure during negotiations.

All employees were entitled to between five and 20 days of paid leave during their notice period to attend job interviews, take part in information events, visit the support unit at the local job centre and take part in other activities that could help them to find new positions. In total, 2,941 working days were used for these purposes between March and mid May 2007 by employees who were threatened by redundancy.

One trade union established its own support office for Perlos workers. Trade union support provided important peer support as some workers felt more at ease when learning from a peer than in a hierarchical setting. Their links with private recruitment companies also helped to re-employ some individuals. However, many workers believe that the support could have been more effective had the union been able to have its office in the same premises as the Perlos support unit at the job centre. However, this was not possible due to the physical capacity restrictions of the job centre, which already had to move some staff to temporary offices in order to accommodate the workers employed in the Perlos unit.

Employees also benefited from the social package that was paid by the company to the workers affected by the redundancies. Social packages are not as common in Finland as they are in a number of other European countries and Perlos was one of the first companies in Finland to introduce such a package. The financial compensation received by the Perlos workers was one of the highest in Finland, although not necessarily as high as such packages are in many other European countries.

Most recruitment events and information channels that were put in place to market the services of the job centre were fully funded by local actors as they were not aimed at former Perlos employees alone. They were open to all unemployed people in the region; thus, they did not qualify for support from the EGF.

Use of transfer companies for former BenQ employees

With the support of funding from Siemens, Germany's Federal Employment Agency (*Bundesagentur für Arbeit*, BA), the labour ministries of the relevant federal states (*Länder*) as well as the EGF, the insolvency administrator was able to establish a contract with two transfer companies to provide support for redundant BenQ employees. The two companies were Train Transfer und Integration GmbH, contracted to work with former BenQ employees in Munich, and Peag Transfer.

In order to qualify for short-term transfer allowances and assistance from a transfer company, all affected employees had to undergo a profiling process, determining their qualifications, competencies, experience and personal aspirations. All employees affected by imminent redundancies took part in a two-day profiling process during October 2006. As well as qualifying workers for participation in the work of the transfer company, the profiling also served the purpose of assisting the transfer companies in beginning to develop appropriate reintegration measures for each individual as early as possible.

In the case of the BenQ insolvency, agreements with transfer companies were concluded in December 2006, with employees receiving individual offers to terminate their current employment contract and to join the transfer company. Employees who did not agree to move to the transfer company were dismissed by the insolvency administrator by mid January 2007 (see section on 'Redundancies and destinations of former BenQ employees').

Train Transfer und Integration GmbH based in Munich worked closely with the Bavarian Business Training Services (*Bildungswerk der Bayerischen Wirtschaft*, BBW), the Vocational Training Centres for the Bavarian Economy (*Berufliche Fortbildungszentren der Bayerischen Wirtschaft*, BFZ) and the employer associations of the Bavarian metalworking and electrical industries – *Verband der Bayerischen Metall- und Elektroindustrie* (VBM) and *Bayerischer Unternehmensverband Metall und Elektro e.V.* (BayMe). Train Transfer was operational between 1 January 2007 and 31 December 2007, but with EGF funding was able to provide training and mobility assistance, as well as dedicated counselling support until the end of May 2008. Of the 1,342 workers made redundant at the BenQ Munich site, 771 workers decided to enter employment with the transfer company. By the end of 2007, 578 of these workers had found new employment and 60 had entered self-employment. EGF funding became available for actions from 1 October 2007. Since then, it has funded assistance with mobility measures (103); assistance post employment; individual qualification measures (70); other qualification measures; peer group activities (different peer groups, for example, for older workers, managers, those seeking employment abroad, disabled workers and marketing employees); intensive counselling measures; and assistance with business start-up ventures. Between 1 October and the end of December 2007, EGF funding assisted 391 redundant workers. From 1 January to April 2008, support continued for 194 workers. Between January and April 2008, a further 39 workers had found employment. By the end of May 2008, 90% of former BenQ employees had found new employment or became self-employed. Meanwhile, 30 workers had found a new job abroad.

