

Britain: Job losses mount and personal debt increases

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After much talk of the UK spending its way out of a recession, the government was forced to issue a statement Monday urging the public to think carefully before borrowing money or buying on credit.

UK consumers owe more than £700 billion and almost 23,000 homes were repossessed by mortgage companies last year. "Obtaining credit is becoming ever easier for UK consumers, but escaping debt problems is a much harder and more challenging prospect," said John Vickers, the director general of fair-trading.

"By shopping around and taking time to think through the consequences of entering into a credit agreement, you can help to avoid debt problems occurring in the first place."

The hypocrisy of the warning will not be lost on informed readers, coming as it does just days after the Bank of England slashed interest rates to a 37-year low of four percent, to encourage consumer spending and boost the economy.

The Keep Debt Under Control campaign seeks to encourage people to shop around for good offers, saying there is a wide gap in the deals companies provide. A recent analysis of standard borrowing rates for credit card purchases showed they ranged from eight to 22.4 percent, with some high street store card rates as high as 31.9 percent.

"People usually borrow money when they want to pay for something like a family wedding or a new car, but although the thought of achieving this goal is exciting they need to think about the long-term cost of any debt they incur, and take time to understand what they are letting themselves into," said Baroness Wilcox, president of the Trading Standards Institute.

The picture painted by Wilcox of the source of debt being the occasional extravagance is far from accurate.

In reality, millions of workers throughout Britain are borrowing on a week-by-week basis, simply to get by. A situation that can only worsen in view of recent announced job losses.

British Petroleum (BP) is expected to announce hundreds of job losses at its giant Grangemouth plant. The company, which recently posted the third largest profits in world history, denied early reports that up to 1,250, or half the workforce at the plant would go. A source close to the operation told reporters the cutback will be "significant" and run into the hundreds.

The announcement follows similar ones in the immediate aftermath of the September 11 terrorist attacks in the US, including over 7,000 at British Airways and a possible 30,000 jobs at Boeing. Even before September 11, thousands of job losses worldwide had been announced.

Those worst hit by the terror attacks have been the airline and tourist industries. On October 31 Thomas Cook, the second largest travel firm in Europe announced that it was to shed 1,500 jobs in the UK, some 16 percent of its British workforce. The company announced that half the job cuts will be compulsory and that it intends to make savings of £140m over the next year in its 700 High Street travel outlets in the UK. In the previous week Thomas Cook said it was grounding some charter flights and closing 100 travel agencies, after reporting a 12 percent fall in bookings. Another German owned travel firm, Preussag, is set to announce 400 jobs job losses at its UK operations. Preussag owns the Thomson travel group and with it the Lunn Poly brand and is the largest travel firm in Europe.

Cutbacks made in these sectors have had a severe impact upon the related industries of engineering and aerospace which has cost the jobs of thousands more workers.

On October 30 the UK engineering group GKN announced plans for 1,250 job cuts in Germany, the US and the UK. The firm manufactures car components, aero engines and components for helicopters. The redundancies amount to about three percent of its global workforce. Around 70 percent of the jobs are to be lost in the company's aerospace business and GKN reported that it was "reducing capacity" on the basis of the crisis in the industry following September 11.

FLS Aerospace announced plans on November 7 to cut around a quarter of its staff, with some 900 workers set to lose their jobs. It is estimated that 620 of these will be lost in Manchester in the northwest of England. A further 150 jobs are expected to go at its Dublin operations and 30 jobs are to be lost in Copenhagen in Denmark. Another 100 office workers and support staff will also lose their jobs across these locations.

The Prudential, the UK's second largest insurance company announced on November 2 that it was to axe 2,100 jobs in the UK by 2003 and that 1,000 will be compulsory redundancies. It appears that these job losses have little to do with the fallout from the terrorist attack and are part of the Prudential's major restructuring of its operations, which has already seen 2,000 job cuts this year. The company has earlier announced that it was to withdraw from the general insurance sector entirely.

Other recent job losses include:

- * 129 jobs in the Factual and Learning divisions of the BBC.

- * 460 at Goodyear tires.

- * 275 UK jobs at ICI, with 1,300 at the global chemical companies plants worldwide.

- * 333 at Snackhouse crisps and snack group as the company was taken into receivership in October.

- * ABN Amro bank, which employs about 20,000 people worldwide, is to shed a fifth of its workforce.

- * Engineering group Renold Plc is to axe 300 jobs to cope with a sharp downturn in its markets, saying trading conditions remained difficult.

These will prove to be only the tip of the iceberg, as the economy continues to worsen in the US and internationally. A rise in the UK markets following the announcement of an interest rate cut by the Bank of England was washed away the following day, as the Footsie index of 100 leading stocks fell 33.9 points. While the British government issues warnings about an

increase in personal debt, any cut back in consumer spending over the Christmas period will lead to a deeper recession, further job losses and thus more debt in 2002.



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