

Effects of restructuring at regional level and approaches to dealing with the consequences

Saab Automobile, Sweden



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Abstract

The purpose of this case study is to describe and analyse the process and regional impact of the closure of Saab Automobile AB in Trollhättan. In December 2011, the car manufacturer Saab Automobile AB filed for bankruptcy and 3,064 employees were made redundant. Saab was the single largest private employer in the municipality of Trollhättan, and its successive restructuring and closure had significant effects on employment in the local labour market.

The loss of Saab as a major employer not only raised questions over the identity of Trollhättan as a hub of advanced automotive technology and design; it also had an important effect on the growth potential of the city. However, the impact of the restructuring was limited to the municipality of Trollhättan and the immediate surrounding municipalities.

This report describes the restructuring process before and after the bankruptcy in 2011 and how different stakeholders were involved in mitigating the effects of restructuring. The results show that despite Trollhättan's continued problems with unemployment, the vast majority of former Saab employees have found new employment and the Västra Götaland region has experienced a general growth in employment and economic activity.

Regional and company-specific context

Main characteristics of the region

The city of Trollhättan is located in the Västra Götaland region in western Sweden. The closest major city is Gothenburg, which is 70km to the south. The city of Trollhättan governs the municipality of Trollhättan, with a population of 55,499 inhabitants. The automotive industry has traditionally been important in Trollhättan, including key actors such as Saab and Volvo Aero. Other important automotive actors in the larger Västra Götaland region include Volvo Cars, AB Volvo and hundreds of automotive suppliers. In fact, apart from the Västra Götaland region and its municipalities, the automotive sector is still the largest source of employment in the region.

Trollhättan is a typical Swedish industrial city with a long history of industrial activity. Its location by the river Göta älv, which is a source of energy and a transport route, shaped the industrial activities in the region from the mid-19th century onwards. Trollhättan has often been described as an industrial community where a single or a small number of large manufacturing companies employ most of the workforce. This creates interesting dynamics, as both employees and employer are mutually dependent on each other, creating loyal bonds between one another. This was the case for both the industrial conglomerate NOHAB and later for Saab and Volvo Aero.

Saab had its roots in Trollhättan's mechanical workshop, established in 1847, which later transformed into the industrial conglomerate NOHAB, producing farming machines, turbines, locomotives, diesel engines, aircraft engines and military equipment. NOHAB also produced GM locomotives on licence, showing GM's long-term relationship with the region (GM acquired Saab in 1990). Svenska Aeroplan AB (abbreviated as Saab), was formed as a collaboration between NOHAB and AB Svenska Järnverkstäderna in 1937. Saab's business areas became focused on air, defence trucks and buses, and automobiles).

It is interesting to note that the Trollhättan region has been subject to major restructuring in the past. In 1986, as a result of the economic difficulties in the 1970s, NOHAB was forced into bankruptcy. This event coincided with the crisis in the shipping industry in Sweden (Storrie, 1993).

Trollhättan's trade and industry is largely concentrated on industrial manufacturing. In 2010, the manufacturing industry accounted for 25.8% of employment. Compared to the national average of 13.5%, this clearly points to the heavy industrial dependence in the region. Healthcare accounted for 20.9% of employment and retail and communication accounted for 14.14%

The region has traditionally been dependent on a few larger industrial companies and their surrounding supplier networks. Saab Automobile was the largest private employer until 2011, followed by Volvo Aero. In comparison to the Swedish average, Trollhättan has a low frequency of start-ups, which is likely to further increase the dependence on established industrial companies.

In an effort to diversify and reduce the dependence on the manufacturing industry, in 1997 the Västra Götaland region established the Film i Väst in the Innovatum Science Park in Trollhättan with the support of European Regional Development Funds. Film i Väst is a regional company that produces film with an international artistic quality. Trollywood is now established as a major producer of film in Sweden, and is involved in 30 to 40 co-productions every year. It not only produces films, documentaries and drama for TV, but is also involved in educating film workers and the development of new talent in the region.

Despite the heavy emphasis on industrial manufacturing in the region, the biggest employers are found in the public sector. The city of Trollhättan has about 4,778 employees and the corresponding number for the Västra Götaland region (mainly healthcare) is approximately 50,000. In fact, the Västra Götaland region is the largest employer in the county, followed by the municipality of Gothenburg and Volvo Cars. Moreover, recent figures point to how the industry employment is gradually being lowered, closing in on Sweden's national average. However, retail is increasing (according to the manager at the Knowledge Federation West, Trollhättan municipality, 2013).

Trollhättan is the municipality in Sweden with the highest unemployment rates. Before the Saab bankruptcy in 2010, Trollhättan had an open (and in-programmes) unemployment rate of 11.1% of the registered workforce. The rate increased throughout 2011, and in 2012, after Saab's bankruptcy, the

rate went up to 13.7%. The most recent figure from the Swedish Public Employment Service (PES) as of October 2013 points to an all-time high of 15.7%. However, the increasing unemployment is only indirectly related to the restructuring of Saab. In fact, as we shall see, most of the former employees have found new jobs or are engaged in retraining programmes. The increasing unemployment is primarily an effect of the reduced job opportunities in the Trollhättan region, affecting workers who are entering the labour market or who were already unemployed before the crisis. This illustrates the typical insider–outsider dilemma of the Swedish model of restructuring (Bergström, 2009), where it is relatively certain that in times of restructuring, those who have a job have good chances of finding a new one, while those who stand outside have more difficulties entering the labour market.

Main features of the company

Founded in 1945, Saab Automobile AB (hereafter referred to as Saab) was Sweden's second largest car manufacturer until 2011. The first Saab car was introduced in 1947 and serial production started in 1949. A total of 4.5 million vehicles were produced over 62 years of automobile production. The production never exceeded 150,000 units per annum. Saab's organisational structure was made up of three parts: Saab Automobile AB, Saab Automotive Tools AB and Saab Automotive Powertrain AB. Saab is known for several innovations, such as the commercial use of turbo engines and heated seats. A recurring theme from the interviews in the study of Saab's closure points to how Saab's factory in Stallbacka, Trollhättan, was state of the art in terms of technology and efficiency. Saab employees were exceptionally loyal to their employer, typically staying with the company for several decades. Most of the workers also lived in Trollhättan and only a small group commuted into the city. The workers and technicians at Saab were also described as exceptionally skilful, something that became evident in Volvo Car Corporation and AB Volvo's immediate recruitment of Saab employees during the autumn before and after Saab's closure.

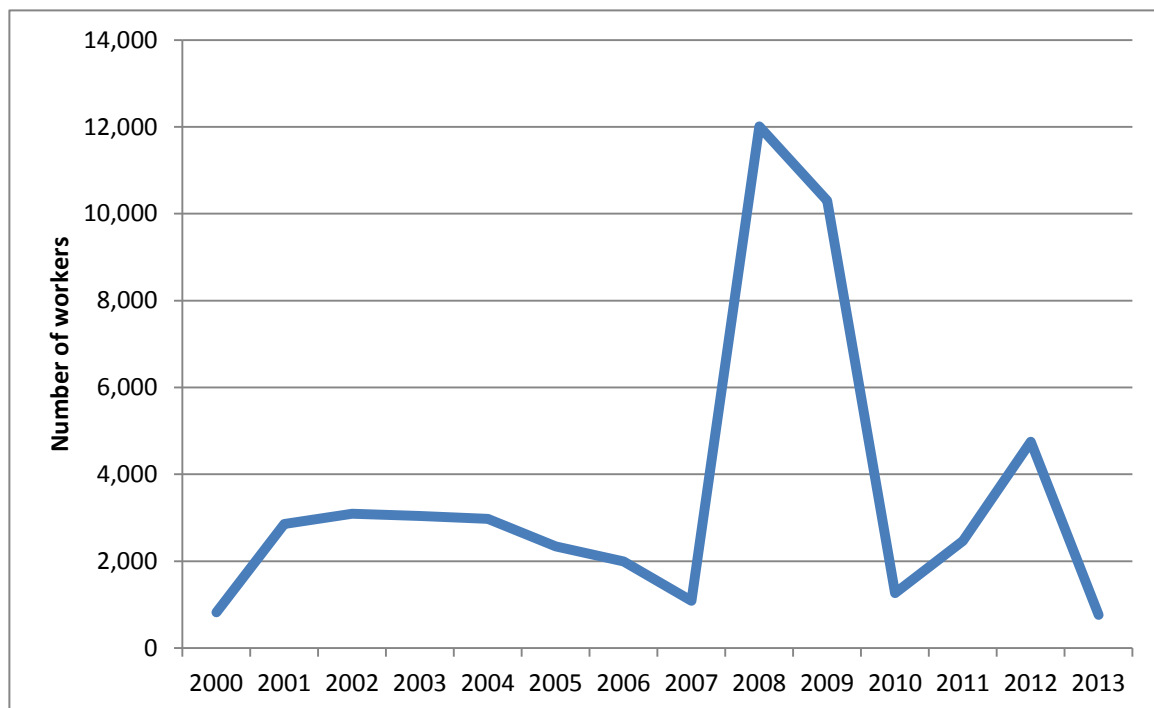
The restructuring event

Background and drivers

The closure of Saab in December 2011 was no surprise. It signified the end of a 20-year-long process of restructuring of the company. Over the years, the problems at Saab were well known to workers, trade unions, the local community, suppliers, customers and the society in general. Despite efforts to improve sales, ever since General Motors (GM) acquired Saab Automobile in 1990, the company has had difficulties selling enough cars to be profitable. The production was troubled by overcapacity and the sales volume never exceeded 150,000 units per annum.¹ In fact, Saab was only profitable during three years (1994, 1995 and 2001) of GM's 20-year period of ownership.

In 2004, GM announced a competition between the Trollhättan and Rüsselsheim factory in Germany for the production of the new models. Negotiations with the government, local and regional actors were made, and after a proposal from the government to invest in infrastructure to sustain the automotive industry in Trollhättan, GM decided to continue its operations in Trollhättan. However, Saab did not win the competition for producing the new car models. Despite this, in 2007 the Swedish government decided on a bill called the Trollhättan package. The package, which was completed in 2012, included investments in research and development, education and infrastructure, such as extended highways and a double railway track to and from Trollhättan. The motivation was that the region was one of Sweden's most industry-intensive ones with a heavy emphasis on automotive manufacturing. Fifty thousand people were employed in the automotive industry in Sweden and 300,000 cars were produced per year in Sweden at the time (Swedish Parliament, 2007).

Figure 1: Announcement of redundancies in the automotive industry, 2000–2013



Source: Swedish Public Employment Service (PES)

The financial crisis starting in October 2008 soon became a crisis for the automotive industry too, with massive redundancies in the three dominating automotive companies, Volvo Car Corporation, Volvo Trucks and Saab Automobile. Between 2008 and 2009, more than 20,000 workers in the automotive industry lost their jobs.

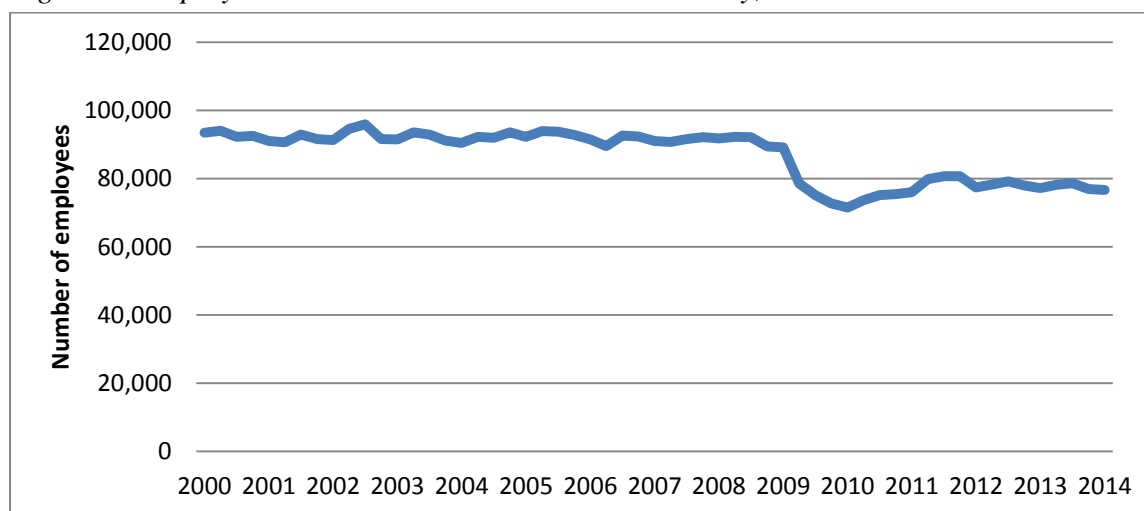
¹ Compared to, for example, Volvo Car's largest volumes of 450,000 and BMW's of 1,800,000.

