

Chapter 8

Self-employment as an adjustment mechanism in major firm restructuring

This chapter examines the role that self-employment policies and programmes can play in helping displaced workers move back into work following major firm restructuring events that result in job loss. It presents data on recent restructuring trends in the European Union, including those that result in job losses and job gains. The chapter also discusses the role of public policy in helping displaced workers back to work, including the role of self-employment support measures, and illustrates this discussion with four case study examples from Finland, Sweden, Germany and the United Kingdom. It concludes with key lessons that can be drawn across these case studies and provides advice to policy makers on how they can consider and use business creation and self-employment measures to minimise the negative consequences of major firm restructuring.

Note by Turkey:

The information in this document with reference to “Cyprus” relates to the southern part of the Island. There is no single authority representing both Turkish and Greek Cypriot people on the Island. Turkey recognises the Turkish Republic of Northern Cyprus (TRNC). Until a lasting and equitable solution is found within the context of the United Nations, Turkey shall preserve its position concerning the “Cyprus issue”.

Note by all the European Union Member States of the OECD and the European Union:

The Republic of Cyprus is recognised by all members of the United Nations with the exception of Turkey. The information in this document relates to the area under the effective control of the Government of the Republic of Cyprus.

Key messages

Globalisation has strengthened linkages across economies, leading to greater economic specialisation as cities, regions and countries seek to exploit their competitive and comparative advantages. This process has brought many benefits such as boosting economic growth and lifting many people out of poverty. However, globalisation has also increased competitive pressures on firms and this can result in restructuring processes that seek gains in efficiency and productivity. While major firm restructuring processes can result in job gains, they often result in job losses. There were 88 cases of large-scale restructuring in the European Union in 2016 that resulted in more than 1 000 jobs lost in each case.

Business creation and self-employment support measures are among the many options that public policy can use to support displaced workers back into work. Between 2% and 5% of displaced workers return to work by starting a business and becoming self-employed, but the likelihood of a displaced worker moving into self-employment increases over time. The most successful entrepreneurs who launched their business following redundancy were those who developed a business idea that was related to their previous job.

This chapter presents four case studies of major firm restructuring events in Finland, Sweden, Germany and the United Kingdom to showcase the diversity in approaches used to help displaced workers back into work. The role of business creation and self-employment measures is highlighted in each example. These case studies point to four key success factors in helping displaced workers transition into self-employment: effective partnerships between all actors involved; timely interventions; leadership from the local government; and developing a suite of well-designed programmes that match the context and needs of the displaced workers.

Policy recommendations:

- Clarify the roles and responsibilities of the relevant actors and social partners (e.g. local, regional and national governments, public employment services, unions, restructuring company) prior to restructuring in order to link the mainstream business start-up support infrastructure to the company displacement programme.
- Ensure that support actions by the relevant actors are co-ordinated and co-operative.
- Implement an “early warning” system so that the public actors can respond rapidly to a restructuring event. This maximises the potential of technology and intellectual property licensing.
- Set up an agreement between the public employment services and the company that outlines the range of measures to promote and support entrepreneurship as a solution in restructuring, including promotion of entrepreneurship, success stories, training in enterprise start-up, direct grants, interest-free loans, the use of company specialist facilities to pilot ideas and prototype and the provision of guarantees.

- Use one-stop shops to co-ordinate the information provision and support that is available to soon-to-be displaced employees that are interested in entrepreneurship.
- Ensure that business creation and self-employment support programmes for displaced workers include measures that facilitate access to finance, especially for those workers who have licensing agreements with the restructuring firms to exploit technologies and intellectual property.
- Where there is potential for technology spin-offs based either on the restructuring company's intellectual property or on tacit knowledge of the expert employees, emphasise business idea development support over "typical" entrepreneurship training.
- Ensure that entrepreneurship programmes go beyond business creation by also providing support for business development.

The intensification of globalisation

- Globalisation has increased the integration of economies greatly over the last several decades.
- These growing linkages have led to increased economic specialisation as cities, regions and countries seek to exploit their competitive and comparative advantages. This has led to a reallocation of resources and investments.
- This process has led to growing discontent in many places as this process of reallocation has led to job losses and an increasing disparity in real wage growth. Consequently many people are being left behind.

Globalisation, that is the growing integration of economies through flows of goods, services, capital, people and ideas, has changed the world dramatically over the past half century. It has brought many benefits, including increased connections between countries, regions, cities and people; a greater exchange of knowledge and experiences; improved diffusion of technology; and intensified economic specialisation. This has led to a more efficient allocation of resources, boosted economic growth and helped lift hundreds of millions out of poverty. The post-World War II period of rapid globalisation has yielded the greatest increase in global prosperity despite a near-tripling of the world population.

However, globalisation has also contributed to some problems that are causing increasing discontent in many places, regions and countries. Despite the clear benefits of globalisation, many of these benefits are not realised in the short-run. Moreover, there has been a divergence in well-being and living standards across the population. For example, the top 10% of the income distribution in the mid-1980s in OECD countries earned around seven times the income of the bottom 10% but this ratio had increased to nearly ten times by 2013 (OECD, 2016a). This has been coupled with a decline in social mobility and a growing risk of poverty and deprivation at a young age. This divergence is also evident between places. As investments and resources concentrate in selected sectors, there are winners and losers in terms of places. Furthermore, in the short-run, globalisation can have negative and disruptive consequences as economies specialise and firms look to become more competitive through productivity gains and a reallocation of resources and assets. This often results in job losses, which can have catastrophic

implications in the short-run for individuals and places where single large employers shed a high number of jobs.

Public policy has an essential role to play in supporting displaced workers because from the worker's perspective, job loss is an exogenous event. It is not related to their actions or performance. Public policy has an obligation to provide assistance to displaced workers on the grounds of fairness and to maximise the use of potential economic resources (OECD, 2016b). Among the suite of labour market measures available to support displaced workers, self-employment schemes are not widely-used. Only between 2% and 5% of displaced workers move into self-employment following job loss. Accordingly, policy makers frequently do not promote and support self-employment as an option for returning to work for displaced workers even though evaluation evidence suggests that such support can be very effective for some displaced workers. It is, however, important to recognise that self-employment is not a suitable option for everyone since people have different motivations, intentions and desires in how they participate in the labour market. Moreover, there are risks for public policy in encouraging those who have no motivation for self-employment to pursue business creation since there are significant potential negative consequences for an unsuccessful start-up, including personal financial distress and negative psychological effects.

Recent trends in major firm restructuring in the European Union

- Nearly 200 000 firms go bankrupt each year in the European Union, leading to approximately 1.7 million jobs lost.
- In 2016, there were 88 cases of large-scale restructuring in the European Union that resulted in more than 1 000 announced jobs lost in each case. These cases are often in the larger Member States and frequently in manufacturing, retail and information and communication sectors.
- Between 2% and 5% of displaced workers return to work by starting a business and becoming self-employed.
- The likelihood of a displaced worker moving into self-employment increases over time.
- After one year, approximately 56% of displaced workers are working as an employee in a new job. Approximately 10% retire and about 34% remain in unemployment.

As globalisation has intensified competition over the past 40 years, the impact on businesses, workers and places has varied. The first sectors in Europe that were affected with a radical change were textiles and electrical “white goods” (i.e. large electrical home appliances). The emergence of low-cost producers in Eastern Europe and in developing countries in other regions of the world resulted in the transfer of production to these regions. However, the range of industries and sectors that have been impacted has become much more diverse as developments in information and communication technology have permitted more efficient co-ordination of global supply chains. The effects are also much more varied, some positive and some negative.

Although nearly 200 000 firms go bankrupt every year in the European Union, resulting in more than 1.7 million job losses (EC, 2013), the majority of restructuring events are not firm closures but rather attempts to reallocate resources to achieve efficiencies in production. In 2016, there were 88 observed cases of large-scale restructuring process that

resulted in at least 1 000 announced job losses (each) in the European Union (Eurofound, 2016d). The five cases with the largest announced job losses combined to shed more than 60 000 jobs (Table 8.1). It is important to note that these job loss figures are often overstated because self-reported data on redundancies often include many voluntary job separations (OECD, 2016). Moreover, many of the actual job losses will be temporary. For example, since the economic crisis of 2008, high-tech manufacturing sectors (e.g. motor vehicles, machinery and pharmaceuticals) have recovered their employment losses.