Peag Transfer is one of the oldest transfer companies in Germany, having been established in Dortmund in North Rhine-Westphalia in 1997 in the process of the merger of the metalworking companies Thyssen and Krupp and with assistance of the city of Dortmund. Peag provided transfer services for redundant workers at BenQ and Inservio GmbH, and at Kamp-Lintfort and Bocholt from 1 January 2007. Between 1 October 2007 and 31 May 2008, these measures were co-financed by the EGF, thus extending the usual availability of the assistance of transfer companies by five months. The transfer company initially contracted 1,756 workers, of whom 199 were from Inservio. By the end of December 2007, 901 of the former BenQ and Inservio employees had found new employment and over 400 of them were still participating in different support measures.

Of the 1,756 employees who were initially contracted with Peag, only 1,485 were effectively available for employment. Of those who were not available for work, the majority were either on official maternity or parental leave, carrying out their military service, in full or early retirement or had died since the closure of the company. By the end of the funding period without the support of the EGF, 901 former BenQ employees had found employment and 10 had entered self-employment. From 1 October 2007, all 921 former BenQ employees remaining contracted by Peag were offered support specifically funded by the EGF. Among these workers, 76 refused assistance for a variety of reasons, such as maternity and parental leave, ill-health, self-employment and lack of childcare facilities. The majority of participants in these measures were aged between 31 and 50 years, and just over 50% were men.

During the start-up phase in the first three to four months of work, the work of the transfer company, particularly in Kamp-Lintfort and Bocholt proved difficult because the insolvency administrator and other local political actors were keen to find a solution for BenQ which would involve a new investor coming in to rescue all or at least part of the sites, thus retaining (some) employment. These negotiations ultimately proved unsuccessful but meant that, until April 2007, many of BenQ's former employees clung on to the hope of a rescue package and ongoing employment with a takeover company. As a result, a significant number of those having been placed in the transfer company only started to engage with the counsellors and the offer of qualification and other measures after

nearly five months. However, by that time it was too late for some of them to enter certain longer-term qualification measures, as this would have taken them beyond the period of funding available for the transfer company.

A further obstacle to early integration was considered to be the often perverse incentives provided by the financial support measures negotiated in the social plan. These included the 'bridging payment' offered by Siemens to any of the company's former employees who had been unable to find employment following the end of the initial period with the transfer company. A survey carried out by Peag found that, for a quarter of former BenQ staff, the offer of a bridging payment acted as a disincentive to seeking or accepting alternative job placements offered by the transfer company. Other reasons included unrealistic labour market and salary expectations, a lack of appropriate qualifications, age, sickness or disability, and family responsibilities.

EGF funding allowed the transfer company to offer intensive counselling to the majority of beneficiaries, as well as offering specific peer group advice and counselling to 210 participants in 21 groups with meetings held for three hours every two weeks. Basic qualifications in assembly and metalworking, warehousing, catering and sales were offered to 90 participants. Group qualification measures were offered in a number of specific technical, logistical, transport and commercial skills, particularly demanded in the local labour market, to 174 participants, with a further 30 workers receiving the opportunity to participate in specific individualised training measures. An additional 40 participants requested and received specific entrepreneurship training for the purpose of becoming self-employed.

Individuals entering employment during the period of EGF funding could, furthermore, be entitled to a mobility allowance of €700 a month for a maximum of six months up to 31 May 2007. Such mobility allowances did not only cover the cost of moving or commuting to another job location, but could also temporarily cover any shortfall in salary by having to accept a lower-paid job than previously occupied at BenQ, which was a problem for a significant number of beneficiaries.

Special measures were drawn up for older employees, but despite this, a significant number of them proved difficult to place in employment.

Peag carried out a specific project between July 2006 and December 2007 for those workers aged over 50 years. The project was partly funded by the EU EQUAL initiative.⁹ Many of the beneficiaries were former BenQ staff. Intensive assistance measures include advice and guidance on pensions, health and promotion, and job fairs for workers aged over 50 years. Despite this additional effort, the transfer rate of this target group remained limited because of the poor perception of older workers in the labour market.