The crisis in the automotive industry was not only important for western Sweden, which hosts most of the employment in the automotive industry; it was also a significant problem for the whole Swedish economy.

As a response to the massive increase in redundancies, the government established a national preparatory organisation for announcements of redundancies with action plans for regions that are affected. The purpose was to make sure that the regions affected by the economic crisis would receive the support needed. The preparatory organisation was to create collaboration between employers, job security councils and social partners on the local level as well as representatives from regions and municipalities. The ambition was to enable a quick and continuous update of the current situation in the country and to advise the government on what measures to take.

At the time, the automotive sector directly employed almost 90,000 people in Sweden and accounted for 15% of Swedish exports. However, as a result of the crisis, employment was reduced considerably.

Figure 2: Employment in the Swedish automotive industry, 2000–2014



Source: Statistics Sweden

Relative to the size of the economy, few countries have been hit as hard by the crisis in the automotive sector as Sweden (Hurley et al, 2009). This is partly due to the Swedish automotive industry's strong dependence on the American market and because the economic crisis started with the financial crisis in the US, and also because the two main players in the car industry, Volvo Car Corporation and Saab Automobile, were owned by American automotive giants Ford and GM respectively. Saab sales volumes went from 125,000 in 2008 to 20,791 in 2009, and the company never recovered from this (Oliver and Holweg, 2012).

As the financial crisis became undisputable in December 2008, public debates discussed the fate of the whole automotive sector in Sweden, including subcontractors and suppliers to the automotive cluster. While the governments of other European countries offered packages to save their automotive industries, the Swedish government did not do so (Bergström, 2009).

In February 2009, Saab asked the Swedish government for support. Sweden's Minister of Industry and Trade at the time, Maud Olofsson, clearly declared that 'the Swedish state and the Swedish taxpayers will not own car factories' (SVT, 18 February 2009). The Swedish government refused to provide direct support, but were willing to provide bank guarantees through the European investment bank if the ownership was clarified with a stable owner.

Shortly after this, in mid-February 2009, Saab submitted a request for reconstruction to the local district court. The second shift was removed and 640 blue-collar workers were given notice of redundancy.

Around the New Year 2008–2009, GM announced its intention to close the company the same year. However, after several turns back and forth with bids from various interested buyers, GM later agreed to sell the company to the Dutch sports car manufacturer Spyker in 2010. Spyker had ambitious plans for Saab and much faith was placed on the sales of the new Saab 9-5 model. However, the sales strategy failed and it only took a few months for Saab to run out of cash (Oliver and Holweg, 2012).

Saab's production was halted in April 2011 due to liquidity problems. The production restarted towards the end of May thanks to a pre-order from the Chinese dealer company Pang Da Automobile Trading Company Ltd and a loan from Gemini Capital, one of the owning funds. Shortly after that, production was stopped again due to shortages of parts, which came as a result of not being able to pay the suppliers.

The company had an urgent lack of capital, and towards the end of June 2011, Saab announced that it was not able to pay wages to its employees. Saab then sold half of its real estate to be able to pay the wages for July. Saab had struggled for a long time and the possible sale of real estate had been on the agenda for some time. A consortium of buyers was formed, led by the real estate company Hemfosa, which has specialised in buying property from companies in financial difficulties, leasing the property back to the seller.

The interviews indicate that several of the white-collar workers knew about the downturn of the company before it happened. For example, a manager at the purchasing department saw early on in 2011 that the production stop was inevitable. The blue-collar workers did not have this information, however, and it seems to have come as a surprise and huge disappointment for many.

The Swedish Enforcement Agency started levying a distress on Saab's assets at the end of August 2011 because of the company's debts to its creditors. Subsequently, the trade unions Unionen and Ledarna, and later IF Metall, all submitted applications to file for Saab's bankruptcy due to the unpaid wages. This was never actualised, however, because Saab was put into reconstruction for a second time.

During the autumn of 2011, Saab and its employees went from hope to despair as the company struggled to secure a deal with financiers. At this point, both the white- and blue-collar workers knew about the company's problems. Nevertheless, many were still hoping that a new buyer would appear. For a while, it seemed that a deal was going to be made with the Chinese automobile dealer Pang Da and the Chinese OEM Youngman. However, GM was not willing to let go of its patents and licence them to a Chinese car manufacturer and therefore stopped the transaction.

Ultimately, on 19 December 2011, the chairman for Saab Automobile's owner, Swedish Automobile N.V., submitted a petition for bankruptcy to the Vänersborg District Court. The application was granted the same day and Saab closed immediately.

In sum, Saab Automobile struggled with profitability for many years, which resulted in recurring redundancies. This means that major restructuring activities began long before the actual bankruptcy. However, this report focuses on the activities that were initiated after Saab's bankruptcy in December 2011. The closure of the company was a dramatic event and had sudden consequences for the region.

The restructuring process

Main actors, their interests and motivation

In response to GM's announcement of its intention to shut down the Saab factory in February 2009,² the Public Employment Service (PES), Saab, the City of Trollhättan, Trollhättan's Adult Education, University West in Trollhättan, the job security councils TRR and TSL, and the trade unions IF Metall and Unionen formed the OMF group. The group name is an abbreviation of 'Restructuring towards the future' (*Omställning mot framtiden*) and the initiative came from the PES, which chairs the group. This was a strategic initiative for dealing with the eventual shutdown and restructuring of Saab. However, the group was intended as an informal forum for discussion and exchange of knowledge (TRR, 2014). Several respondents have described this group as an important anticipatory step that allowed the restructuring actors to prepare for what was to come. The group was kept in place as a precaution even though Saab was eventually sold to Spyker. The group gradually became more formalised and in 2012 it assumed responsibility for formulating the application to the European Globalisation Adjustment Fund (EGF) (TRR, 2014).

² According to journalist Jonas Fröberg, author of *Kampen om Saab (The Struggle for Saab)*, the decision to close down Saab had already been made in August 2008 but was only made official in February 2009.

The trade unions IF Metall, Unionen and Ledarna typically have close contact and dialogues with the job security councils in order to facilitate the transition to new jobs. For the blue-collar workers, IF Metall chose the transition service provider (Startkraft). What is interesting is that the unions were the ones that first filed for Saab's bankruptcy when the company could not pay the workers' wages for an extended period of time during the summer of 2011.

Anticipation, planning and preparation measures

Due to the massive media attention, most actors involved in the restructuring process were well aware of Saab's difficulties and had opportunities to plan and prepare measures to support the dismissed workers. Furthermore, the fact that Saab had gone through several workforce reduction and restructuring processes before meant that the job security councils already had experience working with Saab. Several of the job coaches also had experience from the large-scale restructuring work at Volvo Group and Volvo Cars three years earlier. This means that those involved had a broad experience in automotive restructuring in the region. Indeed, this experience was important for recognising the signals of a possible bankruptcy. However, the process became very drawn out; it took a long time before the bankruptcy actually happened. The attention from different buyers, the restructuring processes, attempts to attract capital and so forth procrastinated what might have been an inevitable event.

Furthermore, TRR and Startkraft both prepared for the eventuality of a bankruptcy. During the autumn of 2011, they made numerous contacts with possible advisers and coaches, ensuring that they would be able to serve the councils in the eventuality of a Saab closure. Moreover, in anticipation, they both searched for large enough offices in central Trollhättan to ensure that they could accommodate the thousands of people joining their transition programmes. One of the project leaders at Startkraft mentioned how they had delayed signing a lease until they learned that the bankruptcy was final. As practical as this may sound, from one day to the next, they had to have premises ready for all those people. Between the Christmas and New Year's Eve holidays, they furnished the offices, making them ready for all the activities that started immediately in the new year of 2012.

The restructuring process officially began when Saab Automobile was declared bankrupt on 19 December 2011. However, redundancies of 500 workers were announced publicly in November. This implied that activities to support workers had already started when the announcement of bankruptcy was made. For example, on 13 December the PES together with the job security councils and the Municipal Adult Education unit organised an open house meeting to provide workers with a chance to ask questions about the situation and gather information about the support available. Trade unions were also there to provide information. The meeting took place in central Trollhättan and was open to all Saab employees (3,064) because they did not know which of them were to be dismissed. The meeting functioned as a kind of drop-in service where workers who were worried about their situation could ask questions and find information about the resources and support that were available for them.

Thus, at the time of the announcement of the bankruptcy, the local representatives of the job security councils had already started to contact individuals who were threatened by redundancy. Having been involved in previous restructurings of Saab and other automotive companies and having anticipated the bankruptcy, the job security councils knew the challenges the organisations and the industry were facing. This considerably facilitated the preparation for the major activities that were implemented after Saab's bankruptcy. When the bankruptcy was announced, however, the task took on different proportions. Now it was not only 500 people who were redundant – the whole company was to be closed.

In line with the collective agreement, the job security councils received information about the possible bankruptcy at an early stage. They started to prepare for the worst case scenario – what to do if the company went bankrupt. They had local staff available who could take on the first tasks, but the sheer size of the event – 3,000 dismissed workers – implied that they needed to mobilise coaches from other parts of the country. They also needed to set up a transition office to host all coaches and the redundant workers.

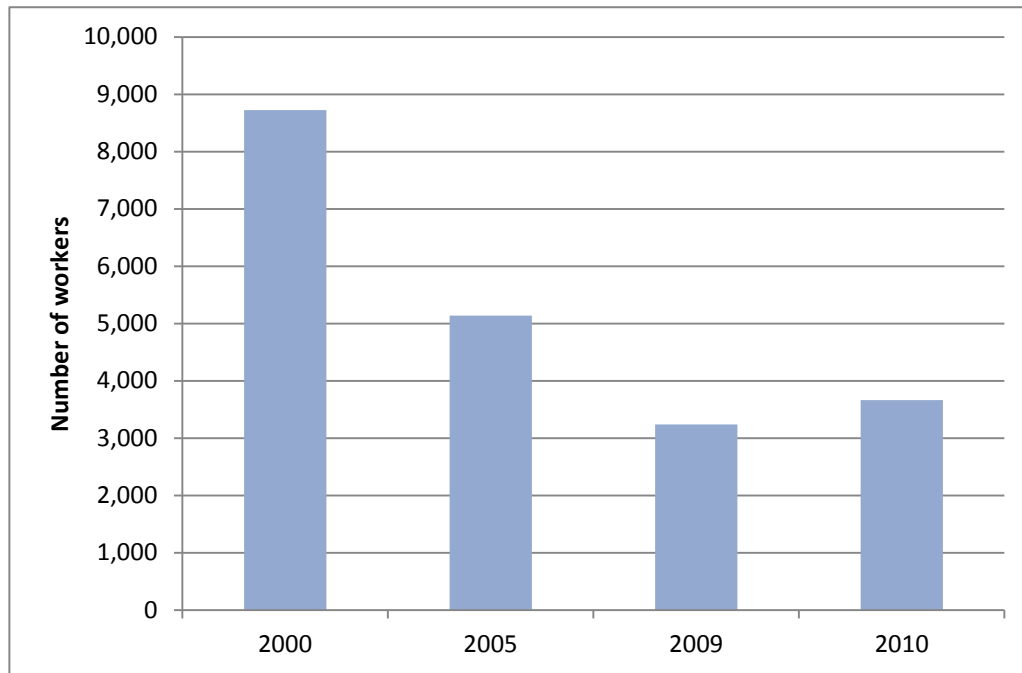
Effects of restructuring

Effects on the company and its workforce

The bankruptcy of Saab Automobile in December 2011 implied that 3,064 workers were made redundant. It is important to note, however, that the total number of dismissed workers as a result of the overall restructuring process was much higher. As a result of GM's rationalisation efforts and productivity increase programmes since 1990, the workforce had gradually been decreased over time.

