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EGRUiEN
ENCOURAGING A DIGITAL AND GREEN TRANSITION THROUGH REVITALISED AND INCLUSIVE UNION-EMPLOYER NEGOTIATIONS

EGRUiEN Historical Background and Case Study Report: Finland

Abstract

Finland's twentieth-century history was marked by strong economic growth, rising living standards, and continuous structural change. Heavy industry, a central driver of economic development, began to decline as an employer from the mid-1970s onward. Factory closures and mass layoffs – particularly during the 2000s, when restructuring accelerated – have triggered local crises across the country. This paper examines these structural transformations through negotiation processes surrounding factory closures, using them as a lens for understanding social dialogue and adjustment mechanisms in Finland.

The analysis draws on earlier reports of factory closures and their management. The findings show that outcomes varied significantly across regions and were shaped by local institutional capacity, cooperation between public authorities and firms, demographic structure, and workers' ability to retrain and move into new sectors. A central finding is the emergence of learning process: experiences from earlier closures contributed to the development of a more structured public sector operating model for managing abrupt structural change, while companies also adopted more visible corporate social responsibility measures. Over time, adjustment processes shifted from ad hoc and conflict-oriented bargaining toward more anticipatory and integrative approaches. However, despite these institutional improvements, long-term employment losses were not always fully compensated.

Economic and institutional context

Finland is one of Europe's late-industrializing countries, having been among the poorest nations at the beginning of the twentieth century. Exceptionally strong economic growth after World War II substantially raised living standards. Since the 1960s, Finland has developed into a Nordic welfare state characterized by a large public sector. By the 1980s, the country had nearly caught up with its historical benchmark, Sweden, in terms of living standards (Laine et al., 2019).

Finland joined the European Union in 1995 and adopted the euro in 1999 (cash in 2002). While the late 1990s and early 2000s saw renewed strong growth – this time driven by the booming ICT sector – the global financial crisis of 2007–2009 marked the beginning of a prolonged period of weak performance, often referred to as Finland's "lost decade" (see Figure 1). These challenges have extended into the 2020s, exacerbated by the COVID-19 pandemic, the economic consequences Russia's war in Ukraine, and broader geopolitical instability. Domestically, slow growth has intensified concerns about public finances and dept, leading governments to pursue spending cuts.

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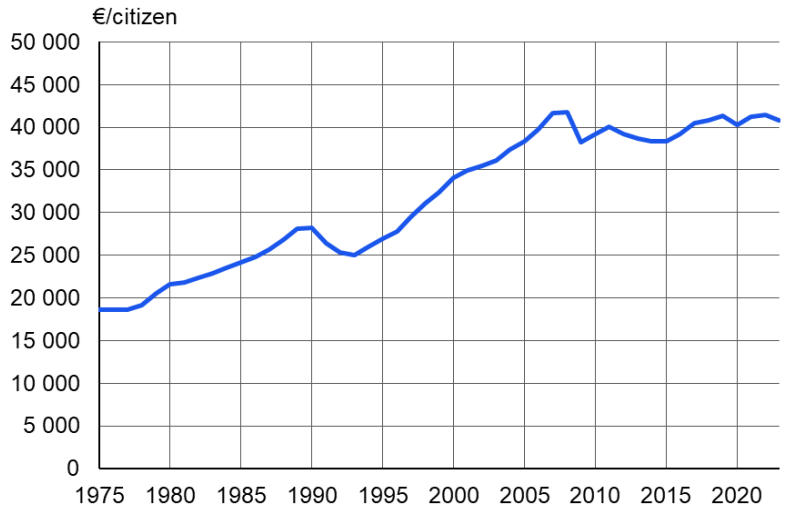
Figure 1. Gross domestic product per capita



Source: Statistics Finland (1.2.2025).

Finland's economic development has been closely intertwined with structural change. In the early twentieth century, Finland was still predominantly agrarian. Rapid postwar industrialization and the declining role of agriculture drove urbanization. Industrial employment peaked in the mid-1970s and has declined since (Koivuniemi, 2018). Recent statistics (Figure 2) show that services have accounted for roughly 70% of value added over the past 15 years. Population growth has therefore become increasingly concentrated in larger cities.

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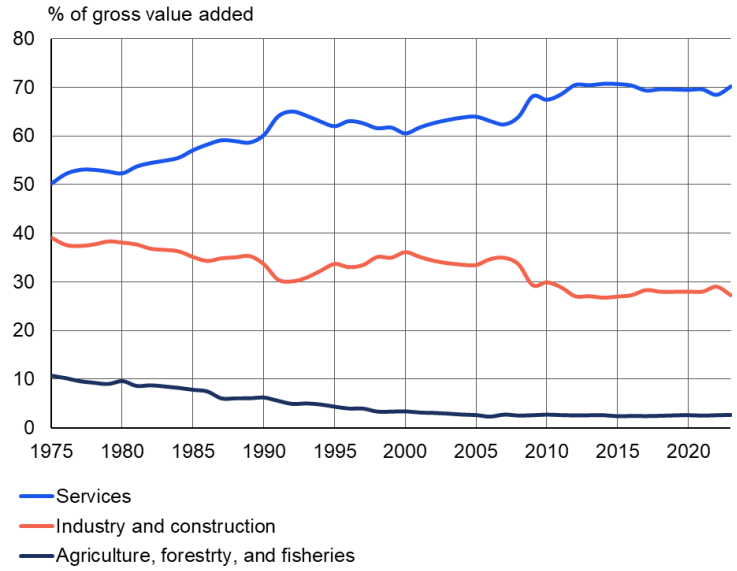
Figure 2. Economic structural change



Source: Statistics Finland (1.2.2025).

The industrial sector rested on two main pillars: the forest industry and, later, the metal engineering. A major long-term trend was the transformation of the forest sector. In the 1950s it was the country's largest employer, with labor-intensive logging and small, geographically dispersed production units. Although expansion initially created jobs, technological change gradually reduced labor demand, especially for low skilled workers in remote areas. While the forest industry remains important for the national economy, its share of employment has steadily declined. Production has concentrated in increasingly large and automated units, while falling international paper demand and capacity reductions have added further pressures. These developments have posed significant challenges for traditional industrial towns built around one or two large factories.

The state has sought to influence industrial structure through various policy measures. From the 1970s onward, the risks of dependence on a narrow industrial base were increasingly recognized, and industrial policy was directed toward diversification, with particular emphasis on high technology. High expectations were placed on electronics. A rapidly growing color television industry emerged in the late 1960s and became an important export sector, although its success proved short-lived.

Initially, the state supported electronics through state-owned enterprises. When this approach proved unsuccessful, policy shifted toward supporting private firms (Nevalainen & Yliaska, 2020). The ICT sector began to take shape in the late 1970s when two firms producing radio telephones and telephone exchange systems merged to form Nokia Electronics. Nokia's exceptional rise in the 1990s positioned Finland as a global leader in mobile communications. By the 2000s, Nokia was the world's largest mobile phone manufacturer, with a market share approaching 40%. This success carried strong symbolic and economic significance, especially

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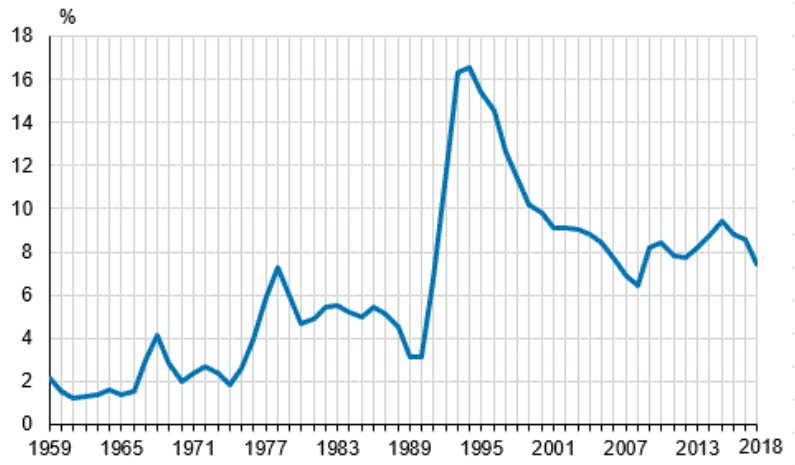
after the deep recession of the 1990s. Conversely, the decline of Nokia's mobile phone business in the late 2000s has been widely regarded seen as contributing to Finland's economic difficulties in the 2010s and beyond.

Although Finland's economy has shifted toward service and knowledge-based activities in line with international trends, the challenges associated with industrial job loss remain visible. The transition from traditional factory work to high-technology and service employment has been uneven. Many traditional industrial regions have experienced economic decline, rising unemployment, and demographic challenges. Long-term unemployment has become a persistent problem issue.

From the postwar period until the 1960s, Finland experienced near full employment (see Figure 3). Since then, unemployment has risen. The early-1990s recession resulted in persistently higher unemployment, and even during the late-1990s and early-2000s boom, rates did not return to earlier lows but stabilized around 8%. Regional disparities remain significant, especially in areas undergoing structural change, as job growth concentrates in the capital region and a few major cities (Industrial Union, 2024).

Figure 3. Unemployment rate



Source: Statistics Finland (1.2.2025)

Another major challenge is labor market mismatch. While unemployment remains relatively high, some sectors report persistent labor shortages, notably the care sector. Finland also has one of Europe's fastest-aging populations, increasing pressure on care services and the dependency ration. Labor migration has therefore become a central and politically contested issue.

Trade unions have traditionally been strong in Finland, with high level of organization among both employees and employers. The level of worker unionization exceeded 70% in the early 2010s. The Finnish system has been characterized as corporatist, involving close cooperation between labor market actors and the state. In tripartite arrangements, key social issues are

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addressed through agreements between government, employers, and unions (Wuokko et al., 2020).

In recent years, employer organizations have advocated a shift away from centralized bargaining toward greater local-level negotiation in the name of flexibility and competitiveness. Although this transition is still ongoing, it marks a significant departure from earlier practices. Unionization rates have also declined, although figures vary depending on the source. AKAVA, representing academically educated employees, has been the main exception.

Overview of selected industries

In the following, we briefly review the focus areas of the EGRUiEN project in a historical context, providing a general overview of the main features of sectoral development.

Automotive production. According to the Automotive Information Center, automotive production and related industries currently employ more than 8,000 people in Finland[1].

Commercial vehicles have traditionally been manufactured in Finland. The country has produced, among other things, bus bodies mounted on chassis imported from abroad, and at least two truck factories have operated in Finland. Only a few of these operations have continued to the present day, and they now function on a relatively small scale. Truck manufacturing has been associated with heavy vehicles and, in recent decades, especially with military transport. The production of military vehicles has been regarded as strategically important and was therefore maintained for a long time under state ownership. Today, the privatively owned Sisu-Auto continues this legacy by manufacturing trucks and military vehicles.

Another defense equipment company, the partly state-owned Patria, which also manufactures armored personnel carriers, employs approximately 400 people at its Hämeenlinna factory.

The largest—and often considered the only major—automotive manufacturing facility in Finland is the car factory in Uusikaupunki, established in 1968 by the state-owned company Valmet. The factory was originally founded to support trade policy objectives by producing vehicles domestically for the Finnish market in order to improve the trade balance, as well as industrial policy goals aimed at expanding national manufacturing to include passenger cars. Initially, producing cars for the Swedish Saab brand, the Uusikaupunki factory later operated as a contract manufacturer for several international brands, including Porsche and Mercedes-Benz, and also produced small series of concept vehicles. Employing several thousand people in a town with fewer than 20,000 inhabitants, the factory remains a major local employer. However, employment levels have fluctuated considerably over time, with cycles of intensive recruitment followed by significant layoffs. These fluctuations are closely linked to the factory's role as a contract manufacturer, which makes it highly dependent on changes in global car demand. Uusikaupunki factory employees are largely unionized in the Industrial Workers' Union (Teollisuusliitto) and represented at the plant.

[1] https://www.aut.fi/en/statistics/automotive_industry_in_finland (accessed May 6, 2025)

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From the 1990s to the 2010s, total passenger car production in Finland remained relatively modest, amounting to only tens of thousands of units per year. During the 2010s, production increased temporarily, exceeding 100,000 units annually in several years, before declining again in the early 2020s.[2] In 2025, the Finnish state ousted a previously significant Chinese owner of the factory, and shortly thereafter a plan to combine Patria's military vehicle production with the facility was announced. However, this activity alone is unlikely to provide sufficient employment to sustain the factory at previous levels.

Car manufacturing in Finland is relatively costly, and the Uusikaupunki factory has therefore sought to position itself as a reliable and technologically advanced producer. This strategy has included further developments related to electric vehicles. In recent years, efforts have also been made to establish battery production facilities in Finland. This development is driven partly by the country's domestic natural resource potential and growing awareness of the strategic importance of critical minerals. At the same time, the exploitation of these resources presents significant challenges, as some of the most promising deposits are located near, or beneath, ecologically sensitive areas, such as the Viiankiaapa bog in Lapland. Valmet Automotive has opened several battery plants, including one in Uusikaupunki in 2021 and another in Salo 2018/2019, and expanded its operations to Germany in 2023.

In addition to vehicle manufacturing, Finland hosts several important firms linked to automotive value chain. Nokian Tyres, now an international company, is a leading producer in the global winter tyre market. Less visible, but significant, is the role of the ICT company Nokia in automotive electronics through its patent portfolio. Companies such as Qt Group contribute by developing software used in modern vehicle dashboard systems. Finland also produces various types of trailers and specialized vehicles, including taxis and ambulances.

Energy production. According to the *Finnish Energy* -industry association, the energy sector in Finland directly employs approximately 23,000 people, while its total employment impact exceeds 42,000.[3] Energy sector workers are represented by different trade unions, such as PRO Union (nuclear power plant workers), Engineers' Union, Electricians' Union, and Industrial Workers' Union. Employees in the traditional energy production sector are generally well unionized, but the expansion of new renewable solutions – such as wind power – raises questions about who is representing the employees, and how many employees are even needed after the construction phase and commissioning of the new technologies.

Historically, energy production in Finland relied primarily on hydropower. By the 1950s, however, most of the viable hydropower capacity had already been developed, which led to plans for nuclear power generation. At the time, there was widespread "atomic enthusiasm," based on the belief that nuclear energy would rapidly solve most energy-related challenges. In practice, the adoption of nuclear power proved far more complex due to both technological and political obstacles. As nuclear projects were delayed, fossil fuel-based electricity production was expanded to meet growing demand.

[2] https://www.aut.fi/en/statistics/automotive_industry_in_finland (accessed May 6, 2025)
[3] https://energia.fi/tyoelama/osaava-tyovoima/energia-ala-tyonantajana (accessed January 22, 2026)

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As shown in Table 4, coal (dark green color) has played a relatively minor role in Finland's energy mix, largely because it has been imported, primarily from Poland. Peat, Finland's main domestic fossil fuel, was originally introduced as an emergency fuel during WWII. Its continued use has been justified by concerns related to energy security and regional employment.

The first four nuclear power plants were built in the 1970s, and since then the expansion of nuclear energy has remained one of the most debated issues in Finnish energy policy. For foreign policy reasons, two reactors were ordered from the Soviet Union and two from the West, from Sweden. Even the reactors supplied by the Soviet Union were upgraded with Western safety technology (Roitto et al., 2022). Following the Chernobyl accident, Finland's ambitious nuclear expansion plans were put on hold. The country's fifth reactor, Olkiluoto 3, was not completed until 2023. A sixth large reactor, planned to be supplied by the Russian state-owned company Rosatom, was later cancelled, at the latest following the outbreak of the war in Ukraine. According to recent media reports, several companies have since explored the possibility of building small-scale nuclear reactors, which would be easier to deploy than conventional large reactors. The state-owned company Fortum has considered building a large reactor either in Finland or Sweden, but such a project has not been deemed economically feasible under current electricity price conditions without government support.

Peat has long been a target of environmental policy, and a controlled phase-out was already underway before Russia's invasion of Ukraine. Following the invasion, the phase-out slowed somewhat. Peat has been part of the energy mix from the beginning for security of supply reasons, and it has been defended not only on the grounds of domesticity but also on the grounds that the related industry has employed around 3,000 people, mainly in sparsely populated areas, where it has been an important source of income.