Table 8.1. Largest cases of announced job losses due to restructuring in the European Union, 2016

Date	Company	Job losses	Country	Sector	Type of restructuring
November 2016	Volkswagen	23 000	Germany	Manufacturing	Internal restructuring
June 2016	Marinopoulos	13 000	Greece	Retail	Bankruptcy
June 2016	BHS	11 000	United Kingdom	Retail	Bankruptcy
February 2016	V&D	8 000	Netherlands	Retail	Closure
August 2016	Commerzbank	7 300	Germany	Financial and insurance activities	Internal Restructuring

Source: Eurofound (2017), “ERM Quarterly – Quarter 4, January 2017”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2017/labour-market-business/erm-quarterly-quarter-4-january-2017; Eurofound (2016a), “ERM Quarterly Quarter 3, October 2016”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2016/labour-market-business/erm-quarterly-quarter-3-october-2016; Eurofound (2016b), “ERM Quarterly – Quarter 2, July 2016”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2016/labour-market-business/erm-quarterly-quarter-2-july-2016; Eurofound (2016c), “ERM Quarterly – Quarter 1, April 2016”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2016/labour-market-business/erm-quarterly-quarter-1-april-2016.

In 2016, the majority of announced jobs lost due to restructuring tended to be concentrated in retail and manufacturing, although financial and insurance activities also shed a substantial number of jobs. However, at the same time, retail, along with accommodation and food services was also the sector where jobs are likely to be gained due to restructuring. Table 8.2 presents the five largest cases of job gains announced in 2016.

Table 8.2. Largest cases of announced job gains due to restructuring in the European Union, 2016

Date	Company	Job gains	Country	Sector	Type of restructuring
October 2016	E. Leclerc	10 000	France	Retail	Recruitment over 3 years
June 2016	Domino's Pizza	9 400	United Kingdom	Accommodation and food services	Recruitment due to expansion
July 2016	McDonald's	5 000	United Kingdom	Accommodation and food services	Recruitment over next year
December 2016	Lidl	5 000	United Kingdom	Retail	Recruitment over next year
April 2016	Carrefour	4 400	Spain	Retail	Recruitment over next year

Sources: Eurofound (2017), “ERM Quarterly Quarter 4, January 2017”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2017/labour-market-business/erm-quarterly-quarter-4-january-2017; Eurofound (2016a), “ERM Quarterly – Quarter 3, October 2016”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2016/labour-market-business/erm-quarterly-quarter-3-october-2016; Eurofound (2016b), “ERM Quarterly – Quarter 2, July 2016”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2016/labour-market-business/erm-quarterly-quarter-2-july-2016; Eurofound (2016c), “ERM Quarterly – Quarter 1, April 2016”, available at: www.eurofound.europa.eu/publications/erm-quarterly/2016/labour-market-business/erm-quarterly-quarter-1-april-2016.

Looking at Table 8.1 and 8.2 together, it is also apparent that large-scale firm restructuring tends to be concentrated in the large Member States, e.g. Germany, France, United Kingdom and Spain.

Job displacement caused by firm restructuring has affected between 2% and 7% of employees since 2000 (OECD, 2013). There are four possible labour market outcomes for displaced workers, namely finding employment in a new firm, creating a business and

becoming self-employed, remaining in unemployment or exiting the labour market. The re-employment rate of displaced workers varies substantially across countries, by age and gender (Figure 8.1). One year after redundancy, 56% of displaced workers are working as an employee in a new job, while 34% remain unemployed. Another 10% retire or exit the labour market for other reasons.

Figure 8.1. **Labour market outcomes from redundancy**



Note: Unless otherwise indicated, the data reported in the figure are based on the transitions of displaced workers in 13 OECD countries over the 1986-2008 period. Countries covered are: Austria, Belgium, Czech Republic, Denmark, France, Germany, Greece, Italy, Netherlands, Poland, Spain, Sweden and Switzerland.

Sources: OECD (2016), "Coping with creative destruction: reducing the costs of firm exit", *Economics Department Working Paper No. 1353*; Magnergård, C. (2013), "Redundancy duration and business alteration – Consequences of establishment closures in Sweden", available at: www.diva-portal.org/smash/get/diva2:634587/FULLTEXT01.pdf; European Commission (2015), "Ex-post evaluation of the European Globalisation Adjustment Fund (EGF), Final Report", available at: <http://ec.europa.eu/social/BlobServlet?docId=14371&langId=en>.

Individuals face a number of adverse consequences of unemployment stemming from firm restructuring. It is clear that the immediate impact is a loss of work and the ability to generate income. These income effects are, however, usually permanent as career and earnings trajectories are interrupted due to a loss of firm-specific human capital, back-loaded earnings profiles and the risk of a low-quality job match in the future (Carrington and Fallick, 2014). Moreover, there is a wide range of other personal outcomes that are negatively impacted by job displacement, including life expectancy, health, marital stability, emotional well-being, and education and labour market outcomes of the displaced worker's children (Davis and von Wachter, 2011; Sullivan and von Wachter, 2009).

The role of restructuring in shaping entrepreneurial intentions

- The restructuring event can influence entrepreneurial motivations and intentions among displaced workers.
- The most successful entrepreneurs who launched their business following redundancy were those who developed a business idea that was related to their previous job.

The effect of redundancy can have an important influence on building entrepreneurial motivations and intentions. However, this effect appears to be stronger among displaced workers who worked in smaller firms, as shown by evidence from Finland (Hytinen and Maliranta, 2008). Small companies are often found to have a more entrepreneurial atmosphere, which offers an opportunity to develop entrepreneurial motivations and gain entrepreneurial experience. Entrepreneurs who were former employees in small firms tend to have a broader set of skills than those displaced from large firms, and are also more likely to transfer knowledge from more diverse aspects of the business and create firms with activities that are closely related to the main activity of their last employer. Evidence suggests that successful entrepreneurs and entrepreneurs who show higher than average growth rates commonly identify their business idea while still at their previous place of employment (Bhidé, 2000).

The disposition and motivation to enter into self-employment or become an entrepreneur can be affected by the context of the restructuring event. There is a firm-age effect on entrepreneurial intentions and motivations (Elvung, 2016) and there is a higher probability of identifying profitable ideas worth exploring as an entrepreneur after a firm closure if the closed establishment itself was profitable (Parker, 2009). Workers in older and large firms are less likely to look to self-employment after redundancy since they generally benefit from higher returns to human capital, which increases their opportunity costs to switch to entrepreneurship. However, this also means that they tend to have higher-quality start-ups (Nyström, 2016).

The length of time to re-enter work following a redundancy is also an important influence on entrepreneurial intentions. There appears to be an increase in willingness to enter self-employment over time (von Greiff, 2009). The probability of entering self-employment almost doubles during the first year after displacement, suggesting that the self-employment is likely a low-quality activity that was initiated due to a lack of opportunities in employment (von Greiff, 2009). However, other factors are also possible, including an increased willingness to change activity, sector and location at the end of the first year following displacement (Nyström, 2016).

Supporting displaced workers

- There are various business creation scenarios for displaced workers, including a buy-out by former employees of the firm or parts of the firm; former employees exploiting intellectual property belonging to the former employee; and former employees starting unrelated businesses.
- Approaches to supporting displaced workers in entrepreneurship vary according to the scenario and context. In many cases, packages of support are provided through the public employment services. Other actors such as local government and unions also have an important role to support the delivery of programmes and to disseminate information to displaced workers.

- The European Union has also been active in supporting Member States in this area. Most recently, the European Globalisation Adjustment Fund (EGF) can provide support to programmes for people that have lost their jobs as a result of major restructuring due to globalisation. This includes entrepreneurship support.

The suite of labour market policies that can be used to address job displacement include active labour market programmes (e.g. job search assistance, training), passive labour market programmes (e.g. extension of unemployment benefits), structural reforms that stimulate labour demand (e.g. tax incentives) and measures to enhance regional mobility (e.g. minimising policy-induced distortions in housing markets) (OECD, 2016). Activation measures appear to be the most effective at increasing the probability of re-employment, while passive measures do the opposite (OECD, 2016). There is also evidence to suggest that active labour market measures that support self-employment are among the most effective at returning displaced workers to work (EC, 2015).

As noted earlier, and illustrated in Figure 8.1, labour mobility patterns after displacement may take several paths. Former employees can decide to enter a new position of employment in a new or incumbent firm, leave the labour market (for studies, retirement or other reasons) or create a business and become self-employed. The business creation scenarios may also take several forms:

- Displaced employees buying out the firm or parts or units of the firm;
- Displaced employees starting businesses to exploit patented technologies and products from the firm through license agreements;
- Displaced employees starting businesses to exploit non-patented technologies and products from the firm using their own tacit knowledge with the firms' support; and
- Employees starting unrelated businesses.

