Massive job losses hit British industry

Chris Talbot
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A report by the Confederation of British Industry (CBI) predicts 27,000 job losses by the autumn and warns that the British economy is 'in the recession zone.' Manufacturing orders have fallen in every region over the last four months and were expected to continue falling.

The report details the loss of 12,747 jobs in manufacturing industry since the beginning of the year. The latest jobs to go are 500 at British Oxygen Company (BOC), the industrial gases group, 670 at the American-owned crane manufacturer Groves, 270 at Molins, which makes machinery for the cigarette industry and 200 at a Royal Ordnance munitions plant.

This follows headline reports in the last weeks of 1,500 jobs going at car manufacturers Rover, owned by BMW, and 1,100 jobs at the German electronics firm Siemens' Tyneside factory. The Queen had officially opened the £1.2bn Siemens plant just over one year ago. It received a £50 million grant from the government and was given huge publicity as the centre of new technology jobs which would replace the disappearing traditional industries such as ship building and engineering in North East England.

The AEEU engineering union predicts that as many as 200,000 manufacturing jobs are at risk, particularly in small scale companies which are likely to go broke. Motor industry analysts are warning that more than 15,000 jobs are at risk in the automotive components industry. Decisions by Rover, Nissan, General Motors and Leyland Daf to buy components at lower costs overseas are being cited.

Manufacturing now accounts for only a fifth of the British economy. Industry bosses and trade union leaders have made repeated calls for interest rates to be brought down and complain that the high value of the pound, which has risen by 30 percent against the Deutsch Mark over the last two years, has hit British exports. Rover management said that their productivity and exports had increased since BMW took over in 1994 but they could not 'compensate for the distortion in trading conditions' caused by the high pound.

Since 1992 when the financial markets forced the pound out of the European Exchange Rate Mechanism tying it to other European currencies, sterling has floated in the currency markets. Its present high value is primarily due to investor concerns at possible instability in the other European Union currencies as they combine next year in the euro--the European single currency.

Latest accounts, however, are citing the Asian crisis as the root cause of Britain's woes. Manufacturers in the CBI report cited 'political and economic conditions abroad' as a growing factor in their difficulties.

Siemens' closure of its new Tyneside plant was entirely due to competition from Asia. In this case the value of the pound was irrelevant since chips are traded in dollars. It was hit by the huge fall in the world price of semiconductor chips and the glut in the market. When the decision to build the plant was made, the 16-megabyte DRAM chips it was to produce were selling at $60 each. Their current price is down to about $1.50. This is due primarily to competition from Korean companies who have 40 percent of the world market, taking advantage of the region's currency collapses to boost exports.

BOC, which is shedding 3,700 jobs world wide, 10 percent of its workforce, also reported falling sales throughout the Asian market where it had recently expanded. One of its main products is the vacuum pump used by chip manufacturers that have been particularly hit in Asia.

This week manufacturing bosses and union leaders from the Northeast wrote an open letter to Prime Minister Blair warning of job losses and calling for action on interest rates. The Institute of Directors demanded that the government 'tightens fiscal policy'--i.e. cut welfare spending--so that interest rates could be brought down and the pound's value lowered.

The Labour Government has refused to countenance this type of intervention. Interest rate levels are now fixed by the Bank of England, a decision made by the incoming Labour government last year to guarantee that the rate was decided by the demands of global competition. Interest rates must be kept high to 'squeeze inflation from the system' in the words of Chancellor Gordon Brown. In opposition to these calls, Brown stressed the need for further attacks on the workforce. 'The one factor I have been drawing attention to all the time these last few months is wages', he said, calling for 'leadership from the boardroom' in opposing wage claims.

As well as holding down wages, the government has repeatedly demanded higher productivity from workers as the only answer to global competition. A recent London Business School analysis showed that productivity was still growing at 4.4 percent a year from 1993 on top of the huge increases made in the 1980s, disputing the official government view that low productivity is the problem in British industry.

Brown stated in an interview to the *Financial Times*: 'It is a hard and difficult road for Britain because we are breaking free of the short-termism which has bedevilled this economy for 30, 40 years,' he stated. 'Unless we face up to the fact that we have a productivity gap with our competitors, then we as a nation will be failing to meet the challenges of the future.'

Brown was supported by a scathing *Financial Times* editorial on July 24 which attacked the industrial sector: 'Here they come again: the old lags of British industry--Rover, ICI and the rest --limping up to explain how the strong pound has crippled their business. Rover threatens job losses, while ICI's shares plunge. No doubt all those companies will be pressing the government for help. Also without doubt, they should be sent away.'

Labour and their backers from the world of finance capital are making clear to British industry that to survive in the world economy they will have to go much further than under 18 years of Tory rule--when over a million manufacturing jobs were wiped out and low wages and record productivity made Britain the most attractive site for inward investment in the European Union.

Without drastic attacks on wages and working conditions, as well as mounting job losses, this central strategy of British capitalism--acting as a cheap export platform into Europe--will be in ruins.

At the moment 40 percent of inward investment into the European Union goes into Britain. Last year the United States alone invested £9.4bn in Britain compared with only £5.1bn in the rest of Europe. But already the Asian crisis is making an impact on future investment in Britain. As well as Siemens, there are doubts about the future of the South Korean LG semiconductor plant due to open in Wales at the end of this year. If the plant fails to open some 1,700 will be without a job. Hyundai Semiconductor has also decided to postpone indefinitely a £3bn investment in a memory chip plant in Scotland that would have employed 2,000 people.

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