In recent years, coal use has been largely phased out, except for district heating plants in the Helsinki metropolitan area. The remaining coal-fired plants are scheduled to be closed by spring 2025[4]. In this case, jobs have not been a concern in the public debate, probably due to the fact that new replacement heating capacity is also being built in Helsinki and that there are already plenty of jobs in the area.

Electricity generated as part of industrial processes has also played an important part in Finland's energy system, with heavy industry acting as a significant producer. Another distinctive feature of the Finnis system is the combined production of heat and power, in which the same plant (often operated by a municipal company), supplies district heating to local properties while also produces electricity. This approach, particularly common in urban areas, has been regarded as an efficient solution.

Before the war in Ukraine, Finland imported a significant share of its electricity from Russia (see the sharp decline in the top brown section of Figure 4 between 2022 and 2023). These imports were abruptly halted, raising concerns about a potential energy crisis. However, increased imports from other Nordic countries helped offset the loss, and the anticipated crisis did not

[4] https://www.energiauutiset.fi/kategoriat/tuotanto/kivihiilen-kaytto-loppui-etuajassa.html (accessed April 4. 2025)

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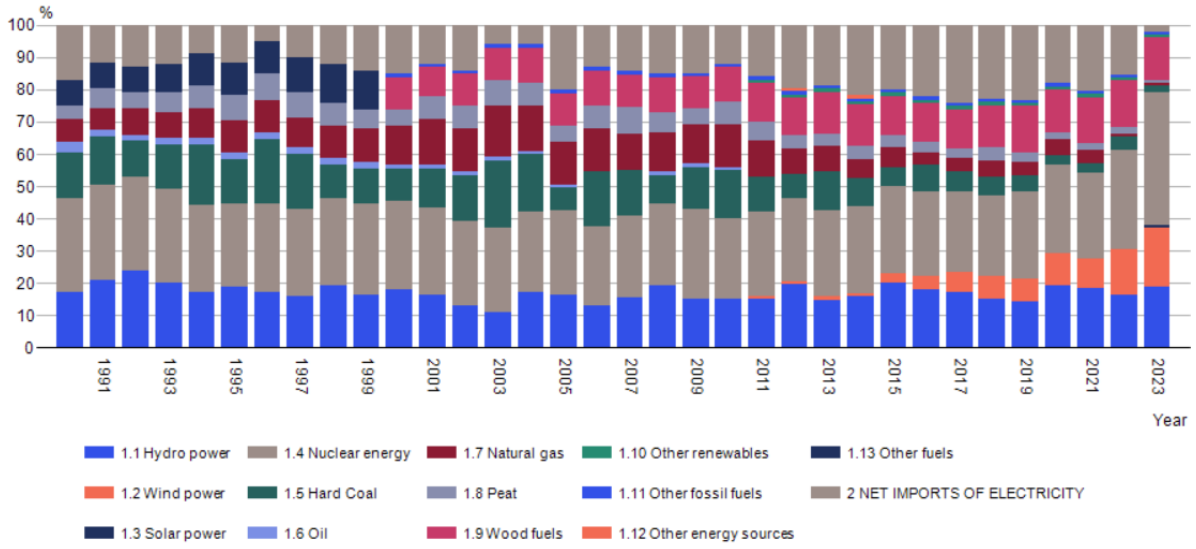
materialize. Although energy prices temporarily spiked, the impact on consumers was relatively short-lived. Price volatility nevertheless remains a central issue in Finland's energy policy debate, partly due to the growing share of renewables in the energy mix, and on the other hand, because consumer electricity pricing is increasingly based on variable-priced exchange-traded electricity.

Renewable energy—particularly wind power (orange in Figure 4)—has expanded rapidly in recent years. Most wind farms are located in sparsely populated areas, where they generate substantial local revenue through property taxation. Public debate has nevertheless focused on land-use planning and building permits, which have become contentious due to concerns about landscape impacts, noise, and restrictions imposed by the Finnish Defense Forces, particularly in eastern Finland.

As the share of wind power increases, the availability of sufficient balancing capacity has become a key issue for market functionality. The challenge lies in the variability of wind conditions: cold winter periods are often associated with calm weather, reducing wind power output. Until now, hydropower has largely provided balancing capacity, but additional solutions will be required as wind power continues to expand. This increases the risk of sharp fluctuations in electricity prices.

Figure 4. Supply of electricity



Source: Statistics Finland (1.2.2025)

In addition to generation, transmission capacity has been identified as a critical concern. International interconnections are limited, and various economic interests shape their development. Domestically, the adequacy of transmission capacity has become particularly relevant

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when new large-scale data centers are planned. According to media reports, grid constraints have increasingly influenced investment decisions in this area [5].

Moreover, the electricity transmission operates as a regulated monopoly, resulting in significant regional variation in grid fees depending on the local network operator. Ther has been extensive public debate about the fairness of network company profits, especially since the prices markedly between regions and some foreign-owned grid operators have repeatedly raised their fees.

Finally, the vulnerability of energy infrastructure has become a growing concern, as illustrated by recent incidents involving damaged submarine cables between Finland and Estonia, some of which have been suspected to be deliberate acts.

Care services. In Finland, approximately 372,600 people were employed in the social and healthcare sector at the end of 2023. Of these, about 229,800 worked in the public sector and 118,500 in the private sector.[6]

Concerns about the financial sustainability of the Finnish welfare state have existed since at least the 1980s, with discussions of a "welfare state crisis"—referring to the rising costs of public services—gaining momentum especially after the 1990s recession. The shift from a welfare-state model toward the hegemony of 'competitiveness society,' together with Finland's integration into the global market economy, has led to more corporate-style management of public services (Heiskala, 2006; Henttonen et al., 2013). At the same time, the declining birth rate combined, and an aging population have intensified concerns about the sustainability of public health and care services.

In recent years, Finland has implemented extensive administrative reforms in the social and healthcare sector, aiming to centralize decision-making within larger regional entities. However, the outcomes of these reforms remain uncertain, and some of the newly established wellbeing service regions are currently struggling to meet their savings targets.

The state has traditionally played a central role in providing care services, most of which have been delivered by the public sector. A notable exception is occupational healthcare, which employers provide to their employees through private providers. Over recent decades, the role of the private sector has expanded as services have increasingly been outsourced. This shift has been driven partly by political efforts to introduce market competition and improve efficiency in a welfare system - the financial sustainability of which remains a persistent concern. While a large share of services is still publicly provided, private daycare centers, nursing homes, hospice services, and specialized clinics have become more common. In 2023, 22 % of social and health care services were provided by the private sector.[7]

Labor shortages have emerged as a major issue alongside financial pressures. Retaining nurses in relatively low-paid positions has proven difficult, while doctors remain in short supply and have seen rising salaries. Many doctors prefer employment in the private sector, where pay is

[5] https://yle.fi/a/74-20145574 (accessed April 4, 2025)
[6] https://thl.fi/tilastot-ja-data/tilastot-aiheittain/ (accessed January 24, 2026)
[7] https://stm.fi/en/private-providers-of-health-and-social-services (accessed April 25, 2025)

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generally higher, leading the public sector to rely on temporary staff hired through private agencies.

Most healthcare and long-term care workers are women. Registered nurses hold a bachelor's degree and are represented by the Finnish Union of Health Care Professionals (Tehy), while practical nurses complete a three-year vocational qualification (Koskinen Sandberg & Saari, 2019) and are represented by The Union of Practical Nurses in Finland (SuPer). Care assistants typically have shorter vocational training and are represented by the Union of the Welfare Sector (JHL).

Low wages in care work are often interpreted as reflecting the societal undervaluation of feminized care work. Trade unions in the sector have repeatedly engaged in industrial action to address pay and staffing issues, most notably in 2007 (Koskinen Sandberg and Saari, 2019) and 2022 (Kinnunen & Kylä-Laaso, 2022).[8] The 2007 dispute centered on wage increases for nurses and received extensive media attention. Employers initially offered substantially smaller increases, and the conflict nearly escalated into mass resignations before a last-minute agreement was reached with the help of mediators (Henttonen et al., 2013). The dispute was highly politicized, with the rightist National Coalition Party advocating wage corrections for educated women in the public sector (Koskinen Sandberg & Saari, 2019).

Although nurses achieved significant wage increases, parallel settlements in male-dominated export industries limited the overall impact on the gender pay gap (Koskinen Sandberg and Saari, 2019). After the 2008 financial crisis, the wage settlement was sometimes framed as contributing to weakened national competitiveness. Another nurses' industrial action in 2022 was highly politicized, illustrating how labor policy issues are often negotiated in tripartite settings, including governmental intervention (see Kinnunen & Kylä-Laaso, 2022).

Attention has also shifted from whether enough nurses are trained to whether working conditions can make the sector attractive. Budget cuts have caused layoffs in the care sector. At the same time, nurses have been recruited from different parts of the world, such as the Philippines, to address labor shortage (Näre & Nordberg, 2016), which appears contradictory considering domestic unemployment among practical nurses.[9]

Cost-saving strategies have increased the use of remote services, especially in rural areas, and the adoption of technology for tasks such as medication administration and patient monitoring. The government is preparing legislation that would formally include technology as part of minimum staffing requirements in elderly care (Finnish Government, 2024).

On-demand transport. In Finland, taxis—like public transport more broadly—were highly regulated until 2018. Historically, regulations were influenced by professional groups seeking to prevent what was described as "unhealthy" competition. The official justification emphasized uniform pricing and reliable service levels in both urban and rural areas. Operating licenses were

[8] https://www.tehy.fi/fi/tiedote/tehy-ja-super-hylkasivat-sovintoehdotuksen-25-000-hoitajan-lakko-alkaa-perjantaina (accessed April 25, 2025)
[9] https://yle.fi/a/74-20139356 accessed 9.5.2025

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granted on a discretionary basis, and their number was strictly limited. As a result, taxi services were generally considered reliable, although relatively expensive.

In 2018, the sector was abruptly deregulated, fundamentally transforming the industry as the threshold for entry dropped from very high to very low. Much of the previous regulatory framework was dismantled. The reform, a strongly top-down initiative, was closely associated with the then Minister of Transport, who faced criticism for disregarding expert assessments and industry concerns. Although the reform aimed to lowering prices, the outcomes have been mixed. Public debate has often been negative, highlighting cases of extremely high fares and instances of criminal behavior of individual drivers. Research has produced mixed findings on reform's effect on pricing and service quality.

One significant change has been the restructuring of the driver workforce: a growing share of drivers now come from immigrant backgrounds, and many operate through ride-hailing platforms. Since the 2018 reform, further legislative changes have sought to address emerging problems, leading in practice to a gradual re-regulation of the sector.

Online food delivery services started operating in 2014, creating designated websites or phone applications for consumers to order food from nearby restaurants to their location. German Foodora and Finnish Wolt are currently in operation in Finland. Both companies hire couriers mainly for restaurant food delivery, although Wolt delivers products and e.g. grocery store items as well[10]. The majority of the couriers have a migrant background, and their employment contract models and working conditions have been publicly criticized on numerous occasions.

Both companies provided freelancing work contracts, which meant that the couriers had to bear much of the employment costs, such as pension contributions, the maintenance costs of their vehicle and any insurance, and they did not receive compensation for sick leave. When both Foodora and Wolt reduced the couriers' reimbursement, food delivery workers retaliated by launching a campaign called Justice4Couriers in 2018 to improve the working conditions and terms of service for food delivery workers and other couriers working in the platform economy[11].

The issues regarding the rights and working conditions of the workers prevailed as the companies started to employ couriers as entrepreneurs[12]. The issue was brought to the Supreme Administrative Court of Finland, which decided in the preliminary ruling in 2025 that the couriers are employees and should be treated as such by the employers[13]. Since 2023, the trade union called Service Union United (PAM) has represented and advocated for couriers under its PAM for Couriers branch.

[10] https://careers.wolt.com/en/story and https://www.foodora.fi/en/contents/about.htm (Both accessed December 15, 2025)
[11] https://fi.justice4couriers.fi/ (Accessed December 15, 2025)
[12] https://www.hs.fi/pkseutu/art-2000009517649.html (Accessed 16.12.2025)
[13] https://www.pam.fi/artikkelit/oikeus-paatti-etta-ruokalahetit-ovat-tyosuhteisia-mita-se-tarkoittaa-laheteille/ (Accessed 16.12.2025)

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The roots of (creative) destruction within Finnish industries

This section examines long-term structural economic change in Finland, focusing on the decline of industrial employment and its consequences for local communities. In line with the project's theme, the emphasis is on processes that have led to factory closures, job losses, and increasing employment insecurity, particularly in towns that developed around single large production sites. The section outlines how these changes unfolded over time and prepares the ground for analyzing how such disruptions have been managed and negotiated.

Traditionally, heavy industrial sites in Finland were established based on the availability of raw materials (such as forests and minerals), energy sources, and transportation routes. As a result, factories were most often located near rapids (for hydropower) or waterways (for log floating), leading to the formation of local industrial hubs. Most of these were established by the 1930s (Koivuniemi, 2018). Many small towns that developed around them became heavily dependent on a single production facility or a cluster of related industries.

Deindustrialization in Finland began in the late 1970s, particularly affecting the forest and metal industries. Initially, job losses were driven by increasing production efficiency. In the forest industry, production cannot grow beyond what forest resources allow. Another key factor was the loss of competitiveness in bulk industries, as rising living standards and wages eroded Finland's former advantage as a source of relatively inexpensive labor (Hoffman, 2019). From the late 1970s onward, the expansion of global production chains led many labor-intensive industries—such as footwear and textiles—to relocate to lower-cost countries. This trend also affected the electronics sector, including color television production, which increasingly shifted to Asia in the 1980s.

The resulting factory closures triggered local economic crises as early as the 1970s, disproportionately affecting vulnerable groups such as low-skilled female workers. One early example was the closure of the state-owned electronics company Valco in 1980, which led to the dismissal of around 500 employees. The industrial town of Imatra (population 36,400) was already struggling with simultaneous layoffs in the forest and metal industries. The closures caused a sharp decline in local property values, leaving many residents burdened with mortgage debt and unable to relocate for work. The case received significant media attention, with the press highlighting personal hardships, including reports of suicide (Nevalainen, 2022). As neither local nor national authorities had yet developed clear procedures for handling such situations, the case became an important catalyst for later crisis response models. With state support, some public construction projects were brought forward, although these created only dozens of temporary jobs. The episode is nevertheless considered a starting point for the establishment of municipal development companies aimed at strengthening local business life in various parts of Finland.

Factory closures continued in subsequent decades, often linked to economic fluctuations. However, modern crisis-management approaches in Finland are generally considered to have developed only after 2005, when several pulp, paper, and sawmill plants were shut down. In

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addition to job losses in forestry, the metal, mechanical engineering, and electrical engineering sectors also reduced production—not only due to recession, but increasingly because of intensifying global competition. The forestry industry—long a cornerstone of the Finnish economy—has undergone particularly significant structural change. Declining demand for paper has, for example, shifted production toward packaging-grade cardboard. These transformations have primarily affected Finland's traditional industrial regions, many of which are small towns (Melin & Mamia, 2009: 53).

While the forest industry was early identified as a sector where employment growth was unlikely, electronics was long seen as a promising new field. The mobile phone industry, in particular, became one of Finland's most important growth sectors in the 1990s and 2000s. However, this sector also followed a trajectory of outsourcing: first lower-end manufacturing (e.g., chargers and budget phones), later high-end phones, and eventually parts of product development. The outsourcing of operations and the decline of Nokia's mobile phone business in the early 2010s marked the end of this growth phase. The search for a new engine of economic growth became a central policy concern.

New internationally successful companies emerged in sectors such as mobile gaming, but these did not generate industrial employment, and their overall employment impact remained much smaller. In 2014, the delivery company Wolt was founded, introducing a platform-based food delivery service and creating new forms of work in Finland. However, these jobs differ significantly from traditional industrial employment: software firms employ far fewer people, and employment relationships in the platform economy are structurally different from those in conventional workplaces.

While a detailed discussion of industrial policy measures—such as efforts to attract research and development activities to Finland—lies beyond the scope of this section, the following analysis focuses on how Finland has responded to the loss of industrial employment, particularly in terms of how these transitions have been managed and the role of social dialogue in this process.