Regardless of the entrepreneurial path pursued by the displaced worker, public policy can directly influence firm formation and expansion through the regulatory system. Direct entry barriers can restrict and even prohibit entry into certain sectors of the economy (i.e. through the regulation of permits and licenses), while indirect barriers impose administrative costs and regulatory burdens on new (and/or existing) firms. Public policy can directly stimulate entrepreneurship by increasing opportunities for competition and can indirectly stimulate entrepreneurship by easing administrative and legislative burdens, thereby allowing entrepreneurs to devote more of their time, money, and effort to productive activities (Parker, 2009).

Further, entrepreneurship can be encouraged by policies and programmes ranging from specific targeted support, such as technology assistance to small firms, to general macro-economic policies for maintaining a stable economic environment. Within the generic entrepreneurship policy tool could be a range of support policies and options that would be designed together as part of a displaced employee entrepreneurship strategy, with the aim of delivering support for start-up businesses through mainstream support channels.

Common entrepreneurship support channels for displaced workers include a combination of different support systems alongside the continuance of access to welfare benefits. These supports do not necessarily need to be provided by the public sector, but could also be provided by chambers of commerce or other business organisations:

- Public Employment Service (PES) support to encompass for example provision of information for job search, for self-employment and new company start-up, for start-up financing and welfare support and for a variety of training and re-training schemes. The PES could also help building entrepreneurship networks.
- Financial and start-up support through public sector (and in some cases private sector) grants with possible group bank lending guarantees provided by the restructuring company for new spin-offs (see Box 8.1 for an example in Sweden).
- Business development support in the form of coaching and counselling, (see Box 8.2 for an example in Romania) information provision and referrals, provision of incubation and acceleration programmes, premises, education and training. Public policy could also support the development of, and provide incentives for, private investment and business angel networks, especially in restructuring in high-tech sectors.
- Community support in the form of business network creation and the promotion of successful role models, from previous restructuring cases, now involved in entrepreneurship.
- Support with administrative and legal issues related to business creation, including simplifying business registration, reducing the administrative costs of business start-up, streamlining licensing requirements and supporting intellectual property management.

Box 8.1. Support for starting a business, Sweden

Description: The programme “Support for starting a business” (*Stöd till start av Näringsverksamhet*) supports adults over 25 years old who are registered as unemployed, or who are facing dismissal, in business creation. It is also open to those over 18 years old if i) they have been assessed as being far away from the labour market, ii) they have a disability that affects their ability to work, or iii) they already participate in active labour market programmes offered by the Public Employment Service (*Arbetsförmedlingen*).

Problem addressed: The measure seeks to keep the unemployed or those facing job loss active in the labour market. Supporting business creation provides another avenue for some of these people to work.

Approach: The business start-up support is provided as an integrated package over six months, including a grant that is based on the individual’s unemployment insurance entitlements. To complement this financial support, the Public Employment Service offers business counselling and advice, workshops, webinars and networking opportunities. Prior to receiving any support, the applicants must prepare a business plan and have it reviewed and accepted by the Public Employment Service.

Impact: In 2015, there were approximately 5 300 participants in the programme. Of these participants, 77% who left the programme were back in work within 180 days, either in self-employment or as an employee. This is often considered to be one of the most successful active labour market programmes in Sweden. However, evaluations have found that those who continue to work in self-employment tend to have low incomes (Riksrevisionen, 2012), suggesting that they may need more support in developing and growing their businesses.

For more information, please see: www.arbetsformedlingen.se/For-arbetssoekande/Yrke-och-framtid/Starta-eg-et-foretag.html (in Swedish).

Source: Eurofound (2016e), “Support for starting a business” in the European Monitoring Centre on Change database, available at: www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/support-for-starting-a-business (accessed 17 July 2017).

Box 8.2. Consultancy and assistance for grassroots entrepreneurial or business initiatives, Romania

Description: This business start-up counselling and advisory programme (*Consultanță și asistență pentru începerea unei activități independente sau pentru inițierea unei afaceri – Legea nr. 76/2002 privind sistemul asigurărilor pentru șomaj și stimularea ocupării forței de muncă*) is available to employees that are about to be made redundant.

Problem addressed: This initiative seeks to minimise time spent in unemployment by working with people before the job loss occurs.

Approach: Employers in Romania are required by law to inform the local employment agency at least 30 days before notifying workers that they are to be made redundant. This provides the local employment services time to prepare to work with employees who will be made redundant. Once employees are informed that they will lose their job, the local employment service will have a suite of supports prepared for them, including this service which provides free consulting and advice to help interested people develop business plans and start businesses. These services are typically contracted out to private sector companies, professional organisations, foundations and associations who have experience in providing this type of support.

Impact: This support was provided to 1 071 people in 2014, of which 135 (12.6%) went on to start a business. In 2015, the number of participants increased to 2 455 people but only 109 people (4.4%) went on to start a business. While the number of people who go on to start-up a business is low, many participants likely seek information on self-employment but then decide that it is not appropriate for them. This is also a positive outcome.

Source: Eurofound (2016f), “Consultancy and assistance for grassroots entrepreneurial or business initiatives, available upon request as legal, marketing, financial, management, etc., services – Law no. 76/2002 on unemployment benefit and employment stimulation” in the European Monitoring Centre on Change database, available at: www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/support-for-starting-a-business (accessed 17 July 2017).

Offering business start-up and self-employment support through existing mainstream entrepreneurship and labour market programmes and policies offers a rapid, flexible and efficient response by the restructuring company and the relevant public authorities. It requires strong partnerships between the restructuring firm, its employees, trade unions and the relevant employment authorities. However, it is important to underline that local, regional and national authorities are often only indirectly involved in restructuring actions. Their role tends to increase over time as the displaced workers begin to collect unemployment and other social welfare benefits. The principal role of national authorities is to shape the relevant legal framework, define and pursue employment policy goals and ensure the institutional and financial capacity to help employees through education and training, and job search assistance. Local authorities will suffer a greater impact through local movements in the number of unemployed and therefore may play a more direct interventionist role, particularly through the local PES. There is also often a need for local and regional authorities to actively co-ordinate the responses by the various affected stakeholders.

Restructuring processes in the Europe Union are often reactive and without formal restructuring plans for small and medium-sized businesses (Eurofound, 2013), although restructuring in large firms is more likely to be anticipated in advance and follow formal plans. As a result, the European Union implemented the Quality Framework for Anticipation of Change and Restructuring in 2013, which provided guidelines to the different types of

stakeholders on actions to take during the phase of anticipation (and management) of restructuring.¹ This was followed by a proposal that seeks to build a preventive restructuring framework (EC, 2016). The proposed framework intends to provide guidance for affected stakeholders and outlines obligations for directors of struggling companies, including initiating immediate actions to minimise the loss for creditors, workers, shareholders or other stakeholders, to take reasonable steps to avoid insolvency, and to avoid deliberate or inconsiderate actions that threaten the viability of the business. The overarching objective is to help displaced employees move into their next job. Other recent European Union actions are outlined in Box 8.3.

Box 8.3. **European policy for restructuring**

Policy makers in Europe have been concerned with the impact of restructuring for decades, dating back to the creation of the European Coal and Steel Community. It has risen up in the political agenda since this time, due first to the creation of the single market but also more recently due to increased global competition.

The policy response has emphasised the creation of basic legal frameworks for dealing with collective redundancies and ensuring that workers are informed early and consulted on decisions affecting employment and working conditions. Some of the key policies and initiatives include:

- 2001: The creation of the European Monitoring Centre on Change within Eurofound, which is an avenue for information provision and exchange, and the European Restructuring Monitor to track specific restructuring events and trends. Since 2011, it also provides examples of support instruments and since 2013, examples of legal regulations relevant for restructuring in EU Member States and Norway.
- 2005: The Communication “Restructuring and employment. Anticipating and accompanying restructuring in order to develop employment: the role of the European Union”, which positions restructuring at the heart of the re-launched Lisbon Strategy. It calls on EU and national policy makers to address the negative consequences of restructuring with active labour market measures and lifelong learning strategies. In addition, a Restructuring Task Force and a Restructuring Forum were created.
- 2009: The Communication “A shared commitment for employment” called for better anticipation and management of restructuring through an exchange of experiences and sectoral partnerships.
- 2011-12: The Commission issued a Staff Working Document “Restructuring in Europe 2011”, which was followed by the 2012 “Green Paper: Restructuring and anticipation of change: what lessons from recent experience?”. These reports renewed the policy debate.
- 2013: The Communication “An EU Quality Framework for Anticipation of Change and Restructuring” was issued in response to a European Parliament resolution that provided recommendations on the anticipation and monitoring of restructuring events.