⁹ http://ec.europa.eu/employment_social/equal/index_en.cfm.

Assessment and added value of EGF support

6

In the cases of BenQ and Perlos, EGF support was considered to have been an extremely valuable addition to other funding sources available nationally and from the EU in providing assistance for the rapid integration of individuals affected by restructuring caused by changes in global market patterns.

The following are some of the comments about the added value of EGF:

- ‘the results would not have been this positive without this extra funding’;
- ‘these funds played a decisive role in helping most vulnerable employees’;
- ‘EGF made a huge difference, especially by increasing the number of opportunities for retraining’.

Both quantitative and qualitative evidence available in the implementation reports of the EGF actions in the two cases show that the EGF had a significant impact on employability and well-being of redundant employees. The transfer company model in Germany and the change security model in Finland are relatively well developed, which means that both countries have had various tools in place to help workers affected by restructuring for some time. These tools and programmes, however, often suffer from financial and time limitations, which create the most significant obstacles to those affected workers who are most in need of assistance, as they require more in-depth intervention and assistance to be able to re-enter the labour market. Therefore, the main added value of the EGF in the case of Perlos and BenQ has been the extra resources and personnel that it funded to support redundant workers rather than the creation of new types of working methods or support schemes. Both at Perlos and BenQ, the most vulnerable groups of affected workers were considered to have benefited most from the additional assistance that was made available as a result of EGF funding. These groups included:

- older workers;
- low-skilled workers;
- women and particularly single mothers.

Highly individualised assistance and training for these groups as well as peer group support organised for particular targets groups were among the measures that would not be part of the general offer of the transfer company model. In addition, EGF assistance enabled the delivery partnerships both in Finland and Germany to prepare more detailed assessments of local and regional labour market requirements and to develop tailored training provision, which was more likely to lead to positive job outcomes in the local area.

In Finland, the ability to hire more staff to support redundant workers with the use of EGF funds was considered to be crucial. The government has been running a public sector productivity programme to scale down costs. For this reason, it is very difficult for local and regional stakeholders to get funding to hire extra personnel, and the local job centre could not have handled the situation without help from the new advisers, the occupational therapist and the team leader, which were covered by the EGF funding.

In Germany, legal provisions regarding transfer companies limit their interventions to a 12-month period. Particularly for vulnerable groups, this is often an insufficient time period to obtain the additional qualifications and competencies that may be required to achieve greater employability. The availability of EGF funding meant that it was possible to help those workers who had not been able to find employment by the time the work of the

transfer company was officially complete. Support and counselling could be offered to those who had not yet found a job or had only done so in the last few weeks of the work of the transfer company.

EGF funding available at Perlos and BenQ also provided the opportunity to offer a wider spectrum of education and training measures. In Finland, although national legislation enables local and regional actors to ‘purchase’ additional study places, they have been rarely willing to do so due to the heavy bureaucracy and workload associated with it. The extra funding enabled the stakeholders to spend the required time going through the process and allowing an additional 295 workers to start their studies. The regional education and training planning committee also brought some of the training courses forward; refresher courses were introduced so that qualified electricians, for example, did not have to repeat the whole course. The age threshold for certain training courses was also increased. All of the courses had more applicants than available places.

In Germany, funds for qualification measures allowed a specific assessment of the local and regional labour market to assess skills shortages and to provide appropriate tailored training. This meant that most of the 300 workers who benefited from such training measures were able to find employment following their training. As well as for jobs in manufacturing and assembly, warehousing and restaurants, specific training courses were organised for specific technologies, logistics and transport. Of the 300 individuals obtaining specific qualification support through the EGF, 215 of them had been placed by May 2008. According to an assessment by the Labour Ministry, 25% (or 460 individuals) of those who have been successfully placed by the transfer companies have benefited specifically from measures funded by the EGF, as a result of the additional time available for the transfer company to offer its assistance.