Developing a model to manage with "abrupt structural change"

Since 2006, the Finnish Ministry of Economic Affairs and Employment has developed an operational model to mitigate the negative socio-economic impacts of layoffs in industrial regions undergoing abrupt structural change. Such situations often have significant local effects. For example, when a factory closes, hundreds of people may lose their jobs, placing immediate pressure on the local labor market. At the same time, rising unemployment reduces residents' purchasing power, further weakening the local economy. The consequences for affected employees can also be substantial, including impacts on personal well-being, social networks, and future employment prospects (Hytönen et al., 2011).

Abrupt structural change (*äkillinen rakennemuutos*, ASC) is defined as a situation in which a large number of employees are laid off due to a significant reduction in employer's operations,

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regardless of the reason.[14] A region is classified as experiencing abrupt structural change if the following criteria are met: at least 150–200 employees are laid off at once; at least 1.5–2 percent of the regional workforce is affected; the region already faces a difficult employment situation; and the likelihood of re-employment for those laid off is low due to either the distance to, or the structure of, the available labor market (Vehkasalo and Pottonen, 2012: 22).

The Ministry of Economic Affairs and Employment emphasizes that, during abrupt structural change, local communities and service providers bear significant responsibility for managing the situation. According to the Ministry's model, the process begins when a company publicly **announces the start of cooperation negotiations and forthcoming layoffs**. Immediately after the announcement, the Ministry's task force conducts **a situation analysis** to assess regional impacts. In cooperation with local actors, it then develops **an action plan** and coordinates services aimed at mitigating the economic downturn in the area. Responsibilities are defined and divided among the actors involved. The Ministry allocates government funding and may also support municipalities in applying for additional funding, for example from the European Globalisation Adjustment Fund for Displaced Workers. The ASC implementation plan is prepared, carried out, and monitored at both regional and national levels. Funding for these measures typically comes from government and employers, with additional support from the EU in some cases. For example, structural change regions received approximately €220 million in funding between 2007 and 2011 (Hytönen et al., 2011).

Regional authority, **the Centre for Economic Development, Transport, and the Environment (ELY Centre)** in the affected region, plays a key role in organizing **a regional structural change working group**. This group typically includes representatives from the ELY Centre (formerly known as TE Centre), the affected municipality, the company (employer), the local employment authority, and employee representatives (Hytönen et al., 2011).

The operating model can be adapted to local resources and the specific company involved, ensuring flexibility while maintaining a structured framework. However, the core principles and tools of the model generally remain the same, providing a consistent approach to managing structural change.

The primary objectives are to create new jobs, attract new investment to the area, provide training and education for the unemployed, and revitalize existing employment opportunities. Depending on the severity of the situation, the Ministry determines whether the response should be managed mainly at the local level or whether broader government-level intervention is required.

Figure 5. Illustration of the Management of Abrupt Structural Change

[14] https://tem.fi/en/abrupt-structural-change-arm- (accessed 1.2.2025)

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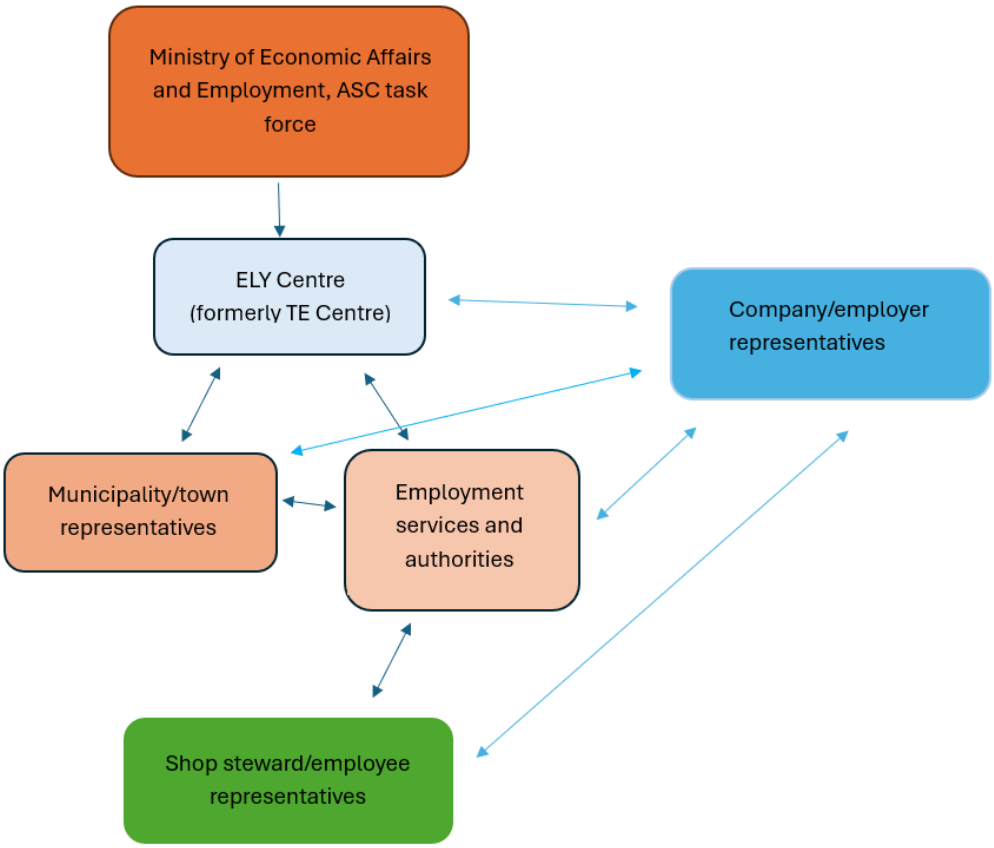

Source: Based on the Ministry of Economic Affairs and Employment's description of ASC process

Restructuring Protection (*muutosturva* in Finnish) is a legal framework that applies to companies with more than 30 full-time employees that carry out layoffs for financial or production-related reasons. The legislation (Act 458/2005) was first introduced in 2005 and has since been revised and further developed. Its main objective is to support laid-off workers in finding new employment more quickly and smoothly.

Employers are required to notify local employment services about planned layoffs and contract terminations. Following this notification, a Restructuring Protection expert is assigned to assist both the employer and affected employees. This expert supports the transition process by helping laid-off workers search for new jobs or education and by providing information about available employment services.

The Restructuring Protection expert typically works within local employment services and acts as a neutral intermediary between the company and employees. Together with company representatives, the expert prepares an action plan to promote re-employment, which may include information sessions, career guidance, and training opportunities. Employees covered by this framework are entitled to paid leave to seek new employment and retain access to

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occupational healthcare for six months after their employment ends. Employers must also contribute to the costs of training or education for dismissed employees.[15]

Expanded Restructuring Protection (*laajennettu muutosturva*) applies to dismissed employees aged 55 and over. They are entitled to additional paid leave for job seeking and receive a transition security allowance equivalent to one month's salary. Before 2022, older dismissed employees close to retirement could use the so-called "retirement pipeline," which extended unemployment benefits beyond the standard maximum until retirement. This system is being phased out between 2023 and 2025; those born in 1962 are the last cohort eligible for it.

The shift from the retirement pipeline to Expanded Restructuring Protection was intended to promote continued employment among people aged over 55.[16] Restructuring Protection legislation thus sets the minimum level of services and support that employers must provide to laid-off employees. Any additional financial compensation or other benefits are negotiated between the company and employee representatives or granted voluntarily by the employer.

Social and regional dimensions of abrupt structural change

Research has emphasized the localized nature of structural change and factory closures, as well as the difficulties young employees faced when entering the labor market after the 2008 financial crisis. In the following years, youth unemployment and marginalization became more widely recognized as key labor market concerns.

Because employment and educational opportunities are concentrated in larger cities, industrial job losses have had a particularly strong effect in smaller regions (Hytönen et al., 2011). Areas with a narrow economic base – often characterized by an older population and a workforce trained for specific industrial occupations – face difficulties in attracting both new companies and working-age residents. When a town depends heavily on a single factory, its closure can rapidly undermine the region's attractiveness for both workers and investors.

Older workers are often the most disadvantaged in such situations. Their formal education may be limited; their skills are highly specific to former production processes, and their familiarity with modern job search practices is low. At the same time, previous collective agreements in industries such as forestry have provided relatively good wages, making transitions to lower-wage sectors difficult. When large numbers of workers with similar skills are laid off simultaneously in the same area, competition for the few jobs available intensifies. In practice, abrupt structural change measures and related funding have often prioritized supporting young people into employment or further education, while older jobseekers have received less targeted

[15] https://tyomarkkinatori.fi/en/employers-and-entrepreneurs/information-on-being-an-employer-or-entrepreneur/changes-to-the-employment-contract/change-security-for-the-employer (accessed 6.3.2025) and https://tyomarkkinatori.fi/en/personal-customers/information-about-working-life/unemployment/transition-security-from-the-employees-perspective (accessed 6.3.2025).
[16] https://stm.fi/-/lainsaadantoon-muutoksia-55-vuotta-tayttaneiden-tyollisyysasteen-nostamiseksi (accessed 6.3.2025)

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support. In the forest industry, the average age of displaced workers has tended to be higher than in some other restructuring cases. As Häyrinen (2011) notes, structural change in male-dominated industrial sectors has displaced large numbers of workers trained for outdated occupational needs, especially in regions where no replacement jobs have emerged.

Sudden changes in employment levels affect municipalities' capacity to provide services and manage structural change responses. Weak local economic conditions can limit their ability to lead structural change measures and co-finance related activities (Hytönen et al., 2011).

Because abrupt structural change often comes as a shock to local labor markets, its full effect unfolds over time. In some cases, unemployment rises temporarily before new employment opportunities emerge, and the regional economy recovers. In others, recovery fails, leading to prolonged unemployment and outmigration, which may trigger a self-reinforcing cycle of decline (Hytönen et al., 2011).

Hytönen et al. (2011) emphasize that labor market functioning and the broader economic situation strongly shapes recovery prospects. During recessions, re-employment becomes more difficult, and the emergence of new businesses is less likely. Although abrupt structural changes are unlikely to decrease in the near future, their risks can be anticipated at both local and national levels. Weak competitiveness, low productivity, a one-sided production structure, and geographic disadvantages may signal vulnerability to restructuring (Alatalo & Tuomaala, 2010). Nevertheless, structural change is also driven by global economic dynamics. A diversified economic structure is therefore an important buffer against the negative effects of abrupt structural change.

Examining closure cases in recent history

Next, we examine concrete empirical examples to illustrate the types of factory closure that have occurred in Finland and what has been learned from them. This draws on existing research that has analyzed negotiation processes related to such closures. The cases discussed here have been considered significant in the Finnish context.

Several factory closures in Finland have been previously examined, providing insights into how the situations were managed and how social dialogue and negotiation processes unfolded. On the one hand, these overviews show how the ASC model and related operating procedures have developed over time in response to workplace disruptions such as factory closures. On the other hand, they shed light on the negotiating processes between workers and employers in individual cases. They also take into account the role of local and national authorities when assessing the outcomes of these negotiations.

A key example is the closure of the Voikkaa paper mill. The forest industry, long regarded as the backbone of Finnish economy, has been especially important in regions such as Kymenlaakso – one of the country's oldest industrial areas – where paper production generated decades of prosperity (Koivuniemi, 2018). At the same time, the region's heavy dependence on the paper industry and its related infrastructure had long been recognized as economically risky. This

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vulnerability became evident when the Voikkaa mill, one of the oldest and largest in the area, was abruptly closed in 2006 (Melin & Mamia, 2009). Although the closure was a major shock, it later proved to be the first of many similar cases. It is also regarded as the first case in which the ASC model was applied. Between 2007 and 2011, 16 out of 22 cases of abrupt structural change in Finland were linked to the forest industry.

Case Voikkaa. The closure of the Voikkaa paper mill has been examined in several studies, offering valuable insights into the social dynamics of large-scale industrial shutdowns and their broader implications for declining industrial regions.

In 2006, UPM, a major company in the Finnish forest industry, announced the closure of its paper mill in Kuusankoski, dismissing approximately 600–700 workers. At the same time, paper production was reduced at other nearby facilities, bringing the total number of job losses in the region to nearly 1,000 (Melin & Mamia, 2010). The decision came as a major shock, especially as other industries in the area had already been downsizing. The Voikkaa case became central to the national debate on restructuring regional economies. The Finnish government took an active role in mitigating the impact, leading to the establishment of an ASC working group and the development of a new operational model (Pohjantammi, 2008). The Restructuring Protection Act was also applied here for the first time in a major industrial closure.[17]

Relations between the employer and employees were tense. Prior to the final layoffs, UPM's top management warned that closures would follow unless cost-saving targets were met. In response, the local HR department prepared a detailed plan aimed at meeting these targets and preserving operations. Despite these efforts, the factory was ultimately closed (Melin & Mamia, 2010). The local union felt misled and interpreted the closure as a breach of trust. Workers and local managers had cooperated in an attempt to save the mill, while corporate management was perceived as an external decision-maker on the opposite side of the negotiations (Melin & Mamia, 2010).

Representatives of the national Paper Workers' Union (*Paperiliitto*) questioned why a well-functioning and reportedly profitable mill was being shut down. Earlier workforce reductions in the paper industry had seldom led to long-term unemployment, as employees were often reassigned to other facilities, or workforce reductions occurred gradually through retirement. The union also appealed to UPM's social responsibility, criticizing executive compensation and shareholder dividends in contrast to the layoffs (Pohjantammi, 2008).

Public authorities responded rapidly after the closure announcement. Although no established protocol yet existed, stakeholders sought to cooperate and proposed various crisis-management measures. Local employment services held the first meeting and, together with municipal representatives, assumed a leading role. National-level actors – including the Minister for Trade and Industry and senior officials from the Ministry of Economic Affairs and Employment –

[17] https://yle.fi/a/3-8703154 (accessed 1.2.2025)

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participated in negotiations alongside UPM's management, union representatives, TE Centre officials, and municipal leaders (Pohjantammi, 2008).

Efforts focused on securing new employment opportunities, attracting investments, and supporting business development in the area. Even before state funding was confirmed, local actors began coordinating activities, leading the formation of three working groups. A steering group formed by the TE Centre and Kuusankoski Town Council coordinated resources and communications across the region.[18] An operative working group focused on attracting new businesses and reusing the former mill site.[19] In addition, the mayor of the nearby city of Kouvola initiated an informal regional structural change group involving municipal actors, development companies, regional authorities, and UPM (Pohjantammi, 2008).

UPM participated in several of these groups. Local cooperation negotiations addressed the implementation of layoffs, while the government representatives held parallel discussions with corporate management. Separate negotiations between municipalities, the TE Centre, and UPM were held regarding the future use of industrial facilities and regional development. UPM was expected to assume responsibility for worker transition measures and to contribute to the regional economic recovery, although its engagement in long-term regional development remained limited.

At the national level, the state established its own response group, composed of representatives from several ministries, with the aim of "coordinat[ing] central government measures and support[ing] regional level measures to reduce and eliminate problems" caused by the mass layoffs (Pohjantammi, 2008: 39). The group also formulated the definition of an abrupt structural change region, a classification that clearly applied to Kymenlaakso. Today, this response group is coordinated by the Ministry of Economic Affairs and Employment.

Negotiations on practical measures took place between factory management and the Restructuring Protection expert. Discussions addressed the implementation of the Co-operation Act, the implications of the Restructuring Protection Act (458/2005), and, ultimately, the extent to which UPM was prepared to provide support beyond its legal obligations (Pohjantammi, 2008).

UPM and the TE Centre primarily negotiated the company's support package for employees, with a focus on funding retraining for laid-off workers. UPM did not provide severance pay; instead, it offered a €20,000 subsidy to employees who started their own businesses, and

[18] Participants included UPM's employment office, the TE Centre, the Regional Council of Kymenlaakso (Kymenlaakson liitto), the municipalities of Kuusankoski, Kouvola, Anjalankoski, and Valkeala, as well as the Corporate Services of the Municipalities (Kuntayhtymän Yrityspalvelu) and Kuusankoski Business Services (Kuusankosken elinkeinoyhtiö). (Pohjantammi, 2008: 33)

[19] The operative group included representatives from UPM, Kuusankoski Development, the business division of the TE Centre, the employment office, and the Kouvola region joint municipal authority (Pohjantammi, 2008: 33).