In addition, the European Union has a number of additional instruments that it can use to support adjustments resulting from restructuring. The European Globalisation Adjustment Fund (EGF) provides support to people losing their jobs as a result of major structural changes in world trade patterns due to globalisation, e.g. when a large company shuts down or production is moved outside the EU, or as a result of the global economic and financial crisis. The EGF has a maximum annual budget of EUR 150 million for the period 2014-20.

Box 8.3. European policy for restructuring (cont.)

The EGF can fund up to 60% of the cost of projects designed to help workers made redundant find another job or set up their own business. As a general rule, the EGF can be used only where over 500 workers are made redundant by a single company (including its suppliers and downstream producers), or if a large number of workers are laid off in a particular sector in one or more neighbouring regions.

EGF cases are managed and implemented by national or regional authorities. Each project runs for two years. The EGF can co-finance projects including measures such as job search assistance; career advice; education, training and re-training; mentoring and coaching; and entrepreneurship and business creation. The fund can also provide training allowances, mobility and relocation allowances, subsistence allowances or similar support.

Evaluation evidence from the initiatives supported by the EGF indicates that entrepreneurship and business creation initiatives can be very effective in supporting labour market adjustment. However, in the re-employment process of displaced workers, few unemployed people seek a return to work through self-employment or entrepreneurship. Of the 26.2 million unemployed in the EU in 2013, only 540 400 sought self-employment (2.1%) and this proportion varied greatly by member states, ranging from 0.7% in the Slovak Republic to 7.0% in Romania (OECD, 2015). There is also a substantial variation in the extent to which policy makers promote entrepreneurship and self-employment as part of a solution. For example, monitoring of the EGF shows that only 5% of policy responses are entrepreneurship-related and some countries have not included entrepreneurship in their response at all (EU, 2015). The ex-post evaluation for the 2007-13 period found that entrepreneurship supports were highly successful.

Further, the European Social Fund (ESF) can be used to support a number of different types of intervention at the level of the firm or the individual employee affected. At the firm level, the ESF can be used to support activities such as the provision of advice to employees or to undertake studies to support social dialogue and improve crisis management. For individuals, it can be used to set up programmes that provide advice and counselling, training for those facing redundancy and to support job creation and profession mobility through business creation and self-employment.

Finally, the Employment and Social Innovation (EaSI) programme also has a role. It has three axes: i) the modernisation of employment and social policies, which can be used to support the implementation of the Quality Framework for Anticipation of Change and Restructuring (see 2013 bullet point above); ii) support job mobility; and iii) improve access to micro-finance and social entrepreneurship.

Restructuring case studies from the European Union

- The roles and actions of key actors that support displaced workers vary according to the context and circumstances of the restructuring event.
- The case studies in Finland, Sweden, Germany and the United Kingdom, showcase the diversity in approaches. One common thread across these cases is the strong role of the restructuring company in facilitating and providing business start-up and self-employment support for displaced workers.

Finland

Supporting the unemployed in entrepreneurship

Several public institutions offer entrepreneurship and business development training, one of which is the PES. These services are organised in 15 regional Offices, which co-operate in business services provision with other institutions, such as the Centres for Economic Development, Transport and the Environment (ELY Centres), sub-regional development companies, new business centres and rural advisory centres (OECD/EC, 2015). Information on public training is collected on the Enterprise Finland website (www.yrityssuomi.fi), which is operated jointly by institutions that are a part of the Enterprise Finland network. Another institution that provides entrepreneurship training and help for start-ups is a network of more than 80 new business centres (*Suomen Uusyrityskeskukset*), which are co-operatives of public and private sector actors (e.g. banks, corporations, insurance companies, trades unions, business associations, the Finnish Patent and Registration Office) (OECD/EC, 2015).

These generic training provisions do not address the unemployed specifically, but the PES provides an important link between unemployment and entrepreneurship. Their task is to provide public employment and business services to help jobseekers in finding work and promoting the emergence of new business activity. Part of their service provision is labour market training, which targets the unemployed and those under the threat of unemployment. Many vocational courses of labour market training include a short introduction to entrepreneurship and there are also courses focusing specifically on entrepreneurship skills. The public employment services must also provide counselling and job-seeking support for the affected employees, including a personalised re-employment plan (a service available for all unemployed job-seekers). In principle, entrepreneurship is discussed as a part of career coaching as well as in the form of specific start-up training. The former involves considering entrepreneurship as a potential career alternative, while the latter offers the participants a more comprehensive understanding of the steps needed to set up a business and develop their business idea further (OECD/EC, 2015).

An important form of finance provision that supports all forms of entrepreneurship is the national Start-up Grant system, which provides a new entrepreneur with a secure income for a maximum of 18 months. Both unemployed jobseekers as well as those starting up in business on a fulltime basis after a period in paid employment, education or domestic work are eligible to apply. Information covering various types of finance provision, and other enterprise support, from different institutions is available on the Enterprise Finland website. Other types of loans and loan guarantees for all new start-ups are available from the PES focusing on labour market policy. The Centres for Economic Development, Transport and the Environment (ELY Centres) supporting regional policy, the state-owned development bank Finnvera, and the Finnish Funding Agency for Innovation (*Tekes*) and co-operative banks and savings funds also offer microfinance.

Case study: Nokia, 2011

Nokia is a Finnish multinational company that was founded in 1865. It began as a paper mill and made several transformations from cables, paper products, rubber boots and tires, and mobile devices to telecommunications infrastructure equipment (Nokia, 2017). Currently, Nokia is a global leader in providing infrastructures for 5G networks, as well as virtual reality and digital health applications.

In 2011, Nokia partnered with Microsoft in order to strengthen their position in the smartphone market and Microsoft then purchased Nokia's Devices and Services section in April 2014. Nokia's Bridge Programme was launched in Spring 2011 aimed at helping Nokia employees facing redundancy due to restructuring in the new Nokia Microsoft organisation. The programme continued until Spring 2014. Among the re-employment related training and coaching activities, the Bridge Programme provided start-up support for those interested in starting their own business. This entrepreneurship support offer facilitated the creation of approximately 400 companies that were launched by nearly 500 former Nokia employees. About one in ten employees laid off from Nokia in Finland in 2011-13 chose to become an entrepreneur (Autio et al., 2014)

The Bridge Programme was sponsored by Nokia and is a unique example of the company's own support programme playing a larger role in the post-displacement employment than governmental organisations and programmes. While the displaced workers had access to the PES offered by the government, the Nokia programme provided additional opportunities.²

The programme operated in several stages. First, participants were invited to information sessions organised by Nokia, which introduced them to the entrepreneurship track and other options for finding employment. This was followed by personal counselling sessions about the various support options offered by the programme. These sessions were delivered by the programme's staff. As part of the entrepreneurship track, information on local business start-up and development services was provided and participants in the entrepreneurship track could access start-up coaches and training sessions. An entrepreneurship mentor was also provided to help participants develop their business idea and identify other relevant supports that could increase their chances of success (Autio et al., 2014).

The Bridge Programme aimed to mobilise as much of the internal expertise of Nokia as possible and the entrepreneurship track was seen as being tailored for start-ups mostly in the technology and financial sectors. Those who became entrepreneurs through the Bridge Programme could arrange agreements with Nokia for technology licensing or idea releases (Autio et al., 2014).

Once participants were ready to launch their business, they could apply for a start-up grant of up to EUR 25 000. Those working in teams of up to four people could receive up to EUR 100 000. Overall, the average grant provided was approximately EUR 27 000 and it is estimated that Nokia provided a total of nearly EUR 10 million in Bridge Programme grants (Autio et al., 2014). Other financial supports were also available, including a loan guarantee programme where Nokia backed credit accounts. Support was also provided to help participants access public entrepreneurship programmes, including the Start-up Grant.

Approximately 90% of the companies that were started through the Bridge Programme were still operating in 2014 (Autio et al., 2014) or operations continue in another company, or in a new company that was set up to replace the Bridge start-up.

Sweden

Supporting the unemployed in entrepreneurship

A broad range of entrepreneurship policies and programmes are used in Sweden. These offers are managed by both agencies and government institutions and they focus on: i) promoting entrepreneurship on national and local level; ii) improving the regulatory environment for start-ups; iii) providing entrepreneurship education, counselling and

advisory services for (potential) entrepreneurs; iv) providing online entrepreneurial guides; v) improving access to start-up financing; and vi) building entrepreneurial networks. The Swedish Agency for Economic and Regional Growth is one of the most active governmental agencies in this area, but other important public actors are the Swedish Agency for Innovation Systems (*Vinnova*) and Almi, an advisory services and financial company that is owned by the Swedish government.

