Thousands of jobs threatened in Swedish auto industry

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The threatened demise of Ford and General Motors in the United States is being felt internationally, with reports revealing plans by the automakers to sell off their Swedish subsidiaries, Volvo and Saab.

Calls are already being made for government intervention to safeguard the two companies. In a country of 9 million people, 140,000 are employed in the auto industry, which accounts for 15 percent of Sweden's GDP.

Ford and GM, two of America's "big three" automakers, made their intensions known as part of their effort to secure a stalled multibillion-dollar bailout from Congress. Ford chief executive Alan Mulally, revealing his plan to find an alternative buyer for Volvo, declared, "Given the unprecedented external challenges facing Ford and the entire industry, it is prudent for Ford to evaluate options for Volvo as we implement our ONE Ford plan."

While the company considers its options, Volvo will continue to implement a restructuring programme that will see the loss of a quarter of its workforce. Already, 2,700 job cuts have been announced in Sweden, with this figure likely to increase to 4,000 in the coming months. This is part of a wider plan to cut 6,000 jobs globally. Volvo has suffered substantial losses in recent months as its sales collapsed, with a third quarter loss of $450 million—three times greater than its annual loss of $150 million for 2007.

The announcement by GM that it intends to sell Saab comes in the wake of 600 job cuts in October and plans to scale back production at its plants across the country. In a further sign of the troubles facing the auto industry, on December 3 truck maker Scania announced a halt in its European production for a month.

Figures released at the start of the month show new car registrations down 36 percent in November from the same month last year, prompting analysts to call for government intervention. On December 5, the government announced a package of 23 billion kronor (approximately €2 billion) to fund re-training programmes and other measures designed to encourage employment. One of the main proposals was the plan to slash employers' contributions to payroll tax if they employ someone who has been out of work for an extended period.

At the end of November it was announced that Sweden's economy had officially slipped into recession, having contracted for two consecutive quarters. Finance Minister Anders Borg has warned of the possibility of an economic contraction of more than 1 percent in 2009.

Layoffs are running at historic highs, with nearly 20,000 announced in November. Aside from the auto industry, other areas affected include construction, with building firm Skanska announcing 2,000 job cuts last month. Steelmaker SSAB also announced 1,300 redundancies recently, as part of a savings programme totalling one billion kronor (approximately €100 million).

With such a bleak outlook, the announcement by Ford and GM that they would offload their Swedish subsidiaries prompted calls for the state to provide financial support to guarantee the position of the two automakers. An article by Rolf Wolff of Göteborg University published in the business daily *Dagens Industri*, entitled "Swedish car makers should come home," outlined the hope that it would be possible to adopt "extraordinary measures" since the crisis threatened the very survival of the auto industry.

Wolff wrote, "Sweden's car manufacturers are soon going to reach the point of no return. We all ought to

take a moment to think about what would happen in Sweden if both Volvo Cars and Saab Automobile ceased to exist." He continued: "If Volvo Cars disappears as a base for industrial knowledge and skills, then Sweden will never again have an auto industry. All the knowledge and skills would be lost, and with it all future associated development potential would be gone. Forever."

"Bearing that in mind, there is now only one viable course to take: for the state to assume ownership of Volvo Cars."

The government has refused to state its position on aiding the troubled companies, although the *Financial Times* reported that a package of 2 billion kronor was being considered. According to *Dagens Industri*, the government is preparing a loan package to support the two companies. A government source commented, "It is not a question of subsidies or of the government going in as an owner, but of loans and loan guarantees on good terms."

Volvo and Saab chiefs have met with Enterprise Minister Maud Olofsson. Ruling out a full state takeover, Olofsson declared, "It's not in our industrial policy to own carmakers and we will not jeopardize taxpayers' money."

Such comments, coming in the aftermath of a 1.5 trillion kronor bailout to the banks, reflect the attitude of governments across the globe. While they are quite prepared to use taxpayers' money to bail out banks with no strings attached, the idea that a much smaller funding package be made available to auto companies is out of the question, unless the automakers can be made "profitable."

Should the government provide support to the ailing companies, the position of state finances will become an issue. As well as committing over a trillion kronor to the banking sector, Sweden joined with its Nordic neighbours in providing a combined $2 billion loan to Iceland to prop up its collapsed banking sector and economy. Whereas six months ago Sweden was expected to achieve a budget surplus of around 80 billion kronor next year, there will now be a deficit of more than 20 billion kronor.

The right-wing government instituted measures in its budget this autumn providing tax cuts for employers and small business totalling 15 billion kronor, meaning that the only way left open to balance the books will be a vast programme of public spending cuts.

The government has made nationalist attempts to shift the blame for job losses to consumers. In the aftermath of the announcement of its employment package offering hand-outs to business, Prime Minister Frederick Reinfeldt declared, "If you open your Christmas present and it says ‘Made in China' then you haven't done much to secure Swedish jobs."

He went on to suggest that Swedes should "do their patriotic duty" and purchase goods made in Sweden.

These calls will do nothing to halt the economic slump. The reality is that businesses across the country, whether Swedish-owned or not, are shedding jobs at record levels. A recent report revealed a vast increase in Swedish businesses going bankrupt, with the rate up 10 percent in 2008 compared with the same period last year.

Fredrik Polland of credit information firm UC explained, "For the most part, bankruptcies have affected small companies so far, which means that the social and economic consequences are small. But if the economy continues to deteriorate, even more established and larger companies are going to be affected and a spiral of bankruptcies can occur. Then the effects will be substantially larger."

Swedish workers can place no confidence in calls for the auto industry to "come home." Rather their interests lie with the hundreds of thousands of autoworkers around the world who also face the prospect of mass layoffs in what is an international onslaught on jobs and living standards.