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financed further education for former Voikkaa workers. However, UPM showed limited willingness to engage in broader regional economic development efforts (Pohjantammi, 2008).

Local employment services brought their operations directly to the Voikkaa mill site, ensuring that employees could access support services easily before the end of their notice periods (Pohjantammi, 2008). Work experience in administrative, storage, transportation, and maintenance roles was considered transferable to emerging sectors in the region. Nevertheless, many workers had expected lifelong employment in the paper and forest industries and found it difficult to adjust to job-seeking outside the sector, illustrating how work in forest industry was traditionally considered a stable job. Beyond measurable employment outcomes, the closure also disrupted local social structures: as daily routines disappeared and social networks weakened, acceptance of and adjustment to a new situation became significantly more challenging (Melin et al., 2010).

UPM rehired several employees on fixed-term contracts; around 50 workers formed a clean-up crew after the plant closure. This decision received mixed reactions from other unemployed workers. The crew dismantled machinery and prepared the premises for potential new uses. Many members of this “aftercare group” remained employed until retirement, a transition deliberately planned by UPM and the TE Centre.

The retirement pipeline system was used to provide income security and ease the transition for workers aged 54 and over. The underlying assumption was that older workers were less likely to find new employment, less willing to relocate, and less motivated to retrain than younger workers. Those born in 1950, for example, were rehired into the aftercare group, enabling them to work until the age of 57, after which they received unemployment benefits until they turned 59 and could then move into early retirement. (At the time, Finland’s statutory retirement age had recently been reduced from 65 to 63.)

Various employment arrangements were implemented to ensure that older workers not yet eligible for early retirement accumulated sufficient employment history to qualify for unemployment benefits under the Unemployment Security Act (Melin et al., 2010). While this approach reduced stress for workers coping with job loss and community disruption, channeling employees into early retirement conflicted with the government’s long-term objective (established in 2003–2004) of extending working careers. The Voikkaa solution was therefore regarded as beneficial in the short term but unsustainable as a general policy model (Melin et al., 2010). By 2016, ten years after closure, 110 former Voikkaa employees remained unemployed, approximately two-thirds of them aged over 57 (Niemi, 2016).

Overall, the structure and action plan for managing ASC began to take shape in Voikkaa through ad-hoc negotiations, creative solutions, and a process of trial and error. Local actors demonstrated strong commitment to supporting the workforce and community while attempting to attract new businesses and employment opportunities. Corporate social responsibility was both demanded and somewhat realized, considering UPM did not provide severance pay. Voikkaa

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became the first large-scale structural change case in the forest industry and set an important precedent for subsequent factory closures across sectors in Finland. It is often regarded as a relatively well-managed example of abrupt structural change, despite marking the end of a major industrial era – and significant tax revenue – for the Kymenlaakso region.

Case Kajaani. Just a few years after Voikkaa, another large-scale factory closure took place this time in Kajaani. While similar in scale, it drew much less public attention and ultimately had a markedly smaller impact on local unemployment. In September 2008, UPM announced the closure of its Kajaani paper mill, then the largest newsprint mill in Europe. The decision was attributed to rising raw material costs and declining demand for newsprints, which rendered the unit unprofitable. As a result, 535 jobs were lost.

Although several smaller paper mills had already closed after Voikkaa, the Kajaani decision still came as a surprise to employees (Rotko et al., 2010). According to Rotko et al. (2010), UPM had drawn lessons from the Voikkaa case and further developed its corporate social responsibility approach. Senior management aimed to maintain a positive public image while minimizing the negative consequences for the Kajaani community.

UPM introduced a two-part aftercare programme: €2,5 million was allocated to employee-related measures and €10 million to business development. The employee-focused component included the company's *From work to work* programme, which provided financial support for re-employment. Measures included compensation for relocation and resettlement costs, coverage of training materials and participation fees, and €20,000 start-up grants for those pursuing entrepreneurship. UPM also extended its statutory re-employment obligation from nine to fifteen months. In addition, former employees retained access to occupational health care for one year after termination (Rotko et al., 2010). Significant attention was also paid to psychological support and prevention of health problems.

The city of Kajaani had also prepared for structural change. Since 2005, local officials had followed developments in Voikkaa and Perlos and gathered information on their outcomes. When the closure was announced, the city was therefore able to implement a concrete action plan with clearly defined responsibilities and objectives. A local task force was established, and co-operation networks were activated to ensure coordination among local authorities, UPM, and national government actors. The government allocated €22 million to Kainuu region to support ASC measures (Rotko et al., 2010).

UPM's business-focused support included transforming the former mill area into the *Renforsin ranta* business park and supporting the creation of new jobs. An aftercare group – similar to that established in Voikkaa – was tasked with renovating the premises. As the main financier, UPM monitored the implementation of aftercare measures for both the site and the workforce. Communication with stakeholders was emphasized throughout the process, although some employees felt that internal communication toward them was insufficient (Rotko et al., 2010: 37). The Kajaani mill had previously supported home ownership by providing affordable plots of land

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near the factory. As a result, many older workers owned a debt-free home, which reduced incentives to relocate in search of new employment (Rotko et al., 2010).

Despite concerns about rising unemployment in a town of around 38,000 inhabitants, the unemployment rate did not increase. This outcome was largely linked to demographic factors, including an aging workforce and continued out-migration. By 2010, Kajaani's unemployment rate remained at the same level as in 2008. The abrupt structural change response in Kajaani is widely regarded as successful. Careful preparation, clear planning, and strong trust-based relations among key actors were seen as central to this outcome (Rotko et al., 2010), suggesting that aftercare negotiations followed an integrative rather conflict-oriented approach.

Nevertheless, once all notice periods had ended, 79 former employees remained without employment, education, or retirement options. These individuals were predominantly older paper machinery operators or people with health limitations affecting their work ability (Rotko et al., 2010).

Case Perlos. Although the Perlos case predates Kajaani, it represents a different type of ASC, as it was linked to the booming electronics industry. Originally founded in the 1950s as a manufacturer of injection molding molds, the company shifted its focus in the 1980s to producing plastic components, primarily for mobile phones (Häikiö et al., 2007). One of its main clients was Nokia, and Perlos became part of the rapidly expanding mobile phone industry.

Perlos operated factories in North Karelia until it decided to relocate production to lower-cost countries. The company closed its two Finnish factories in 2007, resulting in approximately 1,200 layoffs, including Perlos employees and subcontractor personnel.

The closure came as a surprise to many employees, despite earlier downsizing and production reductions (Puhakka, 2016). Due to production cuts, a dedicated Perlos working group was established in 2006. Led by the regional TE Centre, the group included representatives of company management, employees, municipalities, employment authorities, educational institutions, and the Joensuu Regional Development Company (Josek) (Puhakka, 2016). The working group developed a strategy to manage the closure and to support laid-off workers, and it also produced recommendations for improving the Restructuring Protection system.[20]

Support measures were coordinated through the Joensuu Region Structural Change Working Group, which included representatives from the City of Joensuu, the municipality of Kontiolahti, Perlos management and employee representatives, the Northern Karelia TE Centre, Josek, and later Joensuu Employment Services (Puhakka, 2016).

Company-level negotiations between employee representatives and management resulted in a severance and support package. The union representative described the outcome as "the best possible," although negotiations were "difficult and colorful." A shared commitment to creating

[20] https://yle.fi/a/3-5790551

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new employment opportunities for laid-off workers helped unite the parties.[21] Perlos allocated more than €6 million to employee-related measures. This was significant, given that the Finnish government allocated €8,3 million to the North Karelia region as part of the abrupt structural change funding. Severance payments were negotiated for each worker, with amounts linked to length of service[22].

Compared to the Voikkaa case, Perlos showed greater willingness to provide direct financial support to former employees. During previous Perlos factory closure in Ylöjärvi in 2005, around 700 laid-off workers received three months' severance pay – more than legally required. However, this arrangement created complications: during the severance period, workers were still formally considered employed and were therefore ineligible for certain unemployment benefits (Häikiö et al., 2007).

Support measures for the employees and the region. Since Joensuu region was designated as an ASC region, the €8,3 million in state funding was allocated by the TE Centre to support business activity and replace lost jobs. The newly established European Globalisation Adjustment Fund for Displaced Workers (EGF) also granted more than €2 million – Perlos became the first mass layoff case in Finland to receive support from EGF. This funding strengthened the work of the local working groups and Restructuring Protection units were established at the factories. These units provided personal guidance, career counseling, and support in planning new educational or career paths. Approximately €1,8 million was directed to training and education measures. Following the Voikkaa example, employment services were brought directly to the factory sites to ensure rapid access to support and avoid sudden congestion at the TE Centre (Puhakka, 2016).

Follow-up research on 975 laid-off Perlos employees eleven months after closure showed that 57% had found new employment, and 69% of those had secured jobs independently. Around 22% entered education or retraining, while 18% remained unemployed (Jolkkonen & Kurvinen, 2009).

Compared to layoffs in the paper industry, former Perlos workers found re-employment more easily (Häyrinen, 2011). The workforce in North Karelia was relatively well educated, which had originally influenced Perlos's decision to locate there (Puhakka, 2016). The employee group was heterogeneous in age and qualifications: younger and more educated workers had better employment outcomes. Men and managerial staff also found employment more easily than women and production workers. However, as in Voikkaa, younger workers were 2,8 times more likely to find employment than those over 50 years of age. Employees with longer careers at Perlos also re-employed more successfully than those with less than four years of tenure (Jolkkonen & Kurvinen, 2009).

[21] MTV news, 2007: https://www.mtvuutiset.fi/artikkeli/perlos-lopettaa-tuotantonsa-suomessa/2124408 (accessed 14.4.2025.)
[22] MTV news, 2007: https://www.mtvuutiset.fi/artikkeli/perlos-lopettaa-tuotantonsa-suomessa/2124408 (accessed 14.4.2025.)

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According to the Ministry of Economic Affairs and Employment (2011), the Joensuu region was classified as an ASC region from 2007 to 2008. Highly educated former Perlos employees found jobs relatively easily during the economic boom, but the 2008 recession led many who had secured fixed-term contracts back into unemployment.

Compared to Voikkaa, local actors in Joensuu faced greater challenges in attracting new businesses. While national and EGF funding focused mainly on re-employment support, business attraction efforts were largely financed by municipalities (Hytönen et al., 2011).

Case Salo. The abrupt structural change in Salo represents the largest single local employment shock in Finland. Between 2012 and 2015, Nokia – and later Microsoft – implemented successive waves of layoffs, resulting in the loss of thousands of jobs (Owal Group, 2022). The case was particularly significant, because it concerned the core of mobile phone industry, which had emerged as a key driver of Finnish industrial success in the 1990s. The downsizing therefore also carried strong symbolic weight, marking the decline of one of Finland's most internationally visible industries.

Salo has a long history in electronics and technology manufacturing. A company called Salora had produced televisions, hi-fi equipment, and PC monitors for decades and in 1979, they established a joint venture called Mobira together with Nokia. During the 1980s, as Nokia gradually acquired Salora, its Mobile Phones unit became based in Salo. Throughout the 1990s, Salo remained a central site for both research and development and manufacturing, even as Nokia expanded ICT production elsewhere in Finland and abroad (Sotarauta et al., 2022; Lavonen, 2005). At its peak, around 2007, Nokia and its subcontractors employed approximately 10,000 people in Salo.

Even before Nokia's main layoffs, several subcontractors had gone bankrupt between 2006 and 2008, leading to the loss of approximately 2,000 lower-skilled manufacturing jobs (Sotarauta et al., 2022). Recognizing the seriousness of the situation, local officials negotiated with the Ministry of Economic Affairs and Employment, and the designation as an ASC region was granted in late 2009. The Salo region received three extensions, remaining within the program between 2009 and 2017.

Various measures were taken to mitigate the employment shock, support re-employment and retraining, and attract new businesses under the ASC framework. Following the operating model, the Chief Executive of the Town Council convened working groups to coordinate the response. The planning group included representatives from the Town of Salo, the Municipality of Somero, Yrityssalo (a municipally owned development company), the Salo Regional Vocational School, the local TE Office (employment services), the ELY Centre (Centre for Economic Development, Transport and the Environment; formerly TE Centre), the Regional Council of Southwest Finland, the local Chamber of Commerce, and the local business association.

Initially, the working group focused on supporting unemployed individuals through education and re-employment services. At the same time, strong emphasis was placed on investment

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promotion and support for existing firms. These efforts were largely driven by local actors under municipal leadership, with financial support from the state, but without direct involvement from the bankrupt or relocated companies (Sotarauta et al., 2022).

Technological change played a crucial role in the crisis. The rise of smartphones shifted competition from hardware to software ecosystems. Nokia's attempts to compete with Apple and Samsung were unsuccessful. In 2011, Nokia entered into a partnership with Microsoft to produce Windows phones, but the strategy failed. In early 2012, Nokia began layoffs, initially cutting around 1,000 jobs in Salo, and within six months, the mobile phone factory was closed. However, research and development activities continued temporarily, employing about 1,200 people (Sotarauta et al., 2022).

Local actors had anticipated layoffs, as Nokia's difficulties were widely known. The Town of Salo, Yrityssalo, and municipal leadership prepared in advance, while the Ministry of Economic Affairs and Employment stood ready to allocate funding. Informal discussions took place between Nokia and local representatives before the official announcement. Once layoffs were confirmed, the response was rapid: employment services were brought directly to Nokia's premises, and Yrityssalo launched training programs aimed at upgrading technological and business skills, as well as supporting entrepreneurship. The company also marketed the availability of a highly skilled local workforce for other employers.

The Town of Salo actively pursued new investors both domestically and internationally and hired a sales director to attract foreign firms. Although some companies relocated to Salo, the number of new jobs created was insufficient to fully compensate for the employment losses (Sotarauta et al., 2022).

Nokia Bridge. In 2011, Nokia launched an international corporate social responsibility initiative known as the *Nokia Bridge*. The program aimed to support employees affected by layoffs by facilitating re-employment, further education, or entrepreneurship. Bridge was designed to be flexible and tailored to individual needs. Participation was voluntary.

The program offered five main pathways:

- Internal redeployment, where Nokia sought alternative positions for employees within the company.
- External re-employment, which included career counselling and job-search support including access to hidden job markets.
- Entrepreneurship, where Nokia provided training, start-up funding, and loan guarantees for viable business plans.
- Career development and education, involving funding for supplementary or new education.
- "Own path", offering financial support for individuals pursuing alternative personal or professional plans outside the other categories.

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Initially, dismissed employees in Salo could remain on Nokia's payroll with full pay until the end of 2011. Nokia also provided severance payments, but these amendments were weakened and non-negotiable on the employer's side. In 2012, the severance payment for those who voluntarily quit was lowered from the amount equivalent to 15-month salary to 12-month salary, and the additional, fully paid two-month reflection period was also taken off the table[23]. This upset employee representatives; those who were able to resign earlier could do so with better benefits, while during next downsizing rounds the employees lacked negotiating power to demand similar compensation. The Bridge program ended in 2013 and reportedly cost Nokia approximately €50 million (Lahtinen, 2019). Nokia presented the program as having a positive impact on Salo - both for former employees and the town. However, it is difficult to isolate the effects of Bridge from those of public ASC measures and local development initiatives.

Microsoft and the Path program. Nokia's presence in Salo effectively ended in September 2013, when Microsoft acquired Nokia's mobile phone business. Hardware development continued temporarily, but in early 2014, Microsoft announced a strategic shift toward software and laid off around 100 employees in Salo. The local ASC working group, led by the Chief Executive of the Town Council and including Yrityssalo, again reacted quickly by monitoring the situation, assessing local needs, reporting to the Ministry of Economic Affairs and Employment, and preparing mitigation measures.

Further layoffs followed in July 2015, when Microsoft closed its product development unit in Salo, eliminating around 1,000 jobs. This wave particularly affected highly educated specialists.

Microsoft published their Microsoft Path program, which resembled Nokia Bridge in its objectives: supporting further education, entrepreneurship, and career transitions. It also provided voluntary resignation packages. The earlier Bridge program had contributed to the establishment of about 80 start-ups in Salo, many of them small firms. Although Microsoft participated in negotiations within the ASC framework, the Path program itself operated as a corporate initiative and was not formally integrated into public structural change measures (Sotarauta et al., 2022).