The entrepreneurship support system is linked by a network of one-stop shops and the public web portal *Verksamt* (www.verksamt.se), which directs users to networks and public supports in all regions. Small subsidies are also available to support the training of new entrepreneurs, support professional development, create networks, set performance standards and exchange best practices. Entrepreneurship training takes place within both European Social Fund and Swedish regional projects.

In restructuring situations, public policy places significant emphasis on anticipating and managing the structural change (Nyström, 2016). Policy on redundancy provides incentives for substantive efforts to be made to help transfer displaced workers into new jobs as soon as possible, even before the job loss becomes effective. This is made possible by dialogue between the PES, the company and the Job Security Councils (JSCs) (see Box 8.4). Job Security Councils are non-profit organisations that provide support to displaced employees, or those that are about to lose their job in a collective redundancy. This includes tailored advice and counselling services to both employers and trade union representatives when they are first considering their restructuring options.

Box 8.4. Job Security Councils

Job Security Councils (JSCs) are an important feature of Swedish labour market policy. The idea underlying this system is that employers, who are leading the restructuring process, are responsible for supporting the employee during the transition phase. Re-employment support is entrusted to the system of JSCs. Based on collective agreements between social partners in an industry or sector and financed by corresponding employers; JSCs are the first actor approaching displaced workers (Nyström, 2016). Job Security Councils are a complement to unemployment insurance, and the support they offer is available for employees where firms have signed a collective agreement with a union and they are allowed to intervene as soon as workers receive notice. Most Swedish employees are covered by this support in the case of displacement.

During the notice or transition period, JSCs offer a range of activities and measures to support displaced workers. Initially, support activities include counselling and coaching, activity plans and competence development activities. Intensive counselling makes up the core of re-employment assistance and each dismissed worker is assigned to a personal adviser. Generally, if the worker has worked for at least 12 months in the company in a permanent position, they can receive personal advice to find a new job or on starting his/her own company. Overall the level of success of the JSCs in placing dismissed workers into new jobs is high. Dismissed workers often find new jobs rapidly; on average, 80% to 90% find new jobs within seven to eight months, often without using the PES. Annually, approximately 40 000 employees receive some type of support from Job Security Councils (Nyström, 2016). Moreover, approximately 8% of clients start own businesses and 80% remain in business after two years (Eurofound, 2016g).

Start-up support is available to adults over 25 years old who are registered as unemployed or who are facing dismissal and have an approved business concept. In addition, the business must be expected to have a satisfactory level of profitability and to provide a long-term job. The support is paid over a maximum duration of six months and the amount of support is based on the unemployment insurance the supported would be entitled to if unemployed. The PES offers counselling and advises on starting the business (see Box 8.1). In some areas, the PES also offers informational meetings and education in entrepreneurship (*Arbetsförmedlingen*).

There are government-funded special seed programmes for start-ups and early-stage development of innovative entrepreneurs. There are also government-sponsored events that profile innovation systems, and some pre-commercialisation funding is available to promising new technology-based firms and also support to encourage spin-off companies from universities and publically funded research institutes. There are a large number of actors at various levels that provide business counselling and distribute funding (Braunerhjelm and Henrekson, 2013), including Almi's Micro Loans designed for businesses with smaller capital requirements.

Case study: AstraZeneca, 2010 and 2012

Astra AB was founded in Sweden in 1913. In 1999, it merged with the United Kingdom-based Zeneca PLC to form AstraZeneca. It is currently a leading multinational pharmaceutical company with sales in over 100 countries (AstraZeneca, 2017). AstraZeneca had planned for a series of transformations to occur between 2006 and 2010 to meet increased competition and initiated a change programme starting in 2007. These transformations included the reduction of 1 300 employees by 2010 and a further reduction of employees in 2012. One of the AstraZeneca research and development facilities that closed in 2010 was in Lund, which led to 900 displaced workers. Another was closed in Södertälje in 2012, leading to 1 400 displaced workers. The displaced employees were generally highly skilled workers with many years of experience in the pharmaceutical industry. Nearly 60% of the participants had worked at AstraZeneca for 13 years or more and 88% of the participants had at least 11 years of work experience within the pharmaceutical industry (Källner, 2016).

The support package provided in the AstraZeneca case included typical supports in the Swedish context, including severance pay, financial support, business training, business modelling support and market research, and network building. Support was also given for displaced workers to contact and meet external organisations and institutions that would support innovation and entrepreneurship and to have the possibility to rent (or use for free) AstraZeneca's facilities and equipment. The programme allowed for individuals to work in start-up teams, to discuss and test their business idea on colleagues, to register a company and to check that initial customers were interested in the proposed business ideas.

After the closure of AstraZeneca's facilities, the displaced employees had created 69 new firms, including a mix of one or two-person firms and team start-ups (Life Science Sweden, 2013). More than half of the participants (54%) said that they came up with their business idea after learning about the closure, which suggested that workers may have been spurred to formally produce new business ideas as a result of the new pressure applied by the closure announcement (Källner, 2016).

A study from Silicon Valley shows that many talented employees leave large firms with novel ideas (Hellman and Periotti, 2011). In the AstraZeneca case, knowledge spill-overs

ensured successful new ventures. 87% of the participants felt that their business idea had come from knowledge and experience gained in AstraZeneca. Business ideas were developed alone, in-group, or developed first alone and then in-group. During the programme, face-to-face team meetings produced many new business ideas. 90% of the displaced employees had the opportunity to discuss their business idea with colleagues from AstraZeneca after learning about the closure. Most people (70%) started their new business with previous colleagues from AstraZeneca.

The severance pay that the displaced employees received also played a major role in their decisions to pursue entrepreneurship. AstraZeneca also offered lab space at no cost to those who needed the facilities for up to six months. The local Södertälje municipality completed this with an additional grant of up to SEK 100 000 (approximately EUR 10 450) for a business start-up.

However, non-financial support was also critical, notably the availability of training, counselling and networking from other innovation organisations (Källner, 2016). Key partners included the New Entrepreneurs Centre (*Nyföretagarcentrum*), Uppsala Innovation Centre, Technopol, the Karolinska Institute Science Park, Medicon Village (an incubator in Malmö), the Karolinska Innovation Centre (a hospital in Sweden) and a redundancy insurance organisation (*Trygghetsrådet*). These partnerships were arranged by AstraZeneca.

The knowledge spill-overs and how they were utilised in the AstraZeneca case shows evidence of collaboration beyond that of the traditional involvement of the public sector (for example through the PES) and the private sector (the restructuring company) in a form of co-creation alongside local knowledge centres – the so-called Triple Helix concept (Etzkowitz and Leydesdorff, 2000).

The company actively introduced soon-to-be-displaced workers to PES support and local knowledge centres. The creative renewal that took place after the destruction of jobs in AstraZeneca fostered venture ideation. As it was a collaboration between the involved parties, there was no clear leading actor in this case, though it would appear that the company was active in helping the knowledge spill-over start-ups to connect with research institutes and possible funding sources. The Triple Helix collaboration model does envisage a more prominent role for the knowledge centre (research institute or university) in an innovation project, on a par with the company and government-funded organisations. The increased importance of knowledge and the role of universities and research institutes in the incubation of technology-based start-ups have given them a more prominent place in the start-up ecosystem and this is reflected in the success of the AstraZeneca restructuring case.

Germany

Supporting the unemployed in entrepreneurship

Policy in the last decade has increasingly favoured a proactive approach in supporting at-risk workers and those likely to be affected by restructuring (Fuerlinger et al., 2015). These measures are mandatory if the planned restructuring involves a change of operations (*Betriebsänderung*) but are limited to where the establishment has at least 20 employees. Social partners have to agree on a social compensation plan (*Sozialplan*), which defines locally the procedures of restructuring, and assistance to be given to affected workers, and which then constitutes enforceable rights for employees subsequently affected.

Two closely related instruments have emerged as common outcomes of social plan negotiations, both including active measures for harnessing career guidance (and other

measures) in reintegrating affected workers into the labour market: transfer agencies and transfer companies. Although practices at enterprise level vary, where they are established, transfer agencies take over the counselling of employees threatened by lay-off. During the period of notice, transfer agencies assist them in job search, offer training for job application and other soft skills and help with assessing and selecting qualifying measures. Participants remain within their current job but are released from work for individualised support. Funding of transfer agencies involves some obligatory support, in most circumstances, from public employment services (usually up to 50% of gross costs) and employers. Transfer agencies normally support employees for three to six months prior to redundancy.