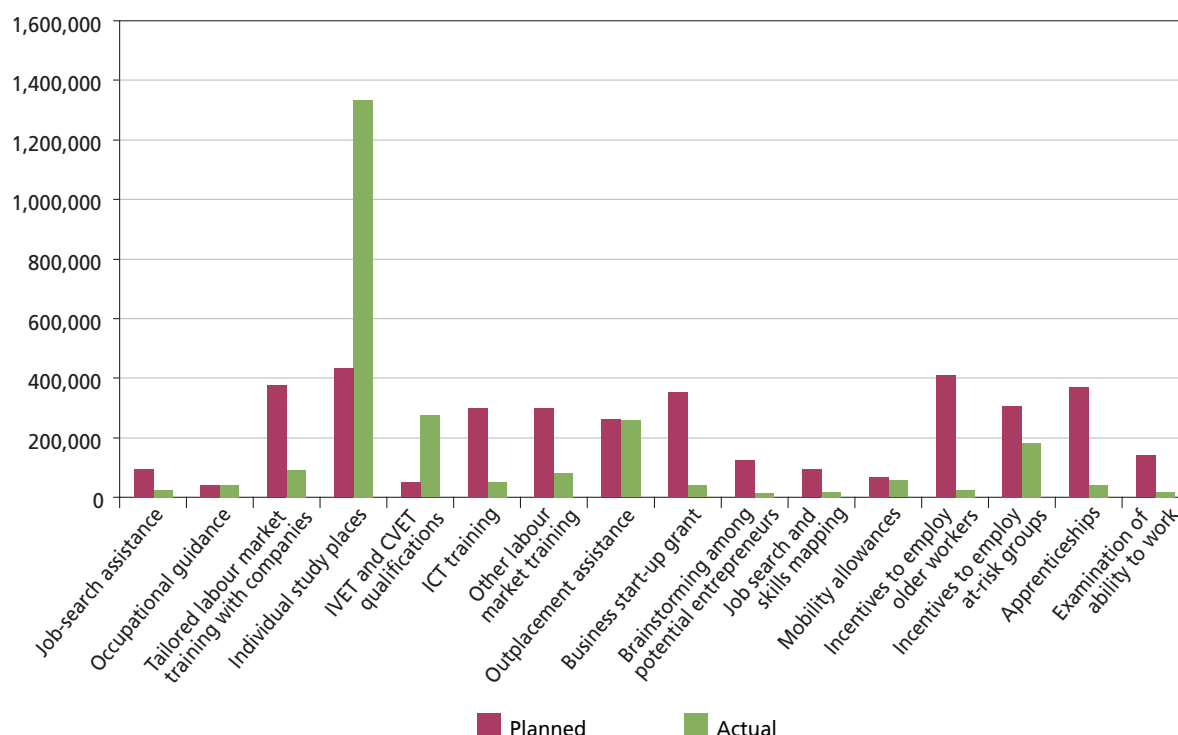
Finnish respondents, in particular, felt that other European funding instruments such as the European Social Fund (ESF) could not have been used to provide this response. The case came up during transition from the old (2000–2006) to the new (2007–2013) ESF programme period. This means that it would not have been possible to set up a new ESF project as the old project period (2000–2006) had just come to an end and the new one had not started. Furthermore, the focus of new ESF programme is in on longer-term, high impact projects.

In spite of the overall positive assessment of the availability of EGF funding, a number of challenges were also identified with regard to the use and application of this funding.

One of the challenges related to difficulties in predicting during the funding application phase the precise nature of the support required. On the whole, fewer individuals were found to require support that was foreseen in the application phase. Among the German transfer companies, this was partly attributed to the fact that participation in transfer company measures is voluntary, thus making precise planning difficult.

