

England: Wedgwood cuts 1,000 jobs, as unemployment rises

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“You cannot drink tea out of a teacup without the aid of the Five Towns... you cannot eat a meal in decency without the aid of the Five Towns.”

Thus wrote Arnold Bennett of Stoke-on-Trent, England—the “world capital” of ceramics—a century ago. On June 4 the china and crystal maker Waterford Wedgwood, Stoke’s main employer, announced the closure of two factories with the loss of over 1,000 jobs. In what is seen as the end of an era, the company is to out-source production from the northern English town to Asia in a bid to cut costs.

Earthenware factories in Hanley and Tunstall will shut later this year when production of its Johnson Brothers brand is relocated to China. The Johnson range can be produced up to 70 percent more cheaply in South East Asia. (A few years ago Royal Doulton opened a factory in Indonesia, where the best-selling china pattern ever, Old Country Rose, is now produced.)

The majority of the jobs are to be shed from the company’s Eagle Pottery and Alexandra Pottery. A further 275 workers at the affected plants will transfer to Wedgwood’s sites at Barlaston and Longton, Staffordshire, which will continue to manufacture the premium quality Wedgwood-branded china and earthenware.

The company chief executive Redmond O’Donoghue said; “Without this action, the Johnson Brothers business would be in jeopardy within two years. This move is aimed at securing the ongoing viability of the business in the UK.”

Wedgwood joins a growing list of companies that have switched production to lower cost areas. Last year the vacuum cleaner manufacturer Dyson moved its production to Asia and the power tool maker Black & Decker cut 1,000 jobs when it switched work to the Czech Republic. Richard Hawes of the accountants Grant Thornton predicts that the trend will continue. “Attracted

by cheap labouring costs, free trade zones and improved global reach, many UK companies are following the example of the likes of Dyson and moving production lines to Asia to increase profit margins,” he said.

Andy Skillen, managing editor of *Asian Ceramics* magazine, said the challenge presented by low-cost manufacturers was “a massive problem for the industry, not just in terms of immediate job losses.” He estimated that companies engaged in machinery and ceramics technology would also be affected. In the past five years the quality of Asian products had become more and more competitive. “[UK] companies have started to think there is no longer a risk in having their products manufactured out there,” concluded Skillen.

Sales of Wedgwood’s upmarket products have also fallen recently with a decline in the luxury goods market. Best known for its Waterford crystalware (taking its name from the firm’s parent company in Waterford, Ireland), Wedgwood reported pre-tax profits this year of 38.9 million euros (\$45.6 million)—up 24 percent on the previous year. But this was at the lower end of market expectations. Sales of 951.3 million euros were down 4.6 percent on last year.

The company share price has dropped sharply over the past 12 months as the firm has been forced to downgrade earnings successively. The board proposed a final shares dividend of 1.2 euro cents, giving a total dividend for the year of 1.9 cents, down from 3.1 cents previously.

The company has been buying much of its stoneware in China, but its fine china is still manufactured at its own plants in Britain. The latest move reflects increasing pressure to cut costs. Wedgwood, which sells nearly half of its luxury crystal products, ceramics and upmarket cooking utensils in the United States, said that following the tough start to the current trading year it anticipated a difficult first quarter.

Waterford Wedgwood said it had been losing money for

several years and was facing fierce competition not only from low cost producers in the far east, but also higher cost manufacturers in Europe and the US which were slashing prices to maintain output volumes.

In recent months sales have been further hit by the invasion of Iraq and the SARS outbreak, which have both affected tourism.

Johnson's was a typical Stoke family firm, founded in 1882 and run by four brothers. In 1896 one of the brothers crossed the Atlantic and the US became a vital market for the pottery. It produced plates decorated with nostalgic landscapes, some typically English, others explicitly American. By 1968 Johnson Brothers had been swallowed up by Wedgwood, which was then tirelessly acquiring smaller pottery producers. By 1990 Wedgwood was made up of 18 companies, and had itself been taken over by Waterford Crystal.

Most of the trade names of the family firms it had bought—such as Susie Cooper and Midwinter, both once famous for their high quality designers—simply ceased to exist.

The ceramic workers' union CATU has focused its efforts on a nationalist response to the trend towards manufacturing in eastern Europe and Asia. The union, and some manufacturers, argue that the ware's "back-stamp" (the trademark on the bottom of each product) should identify country of origin. Some back-stamps omit to mention it at all. Some companies manufacture abroad but have the product decorated in Stoke, allowing it a Stoke back-stamp.

CATU General Secretary Geoff Bagnall claimed, "If the pottery is not made in Stoke-on-Trent, it devalues the brand... the future is in making better-quality products and recognising that English pottery is special."

The results of this narrow provincialism are reflected in CATU's membership figures. From a high in 1978 of 51,120 members, the union now organises just 12,497 workers.

Wedgwood's decision has angered many workers.

Carol Jones, a selector at the factory for three years, asked, "How would you feel if you walked into work and someone said they were shutting? Until two or three weeks ago we were told we were doing well." When the workers were called to a meeting and the company's financial position was explained, Jones said. "We don't care, ...We're losing our bloody job. That makes me angry... I'm worried, but I'm lucky. I've got a husband not in pottery. There are husband and wife teams in there—and sons—and it's going to devastate them. It's

them I feel sorry for."

Sue Lancett who works in the glazing department would rather take redundancy. "The industry is dying," she said. "You can see it happening."

When asked what it would leave in its wake, she replied, "Not a lot—there's cleaning jobs... It won't be as well-paid as pottery though."

The announcement at Wedgwood followed a month of heavy job losses.

The biggest monthly increase for a decade in the number of people claiming benefits was announced last month. The number of people claiming jobseekers' allowance in May rose by 9,700 on the previous month to 950,800, while the total unemployment figure for the three months to April was 1,495,000, up by 36,000 on the previous quarter.

Pressure on the struggling manufacturing sector was blamed for the unemployment blow, with the sector holding 134,000 fewer jobs in the three months to April than a year earlier. The Office for National Statistics said 1.49 million people were out of work in the three months ended April 30, an increase of 36,000 from the previous quarter. The statistics office said the number of industrial jobs fell by 3.7 percent in the quarter to April, with the biggest losses in electrical and optical equipment and textiles, leather and clothing. Britain now has 3.53 million manufacturing jobs, the lowest number since records began in 1984.

Other areas such as retail were also hit, with supermarket chain Sainsbury's announcement to cut 150 head office jobs as it fights sluggish sales growth and high street chemist Boots' decision to slash 500 job at its Nottingham headquarters as the company tries to find £100 million cost savings.



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