BMW/Rover to axe thousands of auto jobs at Longbridge, England

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Auto workers at Rover's West Midlands Longbridge plant face thousands of job losses in the next few months. The axing of up to 3,000 jobs, or even the possible closure of the plant, was announced on October 20 at the Birmingham International Motor Show where the company's new model, the Rover 75, was being showcased.

German transnational BMW, which now owns Rover, employs 39,000 workers at four sites in Britain with about 17,000 of these jobs at Longbridge. BMW chairman, Bernd Pischetsrieder announced a freeze on a £2bn investment package at Longbridge and said that the workforce had to close a 30 percent productivity gap between Rover and the company's BMW factories in Germany. Pischetsrieder warned that, 'The shareholders of BMW can't be prepared to spend money in a business that hasn't a viable output and therefore the productivity gap has to be closed.'

Pischetsrieder said that £150 million in cost-cuts had to be achieved annually for the next three years. He also announced that BMW may now decide to develop and produce the new Mini, due to be launched in 2000, at Rover's Cowley plant near Oxford, rather than at Longbridge as originally planned.

The workforce at Longbridge consists of 11,000 production line staff and 6,000 engine assembly workers. The factory is the biggest in Birmingham and the largest car plant in the UK. Fifty thousand work in firms supplying Longbridge. These jobs are now jeopardized.

Since buying out Rover four years ago, BMW has invested £2.5bn in the firm, which exports its cars to 130 countries world-wide. In the last two years, the company has been hit by the high value of the Sterling. This has reduced its sales outside Britain and cut its share of the British car market. The company said a 30 percent drop in the competitiveness of the pound since 1996 negated recent productivity increases. The Longbridge plant primarily produces the Rover 200 and 400 Series and these models have struggled to compete against a growing number of relatively cheaper car imports.

The latest job losses follow a number of redundancies and cut-backs made by the company already this year. In July, BMW announced 1,500 job losses, including the lay-off of contract workers, at Land Rover's Solihull plant, also in the West Midlands, and the introduction of a four-day week. Those 1,500 jobs have already gone.

BMW has also made plans to shed thousands of engine-assembly jobs at Longbridge. The company is building a new engine plant at Hams Hall near Birmingham, which will supply engines to both BMW and Rover from the year 2002. Some 6,000 engine assembly jobs at Longbridge face the axe as the new plant will only employ 1,500. Longbridge workers transferring to Hams Hall will face new and inferior contracts.

Prime Minister Tony Blair endorsed BMW's crackdown on its staff following a meeting with Pischetsrieder. Posing for photos at Downing Street with the new Rover 75, Blair said of the company's proposals, 'Rightly they've put in the investment. Rightly they'll want to see the benefits of reform.' Later in Parliament Blair said, 'Of course there is a problem at Longbridge and we will work with management and unions and others to try to deal with it. That problem is a problem mainly of productivity which we have to tackle if we're to make our industry competitive.'

The government has precluded a bail-out of Rover using state funds. Department of Trade and Industry Secretary Peter Mandelson stated, 'ultimately it is for the company to rise to the challenge and to ensure that Rover continues to thrive in the global marketplace. Without question, everyone will have to share in the burden of finding this solution, shareholders, management, workforce and suppliers.'

The 'burden' Mandelson is referring to will not be met by top managers and shareholders but will be shouldered by the workforce at Longbridge and throughout the Rover group. Staff will be made to sign new flexible contracts enabling the plant to be kept operating for longer hours, at no extra cost to the company. Some of the measures being suggested include a wage-freeze, scrapping overtime payments and bonuses, altering shift patterns and rearranging holidays to prevent the annual summer shut-down. Another scheme being circulated is for employees to work extra hours for nothing--with the time banked and used in periods of low production! In total this could mean a pay cut of around 25 percent for workers whose present basic salary is only £16,000 a year.

Many of these measures have already been carried out at BMW's plants in Germany. In 1986, the company built a new £400m factory there to produce its 3 Series models. Workers had to sign 'super-flexibility' contracts and the factory operated for 99 hours a week instead of the 80 hours at its other plants. BMW attained this at no extra cost. The length of workers' shifts was increased and longer breaks introduced between them. Weekly hours worked were reduced from 40 to 38, whilst overtime pay for evenings and Saturdays was abolished. BMW then introduced similar contracts into all its other plants in Germany.

Today, BMW factories in Germany are 30 percent more productive than the Longbridge plant. When BMW acquired Rover this figure stood at 50 percent. In a recent survey carried out by the Economist Intelligence Unit, Longbridge ranked number 26 in the list of Europe's top 30 most productive car plants. The workers there produce 33 cars per man-year, which is the same level as Skoda workers in Mlada Boleslav in the Czech Republic. This compares with Nissan's plant in Sunderland, England, which produces 98 cars per man-year and GM in Eisenach, Germany, which produces 77.

To implement these productivity hikes, job losses and cuts, Rover has once again called on the trade unions to collaborate with it and has called for the support of the government. Hasselkus said: 'We need to make a decision on the new Mini soon and we will stick to Longbridge if government, unions and shareholders come to the party to discuss how we can successfully get costs out of Rover.'

Following the job losses in July, Transport and General Workers Union (TGWU) auto negotiator and Chairman of the Joint Unions Committee at Rover, Tony Woodley said, 'We have to be pragmatic. There are genuine difficulties and trying circumstances. We have got to give assistance, as every responsible trade union would.'

In response to the present announcement, Woodley said that BMW had told the unions that job losses were imminent. He went on to apologise for the company saying they had a 'short-term cash and confidence problem'.

After the BMW acquisition of Rover, it established a new contract, known as the Rover New Deal. This introduced flexible working and temporary short-time contracts and resulted in wage costs half that of BMW's German operations. The unions argued that a worsening of working conditions and pay cuts were the only way to safeguard jobs. The latest threat to the Longbridge plant shows that the Rover New Deal failed to save any jobs and has laid the basis for its closure.

See Also:
Auto workers face layoffs at GM's German subsidiary
[4 August 1998]
Global changes in auto industry underlie struggle over jobs
[16 June 1998]