In 2000, Saab had a workforce of 8,722 employees. This fell to 5,137 in 2005 and by 2009 this number was one-third of what it had been nine years earlier, totalling 3,241 employees. After Spyker's purchase of Saab in 2010, the total workforce came to 3,662 employees.

Figure 3: Saab workforce, 2000–2010

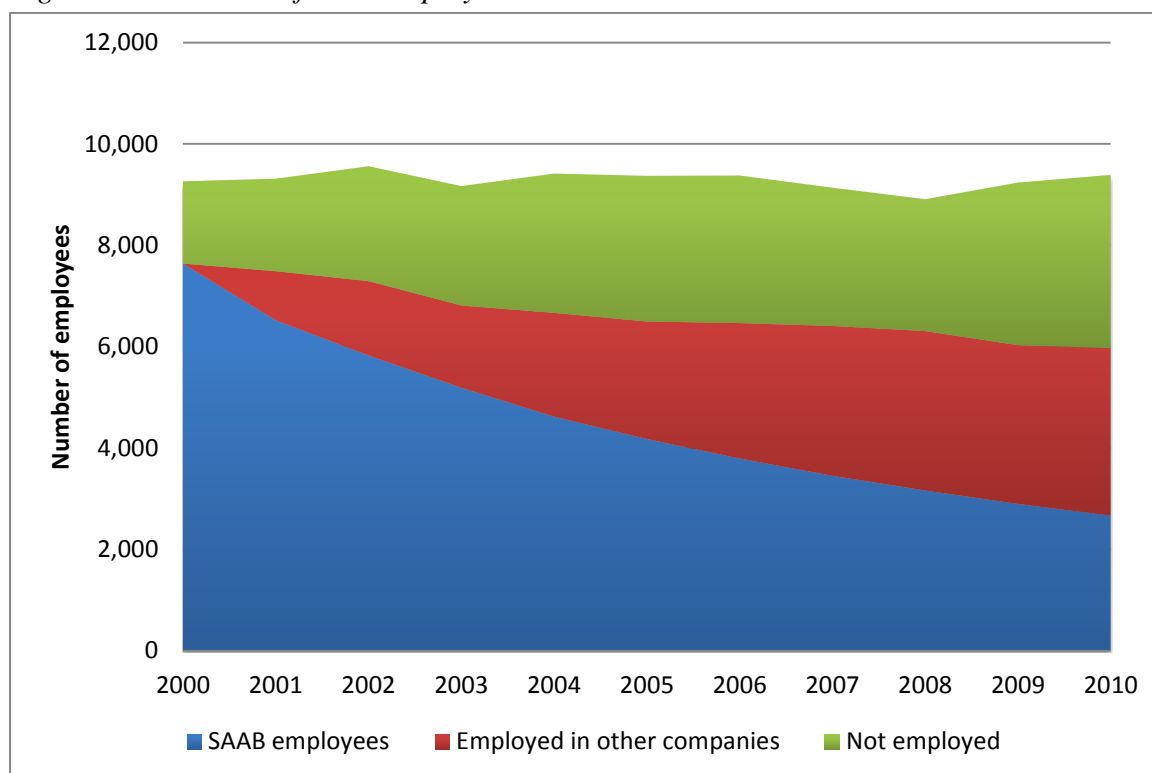


Source: Saab annual reports, Spyker annual report 2010

However, this number is somewhat misleading. According to the official petition in bankruptcy, there were three Saab companies filing for bankruptcy – Saab Automobile AB, Saab Automotive Tools AB and Saab Automotive Powertrain AB – and their total number of employees was only 3,064. The rest of the total workforce was part of the wider group Swedish Automobile NV (SWAN), which also included the Spyker companies. Moreover, during Saab's second reconstruction, a notice of redundancy of 500 employees was announced in October 2011. However, this was never actualised because of Saab's bankruptcy in December, when all the remaining 3,064 employees were made redundant. Thus, the total number of workers (blue-collar and white-collar) affected by the restructuring was more than 8,000 people during a period of 11 years.

Many of the workers who had been made redundant before the bankruptcy had already found new employment, but not all. When analysing individual data of workers employed at the Saab Trollhättan factory, we can see the transition clearly. While the number of employees registered as employed at Saab gradually decreased between 2000 and 2010, an increasing share of them were found registered as employed at other employers. However, Figure 4 also shows that many former Saab employees were left without employment.

Figure 4: Transition of Saab employees

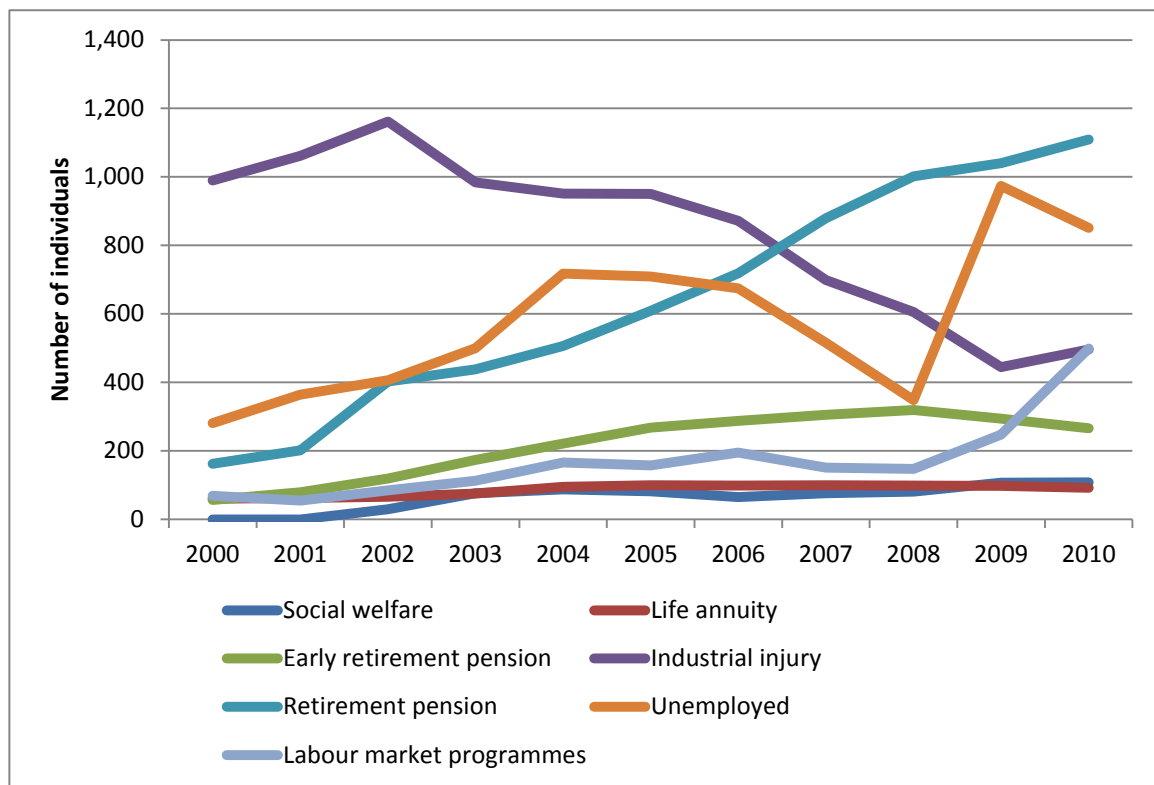


Source: Based on register data compiled by Urban Fransson, Centre for Regional Analysis, School of Business, Economics and Law, Gothenburg University, 2014

Note: The total number of individuals registered is higher than the number of employees at Saab in 2000. This is because of overlaps in the database. For example, during one year a single individual can be registered both as an employee at Saab and as unemployed, simply because the transition happened during that particular year. Thus, Figure 4 overestimates the total number of individuals, but it nevertheless illustrates that transition of Saab employees to other forms of employment or non-employment situations.

Analysing the group of former Saab employees who were not employed in further detail shows a varied picture. Figure 5 shows a breakdown of the different labour market outcomes of this group. It is important to note that individuals can be registered in several categories at the same time (for example, as unemployed with social welfare and work injuries). Figure 5 shows, most of the former Saab employees were registered as retired after they left the company. Only a few were registered as early retired (before the general retirement age). However, a substantial number were registered as unemployed and as taking part in labour market programmes. Thus, the analysis indicates that when the Saab closure was announced in 2011, a substantial number of former Saab workers were already unemployed. A particularly striking feature of the register data is that almost 1,200 former Saab employees were registered as having work-related injuries in 2002. This suggests that several of the workers who were dismissed in the beginning of the decade had health problems. While this number decreases over time, in 2010 there were still more than 400 former Saab workers with health problems. Our data do not allow us to go deeper into the causes of these health-related problems. However, the health-related problems may explain the large number of individuals who were still without employment at the time of the Saab closure.

Figure 5: Previous Saab employees without employment



Source: Based on register data compiled by Urban Fransson, Centre for Regional Analysis, School of Business, Economics and Law, Gothenburg University, 2014

While Saab automobile was formally announced bankrupt and employees were left without employment, the remaining assets were taken over by a commission that administered the payments to suppliers and various debtors. There were intensive discussions about how to deal with the debtors.

In May 2012, the Hong Kong-based National Electric Vehicle Sweden AB (NEVS) announced that it had submitted a bid for Saab Automobile's bankruptcy estate and planned to run an electric vehicle business at the Saab factory in Trollhättan, Sweden. On 3 September 2012, it was announced that National Electric Vehicle Sweden had finalised its purchase of Saab Automobile's bankruptcy estate. NEVS is majority owned by National Modern Energy Holdings (registered in the British Virgin Islands and based in Hong Kong), an energy company with operations in China, Macau and Hong Kong.³

NEVS has the right to the Saab brand and its strategy is to use the old Saab 9-3 model platform to develop electric vehicles for the Chinese market. The vehicles will primarily be produced in Trollhättan and possibly later in the Chinese province Qingdao.

On 2 December 2013, the first NEVS Saab Aero rolled off the restarted assembly line at the Stallbacka factory in Trollhättan. The car had a gasoline engine, but NEVS's ambition is to be ready to produce their vehicles with an electric power-train during the spring of 2014. The Chinese province Qingdao, a major owner in NEVS, has placed an order for 200 electric vehicles for its provincial officials. In February 2014, there were 315 workers employed at the NEVS factory in Trollhättan and the company keeps recruiting. Some of the workers are ex-Saab workers, but NEVS has clearly said that they will not assume any responsibility for taking over the previous Saab employees.

The restructuring process implied that the ownership of Saab's assets was transferred to a new investor, with a reduced workforce, but with a new strategy to expand in the growing Chinese market

³ The Chinese energy company NME Holdings and its daughter company, State Holding, which focuses on renewable energy, owns the majority of the company (78%). The Chinese province Qingdao owns the remaining shares (22%).

with a new technology. The outcomes of this new formation are not yet known. There are several sceptical voices as regards the future of the new company, but there is also a growing number of people who are putting their hope in the new capital invested in the Trollhättan car industry.