In contrast, transfer companies are separate legal entities (*betriebsorganisatorisch eigenständige Einheit*, beE) which accommodate redundant workers. These entities are typically supported by the company that is dismissing staff, trade unions and government (often regional). In the transfer company, affected employees receive training, coaching, workshops, as well as 80% of their former salary. They are fully released from work to participate in career guidance and qualifying measures while they are in the transfer company, where they can remain for up to 12 months. Typically, continuing outplacement measures, which are more intense and diverse than from the transfer agency, support them. Both transfer agencies and transfer companies are also affected by obligatory referral to PES.

The PES (*Agentur für Arbeit*) is responsible for helping the job seeker find a new position and make a benefit claim. In order to receive unemployment pay (*Arbeitslosengeld I-IV*), the unemployed must register themselves and meet the minimum qualifying period. Even though support by state employment offices (*Bundesagentur für Arbeit*) for self-employment has decreased, there are nonetheless still a number of policies that seek to reduce unemployment through business creation (see Table 8.3).

Table 8.3. **Start-up support for the unemployed, Germany**

Programme	Duration	Amount of money	Person entitled to submit a request
<i>Gründungszuschuss</i>	Runs for three years, paying a lump sum of EUR 600 per month for the first year, EUR 360 per month for the second and EUR 240 per month for the third.		Employee receives at least 150 more days of unemployment pay.
<i>Einstiegsgeld</i>	Up to 24 months	The amount of funding is determined by the duration of unemployment and the size of the job-seeking community.	For people who receive unemployment pay

Source: *Gründungszuschuss* (2017), "Bundesministerium für Wirtschaft und Energie", available at: www.foerderdatenbank.de/Foerder-DB/Navigation/Foerderrecherche/suche.html?get=views;document&doc=9450.

Case study: Siemens, 2007

Siemens was founded in 1847 and currently has operations in more than 190 countries (Siemens, 2017). At the end of 2016, it had approximately 351 000 employees. Its core business activities are in the areas of electrification, automation and digitalisation. The current portfolio includes power plant construction, wind turbines, rail vehicles and medical technology.

In 2006, Siemens sold its German mobile phone division to Taipei-based BenQ (Zimmermann and Schwarz, 2007). Eight independent divisions were reduced and combined into three divisions: Industrial, Energy, and Medical Technology. The mobile division, then became a subsidiary of Siemens operated by BenQ, and went bankrupt in less than a year after the sale to BenQ. In 2007, 3 000 employees of the subsidiary were made redundant in

Germany (of which 2 500 were then supported by the “transfer company” system). Siemens took responsibility for the restructuring because their former employees were made redundant within the first year of BenQ’s managing of the subsidiary.

Siemens provided a one-year transition plan within the transfer companies for its former employees. Three parties financially supported the establishment of the transfer companies: Siemens, the public employment service *AgenturfürArbeit* and the local government *Bundesländer* (IG Metall Bayern, 2007). Of the EUR 120 million package, Siemens provided approximately EUR 100 million, the *AgenturfürArbeit* EUR 19 million and Nordrhein-Westfalen and Bayern (the two states in which the factories were closed) contributed EUR 1 million. European Social Fund support through the Federal Labour Agency (ESF-BA) was comparatively low, because most participants did not have the qualification measures needed to be eligible. However, the European Globalisation Adjustment Fund (EGF) contributed nearly EUR 12.8 million (EC, 2008) to finance counselling for up to five months after employees left the transfer company, as well as the peer group activities, training sessions and job search support (Eurofound, 2009).

Displaced workers received top-up payments to increase the legally required minimum short-term transfer payments from 60%-85% of their previous salary. In addition, an inducement bonus of EUR 24 000 was offered to anyone leaving employment with the transfer company prior to the end of the scheduled 12-month support period and a bridging payment of at least EUR 2 700 for each year of completed employment with Siemens was offered to individuals leaving the transfer company at the end of the programme but had not found employment.

The transfer company set up for the redundant workers in Munich, *Train Transfer and Integration GmbH*, provided training as well as counselling support until the end of May 2008 with the help of EGF funding. The support consisted of assistance with mobility, individual qualifications support, peer group activities, and assistance with business start-up ventures.

Peag Transfer, (i.e. the transfer company for the Kamp-Lintfort and Bocholt locations) provided transfer services for redundant workers at BenQ, at Kamp-Lintfort and Bocholt from 1 January 2007. Between 1 October 2007 and 31 May 2008, these measures were co-financed by the EGF, thus extending the usual availability of the assistance of transfer companies by five months. The programme included basic workshops including interview training and intensive support for example on business start-ups and the development of a business plan. The advice, counselling and training on business start-up were supported through specifically developed software. There was high demand for this service, probably reflecting the relatively high qualification level and experience of the workforce. The business start-up counselling and training was carried out with the assistance of the University of Ulm (Cedefop, 2010), which developed special teaching software for the courses. This was intended to accompany each step in the start-up preparation process, until the actual start of new business.

The rate of participants who started their own business from the Munich transfer company was relatively high at 8%. This high rate testifies to the quality and importance of the business start-up training package and the background of the displaced employees. In the other transfer company, *Peag*, 901 former BenQ employees had found employment and a low percentage, approximately 1%, of displaced employees had entered self-employment. The transfer company helped redundant workers considerably. By the end of May 2008, 90% of former BenQ employees had found new employment or become self-employed.

After several restructuring processes in recent years, Siemens has set up their own in-house venture capital arm. Innovations AG is a 100% owned subsidiary of Siemens AG, in which every Siemens employee is invited to pitch their business idea, which if accepted, is then treated as a start-up (Spiegel, 2015). In this way, Siemens offers their employees a chance to start their own businesses in a somewhat protected environment. Although it is not only connected to restructuring cases, Siemens places entrepreneurship opportunities at an early stage within existing employment, which could be precursor to an entrepreneurial path for possible future soon-to-be displaced employees. Siemens can also expand and extend their start-up platform to include soon-to-be displaced employees, who have not pitched a business idea during their full-time employment.

United Kingdom

Supporting the unemployed in entrepreneurship

In the United Kingdom, public and voluntary sector initiatives tend to offer financial support for business creation in tandem with coaching and counselling support. Often this support is managed by Local Enterprise Partnerships (LEPs), which were announced as part of the June 2010 United Kingdom budget (although LEPs were set up on a volunteer basis without any public funding).

The provision of financial support for self-employment and start-up activity is a central element of United Kingdom policies. The New Enterprise Allowance (NEA) is primarily aimed at unemployed people over 18 years old and looking to start their own business. Administered through the public employment service (Jobcentre Plus), unemployment benefit claimants can be referred to participating mentoring agencies in the private or third sector that subsequently place participants with independent voluntary business mentors who help in drawing up a business plan, which is then assessed by the same mentoring organization. If the business plan is approved and a start-up created, participants are eligible for an on-going state subsidy for the first 26 weeks of their self-employment. Participants could also apply for start-up capital loans of up to GBP 2 500 (approximately EUR 2 920), repayable over three years with a low interest rate (McGuinness and Dar, 2014).

The second major area of activity can be found in the Start-up Loans Company, launched in 2012 to promote self-employment as a viable career path. The scheme offers “human capital” support to potential start-ups by matching applicants with delivery partners in the private and third sector that aid in the development of business plans. Applicants, in conjunction with these delivery partners, can then apply for uncapped capital loans, repayable over five years at low rates of interest (average loan size GBP 5 353, or approximately EUR 6 250) (UK Prime Minister’s Office, 2013). These loans are funded by the Department for Business, Innovation and Skills’ Business Bank. Once operating, participants can access discounted products from a range of corporate clients and delivery partners who stay attached to offer on-going mentoring services. In total, the UK Government claims to have helped over 30 000 new businesses through the NEA and Start-up loans schemes (UK Prime Minister’s Office, 2013).

General initiatives in the UK aimed at developing start-ups include schemes designed to allow entrepreneurs to obtain loans, and schemes to obtain equity and/or venture investment (Department of Business, Innovation and Skills, 2013). For example the Enterprise Finance Guarantee (EFG) is operated by the Business Bank and offers a loan guarantee scheme to viable small companies, which have been refused loans by the

commercial market (Business Bank, 2014). Another scheme targeted at potential start-ups is the publicly funded Business Angel Co-Investment Fund (CoFund). Since 2011, CoFund has sought to make initial equity investments of between GBP 100 000 and GBP 1 million (approximately EUR 116 800 to EUR 1.2 million). The Seed Enterprise Investment Scheme (SEIS), developed in 2012, also provides 50% capital gains tax relief to individuals wishing to invest in small companies of less than 25 employees and with assets of less than GBP 200 000 (Business Bank, 2014).

