Job losses in Scotland’s "Silicon Glen"

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Electronics transnational NEC (Nippon Electrical Company) has announced that its silicon chip factory in Livingston, Scotland, is to be mothballed. All 1,260 workers in the 20-year-old facility are to be laid off before the end of March 2002.

The news, announced just before the Christmas break, came at the end of a year in which over 9,000 jobs have been lost in Scotland’s “Silicon Glen,” as the various electronics assembly operations that have been established in Central Scotland are known.

With the growth of Silicon Glen, Livingston became something of a boomtown, but more recently the town has been particularly badly hit. The NEC announcement December 28 follows 600 redundancies at the plant in August 2001. In spring 2001, Motorola closed its mobile phone assembly plant, which employed 3,100 workers. In addition, many electronics workers across Central Scotland—at Compaq, National Panasonic and Matsushita—have already been laid off this year. On November 21, Texas Instruments announced the closure of its design centre in Livingston, with the loss of 24 jobs.

Silicon Glen has been hit hard by collapsing profits, overproduction and chronic instability in the electronic industry’s world market. NEC has seen a drastic turnaround in its fortunes. Having made $156 million profit in the six months to September 2000, the company then lost $227 million during the same period in 2001 and expect to lose as much as $1.2 billion over last year as a whole. Latest figures show that of the world’s leading semiconductor firms, NEC has fared the worst, with a 49 percent fall in sales in 2001, while market leader Intel lost 22.4 percent. Overall, world semiconductor sales are down 33 percent. According to industry suggestions, production will not stabilise until 2004, with sales still at 30 percent less than the 2000 figures. Spot market prices for memory chips have fallen 83 percent this year, to well below their production costs.

Some reports suggest NEC will pull out of making computer memory chips entirely, at the cost of at least 4,000 jobs. The Livingston closure is part of NEC’s efforts to protect its revenue streams and corporate investors through carrying out a large-scale reorganisation of its operations, at the expense of a large part of its 150,000 global workforce. In addition to Livingston, NEC is ceasing production of memory chips at its Roseville plant in California, where 200 more workers are due to be laid off, on top of 700 already dismissed last year.

The Elpida plant in Hiroshima, Japan—transferred from NEC to a subsidiary jointly owned with Hitachi—will not begin production of memory chips until next year, and another facility at Sagamihara will close. Two facilities in Yamagata and Takahata will be merged. NEC has recently expanded operations into China, in line with a surge of Japanese investment there, but an intended silicon wafer production factory in Shanghai will now be frozen. On December 20, the company announced that a planned chip factory in Beijing, would not commence production until 2003. Several of the company’s remaining plants will stand idle for extended New Year breaks, allowing retailers to use up existing stocks. NEC is also farming out its workstation and server production to US-owned Solectron, while Canadian-owned Celestica intends to take over NEC’s optical fibre transmission system factories in Miyagi and Yamanashi, Japan, employing 1,200 workers.

NEC is a long-established company, not the product of the dot.com bubble, or even the recent explosion in tech industries. Formed in 1899, NEC was the first Japanese company to be established as a joint venture with foreign capital. It began by producing telephones and by 1924 had moved into radio products. NEC started researching its first transistors in 1950 and computers in 1954. In 1958 the company began overseas operations in Taiwan, opening US, Mexican and Australian subsidiaries in the 1960s. European operations began in 1973. NEC Semiconductors (UK) began production in 1981, when the Livingston plant was opened. Over the next period, the company produced all manner of consumer electrical goods, personal, business and research computers, microprocessors, and network technologies.

Despite its long history, NEC management is approaching its current crisis like a gambler pinning everything on one last roll of the dice. Plants are being closed and entire divisions sold off, as the company attempts to focus its assets and capital investment on what it hopes will be the next gold rush—“third generation” mobile telephony (3G) and broadband networks.

In line with numerous companies, large and small, it taking a stake in what is one of the most ferocious corporate scrambles ever seen. Although NEC has something of a lead over its rivals, particularly in the Japanese home market, the company’s efforts to launch 3G products have been characterised by inoperable devices and missed deadlines. An order for one million 3G devices has already been postponed until the latter part of 2002, delaying the rollout of the new technology in the UK. The order was intended to be a forerunner for 3G operations across Europe, bringing the Japanese company directly into competition with European mobile telephony giants such as Nokia, and setting the stage for frenzied competition.