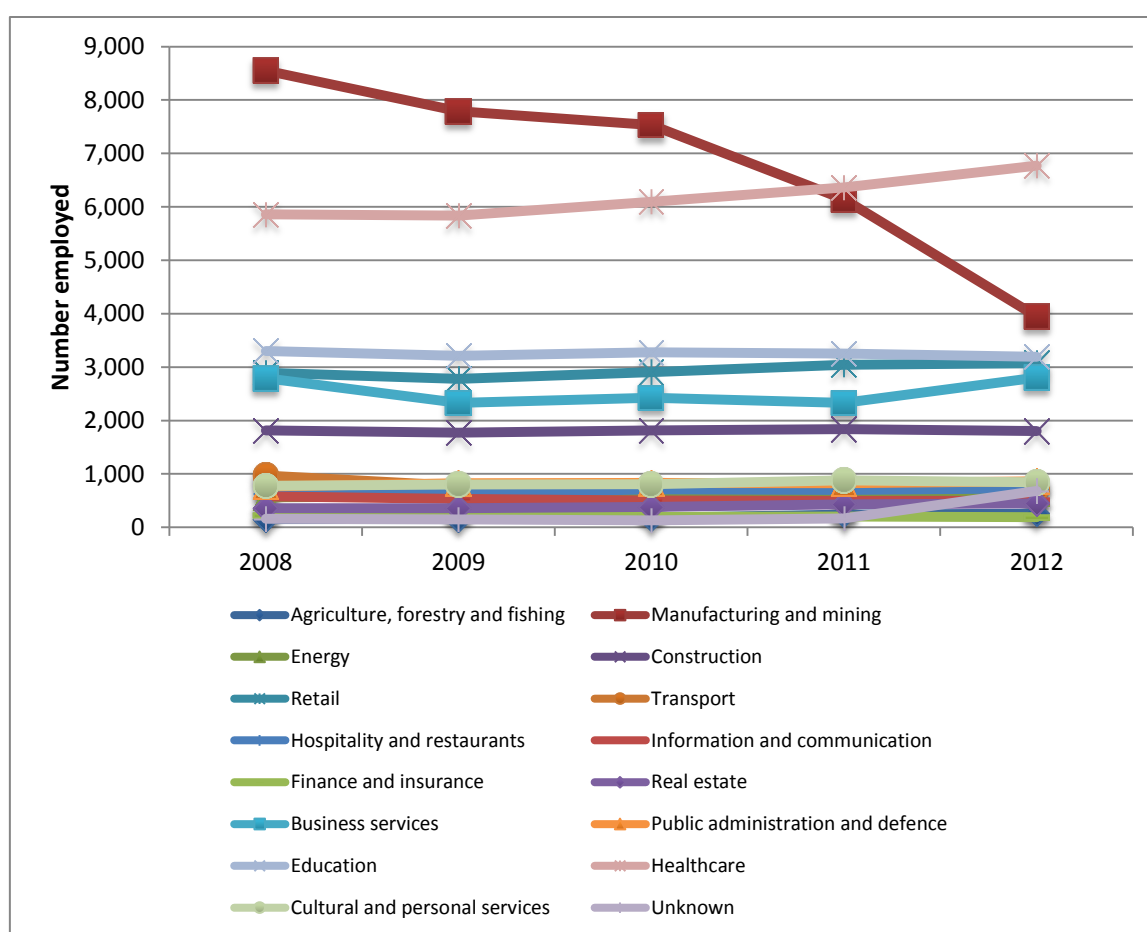
Effects on the region

When Saab closed, the municipality of Trollhättan city lost its largest employer. The 3,064 dismissed Saab workers constituted 11% of the total employment in Trollhättan (28,314). The number of jobs in the manufacturing industries in Trollhättan has diminished since 2008, particularly when Saab closed.

Economic and industrial effects

Saab's closure can be seen as part of a general shift in the local business structure from manufacturing industry to healthcare and retail. Given Saab's dismissal of 3,064 workers in 2011, this event is partly responsible for this transition. Anecdotal evidence supports this view. Our respondents report that a surprisingly large share of the redundant Saab workers found new jobs in the healthcare sector.

Figure 6: Changes in industrial structure

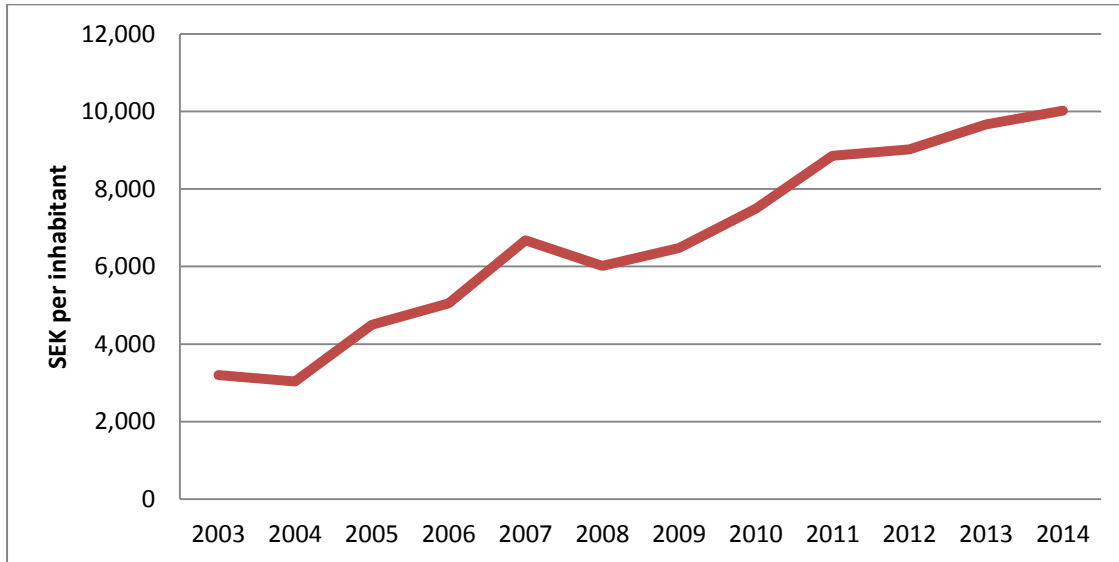


Source: Statistics Sweden

The effect of the Saab closure on suppliers seems to be more indirect. Some were directly affected by the bankruptcy, but it only had limited direct effects on employment. Since the troubles at Saab were publicly known, suppliers had already adapted their workforces at an early stage (in 2008 and 2009) and had started to look for other business alternatives to cover the possible loss of Saab as a main customer. For example, some suppliers have restructured their business to increasingly sell their products and services to other automotive companies, such as Volvo Trucks and Buses. Other suppliers, for example Trollhättans Mekaniska, had to dismiss workers and refocus their business on a new segment. But this downturn was only temporary; by the end of 2013, they began recruiting again.

The economic situation of the municipality of Trollhättan has changed during the study period. The tax income has increased steadily. However, this is mostly a result of the Swedish municipal tax income equalisation system, where taxes from the most wealthy municipalities are redistributed to the poorest ones. Figure 7 shows how the contribution from the tax income equalisation system has increased in Trollhättan since 2003. This means that the negative income effects from job losses in the municipality are mitigated through this system.

Figure 7: Tax income equalisation, SEK per inhabitant in Trollhättan

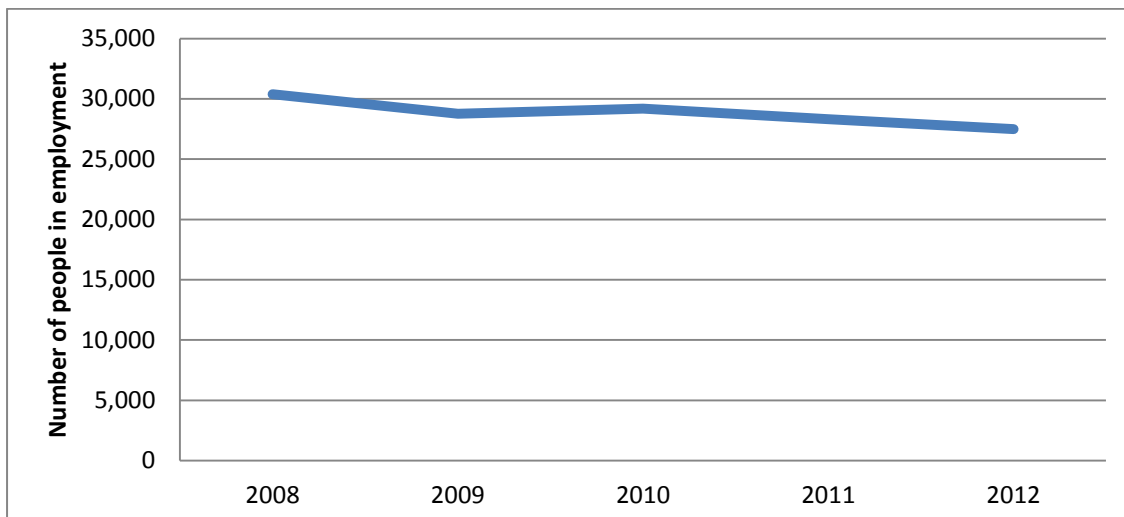


Source: Public Health Agency of Sweden (Folkhälsomyndigheten)

Labour market and social effects

As Figure 8 shows, Saab's closure has contributed to a significant decrease in employment in the local labour market since 2008. This is also evident in unemployment data (see Figure 9). Trollhättan has one of the highest open and in-programme unemployment rates in Sweden, at 15.7% in 2012.

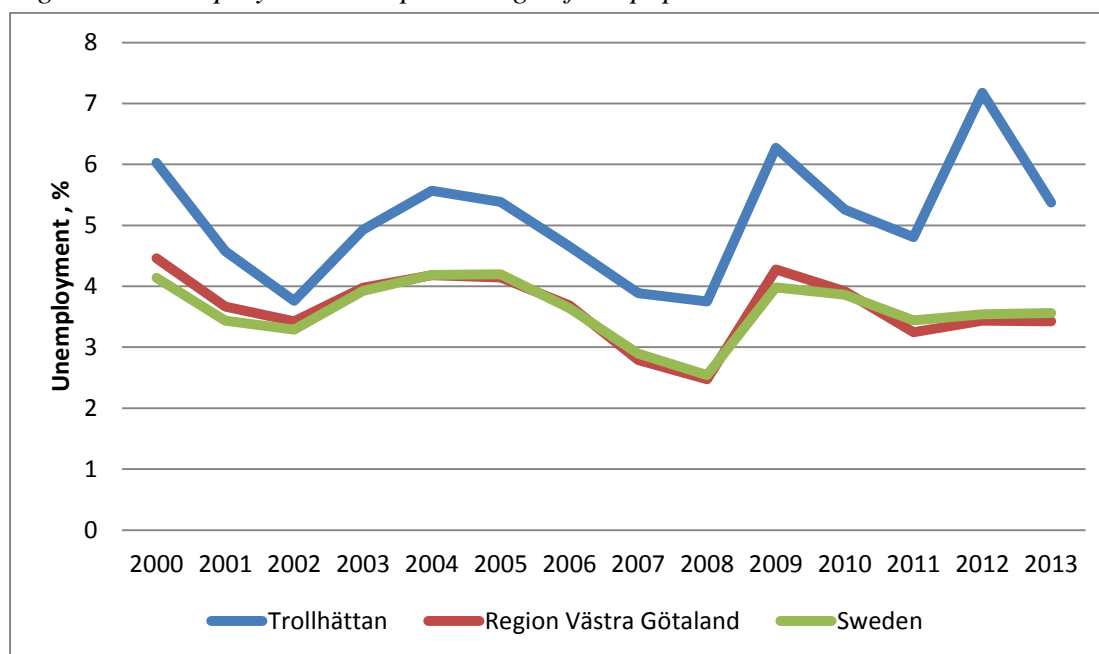
Figure 8: Employment in Trollhättan, 2008–2012



Source: Statistics Sweden

When comparing the rate of unemployment to the population, we can clearly see that Trollhättan is far above both the national average as well as that of the Västra Götaland region. The regional and national unemployment are very similar, highlighting the specific conditions in the Trollhättan local labour market.

