More job losses at Swedish telecom giant Ericsson

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Swedish telecom and electronics giant Ericsson AB has announced 7,000 job cuts as part of a restructuring programme that could see up to 20,000 jobs axed by the end of 2004.

The news came after the company announced its eighth consecutive quarterly loss.

Over the last three months Ericsson's total sales have fallen by 30 percent. Newly appointed CEO Carl-Henric Svanberg commented, "Although first quarter sales are likely to be the low point this year, I want us to be able to generate profit even if sales remain at current levels."

Although Ericsson's share value rose after the redundancies were posted, it seems unlikely that the move will provide any longer-term benefits to the firm's fortunes. The company instituted a regime of restructuring in 2001, which reduced its workforce from 107,000 to just over 60,000. This programme has failed to stem its massive financial losses in 2002, the largest in Swedish corporate history, with a further loss of $518 million so far this year.

The mobile phone division of Ericsson, jointly operated with ailing Japanese electronics firm Sony, has faced a largely stagnant market for the last two years. Recent industry figures suggested that Sony Ericsson's market share will fall below 5 percent of the 400 million or so mobiles sold worldwide and will need a $349 million cash injection in the early part of the year.

Meanwhile the network systems division, which builds and runs mobile telecom networks, has endured the biggest losses arising from heavy speculative investment in 3G third generation technologies.

Ericsson, like all major telecom companies, continues to pin its hopes on the success of 3G mobile phones. Most of these companies have heavily invested in the network infrastructure to support 3G and government licenses to run it. But it is still not clear whether large numbers of consumers will buy expensive 3G phones—only distinguished from their current models by photo messaging and games facilities—in sufficient quantities for the companies to recoup their initial investment.

Long regarded as the engine of Sweden's economy, Ericsson accounted for 15 percent of national exports in the late 1980s but now makes up just 8 percent of the total. From a high of around $50 in the late 1990s, its share price has fallen to almost junk bond status. A recent poll for the Swedish newspaper *Aftonbladet* asked if readers believed that Ericsson could survive for another five years—a question that would once have seemed ridiculous to most Swedes.

Ericsson's problems are those of Sweden's economy as a whole, which has seen its position in world markets undermined in the past decade. In recent years the Swedish working class has endured sustained attacks as it has been forced to pay for the losses of big businesses. As well as launching deep cutbacks aimed at Swedish workers, Ericsson, like many other Scandinavian companies, has sought to exploit the cheapest sources of labour around the world in order to improve profits. It has outsourced contracts to Singapore-based Flextronics and to Taiwanese firms.

Although enjoying a better fate than Ericsson, rival Scandinavian telecom giant Nokia is also facing problems. The Finland-based company, though continuing to garner year-on-year profit increases, has run into trouble in the North American mobile phone market where it has lost market share to Motorola.

While Nokia has a 45 percent market share in Europe, and has little room to expand, it has begun to pour investment into its relatively small US operations despite the slim profit margins in the market. Like Ericsson, Nokia has also turned to Far Eastern subsidiaries and markets in the hope of taking advantage of super-exploited Chinese labour. But both globally and within China, Nokia and Ericsson are losing ground to newer and cheaper Far Eastern manufacturers. According to Gartner Dataquest, over 100 manufacturers are now competing in an already saturated global market.