The final layoffs were anticipated yet still were perceived as a major disappointment. When Microsoft acquired Nokia's mobile phone operations, expectations had been raised about long-term commitment, including possible large-scale investments such as a data center. Although a data center was built and became operational in 2014, it generated fewer jobs than hoped and received limited publicity.

The economic effects were severe. Corporate tax revenues in the Salo region fell from €60 million in 2010 to €7.5 million in 2013. Unemployment rose from 5.7% in 2008 to 14.4% in May 2014. Youth unemployment increased by 176% between 2008 and 2012 (Ylikännö & Kehusmaa, 2015).

[23] Pro Union News: https://proliitto.fi/fi/ajankohtaiset/nokia-pihistelee-salossa-pisimpaan-tyoskennelleiden-paketeista (accessed 3.2.2025).

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Salo IoT Campus and local recovery efforts. Both Bridge and Path indirectly supported local renewal by providing displaced workers with time and resources to develop business ideas or retrain (Sotarauta et al., 2022). Former employees formed networks such as the Smartsalo Association, collaborating with Yrityssalo and the municipality.

Microsoft's willingness to sell its former premises created a new opportunity. Although municipal involvement in business property acquisition initially generated political debate, local leaders ultimately secured support to purchase the site at a favorable price. The facilities were developed into the Salo IoT (Internet of Things) Campus, covering 86,000 square meters and hosting national and international firms as well as educational activities (Sotarauta et al., 2022). This became an example of cooperation between local authorities, development companies, private firms, and state actors.

Funding from the Ministry of Economic Affairs and Employment, the ELY Centre (TE Centre), and the EGR supported the region until 2017, the final year of Salo's abrupt structural change status. Despite extensive measures – including Bridge, Path, and public programs – the employment losses had not been fully offset by 2017 (Owal Group, 2022).

Comparative and conceptual analysis of factory closure cases

Beginning with the Voikkaa case, the abrupt structural change (ASC) operating model gradually developed into a more systematic and repeatable governance framework. In each subsequent situation, the Ministry of Economic Affairs and Employment together with the ELY Centres (formerly TE Centres) accumulated knowledge from earlier cases and refined the model. By the 2020s, the approach had shifted from primarily reacting to structural change toward anticipation and preparedness (Owal Group, 2022). Increasing emphasis has been placed on identifying vulnerable regions in advance, strengthening communication between local and national actors, diversifying regional business structures, and directing funding toward building new economic activities rather than maintaining declining ones. Workers' willingness and ability to retrain have also been identified as important mitigating factors when comparing outcomes across cases (Owal Group, 2022).

Corporate social responsibility (CSR) emerges as an important complementary element in successful ASC processes, although CSR measures remain discretionary and depend on company-level negotiations. Nokia and Microsoft are cited as examples of companies that mobilized significant resources to support dismissed employees (Owal Group, 2022). Their corporate programs, Nokia Bridge and Microsoft Path, operated alongside but independently from public ASC and Restructuring Protection measures. While these initiatives were generally welcomed, some experts have noted that generous severance arrangements may also have passivating effects (Ylikännö et al., 2016). CSR thus strengthens adjustment capacity but does not replace institutional mechanisms.

A clear learning trajectory is visible across the cases. In Voikkaa, where the ASC model was still emerging, the establishment of networks and local development projects took time.

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Nevertheless, relatively quick transitions from unemployment to education or new jobs helped prevent long-term unemployment. This was partly supported by favorable economic conditions but mainly by Restructuring Protection and adaptation measures (Owal Group, 2022). In later cases, such as Kajaani and Salo, coordination was more proactive, responsibilities were more clearly defined, and preparatory planning was more advanced. UPM's closure of the Kajaani mill in 2008 already illustrates this development: the company adopted more extensive CSR measures and cooperated closely with local actors from the outset (Rotko et al., 2010). A comparison with the simultaneous Tervasaari closure, where re-employment results were significantly weaker, suggests that local cooperation capacity is as important as company-level support (Rotko et al., 2010).

Regional institutional capacity and economic structure strongly shaped outcomes. Salo had anticipated structural change and built networks in advance, which enabled relatively rapid responses to Nokia's and later Microsoft's layoffs. The preparedness was clearly visible in the rapid implementation of plans and networks created to diversify the business structure of Salo. Salo illustrates a chain of local events involving multiple rounds of reductions and negotiations, ultimately leading to the complete closure of Microsoft's operations. During its eight years as an ASC region, Salo received targeted funding and support aimed at creating replacement jobs. Despite recovery measures and the establishment of the IoT Campus, employment levels did not return to Nokia-era peaks, and outmigration increased.

Considering these cases, government and EU funding, together with cooperation and local economic development capacity, appear crucial for successful renewal of ASC regions. CSR should not be disregarded, although union bargaining power seems more limited when layoffs are justified on production-economic grounds. Symbolical value is also important. Rotko et al. (2010) note that the closure of Stora Enso's pulp mill in Kemijärvi in 2008 provoked strong protests because the company was 35 % state-owned, raising expectations of public responsibility. In the end, 214 workers were laid off, and Stora Enso provided aftercare and cooperative development strategies, yet the outcomes were publicly considered weaker than in Kajaani in the same year. The "Kemijärvi incident" was later cited as an example among some Kajaani workers that confrontational resistance might be futile and that more integrative solutions should be sought (Rotko et al., 2010).

Across these cases, a learning curve is evident. What began in Voikkaa led to the establishment of the ASC operating model and provided lessons for industry workers, business actors, and ministry representatives. Each episode of restructuring has accumulated knowledge on how to negotiate satisfactory outcomes and avoid severe local economic and social disruption. The growing importance of CSR is visible after Voikkaa, for example in UPM's more extensive compensation and support measures in Kajaani. Similar efforts to develop services and anticipate workers' needs were made in Perlos, Salo, and other closures, with many actors explicitly drawing on earlier experiences.

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The cases suggest that market trends often signal impending closures, and that negotiating actors sometimes anticipated structural change. Nevertheless, announcements of layoffs repeatedly come as shocks to employees and the public. Historically, the electronics industry and Nokia were central to the region's identity and considered as a trustworthy, reliable employer. The layoffs were therefore emotionally charged and, according to some commentators, partly linked to the weakening of Salo's position within Nokia as corporate embeddedness declined. However, looking forward rather than remaining tied to its identity as a Nokia or Microsoft town, local actors in Salo developed a new strategy centered on the IoT Campus. When Salo ceased to be an ASC region in 2017, new jobs had been created, and the region was considered to be on a recovery path (Owal Group, 2022). However, outmigration increased while job self-sufficiency declined, and employment levels have not returned to the peak of Nokia years.

In Kymenlaakso, structural change began with the Voikkaa closure and continued with additional mill shutdowns. Initially, as the ASC operating model was still evolving, job replacement and investment attraction were less effective. Although regional unemployment followed national trends, permanent structural unemployment increased. The region's historical dependence on the forest industry likely influenced adjustment difficulties, and migration loss remained high. Even where re-employment support was considered relatively successful (Melin et al., 2010), social consequences were visible in declining local vitality.

In Joensuu, former Perlos employees found work relatively quickly – white-collar workers faster than blue collar workers – partly due to favorable economic conditions and the region's educational and service infrastructure (Rotko et al., 2010). However, industrial jobs were not replaced with equivalent new industries, and the 2008 recession affected employment development (Hytönen et al., 2011).

Table 1. Comparison of cases

CASE	INDUSTRY	TIMING OF ASC MODEL	EMPLOYER CSR LEVEL	MAIN EMPLOYER MEASURES	LOCAL COORDINATION CAPACITY	RE-EMPLOYMENT OUTCOMES
VOIKKAA (KYMENLAAKSO)	Forest industry	Model still emerging	Low-Moderate	Start-up/education subsidies; temporary clean-up jobs; no severance pay	Coordination structures still developing; slow response	Long-term unemployment remained relatively high
PERLOS (JOENSUU)	Electronics manufacturing	Early consolidation phase	Moderate-High	Severance payments; participation in transition services	Functioning regional working group; PES brought to factory	Majority re-employed within 1–2 years, though older workers struggled
KAJAANI	Forest industry	Model more established	High	Major aftercare plan; funding for workers and	Strong preplanning and cooperation	Unemployment rate did not rise significantly

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				regional business; retraining support	between firm and local actors	
SALO (NOKIA)	ICT manufacturing	Anticipatory phase	High	Nokia Bridge (training, entrepreneurship, mobility support)	Highly institutionalised networks; long ASC designation	Many transitioned, but region faced prolonged adjustment
SALO (MICROSOFT)	ICT R&D	Mature ASC governance	Moderate	Path program; voluntary exit packages; training support	Some strong local framework, but firm less integrated	High individual re-employment, but regional job base shrank

Conclusions

Finland's industrial restructuring reflects a long-term shift from agriculture and manufacturing toward a service-oriented economy. Industrial employment began to decline already in the mid-1970s. The 2000s, which this paper focuses on, marked a period of accelerated restructuring, during which several large-scale factory closures occurred without the parallel emergence of new industrial employment. As a result, re-employment increasingly required occupational mobility, retraining, and adjustment to less stable employment relationships, making transitions particularly difficult in traditional factory towns dependent on industry. Examining these developments in their recent historical context helps to clarify how technological change and broader economic restructuring have reshaped local economies.

A central finding of this paper is the institutionalization of an abrupt structural change (ASC) governance model. What began as ad hoc crisis management in the Voikkaa case in 2006 developed into a structured public response framework in which the state, regional authorities, employers, and employee representatives coordinate adjustment measures. This might be interpreted as a continuation – but also transformation – of Finland's tripartite labour market tradition.

The cases also reveal a shift in bargaining logic. Earlier confrontational, top-down distributive approaches have increasingly given way to strategies of integrative bargaining, where actors focus on shared interests such as re-employment, regional stability, and reputational considerations. Employer-led development and aftercare programmes became part of this approach, combining corporate social responsibility with labor market adjustment. Although discretionary, these measures increasingly complemented statutory Restructuring Protection mechanisms. On employee representatives' side, their negotiation power (or lack thereof) relied on public support and larger organizational power, although a full plant closure meant unemployment for many unless they were able to relocate. Many compensation packages were provided as take-it-or-leave-it deals, and the contents of the packages were not negotiable.

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Differences in outcomes across cases highlight key explanatory factors. Successful adjustment depended on institutional preparedness, strong local coordination, and workers' capacity to retrain, while regions with narrow industrial structures or weaker cooperation faced more persistent difficulties. Higher education generally facilitated re-employment, whereas highly specialized skills tied to declining industries sometimes limited mobility.

At the same time, the model remains contingent. Economic stagnation, fiscal pressures on the public sector, and accelerating technological change challenge the sustainability of current arrangements. Even highly educated workers may face structural risks in emerging sectors. Thus, while Finland has developed a relatively effective and cooperative adjustment model, its future effectiveness depends on continued anticipatory governance, investment in education, and the capacity of both public and corporate actors to share responsibility for adjustment.

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ENCOURAGING A DIGITAL AND GREEN TRANSITION THROUGH REVITALISED AND INCLUSIVE UNION-EMPLOYER NEGOTIATIONS

From Stability to Uncertainty: Labor Relations in Contract Automotive Manufacturing

Sarah Tornberg, Pasi Nevalainen, Nathan Lillie, University of Jyväskylä

Abstract

This report examines employee–employer negotiations at the Finnish contract car manufacturer Valmet Automotive's Uusikaupunki factory between 2003 and 2023. After the end of a long-term and stable production contract in 2003, the factory entered a period of increasing uncertainty linked to shorter manufacturing contracts. This exposed the factory to fluctuations in global demand, resulting in alternating periods of growth and decline, including workforce expansions, labor shortages, and repeated layoffs and furloughs.

Production at the factory was gradually transformed by increasing automation and technological change. Automation altered work processes, skill requirements, and labor demand, while also serving as a key strategy for maintaining the factory's competitiveness. Together, contractual volatility and technological change created recurring pressures for organizational adjustment and negotiation.

Drawing on newspaper sources, interviews, and public documents, this report analyzes how negotiation practices evolved under conditions of recurring disruption. Despite significant changes in production volumes, ownership structures, automation, and broader industrial relations, negotiation procedures at the factory remained remarkably stable over time. Integrative bargaining practices, positive attitudinal structuring, and open dialogue were consistently employed, contributing to labor peace even during difficult negotiations involving large-scale reductions. Trust between negotiating parties emerged as a central factor in sustaining cooperation, although tensions between core workers and peripheral workers are only touched upon in this report. Workers were generally receptive to technological change, recognizing the need for automation to maintain competitiveness, and adapted through retraining and internal reallocation.

Overall, the findings highlight how stable, trust-based negotiation practices can mitigate conflict amid intensified global competition, technological change, and external shocks such as the global pandemic or supply-chain disruptions.

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Introduction to negotiations

Valmet Automotive is an informative case for studying the automotive industry, as it operates as a contract manufacturer assembling cars for major original equipment manufacturers (OEMs), such as Porsche and Mercedes-Benz. With each new contract, Valmet Automotive provides infrastructure, skilled workers and tailored production facilities to manufacture cars according to OEMs' original design and requirements, while OEM partners can focus on research and development, marketing and design. Valmet Automotive is more precarious in the European automotive industry compared to OEMs, since it does not have original products on the market. Instead, the company shoulders financial risks when making investments in adapting production lines for each new car model. Production also requires access to skilled but flexible workforce, who can be called to work when there is high production volume, but easily reduced if, for example, contracts end prematurely.

The blue-collar workers at the Valmet Automotive Uusikaupunki factory are largely unionized; according to interviews with current and former employees, up to 90 percent of the workforce are members of the Industrial Workers' Union (*Teollisuusliitto*), which has an established representation at the factory. Uusimaa factory cooperated with temporary employment agencies during manpower shortage in the mid-2010s. Alongside long-term core workers came temporary workers employed by the agencies, which brought more tension to the two-level bargaining, already framed with industry-level collective agreement and supplementary local agreements. Unionized temporary workers had shop steward representation, but industry-level collective agreement placed them in more precarious position compared to core workers employed by Valmet Automotive: wages were slightly higher for core workers while temporary workers were furloughed and laid off first in case of staff reductions.

Shop steward system was well-functioning according to employee representative interviews and characteristics of positive attitudinal structuring between employee and employer representatives were implied in descriptions of negotiation transparency, framing issues as shared problems to be solved, and involving shop stewards in workplace decision-making. Still, intraorganizational attitudes referring to experiences of adequate representation according to rank-and-file employees could not be confirmed in this report. For example, some indications of temporary workers' dissatisfaction at the factory were identified, and as dismissal protection and unemployment benefits have been weakened by the current government, future furlough negotiations might face increasing resistance from the employees. Nevertheless, employee representatives attempted to maintain a positive relationship with shop stewards and utilize integrative bargaining tactics in negotiations, even when there were large-scale layoffs and uncertainty about the need for workers in near future.

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Overview and background

The Finnish in-depth case analysis focuses on Valmet Automotive, a Finnish contract manufacturer of passenger cars and automotive components serving global car brands. Established in 1968, the company originally operated as Saab-Valmet and produced cars for the Swedish Saab brand for more than three decades, a period characterized by relatively stable employment and the continuous introduction of new car models[1]. After Saab production ended in 2003, the factory transitioned into a contract manufacturer for multiple automotive brands. Lean production principles were introduced at the factory; finished cars used to be transferred to warehouses before being shipped out, but with lean production, manufacturing was aligned more closely with the demand. Other Lean principles were gradually implemented, such as investing in efficiency, reducing waste in production, and training workers to perform various tasks[2]. (For more on Lean principles, see Panwar et al., 2015).

The period from 2003 to 2023 is examined to identify workplace disruptions that led to negotiations between employers and employees. Key drivers of disruptions during these two decades included changes in the European and global automotive sector – most notably intensified competition among brands and manufacturers (Pichler et al., 2021) – as well as the gradual automation of production, the electrification of transport, and component shortages in the early 2020s. Although many of these disruptions were driven by external factors, their effects at Valmet Automotive became visible at the shop-floor level, for example through the increasing use of robotics and more precarious employment relationships.