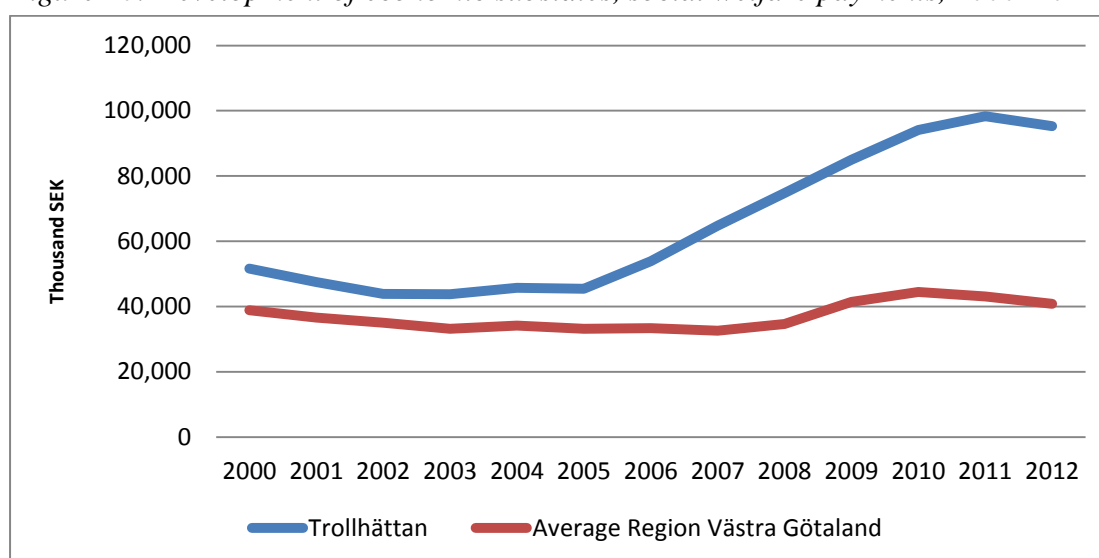
Figure 9: Unemployment as a percentage of the population



Source: Statistics Sweden

Moreover, economic subsidies in the form of social welfare have increased dramatically in Trollhättan compared to the average social welfare payments of municipalities in the Västra Götaland region, as shown in Figure 10. This development began around 2005, when Saab initiated their first redundancies, and peaked in 2011. These data confirm that the early restructuring process at Saab contributed to a significant economic burden on the Trollhättan municipality.

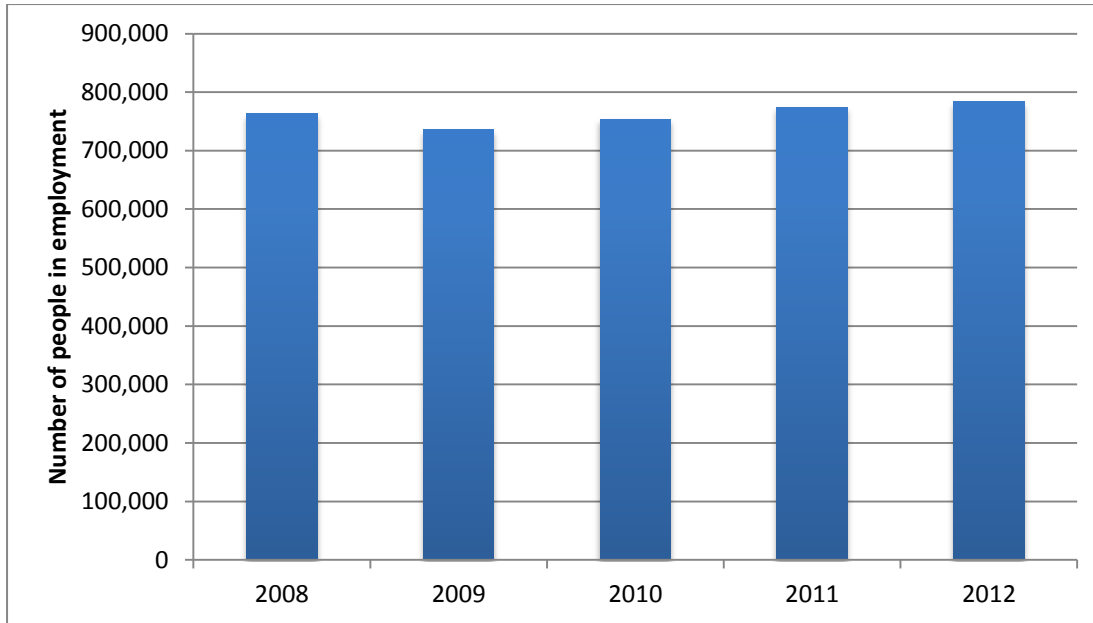
Figure 10: Development of economic subsidies, social welfare payments, 2000–2012



Source: National Board of Health and Welfare (Socialstyrelsen)

Interestingly, the unemployment rate in Trollhättan municipality is an outlier case. Employment in the rest of the Västra Götaland region was relatively stable during the studied period (2008 to 2012). In fact, as Figure 11 indicates, there was a small increase in 2012, just after Saab's bankruptcy. This suggests that the Saab bankruptcy had no immediate effect on the region's aggregated employment.

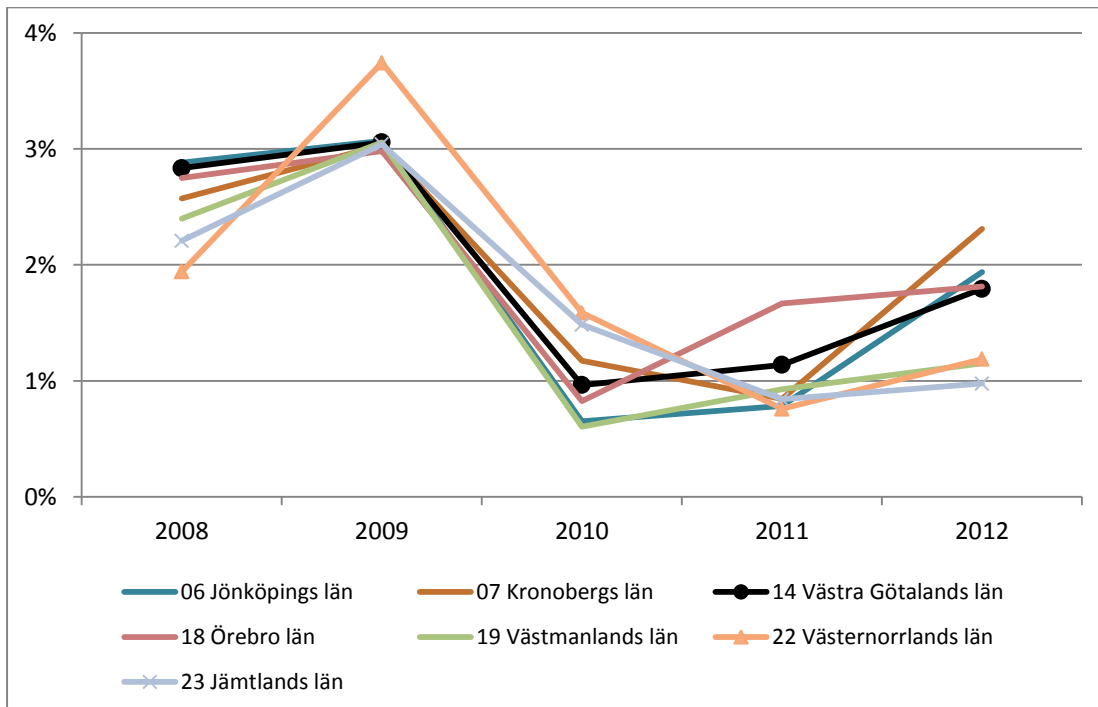
Figure 11: Employment in Västra Götaland, 2008–2012



Source: Statistics Sweden

However, during the same period, the number of notifications of redundancies generally increased in Sweden. As Figure 12 shows, the announcements of redundancies increased sharply after the financial crisis in 2007 and 2008, followed by a drop between 2009 and 2010, only to increase again in 2011. The job loss in Västra Götaland did not differ significantly in comparison to other regions in Sweden.

Figure 12: Announced redundancies as a share of employment in Swedish regions, 2008–2012

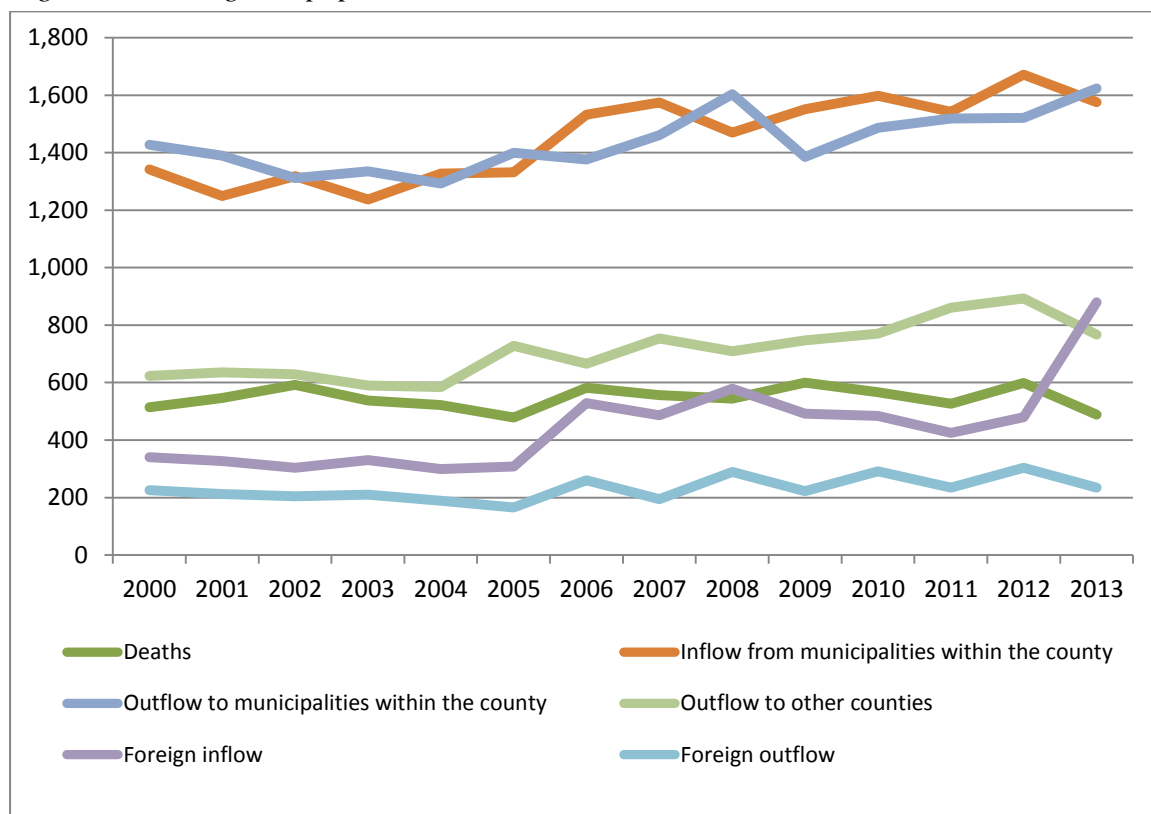


Source: Statistics Sweden; authors' own compilation

Other social effects that have been observed include changes in population, income and crime. First, Trollhättan's total population has actually increased over the last few years. Looking at Figure 13, we can see that both the outflow of inhabitants to other municipalities and the inflow from other municipalities are increasing in a similar pattern over time. However, the inflow of foreign-born

inhabitants increased markedly between 2012 and 2013, contributing to the overall increase in population.

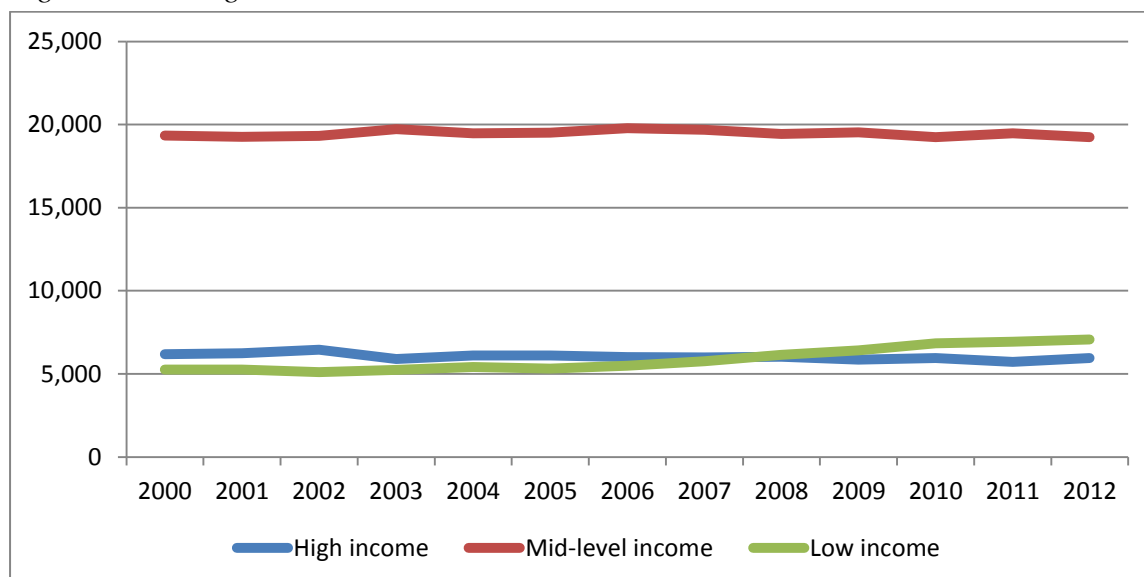
Figure 13: Changes in population



Source: Statistics Sweden

The number of low-income earners has also increased since 2008, as indicated in Figure 14.