All people impacted by redundancy are eligible to access the services offered by the Rapid Response Service (RRS). This offer is also available to those under threat of redundancy, those under notice and those who lose their jobs in companies, which are in the supply chain of a larger company making redundancies and those who lose their jobs in a location designated as having RRS status by Jobcentre Plus. Support provided includes helping workers to create CVs, advice on accessing benefits, identification of transferable skills and training needs, provision of training and assistance with mobility costs. Jobcentre Plus also provides on-site counselling, referrals to other agencies, information and advice about job vacancies and training opportunities, skills and training need analysis, training and one-off payments for expenses associated with obtaining new employment.

Case study: Anglesey Aluminium, 2009

Anglesey Aluminium Metal Ltd. was a joint venture between parent multinationals Rio Tinto Group and Kaiser Aluminium. It was formerly one of the largest employers in North Wales, employing 540 people. Aluminium production started in 1971, with up to 142 000 tonnes of aluminium produced annually. It closed in September 2009, resulting in more than 400 redundancies. The escalating cost of electricity and the failure of the Anglesey Aluminium to secure an advantageous long-term agreement with the power supplier were the principle reasons for the closure decision. Prior to its closure, the plant benefited from a preferential agreement with the power company, which ended in September 2009. There was a high level of trade union membership at the plant and the union was fully involved in the consultation process following the announcement of the restructuring (Cedefop, 2010).

The local Anglesey Council was responsible for setting up a redundancy response group with all of the key stakeholder organisations, which were Jobcentre Plus, Careers Wales, the company itself, the trade unions and the Citizens Advice Bureau. The emphasis was on individual re-skilling and re-training.

The responses reflected the approach to regional regeneration as set out in the Welsh Assembly Government (2007) strategy document *One Wales*. The package of support on offer included help under the Welsh Assembly Government's ProAct scheme which is operated by Careers Wales. Support includes up to GBP 2 000 (approximately EUR 1 170) per employee towards training costs; a wage subsidy of up to GBP 2 000 (at a daily rate of GBP 50, or EUR 58) per employee while undergoing training; and one-to-one expert advice particularly geared to providing individual training plans. The second, and complementary programme, Redundancy Action Scheme (ReAct), operated by Careers Wales and Jobcentres Plus, is a training programme to assist individuals to increase their skills and remove barriers to returning to work, providing up to GBP 1 500 (approximately EUR 1 900) worth of training (Dobbins et al., 2014). The ReAct scheme also receives support from the European Social Fund.

In the United Kingdom extensive use is made of "outplacement companies", which are usually small recruitment consultants, as part of a collaborative package of measures

combining the company's own resources and those of the Jobcentre Plus and careers advisory services. There is a generally high level of collaboration between the agencies in delivering the support package. Partnerships between companies, public employment services, guidance providers and training institutions are crucial to provide a comprehensive range of support services to redundant workers and employees at risk of redundancy. The outplacement company chosen was DBM, a private sector firm that specialised in providing customised support to displaced workers. DBM was selected by an in-house company tendering exercise, a requirement of which was that support in the Welsh language should also be readily available (Dobbins et al., 2014). The company had one-stop shop drop-in facilities on site where workers could access information and advice from the (national) careers advice supplier (Careers Wales). The scale of the job losses also meant that the ReAct scheme could be engaged and organised.

The company developed a range of support services that reflected the needs of its employees and the wider community in which it operated (as it had also been an important indirect provider of jobs in the area). A key feature of the support provided to displaced workers was its comprehensive nature, including information provision, advice and guidance being offered in all eventualities covered, whether it was early retirement, retraining, job search (within the broader company group or externally), or self-employment. Bringing public and private providers together and expecting a high degree of collaboration was a bold attempt at combining the best of services from both types of provider. Although the co-operation caused tensions, with encouragement from the employer and a willingness on all sides to work out complementary activities, it provided an enhanced service in terms of quality and range. The employer and the support agencies combined efforts to identify possible job openings elsewhere, including in other regions and internationally.

In Anglesey Aluminium there was considerable interest in the self-employment option and so the company offered some workshops and training on site at no cost. This allowed displaced employees to explore the potential of their business ideas. Some additional training, as well as starting-up financing, was available through the Welsh Assembly Government's ReAct. In addition, the company had a large site that it offered to employees who started their own businesses, as much of it would be underused over the medium-term.

The outcomes of the self-employment support were not monitored but it appears that the results were mixed (Cedefop, 2010). Only a small number of employees chose self-employment, of which most were in unrelated sectors, e.g. fishing businesses and taxi firms.

Lessons from case studies

- The case studies of restructuring events in Finland, Sweden, Germany and the United Kingdom point to four key success factors in helping displaced workers transition into self-employment: effective partnerships between all actors involved; timely interventions; leadership from the local government; and developing a suite of well-designed programmes that match the context and needs of the displaced workers.

There are a number of factors that underpin the general approach to providing support across the case studies, the most significant of which are the national and local provisions addressing redundancies, the resources of the employer and its willingness to spend on

support provision and the status of public provision of support services for entrepreneurship and unemployment in general, especially the public employment services.

In the four country cases responsibility for displacement response has been generally led by the companies (Table 8.4). However, adjustment to the job losses caused by enterprise restructuring is not an issue wholly for company-level practice. Individual adjustment processes may also be led by public agencies, such as within rapid-reaction arrangements, to limit social and economic disruption.

Table 8.4. **Overview of case studies**

Company Case	Nokia Bridge Programme	Astra Zeneca	Siemens-BenQ	Anglesey Aluminium
Country	Finland	Sweden	Germany	UK (Wales)
Company-led initiatives	<ul style="list-style-type: none"> • Early warning given • Knowledge -Technology transfer spinoff system initiated • Company provided start-up training and counselling • Company provided start-up funding • Company gave severance pay • Company-backed Bank guarantees 	<ul style="list-style-type: none"> • Early warning given • Knowledge -Technology transfer spinoff system initiated • Company provided start-up training and counselling • Company gave severance pay • Company-inspired use of Triple Helix support with local research institutes and incubators 	<ul style="list-style-type: none"> • Early warning given • Transfer company formed • Knowledge -Technology transfer spinoff system initiated (Munich) • Company provided start-up training and counselling • Company gave severance pay 	<ul style="list-style-type: none"> • Regional mobilisation by the local council (government) • Financial support from regional government (Wales) • External consultants used • Entrepreneurship training
PES and public agency led support systems	<ul style="list-style-type: none"> • <i>MuutosTurva</i> – Change Security system imposes mandatory proactive policy on company • PES offer unemployment benefits • PES-sponsored training available • Public Start-up grants available 	<ul style="list-style-type: none"> • Mandatory proactive policy on company • PES offer unemployment benefits • PES-sponsored training available • Job Security Councils (JSCs) offer advice and counselling • Public Start-up grants available 	<ul style="list-style-type: none"> • Mandatory proactive policy on company • Transfer companies PES offer unemployment benefits • PES-sponsored training available • <i>Einstiegsgeld</i> and <i>Gründerzuschuss</i> subsidies 	<ul style="list-style-type: none"> • Access to National Rapid Response Service • PES makes unemployment benefits available • PES sponsored training available • Government sponsored business bank offers start-up loans
Case success factor	Mobilised internal expertise in the form of licensed IP and tacit knowledge of expert workforce	Mobilised internal expertise in the form of licensed IP and tacit knowledge of expert workforce and partnered with local research institutes and incubators	Establishment of the transfer companies through company, PES and local government partnership	Strong partnership between local government, PES and company, backed by regional national (Welsh) government funding

Effective partnerships

Working relationships, including clarity in roles and responsibilities, before restructuring, are among the success factors for partnership arrangements. In the German transfer company and AstraZeneca cases the development of working arrangements, resource allocations and delivery structures for supporting soon-to-be-displaced employees were vital, together with other services in the context of large redundancies.

Restructuring has had particular significance for the German labour market after reunification. Policy in the last decade has increasingly favoured proactive mandatory measures. Social partners have to agree on a social compensation plan (*Sozialplan*) which locally defines the procedures of restructuring and assistance to be given to affected workers, and which then constitutes enforceable rights for employees subsequently affected. As in Sweden, although differently focused, labour and social laws establish the framework for such agreements subject to some minimum requirements.

