UK-Dutch steel giant Corus cuts 4,000 jobs

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25 July 2000

The UK-Dutch steel giant Corus announced on Friday that it will axe a further 1,300 jobs over the next year, many at its Welsh plants.

In the last month Corus has announced a total of nearly 4,000 job cuts at its UK plants. Some 1,200 jobs are to go at factories in Scunthorpe and Teesside, northern England, and in June the group announced 1,400 layoffs in Sheffield and Rotherham, South Yorkshire.

Corus is the largest steel manufacturer in Europe. The group was formed last year from the merger of British Steel and Hoogovens of the Netherlands. The steel conglomerate had initially warned that between 2,000 and 3,000 workers would lose their jobs following the merger, but the scale of the cuts is proving higher than expected. On top of the UK losses, 680 jobs have also been cut in the Netherlands.

The new cuts will affect the Corus Iron, Corus Strip Products and Corus Light Strip Products plants at Port Talbot with 400 job losses and at the Llanwern plant where another 450 jobs will go. Corus Colours will lose 150 jobs across the country, and at Corus Packaging 300 jobs are to be destroyed, predominantly at its Ebbw Vale plant.

The group blamed the job losses on the high value of the pound. Corus manufactures a variety of flat steel products for the car industry, construction, engineering, domestic appliances and packaging. Approximately 50 percent of its UK output goes to the European market, but its share has declined by 25 percent in recent years. The group says that to offset its competitive weakness, due to the concentration of its manufacturing in the UK, the pound would have to be devalued by some 10 percent.

Nick Cragg, managing director of Corus Strip Products, said, “The job losses form one of a number of measures we are taking in order to reduce our costs.... In a business where we and our customers rely significantly on exports to mainland Europe, we have seen our financial position seriously eroded. We have to reduce our costs and become more efficient in order to secure a viable future.”

The latest round of job cuts will not be the last. A company spokesman said, “From the 33,800 employees in March, there will now be 4,000 fewer, plus the synergies we will see in white-collar areas.” He went on, “Further downsizing can't be ruled out. We have done this rather than closures, but further measures may be necessary.”

Britain's manufacturing industry has recently seen a spate of job losses that have similarly been blamed on an over-valued pound making UK exports more expensive. In the last year, 95,000 manufacturing jobs have been lost in the UK. Just 15 percent of the total workforce are now employed in manufacturing.

The Corus announcement follows thousands of job cuts in the car industry at BMW's former Rover plant in the West Midlands and Ford's Dagenham plant. Both car producers also blamed these losses on the UK's competitive disadvantage against its major European rivals caused by the relatively high value of the pound.

Predictably, the trade unions' reaction to the latest job cuts in steel was to fall into line with employers' demands for the Blair government to devalue the pound and make immediate plans to sign up for European Monetary Union. The Blair government has so far refused to take a firm position in support of adopting the euro, fearing that the precondition of establishing a fixed exchange rate between sterling and other major European currency's would expose the weakness of the UK economy.

The trade unions are the main champions of the interests of manufacturing capital. Responding to the Corus announcement, engineering union AEEU General Secretary Sir Ken Jackson said “The strong pound is the main problem for Corus, but cutting jobs is not the answer. If the pound falls we won't have enough skilled people to increase production.” Michael Leahy, general secretary of the Iron and Steel Trades Confederation (ISTC), said, “Steelworkers have done all they can to make Corus the most productive steel company in the world. Now it is up to the Government and Corus to see whether we are going to have an industry that is a real world beater or one broken apart.”

The unions complain that the UK's advantage as a cheap labour platform is being undermined by the Blair government's lack of coherent strategy on the euro. Earlier in the week, TUC General Secretary John Monks had called for the Labour government to agree a level of entry for the pound into the single currency of DM2.65 as against its current rate of DM3.17. His remarks followed calls by the Confederation of British Industry for a UK entry rate to the euro of DM2.85. Monks said that the CBI's preferred rate was “the upper edge, the top end”. The ISTC has said it plans to organise a series of “crisis summits” early this week to draw up an alternative plan to the redundancies, based around Britain's entry to the “euro zone”.

The statements by Rhodri Morgan, Labour's First Secretary in the Welsh Assembly, were even more explicit. He effectively called on Corus to make the cuts elsewhere. Appealing for Corus to “look seriously at its future strategy for the European steel industry”, he said that, within this framework, the Group should “recall just how profitable their Welsh steel plants are, when currency rates are at normal levels”.