Figure 14: Changes in income levels

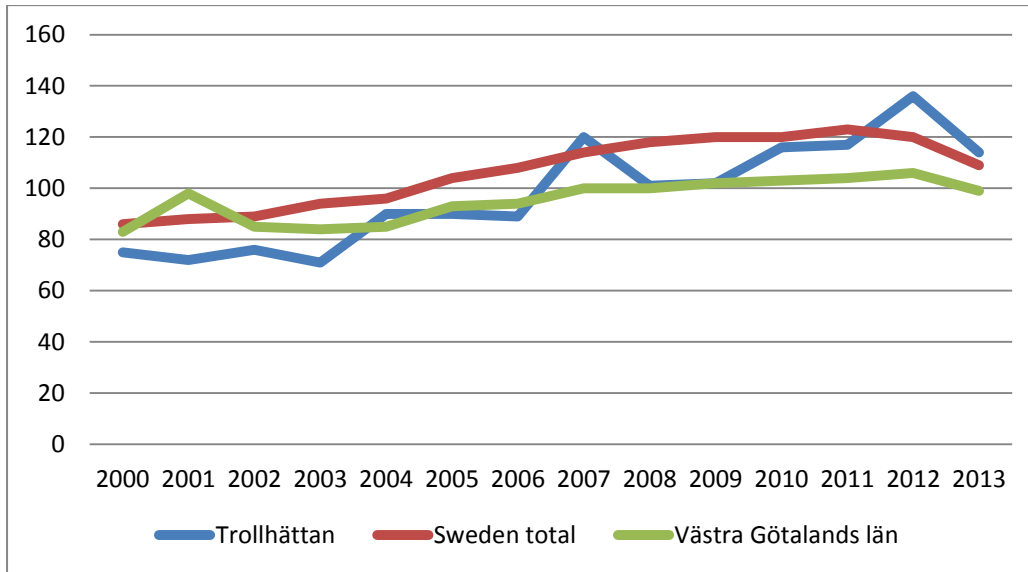


Source: Public Health Agency of Sweden (Folkhälsomyndigheten)

We can also see that the level of crime has increased more in Trollhättan since Saab's bankruptcy, compared to Sweden in total and particularly the region. However, there is no conclusive evidence

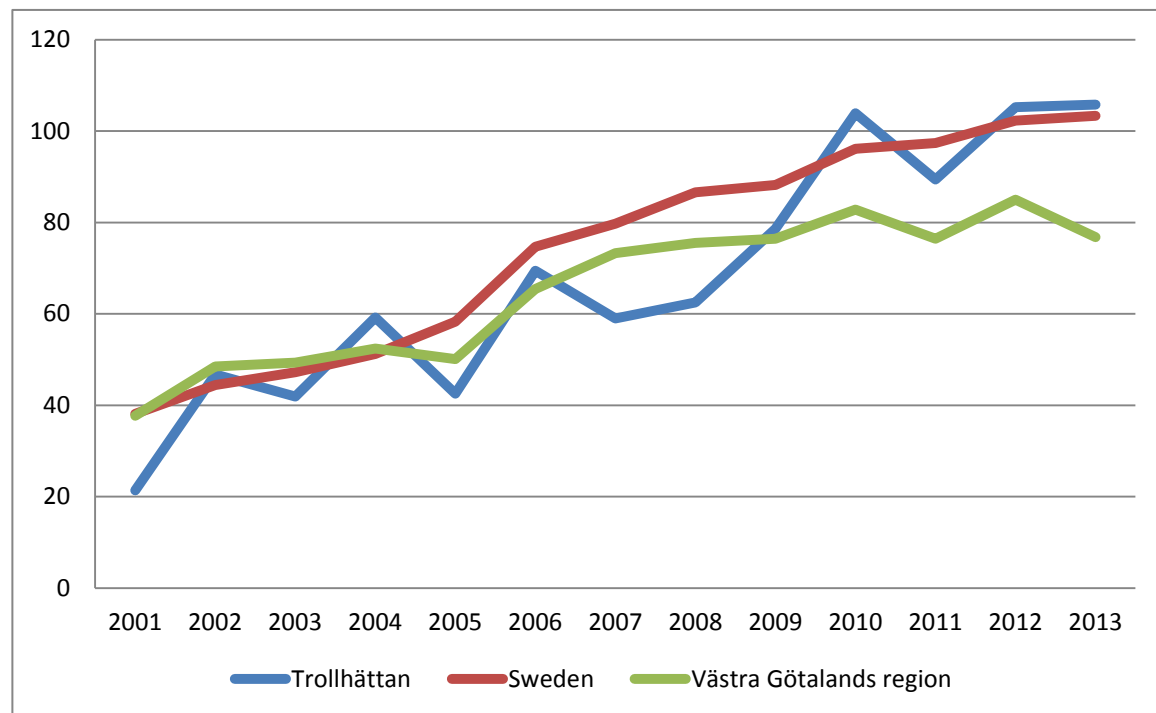
that this increase in crime has a direct link with the Saab bankruptcy. Rather, the increase in levels of crime is related to drugs and alcohol. Figure 16 shows the increase in the number of drug-related crime in Trollhättan.

Figure 15: Violent crimes per 10,000 inhabitants, 2000–2013



Source: Public Health Agency of Sweden (Folkhälsomyndigheten)

Figure 16: Drug-related crimes per 10,000 inhabitants, 2000–2013



Source: Statistics Sweden

To summarise, the restructuring and closure of Saab had a significant impact on employment in the Trollhättan area. It also increased the economic burden on the municipality in terms of social welfare payments. Unemployment rates were already significantly higher than in other parts of the west Sweden region and in Sweden in general, and the Saab closure exacerbated this already difficult situation. However, except for the neighbouring municipalities, the restructuring event did not seem to have had any impact on the general development in the west Sweden region. Even if it was from a

relatively low level, employment rates in west Sweden increased during the studied period. This may have helped to resolve the unemployment situation for the dismissed workers. We can also see a number of social effects, such as an increase in Trollhättan's inhabitants with low income. Crime levels have also risen, particularly related to drug and alcohol usage.

Approaches to dealing with the regional consequences

The closure of Saab meant that more than 3,000 workers lost their jobs in December 2011, which made the already difficult labour market situation in the Trollhättan municipality even worse. In this section we provide an overview of the general measures available to deal with restructuring in Sweden and how these were implemented in the specific case of the Saab bankruptcy.

Overview and broad concepts

In Sweden there is a relatively well-elaborated system available to deal with the consequences of restructuring based on the division of labour between several actors. The main approach is to transfer dismissed workers to new jobs as soon as possible. To facilitate the transfer of workers to new jobs, it is important to provide workers with a safety net that would allow them to transfer without losing their income as well as transition services such as coaching and counselling to activate and motivate workers to search for jobs. However, the source of income and provider of transition services changes over time.

Main actors, their interests and motivation

In the first stage, redundant workers are taken care of by job security councils. These organisations are based on collective agreements and financed by the employers. The job security councils⁴ provide advice and coaching support to redundant workers covered by the collective agreement. On average, 80% of dismissed workers find new jobs within seven to eight months. The job security councils, however, do not provide income support to the redundant workers while they are searching for new jobs. Such compensation is provided either by the former employer (through dismissal periods, which vary between one and six months depending on the length of employment, or severance payments⁵) or through the unemployment benefits system. In cases of bankruptcy, when the employer is not able to pay the relevant wages to cover the legally required dismissal periods for the workers affected, workers are entitled to benefits from a wage guarantee fund for a period equivalent to the dismissal period.

In the second stage, when the income support provided by the employer has ended and the workers still have not found new employment, they can be eligible for income support from the unemployment benefit system, which is administered by the Public Employment Service (PES). This income support is calculated as a maximum amount per month (about €75 per day) (the so-called *A-kassa taker*) and is generally considerably lower than the worker's previous income (maximum 80%). After 200 days of unemployment benefits, the support is reduced to 70% of the previous income. However, the PES does not initially provide any services, job coaching or training activities to help workers to find new jobs. Neither are they involved at an early stage in cases of restructuring.⁶ Transition services and other activities are primarily offered to prioritised groups, such as the long-term unemployed, who have been unemployed for more than 300 days. Workers who face the risk of being unemployed or have received notice of redundancy are not given priority by the PES.

⁴ The background of the establishment of job security councils was the massive job loss of white-collar workers in the 1970s. The PES did not provide enough support for white-collar workers to find new jobs, so the social partners agreed to establish a specific organisation that would provide services to this group of workers. Over time, such organisations have been established in all segments of the labour market. Historically, the blue-collar workers' trade union (LO) has believed that the PES has provided sufficient support for their members, but since 2004 even blue-collar workers are covered by a job security agreement.

⁵ It should be noted that severance payments are not legally required in Sweden, but can be the outcome of negotiations between social partners (for more information, see Bergström, 2009).

⁶ When the PES is contacted about a larger notification of collective redundancies, the local PES office may, in collaboration with the affected actors, establish a consultative group with representatives from the PES and the employer to support the workers. Trade unions may also be invited to participate. There is no direct requirement for consultation, only a recommendation, and therefore an organised consultative group might only be established in light of strong public pressure. In large cases of notification of redundancies, such as the closure of Saab in Trollhättan, staff from the PES may be sent to the affected workplace. In such cases, a local employment office may be established at the notified workplace.

Workers who still have not found a new job after the unemployment benefit period is over enter a third stage. This stage is referred to as the Job and Development Guarantee. The workers receive a reduced income support that is provided by the social insurance office and they are subject to intensified labour market programmes.

In the final stage, individuals who have temporary economic difficulties are eligible to apply for financial assistance, which is the lowest level of income support paid from the municipality budget.

From the municipalities' point of view, increasing unemployment may put a heavy financial burden on the municipality in the longer term. Thus, there are clear incentives to initiate measures to stimulate regional development and avoid longer-term periods of unemployment at the local level.

There are a number of other local actors that have been involved in dealing with the effects and consequences of the restructuring. These include the municipality of Trollhättan, the municipal Adult Education Centre, the Innovatum cluster initiative and the County Administrative Board of Västra Götaland.

Municipality of Trollhättan

The city of Trollhättan has a Trade and Industry Unit that focuses on supporting new and existing businesses. Their services include business start-up and development, financial advice and business network services. The purpose of these activities is to further economic growth and employment in the region. The municipality established a Restructuring Office to deal with the Saab restructuring as well as the municipality's transition towards other industries.

Adult Education Centre

Trollhättan's Adult Education Centre is the responsibility of the Trollhättan municipality in the restructuring process. They have had an important role in dealing with the restructuring by offering educational courses, particularly for the blue-collar workers. They interacted with the job security councils and provided basic computer software training at an early stage of the transition work. They also offer educational services in terms of retraining for new occupations, validations of existing undocumented competencies and courses for completing high school diplomas as well as providing a link to nursing programmes and other healthcare programmes at the University West. The Adult Education Centre has also been working with the municipality and the Restructuring Office for identifying local growth companies and their competence needs. The Adult Education Centre then organised relevant courses to fill that need, such as courses in welding, CNC-operator and corrosion management.

Innovatum

Innovatum is a cluster initiative located in NOHAB's old industrial premises in Trollhättan. It functions as an incubator for start-ups and an arena for research and development projects. The focus is on energy and environmental technologies, the creative industries and production technology. Innovatum hosts an Experimental Science Venue for children and it is also the home of the Saab museum, with an exhibition of Saab cars from 1949 onwards, including the latest concept cars. The museum also has a special exhibit of Saab's technological innovations over the years. Innovatum has played an important role in retaining the automotive production capacity and competence in the region after Saab's bankruptcy.

