

Nokia dismisses 10,000 employees

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The world's former largest mobile phone maker, Nokia, is seeking to resolve its crisis by implementing a new wave of mass layoffs. Worldwide, some 10,000 will lose their jobs. In Germany, the research-and-development unit in Ulm is to be closed. In addition, Nokia's Canadian plant in Burnaby, British Columbia, will be shut down. The Salo factory in Finland, which was founded in 1979 and produced the first Nokia phone, is also to be closed.

The cuts and closures will save about €2.4 billion (US\$3 billion). Nokia CEO Stephen Elop said that a restructuring of the company was necessary to cut costs and maintain competitiveness in the long term. Earlier this year, Nokia reported a loss of €929 million. A year ago, Nokia had announced a profit of €344 million; however, this has not prevented the company from carrying out mass layoffs and closing plants.

In early February, the company announced it was cutting thousands of jobs and relocating most of its mobile phone production to low-wage countries in Asia. Approximately 4,000 employees in Finland, Hungary and Mexico were affected. Late last year, the plant in Cluj in Romania was closed. Just three years before, this plant had replaced production from the factory in Bochum, Germany, where 2,300 jobs were destroyed despite a fierce struggle by the workforce.

The Romanian workers received an average of only €220 per month. Although the Romanian government subsidised production by €20 million, only a fraction of the promised 4,000 jobs were created. Public money was also pumped into the Bochum plant.

Altogether, Nokia currently employs approximately 125,000 people worldwide. Most of them work for the network equipment provider Nokia-Siemens Network (NSN), which is also mired in crisis and had announced job cuts in January. NSN is slashing approximately 20,000 jobs worldwide and is also closing sites in Germany.

The reasons cited for the current layoffs and closure plans are the harsh competition in the smartphone market and the restructuring of loss-making NSN. For 14 years, Nokia was the world leader in mobile phones but has now been overtaken by Samsung. Nokia has been unable to stabilise its profits in any region worldwide. Sales collapsed by 35 percent in Europe and by 70 percent in China.

While mobile phone sales are declining globally, sales of smartphones are rising steadily. In sales of smartphones, Nokia is far behind competitors like Apple, Samsung and other manufacturers of Android phones. Nokia has decided to seriously scale back its production of mobile phones.

For this reason, the research-and-development centre in Ulm, with its 730 employees, which has mainly developed and tested mobile phones for sale in developing countries, is now deemed unnecessary. The devices tested there are still purchased in large quantities, but no longer provide the desired profits. In India, for example, such mobile phones can only be sold for the equivalent of a maximum of €20; smartphones, however, go for more than €500.

In Germany, the works council and IG Metall union have accused the company of abandoning the "New Nokia Strategy", which was launched with their support in 2011. Under this strategy, they had agreed to a restructuring of plants and staff reductions. In a press release, they now criticise the senior management in Finland for taking a scorched earth approach even before the strategy has begun to take effect.

In reality, the current mass layoffs are in line with the "new strategy", which the unions and works council signed off on and helped enforce against the employees: Company profits are to be increased at the expense of the workers through layoffs and the relocation of production to low-wage countries.

This logic leads inevitably to further attacks and

unleashes a downward spiral of wages throughout the industry. Nokia has long since announced plans to relocate production of the more expensive smartphones to Asia; plants in Hungary and Mexico will then be closed.

In addition to the announced closure plans and restructuring measures, Nokia is also to sell off its luxury mobile phone brand Vertu, produced at Church Crookham in the UK, for around €200 million to financial investor EQT to replenish funds in the company's rapidly diminishing coffers. The Vertu brand is known for its gem-encrusted mobile phones, for which rich buyers will part with more than €5,000.



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