Motorola closure heads new wave of European mobile phone job losses

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Motorola announced its intention April 24 to close its Livingston plant in Scotland with the loss of 3,100 jobs. Workers at the ten-year-old plant now face the same pressures to find new work and avoid crushing debts being imposed on hundreds of thousands of workers globally in the mobile phone industry.

The ailing corporation—hit by saturation in the mobile phone market combined with ferocious competition from its rivals Ericsson, Nokia and Siemens—has seen its profits collapse. After more than a week of deliberation, the company ignored all the blandishments and pressure from the Scottish Executive and the Labour government to close a plant in Germany instead, or at least delay the decision until after the expected June 7 general election in Britain. The Livingston plant will be gradually closed down over the next six months. According to press reports, the government may seek to try and claw back some $23 million in grants paid to the company when it opened the factory.

Scottish Enterprise Minister Wendy Alexander was careful not to criticise the company when announcing the decision to the Scottish Parliament, mindful of the need to maintain relations with Motorola, which still has several other Scottish-based operations. She did, however, make a passing reference to the British government's negotiating position that the Livingston plant should not be closed since it was more productive than their factory in Germany. Alexander noted that Motorola had "gone against the very strong track record of the Livingston operation in terms of efficiency, profitability and the quality of the Scottish workforce."

The decision to shut the Livingston plant is the latest in a series of large-scale closures to hit the area, reflecting fundamental changes in the patterns of production. Up until the mid 1980s, major employers in the region included a large British Leyland truck and tractor factory at nearby Bathgate, and Polkemmet Colliery. The Leyland factory opened in the 1960s as part of a regional policy of distributing production facilities around areas of high unemployment. The Bathgate plant was eventually closed in 1986, as part of the privatisation of British Leyland. Polkemmet Colliery, which had been open since 1913 and at one stage employed 1,400 workers, closed the same year in the aftermath of the defeat of the 1984-5 British miners' strike.

The Motorola plant was opened in 1991, attracted to the area through the efforts of the numerous investment agencies that sprang up from the late 1970s onwards to promote the advantages of the cheap labour available in Scotland. The Livingston/Bathgate area is the heart of "Silicon Glen"—the concentration of electronics production and assembly operations stretching along the M8 motorway in central Scotland—and Motorola was its flagship. The company is Scotland's largest manufacturing employer, with another smaller operation in Livingston and a semi-conductor facility in the East Kilbride area.

The loss of the Motorola plant is a further serious blow to the promise that the "new economy" would provide for stable and high levels of employment. Instead, "Silicon Glen" has become synonymous with temporary employment contracts, low pay, dangerous chemical-laden working conditions and factories that close overnight.

Media commentary on the closure decision has focussed on negotiations between Motorola, British and German government officials. While celebrating the high productivity achieved by Motorola workers in Livingston, the press conclude that the tax regime in Germany allowed the company to save more in tax write-offs than the profits it could accrue from the reportedly higher productivity of the Scottish plant.

The *Glasgow Herald* suggested that as much as $728 million of Motorola's losses were going to be written off by the German government against tax, which the British government decided it could not compete against. However, one report claimed that the gap between the British and German counter-claims were as low as $144 million.

Trade union officials pointed to the differences in employment laws between Britain and Germany. They noted that Foreign Secretary Robin Cook, who is also the MP for a local Scottish constituency, was blocking EU directives requiring companies to go through a token consultation process before closing plants.

Differences in British and EU tax and labour laws may have played a part in Motorola's decision to close the Livingston plant, but to focus on this misses the central point. Motorola's Flensburg plant in Germany is also by no means secure. Mobile phone suppliers worldwide are drastically cutting jobs and downgrading profit forecasts. Opened in 1998 with an agreement that it should remain open until at least 2003, the Flensburg factory has already sacked 400 of its 3,000 workers this year. One report suggested that the plant had only been given a three-month reprieve.

The entire European mobile phone market is undergoing drastic upheavals. On April 26, German-owned mobile phone producer Siemens announced 3,500 job losses, on top of 2,600 already underway at its IC Mobile subsidiary. Siemens is one of the smaller companies in this field, with a seven percent share in the mobile phone market. It had experienced a "sharp price erosion" over the last period, prompting company CEO Heinrich von Pierer to tell the *Financial Times* that it was necessary, "in this situation to refrain from making concrete forecasts for the next two quarters." The company's mobile phone division lost $129 million in the last quarter. The job losses already announced affect workers in Kamp-Lintfort and Bocholt in northwest Germany and Leipzig in east Germany, where 25 percent of the workforce on temporary contracts will not have them renewed.

The same day as the Siemens announcement, French-owned Alcatel announced its intention to abandon mobile phone production entirely. Following the decision by Swedish producer Ericsson to hand over its entire manufacturing capacity to US-based Flextronics, Alcatel is implementing a restructuring programme in which its plant in Illkrich will be handed over to Flextronics, while another in Lavall will be converted to fibre-optic production. 1,660 workers are involved.

Within the last fortnight, Ericsson itself unveiled 12,000 more job losses on top of the 10,800 announced earlier in the year. Ericsson CEO Kurt Hellstrom described conditions in the mobile industry as "the fastest dive in our industry that we have ever seen".

Ericsson workers across Europe will suffer, particularly in Sweden and in the UK, where plants in Guildford, Scunthorpe, and Carlton face closure or substantial cutbacks. Shortly after the job cuts decision, Ericsson announced a deal with Japanese firm Sony to create a joint subsidiary to compete in the already ferocious battle for “third generation” mobile devices, capable of receiving video streams to a cell phone and offering the potential for “always on” internet connectivity.