County Administrative Board

The County Administrative Board of Västra Götaland and its governor act as the coordinator between the local municipalities and its citizens on the one hand and the Swedish government on the other. The county's main interest and motivation has been to facilitate linkages between the local restructuring actors and businesses, creating a forum for interaction and dialogue. The county also has the task of informing the local businesses about the support that can be obtained from the government. However, based on the interviews with the national and local actors, the county has only played a minor role in dealing with the effects and consequences of the restructuring, other than contributing funding for the Restructuring Office.

Detailed description of measures taken

The different actors involved undertook several measures to mitigate the consequences of the Saab closure. The following sections first describe the most immediate measures initiated after the announcement of the closure of the factory in December 2011. The more general policy measures taken to foster job creation and maintain the automotive competence in the region are then described. It should be noted that Saab Automobile, the formal employer, has not been an active partner in the measures implemented after 19 December 2011. Saab's closure also meant that no formal contacts with Saab employees and managers as such have been made in preparation for this report. However, four formal and two informal interviews have been carried out with previous Saab employees who participated in the job security councils' programmes.

Immediate or emergency measures

Transition services

When the Saab companies were declared bankrupt, they were shut down. This meant that people left their job stations and the company facilities were closed. The first thing the job security council (JSC) did was to call the Saab HR department to get personnel lists to make sure they had the basic information, such as contact details, about the workers affected by the closure before the office was emptied and the doors were locked.

Immediately after the announcement of the bankruptcy, JSC coaches started to contact individuals to tell them about their services. There were two job security councils involved: TRR Trygghetsrådet⁷ for white-collar workers and Trygghetsfonden TSL⁸ for blue-collar workers (with operational support provided by Startkraft, a subsidiary of TRR Trygghetsrådet). The two groups were 1,448 and 1,420 employees respectively, totalling 2,864. However, according to the petition for bankruptcy, Saab had 3,064 employees, meaning that 200 employees were unaccounted for. Anecdotal evidence suggests that it is likely that some employees left the company before the actual shutdown. Indeed, reports indicate that about 120 engineers and technicians left the company just after the summer in 2011 for jobs at, for example, Volvo Car Corporation in Gothenburg. This suggests that some engineers were able to 'jump ship' earlier than others.

While the local JSC offices had been informed about the situation at an early stage, they were somewhat caught by surprise when the bankruptcy was announced. They simply did not have enough space to host all the Saab workers and there were not enough coaches available to support them. However, after just three weeks, the office was up and running and contacts had been made with most of the Saab workers.

The next step was to set up individual meetings with all the redundant workers. In the meetings, the workers are familiarised with the services provided, invited to express their expectations and support needs and the technicalities of the support process are agreed upon with the coach (for example, how often they should meet and whether the meetings should be face to face or on phone).

During the first three months the JSCs organised more than 9,000 individual meetings, taking into account that a normal transition process involves at least three individual meetings per client. The meetings have different purposes and functions in the transition process and result in the drafting of an action plan specifying the individual support to be provided.

The JSC activities focus on facilitating the transfer of workers to new jobs as soon as possible. This usually requires some time to identify and map the individual's competences and skills and what possible jobs he or she is willing to take. It also requires help to put together an updated CV and skills portfolio.

⁷ Trygghetsrådet TRR (Job Security Council TRR): the contractual partners are Svenskt Näringsliv (Confederation of Swedish Enterprise) and PTK (Federation of Salaried Employees in Industry and Services). It covers about 32,000 companies and 700,000 employees in the private sector.

⁸ Trygghetsfonden TSL (Job Security Fund TSL): the contractual partners are Svenskt Näringsliv (Confederation of Swedish Enterprise) and Lands Organisationen (LO). It covers around 950,000 workers employed in the private sector.

The process is often initiated by focusing efforts on the reactions to the dismissals. The experiences of the JSCs have shown that a good termination of the old employment situation complemented by an understanding for, or at least an acceptance of, the reasons for the dismissal are a key motivating factor in the subsequent process. Ambiguous messages and information leading the dismissed individuals to believe that they will retain their current jobs in the end have the opposite effect.

In this case, coaches mentioned that they had to spend a lot of time and energy to support the former Saab workers in mourning and to make sense of the bankruptcy of their former employer. The adaptation to the new situation was more difficult for the older workers, who would do anything to return to the company. One coach commented:

They might have gone directly from primary school into the company. It might have been the only job they have had for the last 30–40 years and then suddenly they are left out. They say: 'I could lick the floor to get back to Saab.' There has been an immense inertia because of all workers waiting for a new buyer to come in, giving them the possibility to return to the company.

To some extent, this attachment to the company, combined with the protracted process of finding a new future for the company, delayed the transition to a new job.

In many cases workers had never searched for a job, or if they had, it was a long time ago. CV writing workshops and job interview simulations were organised to prepare workers in their job search activities.

Saab employees, particularly the blue-collar workers, initially showed a strong resistance to move from the region and a reluctance to commute to work. Gradually, more people started to commute to work, for example in Gothenburg, simply because they could not find jobs in Trollhättan. At first, very few were interested in moving, let alone working outside of Trollhättan. Now, there are even examples of some workers who commute to Norway for work in the offshore oil industry.

Another important task for the JSC was to maintain a good relationship with the media. The representatives from the JSC made sure to have an ongoing dialogue with the relevant media, inviting them to events and making sure they understood the development of the restructuring work. The strategy of continuously pointing to positive results may have been successful, as most media coverage has focused on the positive aspects of the restructuring rather than describing Trollhättan in a negative light, with no future. However, the exceptionally high aggregate unemployment figures are hard to deny and several news articles have focused on this.

The JSCs also provided so-called recruitment services. Employers who were interested in employing former Saab workers could contact the JSC and ask for specific competences. The coaches could then forward these vacancies to the clients who could apply for the positions. They also assigned coaches as 'job hunters' who would scan the local labour market and contact employers to see whether they had needs for particular skills or competences. But there are limits to what the JSCs can do. The JSCs do not provide jobs to their clients – they try to stimulate individuals to actively search for jobs. To motivate clients, the JSCs set up a wide range of group activities, workshops, seminars, lectures, job fairs and study visits in order to engage and activate the redundant workers to search for new jobs. Another limitation is related to training.

Training in collaboration

Training is not generally provided to the clients of JSCs. Training is offered only in exceptional cases, when there is a particular license or requirement from the employer to employ a client. JSCs have limited resources to provide training or skills upgrades to their clients. In this case, however, the JSCs identified that several of the former Saab employees could improve their chances of finding a job if they could upgrade their general skills. For example, Startkraft, the JSC for blue-collar workers, identified a low competence in computer use among their clients. The collaboration initiated through the OMF group was beneficial here.

The Swedish government had allocated €6 million to the municipal Adult Education Centre in Trollhättan. This funding could be used to organise different forms of training and education programmes identified as relevant for the redundant workers from Saab. The first initial activity was

to start a large-scale computer-use course, focusing on word processing and Excel. This was seen as essential for supporting the workers in their process of applying for new jobs; many had no or very limited knowledge of how to use these programmes. Thus, the JSCs could identify the skills needs and the Adult Education Centre could supply the training. The same model of collaboration was used in later stages, with different training providers and for different groups.

The government training support included 500 places in 18 educational programmes at the local vocational college and €4.5 million per year (for 2.5 years) for 600 full-year places at the University West in Trollhättan. As far as the government was concerned, there were no specific orientations or specifications of the training. The allocation of funding to the local vocational and university colleges should be seen as a temporary expansion of the educational capacity. This would enable the dismissed workers to update their education and to complete high school courses to get a diploma as well as validation activities of undocumented competences. Only a few former Saab workers embarked upon the journey to complete a university degree. However, it is interesting to note that many workers shifted their occupational orientation and enrolled in shorter (two-year) programmes at the local nursing school.

At an early stage in 2012, efforts were made to apply for support from the European Globalisation Adjustment Fund (EGF) to finance training activities for the dismissed Saab workers. However, this implied that the application would have to be coordinated through the Swedish government and also that the number of workers to be covered and the training needs were to be specified in advance.

During the spring of 2012, before the application process was completed, the educational activities were guaranteed by the Swedish state. Later, in the summer of 2012, the application was accepted, that is, six to seven months after the closure of the factory. In total, the EGF granted €10 million. The funding was primarily to be used for financing adult education for 1,350 of the blue-collar workers made redundant at the bankruptcy. This also means that the workers made redundant before the bankruptcy were left outside of these education possibilities. For those dismissed at the bankruptcy, the EGF also allows for maintained out-of-work income during the course of the studies. The purpose of this is to enable people to keep their standard of living while studying without having to rely on student benefits.

Outcomes of the measures

Despite the difficult situation in the local labour market, the outcome of the JSCs' activities was seen as highly successful. However, the outcome was somewhat different for white-collar and blue-collar workers. The following data have been collected from internal reports and direct contacts with the JSCs. It shows that 83.7% of white-collar workers had found a new solution after 24 months (new jobs or started their own company).

Table 1: Results from JSC/TRR as of December 2013

Results	Number of people	Percentage of total
In new employment (criteria: longer than six months, temporary or continued employment)	1,165	80.5%
Have started new companies	46	3.2%
Have commenced longer study activities (longer than six months – many have started shorter study activities, but these are not included here)	50	3.5%
Have been removed from the restructuring process because they are no longer looking for work. Most of these people have gone into retirement or intend to do so.	89	6.1%
Have terminated the transition process. They have chosen to proceed by themselves.	17	1.1%
Still in transition process	65	4.5%
Ended programme but re-entered new programme when their 1+-year employment ended	16	1.1%
Total	1,448	100%

Source: TRR (2014)

Blue-collar workers were somewhat less successful. After 24 months, 61.2% have new employment or have started a business. In this group, a larger share has taken advantage of the training and education activities financed by the Swedish government and the EGF.

Table 2: Results from JSC/TSL and Startkraft as of December 2013

Results	Number of people	Percentage of total
In new employment	793	60%
Have started new companies	17	1.2%
Have started longer study activities (longer than six months – many have started shorter study activities, but these are not included here)	308	23%
Have been removed from the transition process because they are no longer looking for work	108	8%
Still in transition process	104	7.8%
Total (latest available statistics; the sum total was 1,420)	1,330	100%

Source: TSL (2013)

Interestingly, the number of people going into educational programmes is much higher among the blue-collar workers than the white-collar workers (23% compared to 3.5% respectively). This is likely due to the fact that many of the white-collar workers already had college diplomas or university degrees, while several of the blue-collar workers had not finished high school. The educational initiatives among the blue-collar workers have been made possible due to the EGF.

Longer-term, strategic measures and initiatives

There were two main longer-term strategic initiatives in the region. On the one hand, efforts were made to maintain and develop the automotive cluster in the region. On the other hand, efforts were made to broaden the scope of the local industry and foster sound economic development and job growth among the small and medium-sized companies in the region. These two different initiatives were co-financed by the government (€2.5 million per year) and the Västra Götaland region (€ 3 million) and were coordinated by two different actors: Innovatum (a local industrial park and incubator) and the Restructuring Office (a collaborative platform between four municipalities).

Maintaining and developing the automotive competence in the region

One of Innovatum's most important roles in the Saab restructuring was to support the official bankruptcy trustee. It was in their interests that the trustee understand the competence in automotive manufacturing and the material resources at the Saab factory. Therefore, they offered to work closely with the trustee and they helped to map and explain the assets in Saab. Their interest was tied to the importance of not dividing and selling the assets separately to different buyers. It was in the interest of the region to maintain the production capacity in case a buyer was interested in the entire production facility.

This has not been discussed much in the media or elsewhere and it may well be an important step that has been instrumental for NEVS's purchase of the factory and restarting car production. Innovatum has also acted to support the establishment of automotive engineering firms in the region, particularly with a focus on electric vehicles, something that may be important for NEVS production. This was partly done through managing industrial and academic research projects on constructing electric vehicle prototypes. Innovatum also runs an incubator for new start-ups.

Focusing on start-ups and growth

In the wake of GM's discussions regarding Saab's possible closure, the municipality of Trollhättan started a project in February 2010 together with the surrounding municipalities in order to prepare for an eventual restructuring. At the time, the financial and automotive crisis had already had an impact

on the manufacturing industry, with several layoffs at Saab, Volvo Group and Volvo Cars. Trollhättan's municipality led the initiative, including 14 municipalities in the Fyrbodalen area. The intention was to develop and diversify the economic activities in the region.