Broader trends of deindustrialization and the decline of low-skilled jobs during the research period raised concerns about Finnish export industries, particularly the forest industry – historically central to Finnish industrialization – and later Nokia, which had significantly boosted the economy in the 1990s and 2000s. Despite these general concerns, Valmet Automotive experienced sustained growth between 2010 and 2019 and at times faced labor shortages. In the past five years, however, difficulties in the European automotive industry have contributed to periods of furlough negotiations and dismissals, reflecting the factory's continued exposure to demand volatility.

In addition to its car factory in Uusikaupunki, Valmet Automotive provides kinematic systems solutions in Germany and Poland. The company previously operated a subsidiary focused on battery manufacturing, called IONCOR. However, as of 2025, IONCOR is state-owned and operates as a separate entity. This report focuses on Valmet Automotive's Uusikaupunki factory.

[1] Valmet Automotive (2025). *Yritys.* Website. https://www.valmet-automotive.com/fi/yritys/ (accessed 22.9.2025).
[2] Valmet Automotive (2025). *Manufacturing*. Website. https://www.valmet-automotive.com/manufacturing/ (accessed 18.12.2025)

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The car factory has brought economic growth to the town of Uusikaupunki and the wider Vakka-Suomi region. Uusikaupunki is a small port town in Southwest Finland with population of approximately 15,000 people[3]. The port has played a key role in importing parts and components for the factory and exporting finished vehicles. At its peak, the car factory employed more than 4,000 workers and was one of the largest employers in the region for decades. Periods of recruitment accelerated housing construction, and at times the region faced shortages of both factory workers and suitable housing.

Under the contract manufacturing business model, Valmet Automotive provides the workforce and production facilities in Uusikaupunki, while client companies focus on marketing and sales. Between 1969 and 2003, the factory produced Saab passenger cars and convertibles (Levä, 2002). Over the years, it has manufactured vehicles for several other brands, including Chrysler/Talbot (1979-1985), Lada (1996-1998), Opel (1991-1997, with interruptions), Porsche (1997-2011), and Mercedes-Benz (2013-2025).

Important ownership changes occurred at several points. In 1992, contract manufacturing operations were acquired by the Finnish company Valmet (later Metso). In 2001, the German company ThyssenKrupp AG acquired a 10 percent stake, which Metso repurchased in 2004 (YLE24 & STT, 2004). In 2010, Metso sold 34 percent to a Finnish investment company Pontos Group and a state-owned private equity company called Teollisuussijoitus (Tesi)[4]. In 2013, Metso sold an additional 19,7 percent of the shares to its subsidiary Metso Paper Oy[5]. By 2017, Valmet Automotive was owned by Pontos Group (39 percent), Tesi (39 percent), and a Chinese company called Contemporary Amperex Technology Ltd. (CATL), which specializes in automotive battery development and production[6]. In 2025, Finnish state acquired most of the shares (79 percent) becoming the majority owner, while Pontos group maintained its 21 percent share[7]. Valmet Automotive is diversifying its production into manufacturing armored vehicles and technology transfer. This agreement was signed with a defense industry company Patria in December 2025.[8]

[3] Uusikaupunki website (2025). *Uusikaupunki asuinpaikkana.* Website. Uusikaupunki asuinpaikkana | Uudenkaupungin kaupunki (accessed 12.12.2025)

[4] Metso annual report (2010). *Tuloksia yhdessä tekemällä*. Vuosikertomus 2010. https://mb.cision.com/Main/19005/2977652/1153259.pdf (accessed 2.12.2025)

[5] Metso annual report (2013). *Tilinpäätöstiedote 2013.* https://www.valmet.com/globalassets/investors/reports--presentations/neles-archive/2013/finnish/osavuosikatsaus-q4-2013---tilinpaatos.pdf (accessed 2.12.2025)

[6] Valmet Automotive annual report (2018). Valmet Automotive –konserni. *Toimintakertomus ja tilinpäätös 2018.* https://www.valmet-automotive.com/wp-content/uploads/2019/04/2018_va_konsernitilinpaatos.pdf (accessed 2.12.2025)

[7] Valmet Automotive news (2025a). https://www.valmet-automotive.com/fi/media/valmet-automotive-laajentaa-liiketoimintaansa-henkiloautojen-valmistuksen-ulkopuolelle-ioncor-myydaan-finnish-minerals-groupin-johtamalle-kotimaiselle-sijoittajaryhmalle/ (accessed 20.10.2025)

[8] Valmet Automotive news (2025b): https://www.valmet-automotive.com/fi/media/valmet-automotive-ja-patria-sopimukseen-panssaroitujen-ajoneuvojen-teknologiansiirrosta-ja-ensimmaisten-ajoneuvojen-valmistuksesta/ (accessed 5.12.2025)

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Key business developments for Valmet Automotive include the acquisition of Karmann's convertible roof systems factories in 2010, the acquisition of Semcon's engineering and developing services in Germany, and the launch of high-volume battery production lines in Salo (2017) and Uusikaupunki (2021).[9] To date, Valmet Automotive has produced more than 1,9 million cars for its various customers.[10]

When Saab was Valmet Automotive's key partner, Uusikaupunki factory experienced relatively stable years in terms of employment and production. Vehicle assembly was largely manual across different workshop units, although the company continuously adapted to new product lines and customer requirements. Along with Saab production, Valmet Automotive negotiated manufacturing contracts of varying lengths with several car brands and established a reputation as a reliable contract manufacturer. The period from 2003 to 2009 was marked mainly by declining production volumes and layoffs, with the exception of 2005 and 2006, when three Porsche models were manufactured at the Uusikaupunki factory.

From 2010 onward, Valmet Automotive experienced an upswing in production volumes and business expansion. Particularly important was the manufacturing agreement signed in 2012 with Daimler AG for the production of Mercedes-Benz vehicles. Manufacturing volumes increased, contracts for new models were secured, and the factory occasionally faced labor shortages, leading to large-scale recruitment campaigns in 2016 and 2017. This led to mass recruitment, including the use of temporary agency workers, and an increasingly multinational workforce. Nevertheless, most employees were unionized, and union representation at the factory remained strong.

The Covid-19 pandemic disrupted automotive production due to global component shortages, with supply chain problems persisting until 2022. Although production was affected, it did not cease entirely. Subsequently, high inflation and rising costs linked to the global geopolitical crises created profitability challenges in 2022 and 2023, resulting in the loss of approximately 1,500 jobs (Vainio et al., 2023). The layoffs in 2023 led to Uusikaupunki and Vakka-Suomi region being designated as an abrupt structural change region, triggering government assistance and funding aimed at job creation and regional economic recovery.

Abrupt structural change (*äkillinen rakennemuutos*, abbreviated as ARC) is defined as a situation in which a large number of employees are laid off due to a significant reduction in an employer's operations, regardless of the underlying cause (Ministry of Economic Affairs and Employment, 2025). An area is classified as an abrupt structural change region if several criteria are met: at least 150-200 employees are laid off at once; at least 1.5–2 percent of the regional workforce is affected; the region already faces a challenging employment situation;

[9] Metso annual report (2010). *Tuloksia yhdessä tekemällä*. Vuosikertomus 2010. https://mb.cision.com/Main/19005/2977652/1153259.pdf (accessed 2.12.2025)
Ioncor website (2025). *History.* https://ioncor-batteries.com/who-we-are/history/ (accessed 7.12.2025).
[10] Valmet Automotive (2025). *Yritys.* Website. https://www.valmet-automotive.com/fi/yritys/ (accessed 22.9.2025).

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and the prospects for re-employment are limited due to the distance to, or the structure of, the alternative labor market (Vehkasalo & Pottonen, 2012).

In such cases, the Ministry of Economic Affairs and Employment conducts a situation analysis to assess the regional impact of the layoffs and, together with local actors (such as development companies, municipal representatives, local employment services, and education providers) prepares a response plan. The Ministry emphasizes that during an abrupt structural change, the primary responsibility for managing the situation lies with the local community and service providers. The main objectives are to create new jobs, attract investment into the area, provide education and retraining for the unemployed, and revitalize existing employment opportunities. (Ministry of Economic Affairs and Employment, 2025.) Depending on the severity of the situation, the Ministry decides whether the response can be managed at the local level or whether national-level intervention is required.

Over the twenty-year period examined, advances in automation were introduced to improve productivity, a process often associated with the gradual decline of low-skilled industrial jobs. At the Uusikaupunki factory, robots in the assembly lines have been implemented since the 1980s and have expanded steadily over subsequent decades. For example, the automation of spray painting in 2007 resulted in the loss of approximately 200 jobs, and welding processes were almost fully automated by 2016[11]. Today, the Uusikaupunki factory is among the most automated production lines in Finland, and is equipped to manufacture both internal combustion engine (ICE) cars and electric vehicles (EVs).

Developments in the global automotive industry during the review period have been driven by multinational firms' efforts to increase competitiveness and profitability, alongside the growing demand for EVs. According to Pavlìnek (2020), many automotive companies restructured their European production networks between 2005 and 2016, shifting manufacturing from Western European countries (such as Spain and Belgium) to more cost-efficient locations in Eastern Europe (including Poland and Czechia). These international investments reshaped employment patterns in the European automotive sector: only one-fifth of newly created jobs were generated by large domestic firms, while the majority resulted from foreign investments (Pavlínek, 2020).

As a contract manufacturer, Valmet Automotive's competitiveness is based on flexible manufacturing, serial vehicle production, kinematic system solutions, and securing agreements with OEMs. Consequently, Valmet Automotive competes primarily with other European contract manufacturers. As global firms continuously seek higher profits and cost reductions, this dynamic has led to significant job losses in traditional automotive countries while also creating employment uncertainty in newer production locations (Pavlínek, 2020). In this context, pressure to maintain employment and competitiveness may increase demands to restrain wages, benefits, or working conditions. At the same time, European manufacturers

[11] Valmet Automotive news (2016): https://www.valmet-automotive.com/fi/media/valmet-automotive-hankkii-yli-250-robottia-glc-mallin-tuotantoon/ (accessed 30.9.2025)

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retain competitive advantages rooted in a strong skill base, accumulated know-how, high-quality production, advanced manufacturing solutions, and established reputations within the sector.

Efforts to combat climate change have also accelerated the electrification of the automotive industry during the review period. The global shift from ICE vehicles toward EVs (supported by policy changes and consumer incentives) has intensified competition within automotive manufacturing. Valmet Automotive produced electric vehicles for the Norwegian company Think Global as early as 2009[12], adopted strategic commitments to EV production and sustainability from 2020 onward[13], and launched car battery manufacturing facilities in Uusikaupunki and Salo. However, it has not yet secured a large-scale EV vehicle manufacturing contract. A comprehensive industry report from 2012 forecast that, as the sector transitions toward EVs, value creation would increasingly shift from vehicle manufacturers to suppliers (Proff et al., 2012). Meanwhile, the United States and China have been competing aggressively to develop car batteries and EVs to meet rising global demand[14]. These products have also gained strong foothold in European markets, further intensifying competition among European, American and Asian automotive firms (See: Graham et al., 2021; Khaleel et al., 2024).

In Europe, some autoworker unions have initially resisted the transition to EV manufacturing, reflecting strong union representation, favorable working conditions, and a long tradition of ICE production. Concerns over potential deterioration in working conditions, wage reductions, and the weakening of collective bargaining power have, however, prompted unions to adapt their strategies. For example, the German trade union *IG Metall* has actively promoted a just transition to ensure fair, high-quality employment for workers moving from ICE to EV production. This illustrates how trade unions are responding to electrification and broader structural changes in the automotive industry. Moreover, EVs require different components and internal parts than ICE vehicles, leading to significant changes in supply chains and affecting employment in ICE-related parts manufacturing (Dupuis et al., 2024). The electrification of transport, combined with automotive firms' profit-seeking strategies, has placed increasing pressure also on the Uusikaupunki factory to deliver cost-efficient services, maintain flexible assembly lines, and adjust workforce levels in line with fluctuating customer demand.

Economic cycles have also shaped production volumes in automotive industry by influencing consumers' ability to purchase new vehicles. In Finland, the economic crisis of 2008 coincided with broader deindustrialization trends and the collapse of Nokia's mobile phone business, which had previously been a major driver of economic growth. The recession was followed by

[12] Valmet Automotive (2025). *Yritys.* Website. https://www.valmet-automotive.com/fi/yritys/ (accessed 22.9.2025).
[13] Valmet Automotive annual report (2020): https://www.valmet-automotive.com/wp-content/uploads/2021/04/2020-va-group-konsernitilinpaatos.pdf (accessed 30.9.2025)
[14] Industrial Workers' Union Industry overview (2023): https://www.teollisuusliitto.fi/wp-content/uploads/2024/10/Toimialakatsaus-2023.pdf (accessed 4.12.2025)

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what has been termed Finland's "lost decade", during which consumer purchasing power weakened and GDP growth lagged behind countries such as Germany and Sweden (Kaitila et al., 2018). Globally, the automotive sector experienced a sharp slowdown. Another economic downturn occurred during the Covid-19 pandemic, when furloughs became widespread across many Finnish industries. While Valmet Automotive was able to keep the Uusikaupunki factory operational, disruptions in supply chains and heightened uncertainty significantly slowed production. As the automotive sector begun to recover, global geopolitical crises further increased inflationary pressures and negatively affected the Finnish economy.

Industry-level collective agreements defined the overall framework for employment relations and wage-setting, while supplementary shop-level agreements addressed special issues such as working hours and shift rotations, two-tier bargaining structure (see: Aarvaag Stokke, 2008). Traditionally, the Finnish industrial relations model was based on tripartite negotiations between the government, employers' organizations, and trade unions. These arrangements reflected a shared aim to reach consensus on economic, labor market, and social policy issues, while wages and working conditions were primarily regulated through collective agreements. A common objective of wage moderation and economic stability motivated tripartite cooperation and sustained open negotiation channels between the social partners and the state (Jonker-Hoffrén, 2019).

This system began to unravel in 2007, when the Confederation of Finnish Industries (EK, *Elinkeinoelämän keskusliitto*) withdrew from centralized income policy agreements, effectively ending the long-standing model of centralized bargaining combined with sector-level negotiations (Sippola, 2012). Although employee representatives had already raised concerns in the 2000s about increasing decentralization, a major disruption to Finnish industrial relations occurred in 2016 with the introduction of the Competitiveness Pact (*Kilpailukykysopimus*). Pushed through by the government, the pact weakened certain working conditions and benefits in both the private and public sectors, extended annual working hours by 24 unpaid hours during 2017–2019, and shifted parts of pension and social security contributions from employers to employees, amounting to a form of internal devaluation (Wuokko, 2024). While the pact aimed to improve competitiveness, productivity, and the overall performance of the Finnish economy, several trade unions reported that they agreed to the measures under pressure[15]. The pact reduced labor costs for employers but increased costs for employees. Despite these benefits, employer organizations viewed the pact unfavorably because it relied on tripartite coordination, contrary to their broader goal of decentralizing the bargaining process.

Following the Competitiveness Pact, the Industrial Workers' Union sought to restore lost worker benefits. The government in office between 2019 and 2023 promoted local-level bargaining, but tripartite working groups failed to reach consensus on proposed legislative reforms. As a result, collective bargaining increasingly took place at the union and sectoral

[15] Industrial Workers' Union news. (2023). https://www.teollisuusliitto.fi/2023/05/kovat-iskut/ (accessed 2.12.2025)

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levels, leading to strikes in some industries and solidarity actions in others (Wuokko, 2024). After the right-wing government took office in 2023, extensive reforms to industrial relations and employment legislation were initiated. These reforms weakened unemployment benefits, dismissal protection, shift allowances in certain sectors, housing benefits, and the right to strike (Wuokko, 2024). Trade unions voiced their dissatisfaction with this development[16], while the government justified these changes by arguing that they would "raise the Finnish economy and labor market to the Nordic standards" (Wuokko, 2024, p. 58). However, by 2025, trade unions' bargaining power had weakened further, while national unemployment has increased (Official statistics of Finland, 2025).