In the case of Perlos, although most of the EGF cost estimates were found to have been relatively accurate, as in the case of BenQ fewer individuals required support than was foreseen at the application phase (Figure 8). In fact the application was prepared to ensure support for every affected worker. According to the company, ‘it is easier to return funds rather than cancel necessary measures due to a shortage of funding’. Both in Germany and Finland, in reality many of the workers affected by the restructuring measures found a new job without significant support. The negative impact of redundancies was alleviated by a number of factors, including the timing of the closures, as they happened during a period of economic growth which helped with job placement, despite the challenges faced by most of the regions implicated in the BenQ and Perlos closures. Another important reason in the Finnish

Figure 8: Total planned and actual EGF expenditure at Perlos (€)



Source: Adapted from the EGF final report by the Finnish Ministry of Employment and the Economy, 2009a

case was the diversity of skills and qualifications held by the workers, which meant that the jobseekers were not limited to employment opportunities in one sector alone but could be supported in their efforts to find employment across many different sectors.

In terms of the success of various measures, occupation and career guidance and counselling, as well as training and retraining measures benefited the highest number of workers. In the case of BenQ in Germany, the specific assistance offered in the form of peer group advice and counselling was considered to be particularly helpful for disadvantaged groups. As highlighted by Angelika Preiss from Peag:

From our point of view, the peer groups were particularly helpful for those affected by redundancy. We had never previously been able to offer this kind of assistance, because the topics dealt with are only indirectly related to their job search.

In Finland, outplacement support and financial incentives to companies to recruit individuals with disabilities and other groups considered to be at risk were highlighted as successful measures. According to a survey carried out by the University of Joensuu among Perlos workers (including those who were made redundant, who left voluntarily and who still work at the Joensuu site), the most important types of support were:

- the company's social package;
- the internet-based job search engine provided by BA;

- the support provided by the Perlos Change Security Unit;
- the advice given at the job centre;
- the information and advice provided at the Joensuu factory.

The survey assessed all types of support measures, including those co-funded by the EGF and those that were fully funded by national or local actors. The support offered by the Perlos Change Security Unit was the most appreciated EGF-funded intervention, followed by information and advice events held at the factory. The most important providers of support were trade unions, the employer and the regional job centre. Older workers and women valued information, guidance and other support more than younger employees and men. Unsurprisingly, temporary agency staff were least satisfied with the support they received as many were laid off before the comprehensive set of support measures were introduced.

Compared with the support generally being offered by the public employment service to redundant workers, the more intensive and individualised advice offered by the Perlos Change Security Unit and the transfer companies at BenQ, as a result of the ability to have more advisers working with redundant workers, was particularly appreciated by the recipients .

In addition, it is clear that the size and nature of the restructuring programme in both cases had stimulated a variety of key local and national actors (trade unions, employers, the local public employment services, local and regional politicians, development agencies and national agencies) to work together not only to provide counselling and training solutions for affected workers, but also to boost economic investment in the affected regions and to offer more practical solidarity and visibility to their cause. At BenQ, the trade union and worker representatives erected a 'solidarity tent' at Kamp-Lintfort, which in the first 13 weeks following the closure of the site was the focus not only of political campaigns but also of practical and psychological support for affected workers.

At Perlos, all interviewees praised the level of cooperation within the tripartite working group at the company, and the range of measures introduced and 'packaged' to support redundant workers, especially given that it was the first time that such extensive tripartite cooperation was taking place in the region. Many companies and authorities have since copied the Perlos model – for example, in the case of a paper mill closure in northern Finland – and visited Joensuu to learn from experience. The regional Employment and Economic Development Centre has also prepared an action plan based on the lessons learnt from the Perlos case in order to be prepared for a similar event.

Practical implementation

Perhaps unsurprisingly, the need for all key stakeholders to be involved in the early planning process of interventions was highlighted as one of the main lessons to support successful practical implementation. Key partners included employers, trade unions, workers, public employment services, local and regional public authorities, local and regional development centres, as well as other civil society support groups.