When Saab was closed, the Trollhättan municipality decided to continue and expand its efforts, dedicating more financial resources to the initiative and expanding to more neighbouring municipalities. The initiative was renamed Restructuring Office+; the plus sign symbolised the additional municipalities that had become involved in the initiative, totalling 18 partners.

An important point is that the Restructuring Office's emphasis was not confined to the automotive industry, with the aim to reduce the dependence on automotive companies. The purpose of the Restructuring Office was to contribute to growth and employment in the 18 participating municipalities. The idea was to reduce vulnerability and enhance the conditions for new employment by actions that strengthen existing companies, while at the same time broadening and renewing the industrial base. The ambition was to reduce unemployment to a level lower than the national average, to increase employment and increase the differentiation of the industry.

The Restructuring Office's activities built upon working methods that, according to the project leader, had been successful in the past. Focus was placed upon coaching activities and financial advice to promising entrepreneurs in the region. The Restructuring Office also set up a project to facilitate the transfer of ownership from older to younger entrepreneurs. The purpose of this was to ensure that SMEs were not closed down when the old owners retired and that they instead handed over the company to the next generation.

The Restructuring Office has received €200,000 from the Trollhättan and Fyrbodalen municipal federation, €300,000 from the Western Götaland region and €1.65 million from the EU Structural Funds.

An important measure taken by the Restructuring Office was to analyse which companies and industries were growing in the region and then to approach them directly to see if they needed any of their services, such as coaching or financial advice. This is a deliberate attempt to not be limited to focusing on the automotive industry. Given the growth of the retail sector in the region, this seems to have been a successful measure.

The municipality has indeed attracted new employers, such as Siemens. Moreover, with financing from the state-owned venture capital company Fourier Transform, a new engineering consultancy, LeanNova, has also been established. LeanNova sells services to the automotive industry globally, and according to its website, its focus is on the 'development and integration of systems and attributes for complete vehicles'. As of early 2014 the company has 170 employees, many of them previous Saab engineers, and it is growing, establishing offices in both Gothenburg and Shanghai.

According to Trollhättan's municipality, the Restructuring Office together with Innovatum has coached and given advice to 420 companies. Twenty-five companies have moved to the area, with a total of 200 employees, and 420 people have started their own companies. It is interesting that the spin-offs from Saab have grown since the bankruptcy and generated at least 1,200 jobs, according to the municipality.

Table 3: Jobs created through the Restructuring Office+

Company	Generated jobs
LeanNova	160
Vicura	70
T-Engineering	35
Eaam	100
Niotech	12
Combitech	125
NEVS	500
Saab Parts	70
Semcon	100
Techroi	100
TOTAL	1,272

Source: www.trollhattan.se

Commentary and conclusions

This report has described and analysed the process and regional impact of the closure of Saab Automobile AB in 2011. Saab was the single largest private employer in the municipality of Trollhättan and its successive restructuring and closure had significant effects on employment in the city of Trollhättan. The loss of Saab as a major employer did not only question the identity of Trollhättan as a hub of advanced automotive technology and design, it also had an important effect on the growth potential of the city. However, the impact of the restructuring was limited to the municipality of Trollhättan and the immediate surrounding municipalities. The Västra Götaland region in general saw a general growth in employment and economic activity.

Factors behind success and failure in the specific context

Measures to anticipate and manage restructuring

As the above description and analysis has shown, the measures to anticipate and manage restructuring implemented as a response to the closure and bankruptcy of Saab follows the routines and practices that are usual in the Swedish context.

First, as is normal in any case of restructuring in Sweden, the Swedish government had a very limited role in anticipating and managing the restructuring. However, it allocated specific funding for training and education activities as well as additional resources for stimulating diversification of the local economic structure. Any form of intervention or management of the process is left to the social partners and the local actors involved.

Second, at an early stage a wide range of actors (the municipality, trade unions, training providers and job security councils) were mobilised to discuss and anticipate the possible developments at Saab. Initially, this was organised by the local PES office.

Third, the collaboration between different stakeholders (public as well as private and non-profit organisations) and their relatively clear-cut roles in relation to each other meant that there was a relatively smooth coordination of activities and measures.

Fourth, when the announcement of the closure was made public, the established system of job security councils could initiate individual job transition services at an early stage to help workers to find new jobs. The national coverage of job security councils meant that professional coaching activities could start immediately without long preparation and administrative barriers. Many respondents referred to the speed of action as an important success factor. The result of these activities in terms of how long it took for former Saab employees to find a new job was in tune with what is generally the case in similar situations. It took six to seven months for about 80% of the workers to find new solutions, in spite of the immense number of affected workers. However, the outcome was somewhat different between blue-collar and white-collar workers.

Lastly, the municipality not only initiated activities to reduce the dependency on the automotive industry, but also allocated resources to maintain and develop the automotive competence in the municipality through the pre-existing Innovatum science park. It is still too early to say whether the measures to broaden the industrial scope of the local economy will be successful. However, there are indications that the situation is at least going in this direction.

Size, local specificity and symbolic importance of the event

The size, the local specificity and the symbolic importance of the event make the case somewhat unique in comparison to the general approach to anticipating and managing restructuring in Sweden.

First, the size of the event in terms of the number of individuals who lost their jobs in relation to the relatively small community distinguished this case from other cases of restructuring. The small size of the community meant that it was difficult for the redundant workers to find new jobs in the local labour market. Special efforts were made to encourage people to take jobs in other municipalities, commute or move.

Second, the small community also meant that the job security councils did not have enough coaches available to provide transition services to the redundant workers. However, through their established network and the advance notice of the event, they were able to mobilise coaches from other regional offices relatively quickly.

Third, the location of the municipality, which is not too far away from larger cities with more dynamic labour markets and relatively good transport infrastructures, may also have had an important effect. Even if Saab workers were regarded as particularly attached to the area and did not want to move or commute, several of them found jobs outside the immediate labour market.

Lastly, the public attention in the media and the drawn-out negotiations with new owners that went on for many years may also have had some specific effects. Many people saw Saab as one of the crown jewels of Swedish industry, and the well-known brand was seen as a sign of high quality, design and innovativeness. On the one hand, the public attention implied that many actors were well aware of the events and could easily be mobilised to play a role for the public good. On the other hand, the quality of the brand may have had a spill-over effect to the redundant workers, who were seen as highly skilled, innovative and efficient by employers who were about to recruit. Thus, the public attention and the strong brand may have helped to speed up the process of transferring workers to new jobs.

The size of the event, the symbolic value and the public attention meant that resources could be mobilised to provide training and longer periods of education for the dismissed workers, both through government resources and the EGF. This is not usually the case in other examples of restructuring in Sweden.

Problems related to the Saab restructuring

Despite this generally positive image, there were also problematic issues and difficulties related to this particular event.

First, due to the drawn-out period of restructuring, which had been ongoing since the beginning of the last decade, there had been several waves of restructuring and a vicious circle in the local labour market, with relatively high levels of unemployment compared to other municipalities. At the time of Saab's closure, there were already a relatively large number of unemployed Saab workers who had been unemployed since previous waves of redundancies.

Second, while the measures for job transition were initiated at an early stage and training and education measures from the EGF were mobilised, they were not effectively applied to cover those workers who were already unemployed before the final closure of the factory.

Third, while local actors were effectively collaborating to initiate suitable measures, the involvement of non-regional actors such as the Public Employment Service (PES) and the EGF, partly due to the distance, were regarded as slow and bureaucratic and did not sufficiently address the problems at the local level. It should be noted that the criticism in relation to the PES not providing support to the dismissed workers is partly due to a misunderstanding of the role of the PES in times of restructuring. The fact that the resources available from the PES are dedicated only to the long-term unemployed created some frustration among the local actors, who were eager to help the redundant Saab workers to find new jobs and training activities as soon as possible. Similarly, the requirements from the EGF to specify the training needs beforehand and the restrictions to use funds to cover only the recently dismissed workers were seen as overly bureaucratic and counterproductive. Some actors argued that the late implementation of the measures financed by the EGF and the restrictions to use the funding only for longer educational programmes slowed down the process of transferring workers to new jobs. The longer-term education programmes were seen as creating a lock-in effect – it was claimed that workers entering a training programme rejected job offers because they wanted to complete the programme.

Lastly, while the image of Saab as a high-quality brand with highly skilled employees made the dismissed workers attractive for employers, it also had a somewhat opposite effect. Several respondents referred to Saab workers as unusually loyal and committed to their previous employer, and as such, several of the workers postponed their job search activities in the hope of returning to their old jobs, fostered by rumours about new investors.

Thus, the case of Saab demonstrates some of the problems and challenges in the way restructuring is managed in Sweden. While measures to facilitate transition to new jobs are implemented quickly, there is a risk of making the situation for those who are already unemployed or about to enter the labour force more difficult.

Relevant policy issues

The general policy issue is to develop and amend the Swedish system for anticipating and managing restructuring rather than to identify any issues for radical reform. With this in mind, a number of challenges related to the specific case of regional effects of major restructuring could be addressed.

The first and perhaps most obvious issue is related to the division of labour and allocation of resources between administrative levels. As this case study illustrates, when large employers in small communities close down, there are effects not only in the local labour market – the effects silently and slowly spread outside the immediate borders of that community. Even if the economic situation and the neighbouring labour markets are not affected, the mere size of the event implies that the local labour market becomes saturated, as there is simply not enough economic activity around to host the large number of job applicants. Therefore, job search activity expands across community borders. When the effects of restructuring go beyond the immediate borders of the local community, it becomes an issue for the next administrative level, in this case, the regional level. In Sweden, the counties or regions have very limited resources available. Their task is to stimulate and facilitate long-term economic development in the region, but their scope is long term, with limited capacity to implement any measures in the short term. How the relationship between administrative levels should be designed is an important issue for further consideration.

Second, the construction of the economic safety net in Sweden, with three steps, implies that when restructuring becomes a long-term process, there is a risk that the municipality enters into a vicious circle. When unemployment increases, the municipal tax income decreases. The costs for social insurance and economic support for the most unfortunate citizens gradually increases, which in turn reduces the resources available for stimulating the local industry, diversifying and new investments. Unless there are specific ruptures or initiatives that manage to break out of the vicious circle, the gradual erosion would continue. Thus, an important policy issue is how local job creation and industry diversification measures could be developed.

Third, the case study shows that there are issues related to the distance between central resources and the adjustment of measures to the local level. The allocation of central resources, such as national education funds, labour market programmes or the EGF, is often restricted through specific eligibility criteria and administrative decision-making procedures, which is not always adapted to the conditions at local level, and administrative barriers delay decision-making, which in turn obscures effective and fast adaptation to the local needs. An important success factor of the activities of the job security councils is the relative autonomy and decentralised decision-making power the job coaches have in allocating resources such as workshops, job search activities and short training activities to their clients. This means that they can adapt measures to what is relevant for each individual. The broad scope of national and European measures, such as the EGF, makes it difficult to allow for such careful tailoring of measures to individual needs. An alternative would of course be that national and/or European funding could be channelled through the structure of job security councils as a form of additional financial support. However, this also produces a greater administrative burden on the job security councils to account for how they use the public funds. Unless it is combined with an understanding of how the money is used, such co-funding risks being counterproductive.

Thus, efforts should be made to explore the possibility of allocating more resources to the actors who are closest to the problem and have the ability to do something about it.

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Annex: Interviewees

Interviews with representatives of the following institutions and organisations were carried out between September 2012 and December 2013:

- Saab Automobile AB (that is, previous Saab employees, as the company was dissolved at the bankruptcy)
- Trygghetsrådet TRR – non-profit job security council
- Startkraft – subsidiary of TRR, a non-profit job security council
- Arbetsförmedlingen – the Swedish Public Employment Service
- IF Metall – trade union
- Unionen – trade union
- Omställningskontoret+ – the transition office in the municipality of Trollhättan
- Länsstyrelsen Västra Götalands län – the County Administrative Board of Västra Götaland
- Kunskapsförbundet Väst – Adult Education Centre, owned by the municipalities of Trollhättan and Vänersborg
- Innovatum – science park

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