This study draws on multiple data sources (Table 1), including key interviews, news articles, public documents from the Industrial Workers' Union, and Valmet Automotive annual reports. Media discourse was examined using material from a digitized newspaper archive. The newspaper *Maaseudun Tulevaisuus* (MT) has reported consistently on Valmet Automotive since the 1960s, and the physical editions up to 2021 have been digitized by the National Library of Finland. The archive search used the keywords "Uusikau* and Auto*", with the time frame limited to 2003-2021. Out of 1,864 total hits, 110 articles focused specifically on the Uusikaupunki factory. The articles were coded using the following thematic categories: economy (24 articles), production (25 articles), advertisements (2), history (12), sales (2), technology (4), politics (5), nature (6) and employment (23). The primary analytical focus was on employment, production, and economic developments. In addition, a dichotomous variable was created to indicate whether an article mentioned employment in any capacity, coded as either "yes" or "no." To complement the newspaper material, additional descriptions of events and statements by key actors were collected from the YLE News website. Searches used combinations of keywords such as "Valmet Automotiv*, "negotiations," the names of relevant actors (e.g., CEO or shop steward), and specific years.

[16] Industrial Workers' Union news. (2025). https://www.teollisuusliitto.fi/2025/08/hallitus-aikoo-rangaista-jarjestaytymisesta/ (accessed 3.12.2025)

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Table 1. Data table

Type of Material	Use in Analysis
Media material - Maaseudun tulevaisuus (digitized newspapers): keywords "Uusikau* and Auto*" and the limit was set for the 2003-2021 period – 110 hits - YLE News (yle.fi): keywords: " Valmet Automotiv* AND negotiations AND name-of-person (such as CEO or shop steward) AND year (such as 2006)" – hundreds of hits and many duplicates	- Determine media narratives about the case in different times - Finding illustrative comments on key events from employers, employees and union representatives or other actors (such as ministers and town officials)
Industrial workers' union news articles, website search - Keywords: "Valmet Automotive," 51 hits, "competitiveness pact" 11 hits - Industry overview reports, 2018-2023	- Finding union's position on industrial relations issues, collective agreement negotiations and possible commentary on the case topics.
Valmet Automotive annual reports - Metso reports 2003-2013 (online) - Reports from 2014-2017 not available online - Valmet Automotive reports 2018-2023 (online)	- Identify key events from company perspective - Statistics on how many people were employed, furloughed or laid off at the end of each fiscal year
Interviews - Employee representatives, has attended workplace negotiations (2) - Interviews conducted in person and via Microsoft Teams in autumn of 2025 - One interview lasted two hours, the other one about an hour	- Collecting information about negotiation procedures, general atmosphere at the workplace and employee perspective to the events

Description of negotiation process and social dialogue systems

Following the principles of Walton and McKersie's behavioral theory of labor negotiations (1965), descriptions of negotiation procedures at Uusikaupunki factory were analyzed to identify what kind of bargaining strategies were utilized, and how the four subprocesses manifested during negotiations. The traditional idea of distributive bargaining focuses on

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divisive issues, where one negotiator's win is the other's loss, such as wage setting, or number of layoffs.

Integrative bargaining, on the other hand, is considered as mutually beneficial negotiation approach, where both negotiating parties have a chance to increase mutual gains and find mutually advantageous solutions to shared problems. This approach is seen as cooperative and mutually beneficial, while distributive bargain represents opposing forces debating who will win and who will lose.

The third subprocess is attitudinal structuring, which occur during the negotiation process; attempts at building trust and respect while demonstrating one's own case and approach as understandable and relatable can create positive relationships between negotiators, while overly aggressive, demanding or scheming approaches can result in negative attitudes towards one another. High trust, friendliness and respect towards negotiating parties can result in integrative bargaining as open and clear communication about each party's needs and conditions can be expressed. However, negotiators can use different tactics regarding how early and openly they wish to declare their demands, use possible leverage or threaten with repercussions, while simultaneously attempting to understand the opponent's wants, needs and possible leverage.

The final subprocess is intraorganizational bargaining, which refers to attitudes and bargaining within a negotiating party, in this case, within management or union-represented employees. Shop steward can experience expectations from the workers he or she represents which could differ from those of the trade union. Fragmentation and internal disputes within a group can require intraorganizational bargaining in order to find consensus and common goal, strengthening the organization from within and for the negotiations. Even though these subprocesses are considered separate, in practice, different elements are visible in almost every bargaining situation. Therefore, there are no purely integrative or distributive negotiations even though elements of either one can be more prevalent in some situations. Next, the overall media coverage of events and disruptions at Uusikaupunki factory are described, followed by introducing key actors and the social dialogue system at site.

Valmet Automotive has long been an important employer in the Vakka-Suomi region, with a sustained presence in Uusikaupunki. As a result, news media has closely followed the factory's development over time. Informative and celebratory articles described positive turning points, such as the launch of Mercedes-Menz production: "Starting Mercedes [Benz] production is a jackpot for the Uusimaa car factory" (MT, 9.9.2013). Periods of declining production were also widely covered: "[...] the Uusimaa car factory's problems still continue [...] problems started in the spring when Saab manufacturing ended [...] At the end of cooperation negotiations, the car factory had to furlough more than half of the workers for up to six months" (MT 2.7.2003).

Automation and the introduction of robotic solutions were often framed positively in media coverage, emphasizing improved competitiveness, cost efficiency, and job quality while taking

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over monotonous tasks. Headlines highlighted these developments: “Flexibility and robots are driving the Uusikaupunki car factory,” and “[...] the factory in its modernity stands up to international comparison [...] still, [despite high level of automation], almost every step requires manual labor” (MT 22.1.2016). The factory’s significance as a local employer and as a contributor to Finnish industrial exports was repeatedly emphasized during both boom periods and downturns. Layoffs were typically justified by declining production volumes and presented as necessary austerity measures.

The end of Saab manufacturing received extensive media attention after 2003 and was frequently revisited in later reporting, often accompanied by concerns about the factory’s future. Conversely, new manufacturing contracts and letters of intent with new brands were reported in declarative tone, highlighting their potential employment effects: “American hybrid car would bring jobs to the car factory and subcontractors” (MT, 20.9.2008). Valmet Automotive’s business acquisitions in 2010 also attracted media interest, as the company expanded operations beyond Finland to Germany and Poland.

During the growth phase of the 2010s, media coverage noted the positive employment effects of Mercedes-Benz contracts and the recruitment of thousands of new industrial workers in Uusikaupunki. New business ventures, such as battery factories established in Salo and Uusikaupunki, were also reported, although these activities were organizationally separate from car manufacturing. In the 2020s, negotiations and layoffs were largely framed as consequences of global developments, including the Covid-19 pandemic, component shortages, and intensified competition in the automotive sector. Despite these challenges, reporting often conveyed optimism and expectations that the disruptions would be short-lived: “Valmet Automotive announced on Friday that it will temporarily reduce its staff due to the coronavirus situation, which is causing a shortage of components at the Uusikaupunki car factory. [...] This is a temporary disruption [...] The situation is expected to return to planned levels during spring 2020” (Vähämäki, 2020).

The Act on Cooperation within Undertakings (*Yhteistoimintalaki*, Act on Cooperation) was enacted in 2007 to improve internal relations between employers and employees and to strengthen employee influence in the workplace[17]. At the time, the law applied to companies employing at least 20 full-time employees. The Act frames codetermination process at the workplace, requiring employers to inform and negotiate with employee representatives on matters related to recruitment, training, part-time work, layoffs, or dismissals carried out for economic or production-related reasons, as well as the grounds for the use of temporary labor, among other issues (Sippola, 2012).

When employees face dismissal or furlough, employers must initiate cooperation negotiations before any measures are implemented. The minimum duration of these negotiations was six

[17] Suomi.fi (2025). Act on co-operation in Undertakings (Yt-act). https://www.suomi.fi/citizen/work-unemployment-and-finances/rules-of-working-life/guide/agreement-on-terms-and-conditions-of-work-and-co-operation-at-workplaces/act-on-co-operation-in-undertakings-yt-act (accessed 28.10.2025)

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weeks (Ylemmät toimihenkilöt YTN, 2025). The furlough process itself was further specified in collective agreements, guiding employers and employees on notification procedures, obligations of reinstatement should the need for labor arise, and the rights and responsibilities if either party terminated the employment contract during a furlough. During furlough periods, employees were eligible to apply for earnings-related daily allowance benefits through their trade union's unemployment fund (Technology Industry Collective Agreement, 2025).

The relevant actors at workplace bargaining included the employer (Valmet Automotive factory management), employees (particularly assembly-line workers, who were most vulnerable to fluctuations in labor demand). On more general level, the trade union provided support for shop stewards, and the employer regularly informed municipal authorities about large-scale recruitment and layoffs, as factory operations had significant effects on the local economy and community life. During periods of mass recruitment, town representatives adjusted local services to accommodate shift work and supported the construction of new housing (Hakkarainen, 2019).

However, housing shortages emerged during peak recruitment periods between 2016 and 2018, driving up rental prices in Uusikaupunki and forcing some employees to seek more affordable housing in nearby cities such as Pori and Turku. In response to housing shortage, the regular commuter bus services from Turku and Pori directly to factory were introduced. The schedules were aligned with factory shifts, and ticket prices were subsidized, making them more affordable than standard public transport (Rosvall, 2018).

At the Uusikaupunki factory, workers were employed by Valmet Automotive or through temporary employment agencies. Collective agreements defined minimum wages, although either employer could offer higher pay. The largest trade union at the factory was the Industrial Workers' Union, which was established in 2018 through the merger of the Metalworkers' Union, the Industrial Union, and the Woodworkers' Union. Since then, the Industrial Workers' Union has negotiated the Technology Industry Collective Agreement (*teknologiateollisuuden työehtosopimus*) covering factory workers and representing the majority of employees at the Uusikaupunki car factory[18]. Prior to 2018, shop-floor workers were covered by the metal industry collective agreement (*metallialan työehtosopimus*).

In addition, electricians are represented by the Electrical Workers' Union (*Sähköliitto*), while middle and upper management have separate representation structures. Shop stewards are available to represent workers at the workplace, and a chief shop steward represents all unionized employees. Around 2016–2017, a new system was introduced at the Uusikaupunki factory comprising four full-time shop stewards, each salaried for representing workers in different production areas or shops, and elected by employee vote. This arrangement facilitates closer cooperation among shop stewards and easier access to union experts.

[18] Industrial Workers' Union website (2025). *Historia*. https://www.teollisuusliitto.fi/liitto/historia/ (accessed 24.11.2025)

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However, interviewee A1 expressed concern that full-time shop stewards might become alienated from rank-and-file workers, as they no longer work on the shop floor.

Under the earlier system, multiple shop stewards represented workers in different sections and shifts, requiring at least one representative per section and work shift. While this ensured close contact with workers, it also created challenges for communication and coordination, as dozens of shop stewards carried out representative duties alongside their regular factory work. The use of temporary agency workers increased during the 2010s, particularly during the mass recruitments of 2016–2018, when the company's HR resources were insufficient to recruit hundreds of employees efficiently. Temporary agency workers were required to remain employed by the agency for at least six months before they could be hired directly by Valmet Automotive and were paid slightly lower wages than permanent employees. While temporary agencies enabled workforce flexibility, they also contributed to high turnover on the shop floor. First months were a trial period, during which both employer and employee could terminate the contract of employment without a notice. In 2021, during periods of sudden labor demand, up to 30 new employees begun working at the factory each week.

The workforce became increasingly multinational, creating a need for interpreter services and guidance on Finnish working-life practices and trade union activities. According to both interviewees, many non-Finnish employees were interested in joining the Industrial Workers' Union and obtaining workplace representation, although some chose not to unionize for various reasons.

During layoff negotiations, collective agreements stipulated that temporary agency workers would be the first to be furloughed or laid off. Further layoffs typically (though not always) followed a sequence of initial furloughs and subsequent termination of employment contract if additional reductions were required. This system protected core and long-serving workers but created insecurity for temporary employees, possibly creating demand for intraorganizational bargaining between workers.

The furlough system had been widely used since the 2000s, although unemployment benefits have been weakened by government reforms since 2023. Furlough practices were unfamiliar to some immigrant workers, and trade union representatives made efforts to explain these arrangements to new employees, as recalls to work could occur quickly if new orders were received, or supply-chain disruptions were resolved. However, employment conditions had to be fulfilled before furloughed employees could receive benefits from trade union unemployment funds, which increased new workers' incentive to keep their jobs long enough to have some protection in case of being furloughed or laid off.

Relationships between employees and employers were generally described as positive, with trust viewed as something that had been earned but should not be taken for granted, according to interviewees. Meetings between employer and employee representatives were held monthly and, when necessary, were supported by agendas to which all participants could add

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items. Employers provided advance notice to employees prior to the start of layoff negotiations, in accordance with legal requirements.

According to the interviews, relations between employers and shop stewards were relatively good, and negotiations were described as open and straightforward. Shop stewards' views, opinions, and suggestions were actively solicited and considered. This did not mean that negotiations were easy, but negotiating partners "always tried to reach a win-win solution." (Former employee, A1.)

During the monthly meetings, two representatives of the Industrial Workers' Union (elected by the workforce), a representative of the Electrical Worker' Union, and representatives of clerical and managerial staff met with two factory management representatives and a secretary to discuss various workplace-related issues. All parties were able to propose agenda items. Negotiations concerning furloughs and layoffs were also conducted within this forum. While shop stewards could request advice and information from their respective unions, external union representatives did not participate directly in the meetings. As meeting agendas were circulated in advance, participants were able to prepare beforehand.

As former employee A1 explained, trust and a willingness to cooperate were particularly evident between the employers and the chief shop steward. Attempts to mislead negotiation partners were not observed, and the reasons for furloughs or layoffs remained consistent over time and were communicated clearly to all parties before negotiations began, indicating open communication before and during negotiations, leading to positive attitudinal structuring. All negotiations were linked to the loss of production contracts and smaller production batches, which naturally reduced the need for shop-floor labor, while new employees were hired as soon as new orders were secured. When large numbers of employees were furloughed, they were often recalled quickly if production volumes increased.

Trade unions refrained from threatening strikes due to labor peace obligations embedded in collective agreements. Employers frequently asked shop stewards to draft proposals for managing furlough and layoff procedures (e.g., criteria for furloughs or dismissals), as well as for the distribution of profits and wage increases during periods of strong performance. These practices can foster integrative approaches and build mutual trust and respect between the parties, but they can also backfire if workers perceive their representatives as acting in the employer's interest rather than their own. According to one interviewee, neither government steering nor changes in ownership had any noticeable impact on negotiation practices.

Employers sought to build and maintain positive relationships with employee representatives by offering wages above the minimum set in collective agreements and by negotiating local agreements (such as those concerning working hours) together with employee representatives. After codetermination negotiations, employers benefited from maintaining good relations with furloughed employees, particularly when workers needed to be recalled. Although employers' bargaining power could generally be considered stronger than that of employees, they nevertheless depended on skilled and experienced workers rather than

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constantly retraining new staff. Employees also trained each other on the job, which further increased interdependence between workers and management.

The employee training required to operate robotic and automated solutions were ensured by the employers. As interviewee A2 described, in one case a new robot was initially viewed with suspicion because of concerns about job losses. However, the collective agreement protected workers from dismissals, so employees were retrained for new tasks.

According to interviews and media reports, automation and robotics were considered as a necessity to keep the Uusikaupunki factory competitive. Although these technologies changed modes of work and initially led to some layoffs, they were largely viewed as a positive development. Interviewees emphasized that changes in car manufacturing were inevitable and that adaptation was required, while also noting that workers would continue to be needed to operate and supervise automated systems. At a more general level, the Industrial Workers' Union's 2019 industry overview report[19] highlights that the introduction of robotics in large-scale manufacturing has replaced physically demanding, monotonous, and hazardous tasks, thereby improving working conditions.

Green initiatives and sustainably strategies at the factory were implemented in a top-down manner, with workers trained on the job as needed. Employee-driven development ideas were encouraged through monetary incentives. However, even when new solutions improved energy efficiency, their value was often framed primarily in terms of cost-efficiency, according to interviewee A1. For example, operational changes such as replacing incandescent light bulbs with LED lighting were justified mainly as cost-saving measures, with environmental benefits treated as an additional advantage.

