Nokia Town Faces Dim Future As Jobs Shift To Asia

Matti Huuhtanen, Associated Press

SALO, Finland (AP) — Tomi Marjuaho repaired mobile phones for 10 years in the town of Salo in southern Finland, where Nokia, the world's top cell phone-maker, set up its wireless operations in the 1980s.

He took a severance package in 2010, as Nokia started hitting hard times, and has not found work since.

"I was the breadwinner in the family, and now it's difficult making ends meet," the 39-year-old said, at the local metal workers union club which is used by the town's unemployed as a meeting place. "It's the same story for so many people I know from Nokia days."

Salo — along with other Finnish towns inextricably linked to Nokia — is facing an uncertain future as Finland's most famous corporation shifts its mobile phone assembly to Asia.

Squeezed by fierce competition from Apple Inc.'s iPhone, Samsung Electronics and cheaper brands running Google Inc.'s popular Android software, Nokia has been forced to slash costs, primarily affecting its operations in Europe.

Nokia has already closed plants in Germany, Hungary and Romania; and now it's the turn of the Finnish assembly plant. Some 1,000 of the 3,500 jobs in Salo — which until recently was Nokia's flagship assembly hub — are being cut this year. The once-thriving technological center has already become a town of dusty, empty storefronts.

"The latest layoffs will hit us hard," said Salo's mayor, Antti Rantakokko.

He has a shiny office in a glass-plate and metal building that opened four months ago, partly paid for by Nokia's local taxes, which accounted for 95 percent of the town's corporate tax income that peaked at euro60 million ($78.85 million) in 2010.

"Nokia has been a status symbol for us, but more than that it has been a major source of income," Rantakokko said.

The company began as a paper-maker in the 1890s, and later made rubber products, cables and televisions before it came to Salo — a center for Finland's electronics industry since the 1920s — in 1983.

Nokia formed an alliance with a local radio and TV manufacturer, which led to the formation of Nokia Mobile Phones in 1989. Two years later, the company produced

its first cell phone.

Steered by chief executive Jorma Ollila, Nokia became the world's top cell phone maker in 1998 when it overtook Motorola Inc. in terms of sales — a major source of pride for a country that had struggled to rebuild itself after fending off Soviet invasion during two wars against Stalin's Red Army.

Nokia became Finland's largest firm, overtaking the paper and wood industry as an export earner and provided work for thousands. In 2007, it paid out a record euro1.2 billion ($1.57 billion) in corporate taxes to the government.

Nokia reached 40 percent global market share in 2008. However, sales quickly started to lag as the company suffered under the onslaught of inventive mobile technologies from the U.S., the world's biggest wireless market.

Profits swung to losses and the struggling company's tax payment dipped to some euro2 million last year.

"There's no denying it has been a great shock to the government, but there's not much they can do," said Jyrki Ali-Yrkko, from the Research Institute of the Finnish Economy.

Nokia's importance to the vulnerable, export-dependent economy was illustrated by the flood of aid the government swiftly earmarked to regions hit by the company's cutbacks.

Finnish President Sauli Niinisto, who hails from Salo, visited Nokia's plant here on March 20 in a display of support for the laid-off workers.

"We won't abandon our friends and we won't give up," Niinisto told reporters.

To the dismay of many Finns, Nokia has gradually loosened its ties to its home nation.

It remains headquartered in Espoo, outside Helsinki, but in 2010, it appointed a non-Finn to head the company for the first time when it named Canadian Stephen Elop as chief executive. That led to a major strategy shift last year as it joined up with Microsoft Corp., Elop's former employer, to replace Nokia's platforms with Windows software in its cell phones.

Nokia still employs 12,000 people in Finland, one-fifth of its global work force, and the company will maintain research and development, production planning and smartphone customization for corporate clients in Salo and two other plants in Finland, Nokia spokesman James Etheridge said.

"Finland has been and will continue to be critical to our success. The majority of the Windows Phone engineering and development team is in Finland," Etheridge said.

Nonetheless, Nokia has stuck to its decision to move all assembly jobs to its

factories in Asia, where it has two plants in China, and one each in South Korea and India.

Neil Mawston, from Strategy Analytics in London, said Nokia was one of the last big cell phone makers to shift assembly to Asia from Europe, following in the footsteps of Samsung, Motorola, and Sony Ericsson.

"It's the way things are heading right now, doing production in developing markets where there is the biggest pool of users on the planet, and R&D in developed markets," Mawston said Thursday. "Nokia has a good history of designing mobile phones in Finland for the past 30 years, so to continue to do that makes sense."

In 2008 Nokia employed 5,000 people in Salo — nearly 10 percent of the population — and provided work for 2,000 others among those in the IT industry who supplied it with components.

Mayor Rantakokko expects this year's corporate taxes to drop to euro14 million, mostly because of Nokia's decline.

Still, he is hopeful. The government has provided the municipality with an extra euro5 million over two years to deal with the impact of Nokia's downsizing.

"The layoffs are a bitter blow but we can't let it get us down," Rantakokko said. "Nokia will still have 2,500 workers here and will remain important to us."

"There is a technical pool out there, soon out of work, and the challenge will be to find a use for it," Rantakokko said.

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