The importance of individualised assistance in planning tailored interventions was also emphasised. Although there has been an increasing trend among public employment services towards the development of individual action plans, the availability of EGF funding was considered helpful in providing more personalised one-to-one support. In connection with this, the importance of a full assessment of local labour market needs and skills requirements was also seen to be critical, as this should form the basis for planning training and competence building for a quick reintegration of workers into the labour market.

Peer group support was also considered to be a critical factor, whether provided formally or informally. Proximity to the remaining or former work site was considered useful in this regard.

EGF application process

Financial implications of EGF application process

Comments regarding the length of the EGF application process varied. The Commission has outlined that the EGF approval process can last about 26–31 weeks. This wait, coupled with the time taken by the negotiation period to confirm the exact number and profile of dismissed workers and the time taken to gather information on the application form, means that the whole application period can last for up to a year. In the Perlos case, this process took 11 months. The direct implication of this delay is that national authorities must plan and even implement various interventions already before a decision is reached on funding. This forces authorities at national, regional and local level to take an obvious financial risk. In the case of Perlos, the authorities received encouragement from the Commission at an early stage, which gave them the confidence to make a start on interventions and expect that the official decision would also be a positive one. The situation could have been different without this encouragement. For these reasons, the Finnish authorities welcomed the 2008 proposals of the Commission to examine ways to accelerate the approval process (European Commission, 2008).

In the case of BenQ, the German authorities decided to rely on the Commission's approval of the assessment, on the assumption that the Council and Parliament would agree. The application was submitted at the end of June 2007 and Commission approval was given at the end of September 2007. The Council and Parliament finally approved the assessment in December 2007.

Need to raise awareness of EGF at national and regional levels

The European Commission has agreed to intensify its awareness-raising activities in order to achieve greater visibility of the EGF. Raising awareness among local and regional actors is regarded equally important, as readiness of these authorities to file an application can speed up the application process in the Member States. In Finland, various information activities are undertaken to ensure that regional players are aware of the EGF. Information is filtered down from the Ministry of Employment and the Economy to regional economic actors

through restructuring working groups and other networks. In Germany, publicity surrounding the use of the EGF in a high profile case such as BenQ and its perceived positive outcome in difficult economic circumstances has helped raise awareness of the fund, as did a conference organised by the German authorities to present the case to regions not directly affected.

Calls for a simplified EGF application form

Information on key facts and figures concerning the company and affected workers is necessary on the EGF application form. However, the application form can be particularly time-consuming, difficult and in some cases even impossible to complete, which therefore delays submission. This is the case, for example, with regard to the requirement to classify the redundant workers according to the International Standard Classification of Occupations (ISCO). Authorities in both Finland and Germany welcomed all efforts to simplify the application process.

Expanding duration of EGF assistance

Extension of the funding period from one to two years was welcomed by all individuals interviewed as part of this case study. All interviewees felt that 12 months was not a long enough period to help all redundant workers, especially low-skilled workers, and 'another six months would have made a real difference'. Many training courses cannot be completed within a year and are therefore left for the national authorities to fund.

At the same time, the 12-month timeframe not only encouraged but also forced authorities to act quickly and effectively.

Flexibility of EGF essential

Flexibility in terms of being able to transfer expenditure from one action to another was found to be an important and valued element of the fund.

Monitoring

The national and local management information systems used by regional, employment and education authorities are rarely directly suited to cater for the monitoring needs of the EGF. For example, as the EGF was used for the very first time in Finland, new monitoring and administration systems had to be created. The management information system of the public employment service had to be adjusted to allow specific codes to be allocated for the employees benefiting from the EGF. Once this was in place, the monitoring system worked well. While the monitoring systems were found to be taxing by many interviewees, others argue that the stringent monitoring rules helped some authorities in the analysis of the effectiveness of different interventions. Some went as far as to say that the EGF monitoring system forces authorities to pay attention to the relationship between funding, outcomes and impact.

Administration

Overall, the administrative requirements of the EGF were found to be time-consuming – many interviewees felt that too much time had to be spent on tracking and processing minor expenses such as postage costs.

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