Global initiatives also had a significant impact on operations at the Uusikaupunki factory. During component shortage in the early 2020s, which caused production disruptions, negotiations were held to keep employees at work where possible. The chief shop steward was involved in planning and managing the situation, which can be interpreted both as a means of securing shop steward commitment and as an indication of trust and cooperation between the management and employees. According to interviews with employee representatives, their bargaining power was perceived as limited: employers would listen to their views but ultimately make decisions independently. Nevertheless, past negotiations were generally regarded as fair, even if they were difficult at times. This could suggest that shop stewards were closely cooperating with employers, and both saw integrative bargaining as beneficial.

Both interviewees noted that there was no alternative work available if manufacturing contracts ended or declined. The employer could negotiate the total number of cars to be assembled at

[19] Industrial Workers' Union Industry overview (2019): (Accessed 24.11.2025). https://www.teollisuusliitto.fi/2019/11/toimialakatsaus-selvittaa-robotisaation-ja-digitalisaation-etenemista-tyopaikoilla/(Accessed 24.11.2025).

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the site, but there were no substitute products beyond passenger cars. Despite this structural constraint, negotiations were nevertheless considered integrative. Employers were described as transparent, proactive in sharing information, and open to opinions and ideas, allowing negotiations to focus on shared problems and possible solutions.

When asked about the atmosphere during negotiations, interviewee A2 described how even in the presence of strong disagreements, disputes remained confined to the negotiating table. Participants could still go for coffee together afterward, and negotiations did not become personal. Employee representatives characterized the employers' approach as "open and humane." The Industrial Workers' Union provided assistance and cooperated closely with the local union branch (*Teollisuus 268*) at the Uusikaupunki factory. This cooperation offered institutional support and legitimacy to employees during negotiations.

According to the interviews and public documents, employers engaged in attitudinal structuring by maintaining a visible presence at the workplace, communicating transparently about anticipated increases in production as well as potential adversities and their causes, and fostering relatively informal relationships with employee representatives. One interviewee noted that they had known the former CEO for many years from working together at the factory before the individual became CEO, and therefore did not find it difficult to raise concerns or engage in discussions with factory management.

When demand for new workers grew rapidly, Valmet Automotive launched a public recruitment and branding campaign titled *Heroes of the Factory*. The aim was to enhance the attractiveness and social recognition of factory work and to recruit motivated employees. A documentary series of the same name was filmed in 2016-2017, and nationwide recruitment bus tours generated public interest. Workers also participated in attitudinal structuring by actively placing issues on meeting agendas and discussing them constructively, signaling willingness to cooperate as long as their concerns were addressed.

During the codetermination negotiations, the Act on Cooperation guarantees shop stewards the right to influence decision-making, propose alternatives, and express opinions regarding upcoming changes. This legal framework provides employees with a degree of institutional power to shape employer decisions. However, as worker representatives emphasized in interviews, their influence did not extend to decisions about manufacturing contracts or external shocks such as component shortages or strikes in the transport sector. As interviewee A1 explained: "things have been quite easy [...] if there are no components and no cars [to be made], you won't be making them. If there is no production, there is no production, and it has been understood [by the workers]."

Instead, the strength of labor-management relations was reflected in how negotiation leverage was exercised: management brought issues to shop stewards and sought joint solutions, even though final decisions ultimately rested with the employer. Strikes were not considered a viable tactic, as both parties respected the collective agreements and the principle of labor peace.

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Employers required a trained and capable workforce at all times. Accordingly, Valmet Automotive invested in on-site training and upskilling, for example, when introducing new robots or implementing carbon neutrality targets. Employers therefore had a strong incentive to maintain cooperative relations with workers. When disruptions arose, management was generally reluctant to proceed directly to dismissals and instead sought to adjust working hours or rely on furloughs.

Interviewee A1 described the uncertainty experienced during the component shortages of 2021, when neither management nor workers knew which components (or in what quantities) would arrive in subsequent shipments. Workers were required to remain on standby in case partial production could proceed, which created significant economic pressure for the company. In response, management convened rapid ad hoc meetings in which shop stewards and management jointly explored ways to avoid layoffs while ensuring continued pay. Local agreements on working-time arrangements were reached: working hours were temporarily reduced across the shop floor, leading to lower wages but preserving jobs.

Typically, the employer would announce estimates of how many employees might be furloughed or dismissed, often slightly higher than ultimately required. This left room for negotiation and allowed for incremental gains on the employee side, which likely maintained mutual willingness to cooperate in negotiations. Employee representatives reported understanding the economic rationale behind difficult decisions, though this understanding was not always shared by rank-and-file workers.

In the late 2010s and early 2020s, media coverage increasingly highlighted tensions related to rapid workforce turnover and demanding working conditions. One YLE News headline captured these concerns: “The Uusikaupunki car factory has seen a rapid turnover of staff as young people are exhausted on the assembly line – workers are given a blunt response to reform proposals: ‘Then you can go away.’” A young factory worker stated that ”the employer does not have willingness to improve working conditions since temporary work agencies keep supplying new workers to the factory”[20]

This depiction contrasts with the more cooperative account provided by employee representatives and suggests a possible disconnect between management and rank-and-file workers, with communication largely mediated through shop stewards. Moreover, increasing use of temporary workers could have created fractures between temporary and permanent employees, having the potential to diminish cohesion between the shop floor workers. The YLE News article also pointed to tension between management and temporary workers, as Valmet Automotive negotiated working conditions indirectly through temporary employment agencies. Concerns about job continuity intensified as uncertainty around manufacturing contracts grew, particularly for workers who had relocated from across Finland to Vakka-Suomi region and suddenly faced an absence of guarantees regarding continued employment.

[20] Yle News: https://yle.fi/a/3-11844594 (Accessed 27.11.2025)

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When employees were furloughed or dismissed, unemployment and trade union services were brought directly to the workplace. Since furloughed employees were not permitted to enter the factory, a designated space outside the factory entrance was arranged where they could receive information, obtain assistance with unemployment benefits, and explore new employment or educational opportunities. On some occasions, representatives from other companies with open vacancies also attended these "support day" events. According to the interviewee A1, these services were coordinated jointly between Valmet Automotive, the local employment services, and trade union representatives, facilitated by the company's HR department, and participation was voluntary for both current and former employees. Severance payments and other compensation for dismissed workers were determined by collective agreements and statutory regulations.

The fluctuations in Valmet Automotive's production have had significant effects on the local economy and social landscape. The short-term manufacturing contracts between 2003 and 2009 were particularly sensitive to changes in consumer demand and market conditions, leading to volatility in production volumes. This instability contributed to an economic slowdown in the region, which was addressed in part through government crisis funding as early as 2004 (MT, 5.1.2004). Conversely, the Mercedes-Benz manufacturing contract and subsequent company investments brought a rapid influx of workers to Uusikaupunki, driving up living costs and housing prices.

Municipal authorities in Uusikaupunki sought to accommodate factory workers by adjusting public services, such as extending grocery store opening hours to align with shift schedules, and by investing in local infrastructure and services (Hakkarainen, 2019). Assembly-line work at the factory was generally regarded as entry-level employment and often attracted workers who did not intend to remain in such positions long term. However, once employees were trained for specific production lines, their skills were only partially transferable to other workplaces, given the limited number of automotive manufacturing facilities in Finland.

Table 2. Timeline.

Phases/Key events	**Characteristics in negotiation processes**
1997–2003: Saab convertibles and Porche	Negotiations are based on collective agreements.
2003–2009: Saab manufacturing ends, decreasing production, short manufacturing contracts	Requirement of 'flexibility', mostly layoffs and furloughs, due to production-economic reasons.
2010–2019: Mercedes Benz contracts, revenue growth, production records	Integrative bargaining, automation changes modes of work, friction between temporary workers and management according to news.
2020–2022: Covid-19, component shortage	Difficult negotiations and furloughs, maintaining integrative bargaining tactics but more distributive issues.
2023: High inflation, production decline, staff layoffs	Almost 1000 employees furloughed or laid off due to production-related reasons, new uncertainty.

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Analysis of local level social dialogue dynamics

The social dialogue between Valmet Automotive and its employees appears to have been straightforward and largely consistent over time, despite several changes in CEOs during the review period. One employee representative recalled that when the CEO's office was located outside of Finland, decision-making was slower and more bureaucratic. Nevertheless, employee representatives emphasized that management made deliberate efforts to reduce unnecessary bureaucracy and to foster open, efficient, and people-oriented negotiation environment. This was achieved through day-to-day discussions with workers, management's accessibility during negotiations, and maintaining open communication channels. Trust was described as having been built gradually over the years, and interviewees noted that factory management did not use coercive or pressurizing tactics to force shop stewards into accepting unfavorable agreements. However, it should be noted that there are limited interviews or research material reflecting the views of rank-and-file factory workers on these relations.

Open dialogue and transparency regarding issues affecting production appear to have supported constructive negotiations. As interviewee A1 noted, "it was really helpful during the difficult layoff negotiations when […] I felt like the employer representative is sitting in the same boat with me," highlighting a shared understanding that production-related challenges affected both parties. Interviews and media reports indicate that shop stewards primarily focused on fulfilling their representative role by protecting workers' interests, including negotiating wage increases and shift allowances and seeking to minimize job losses during layoff negotiations. When production stalled, local agreements were reached to maintain employment for as many as possible, even though working hours and pay were temporarily reduced.

Factory management also involved shop stewards in certain decision-making processes, such as seeking input on the allocation of wage increases and the organization of shift systems. In addition, local agreements at the Uusikaupunki factory complemented the sectoral collective agreement. According to the interviews, wages at the factory consistently exceeded the minimum levels stipulated in the collective agreement.

The changes at the factory occurred in different phases. When new manufacturing contracts were secured, it typically took approximately one year to adapt the production lines before manufacturing could begin. Some contracts involved assembling only a few thousand units, while others lasted for several years. However, annual production volumes fluctuated. In certain cases, production ended abruptly due to customer bankruptcies or similar external shocks, resulting in rapid adjustments to factory employment. Likewise, external factors discussed above affected factory operations by causing temporary furloughs or even complete production standstills.

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These fluctuations in production required rapid adaptation and created uncertainty regarding job continuity, whereas changes based on implementing Lean principles and investments in automation were gradual but continuous over time. The production of Saab cars relied almost entirely on manual labor compared to 2023, when welding and painting processes were nearly fully automated. Compared to 2003, work processes and labor demands changed significantly over the review period. Importantly, these changes occurred incrementally, allowing workers time to reskill and adapt to new modes of work.

Media outlets consistently reported on Valmet Automotive and sought comments from key stakeholders during major events. However, media coverage does not appear to have directly influenced negotiation processes or outcomes, as employment decisions were ultimately driven by manufacturing contracts and production volumes. The employer consistently framed staff reductions as resulting from production-related and economic reasons or the need to maintain competitiveness, rather than from innovation of profitability goals, although these factors may have indirectly contributed to some layoffs. While Valmet Automotive has branded itself as a flexible, reliable, and innovative partner for global car brands, its sustainability program does not explicitly address employee relations. When media reported accusations of dismissive management practices, a human resources representative stated: “That's not true. We strive to make things so that it's okay to be at work. We have 3,500 employees, and there are certainly so many different views and experiences that one person can't really influence things.”[21] This response suggests that, despite negotiations being described as cooperative and respectful, some concerns raised by rank-and-file workers may not have been fully communicated to the employee representatives or addressed in formal negotiation forums. Additionally, employers seemed to have leverage to dismiss employees if they wanted to at the time.

Although negotiation processes exhibited largely integrative elements – such as transparent information sharing, framing issues as shared problems, and involving employee representatives in decision on profit distribution – the scope for distributive bargaining was more limited during layoff situations. When dismissals were deemed unavoidable, the decision itself was non-negotiable. Temporary agency workers were typically laid off first, followed by permanent employees if further reductions were required (benefiting core workers), though negotiations consistently aimed to minimize job losses. Interview data emphasized that positive labor–management relations had been built over time and were reinforced through attitudinal structuring in everyday workplace interactions.

Conclusion

This case study examines Valmet Automotive, founded in 1968 and the only major passenger car manufacturer in Finland. After manufacturing Saab passenger cars for several decades,

[21] Yle News: https://yle.fi/a/3-11844594 (Accessed 27.11.2025)

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the company has operated in recent years as a contract manufacturer for multiple automotive brands under predominantly short-term contracts. Employment developments at the factory have been shaped not only by fluctuations in industry demand but also by the long-term, gradual expansion of production automation. In recent years, technological change has increasingly affected the products themselves, as EVs have begun to compete with ICE vehicles.

Significant change has been driven by broader trends and demand shifts in the global automotive industry. These pressures intensified after the end of long-term Saab production, which compelled the company to shift toward shorter-term manufacturing contracts. In practice, this transition resulted in substantial volatility in order volumes and employment levels. While conditions were favorable in the mid-2010s (occasionally leading to labor shortages), recent years have been particularly challenging due to structural difficulties in the automotive sector.

Automation has increased steadily over a prolonged period, largely as a necessary response to maintaining competitiveness in a high-wage country such as Finland. While automation has gradually reduced the number of jobs, it has simultaneously shifted employment toward more highly skilled tasks. Employees have not always welcomed these developments. However, during the peak production years, labor demand remained high despite increasing automation. According to the interviews, workers largely accepted automation as an unavoidable aspect of maintaining productivity and competitiveness. Dependence on global supply chains and transport networks has further highlighted the need for workforce flexibility, as production disruptions can lead to rapid furloughs and income insecurity. This flexibility has increasingly been achieved through the use of temporary agency workers, which allows the company to adjust labor input rapidly in response to market fluctuations. While this supports competitiveness, it also shifts part of the economic risk from the employer to workers, whose employment continuity and income security become more dependent on external market conditions.

Valmet Automotive’s management has developed largely integrative negotiation relationships with employee representatives and shop stewards. Employee interviews consistently describe negotiations as respectful, trust-based, and fair, with no indication that the negotiation culture changed substantially over the twenty-year period. However, the relationships between temporary agency workers and permanent “core” employees highlight a segmentation of the workforce in which employment security and exposure to market risk differ between groups. The relationship between rank-and-file workers and factory management also warrant further investigation. While the current system of full-time shop stewards has streamlined cooperation between management and employee representatives, it may also create distance between employees and their representatives.

Amid intensifying global competition, the shift toward EVs, increasing factory automation, and supply-chain disruptions, the Uusikaupunki factory experienced a relatively abrupt decline in production following the growth years of the mid-2010s. Despite efforts to adapt and through

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investments in services and production efficiency, the company carried out large-scale dismissals in 2022 and 2023, extending the instability initially triggered by the Covid-19 pandemic.

The most recent developments include the transfer of factory ownership to the Finnish state in 2025 and increased cooperation with the defense industry group Patria. As the defense industry has expanded in recent years, the Uusikaupunki factory is expected to be connected to Patria's production activities in some capacity, although the employment effects remain uncertain. It is currently estimated that the new contract will employ approximately 300 workers[22]

Overall, the findings suggest that industrial production continues to adapt to intensifying global competition through efficiency gains and technological innovation. A central challenge lies in the pace and unpredictability of change. Shifts in consumer demand and global disruptions are difficult to anticipate and have direct consequences for employment. Workers appear to have adapted to recurring furloughs and recalls, but the risk of permanent dismissals has increased insecurity. Despite frequent use of integrative strategies, the employees still bear the risks as temporary agency workers are hired and more easily dismissed during fluctuating labor demand. Further research is needed to determine whether this dynamic creates internal tensions within workforce and the union, and how the relationship between core workers and management is affected by having temporary workers as a buffer protecting core workers from furloughs.

Trust between negotiation partners and positive attitudinal structuring emerged as key drivers of labor peace and constructive negotiation outcomes. Transparency, shared problem-solving, and regular dialogue were particularly important during difficult layoff negotiations, although trust required continuous maintenance. The presence of union and employment services at the workplace for the furloughed or dismissed employees was viewed as concrete expression of solidarity and support.

Finally, intensifying global competition places increasing pressure on policymaking and collective bargaining, as demands for flexibility and adaptability constrain long-term planning. While fair working conditions, wages, and dismissal protections are negotiated through collective agreements, employment levels ultimately remain dependent on manufacturing contracts.

[22] Yle News: https://yle.fi/a/74-20200166 (Accessed 17.12.2025)

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