The transfer companies in the German example (i.e. Siemens) were legal entities (*betriebsorganisatorisch eigenständige Einheit, beE*) set-up to support redundant workers by the

key stakeholders (i.e. the company, trade unions and local government). In Wales, the combination of the ProAct and ReAct programmes was put in place by the Welsh Assembly so that subsequent redundancy situations could be supported. The key issue was to reach an agreement among social partners prior to the redundancy situations. It was also important that early warning mechanisms were in place to minimise and defer “permanent” job losses.

Timeliness

To minimise the negative effects of firm restructuring, the restructuring company should inform the local PES about upcoming redundancies as soon as possible and then co-operate with the available public support mechanisms to help displaced workers back into work. Common practice has been to inform the local PES along a certain time frame and this is required by employment legislation in many countries (e.g. in Finland and Sweden). This mandatory role of the company to disclose an “early warning” means that an early warning network can then be activated to include the company and local, regional and where needed, national response to minimise the impact of displacement on the workforce.

Displaced workers are easier to assist while they are still employed or in their notice period than after they have been unemployed for several months and it can take substantially less time for displaced workers to find new jobs when they have access to early intervention services, especially when they are delivered on site. In the German, Finnish and Swedish case studies, the companies were actively encouraging displaced staff to take their time in making the transition and not requiring them undertake their “normal” job. The United Kingdom case allowed staff that had effectively left the company back on to the site with an on-site drop-in centre remaining open for at least three months after the end of the statutory consultation period. These actions seek to ensure that there is a good fit between the worker and the job when the worker returns to work.

Local leadership

A rapid local or regional response (e.g. Nokia, AstraZeneca, Anglesey Aluminium) should provide leadership and support and help employers and worker representatives implement comprehensive worker assistance programmes at the company including an advice centre with on-site services. This could take the form of a one-stop shop as a business promotion and support centre whose core activities should include the delivery of locally-based consulting services to formulate and select “bankable” projects, provide follow-up and counselling and guidelines and procedures to facilitate access to credit and incentives.

The PES needs a willingness and ability to work with private agencies engaged and funded by the employer. In one case (Anglesey Aluminium) there was an initial degree of tension between the private outplacement agency and the careers service provider but, under the encouragement of the employer, they managed to establish some clear lines of demarcation, setting the basis for collaborative working that then proved effective (Cedefop, 2010).

The use of resource centres on employers’ premises to support employees was critical in the case studies of the use of resource centres on employers’ premises to support employees. This approach is also used in restructuring processes in Lithuania (i.e. Mini Labour Exchange). Setting up on-site local agencies (worker assistance resource centres) can improve rapid response strategies (ILO, 2013), which could be seen in the Siemens’ example where employees from the PES work alongside Siemens’ employees for six months to understand the work of the transfer company. This can be done through a form of the

German transfer companies (which only exist in Germany at this point), or with the support of a JSC-style organisation as in Sweden or through career management consultants.

Responses should be co-ordinated among the different institutions and organisations offering training, and coaching. In the cases, the lead for this has been taken by the companies themselves although the German *Agentur für Arbeit* (i.e. PES) was proactive as, was ReACT in Wales. Particular response successes were seen with the Job Security Council system in Sweden, the Transfer company system in Germany and the Change Security system used in Finland.

Promoting and supporting entrepreneurship

The Nokia Bridge and AstraZeneca cases show the value of informing employees facing redundancy of self-employment as an option and the making available of related training and financial support to employees interested in transition into self-employment. Displaced workers are not a homogeneous group and guidance support should provide for at least some customised element in differentiating support to individual needs and circumstances. All programmes should adapt core interventions such as training, access to finance, signposting information, advisory and mentoring services, and networking

Financial advice should provide information including funding sources, benefits available and implications. In Nokia Bridge, information was provided on start-up grants and other potential sources of financing. Early decisions on start-up funding in the company programme, certainty about eligibility and brokering connections with potential customers and investors helped in the Nokia Bridge and the AstraZeneca cases, as did Nokia being a guarantor for new business loans. Direct grants, interest-free loans and the provision of guarantees may be combined in very different ways. One key recommendation that came out of the Nokia Bridge programme which is repeated in the AstraZeneca case is the value of encouraging and allowing groups of soon-to-be displaced employees to work together as start-up teams.

Knowledge spill-overs provide the possibility to start a new business as an external corporate venture with a continuous connection to the parent company. In R&D intensive enterprises, numerous future-oriented technologies often arise, which cannot all be exploited in the parent company. These technologies and processes may be explicit intellectual property, which could be licensed, or they may be a form of tacit knowledge within the employees. The entrepreneurial spin-offs in AstraZeneca were more based on tacit knowledge as compared to than official, patented IP (Nokia was a combination of the two). Accumulated work experience that employees gain during their career is an important source for the generation of new business ideas as work experience exposes people to unique insights to customer problems and needs, viable markets, product accessibility and competitive resources that eventually influence their ability to spot an opportunity for a business idea (Gabrielsson and Politis, 2012).

Individuals and teams within the company programmes should be encouraged to work with company management to identify corporate venturing opportunities before redundancy and displacement takes place, which may arise from explicit or more tacit knowledge within the company.

The AstraZeneca and Nokia cases both provide a model of “semi” corporate venturing as the venturing is taking place partly within and then outside the organisation. Both AstraZeneca and Nokia cases suggest that particular restructuring cases should be targeted

as favourable for encouraging more entrepreneurial support, i.e. when there is a strong likelihood of creating world-class technology and knowledge spill-over start-ups as a form of internal-external, corporate ventures. Schumpeter's original term, "Creative Destruction" is being played out in these two cases (and to a lesser extent in the Siemens Munich example) as a form of "Creative Restructuring" and there may be a lesson here in the use of language. "Redundancy" implies that the displaced employees no longer have any use, whereas these creative restructuring examples illustrate a technology transfer project taking place driven by the company through talented and committed soon-to-be-displaced employees.

The AstraZeneca case went further in terms of open collaboration than the Nokia Bridge case in that a model using the resources of the Triple Helix was used which mirrors other technology (spill-over) start-up processes (not for non-displaced employees). A wider network of support organisations was used than the more traditional PES and government funding organisations, e.g. Uppsala Innovation Centre, Karolinska Institute of Science Park and Medicon Village in Malmö.

Conclusions

Self-employment offers a route back into work for a small number of people who are displaced as a result of large firm restructuring. The number of resulting entrepreneurial ventures is still relatively small in number compared to the actual number of individuals who face restructuring but there are certain conditions that lead to a relatively high rate of entrepreneurial take-up and success. These conditions relate to the type of business that the restructuring company is operating in and the competence and skill set of those facing displacement. This can be seen most clearly in the two different geographical and business unit site restructurings in the Siemens case where a high percentage of the software developers in Munich (8%) became entrepreneurs relative to 1% of the more general administrative staff in Bocholt and Kamp-Lintfort. In the AstraZeneca and Nokia cases the displaced workers have extremely market-competitive, tacit knowledge to exploit as entrepreneurs (as well as possible access to company IP) whereas in the Anglesey case, the displaced workforce had a far less valuable and exploitable competence set to turn into entrepreneurial opportunities and therefore their entrepreneurial efforts were more low-skilled and short-lived.

Enterprise proactivity, beyond meeting minimum statutory requirements, seems to be atypical. There are important exceptions, notably for some enterprises in Germany, Sweden and Finland. The exceptions have seen enabling legislation and established social partnership structures encouraging larger enterprises to be more proactive, developing and adopting collective solutions well in advance of restructuring. These exceptions are helped by national legislation that sets mandatory conditions on companies who instigate large-scale restructurings.

At the European Union level, different instruments support a transition from redundancy to self-employment in two ways: directly and indirectly. Direct supporting instruments are the EGF, including micro-credits for redundant employees entering entrepreneurship. Furthermore, the EU indirectly supports such a transition through the ESF, for example, providing funds for setting up transfer companies (as in Germany) that support displaced workers in becoming entrepreneurs. These types of supports have demonstrated successes and could be used more widely.

Notes

1. Earlier responses from the European Union include the EU Directives on Collective Redundancies (98/59/EC), European Works Councils (94/45/EC) and Directive 2009/38/EC, and Worker Information and Consultation (Directive 2002/14EC).
2. In Finland, employers have an obligation to inform the public employment services about forthcoming dismissals, as well as informing employees about their rights. This programme is called “Muutos Turva” (the “Change Security System”). When ten or more employees are affected, the employer must draw up an action plan together with the employees, or if less than ten are affected, the employer must explain to employees how the PES can help during the redundancy notice period. Employees are then entitled to additional, paid, job-seeking leave, prior to redundancy.

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