

# Corporations continue to slash workforces in Britain

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Redundancies in the UK are set to explode as the Tory government's COVID-19 job furlough scheme begins to taper out.

Under the furlough scheme, 9.1 million workers—more than a quarter of the UK workforce—are having 80 percent of their wages paid by the state, up to a monthly maximum of £2,500 a month. These same companies, after having received tens of billions of pounds in free money from the public purse, are making workers pay for the economic crisis exacerbated by the pandemic.

The numbers of those on company payrolls fell by 600,000 between March and May. The number of job vacancies recorded this quarter was 476,000, down from the previous quarter by 342,000. The quarter also saw a drop in the number of the self-employed of 131,000.

Government financial support will be withdrawn on a tapering system beginning in August, with furlough support stopping completely at the end of October. Companies planning to make redundancies rather than retaining furloughed workers need to give notice to workers slated for redundancy. For redundancies of 100 or more, the length of notice is 45 days, and for redundancies between 20 and 99 the length of notice is 30 days.

To ensure they do not have to make furlough payments from their own funds, companies planning to make 100 or more redundancies had to start redundancy consultations June 15. For redundancies of less than 100 the notice period would need to be given by the end of June.

Institute of Directors chief economist, Tej Parikh, said, “The furlough scheme continues to hold off the bulk of the job losses, but unemployment is likely to surge in the months ahead.”

Workers are facing a return to 1930s levels of unemployment, along with mounting austerity, as they are made to pay for the economic crisis exacerbated by the pandemic. While the furlough scheme has been in operation, unemployment claimant count has still doubled, with 2.8 million workers out of a job. *Guardian* economist Larry Elliot commented last week that the “challenge for the

government is to prevent it from hitting 4 million by the time the wage subsidies come to an end in October.”

Recent job losses announced in manufacturing include:

- Jet engine manufacturer Rolls-Royce. It has confirmed 3,000 out of its planned 9,000 worldwide job cuts will be in the UK, with half of those at its Derby headquarters.

- Luxury car producer Aston Martin Lagonda will cut 500 jobs while Bentley plans to cut its workforce by nearly a quarter with a planned 1,000 jobs to go mainly at its Crewe facility.

- Jaguar Land Rover, which produces high-end market models, will cut 1,100 of its contract worker posts at plants on Merseyside and in the Midlands.

- Other manufacturing companies planning to make redundancies include Canadian plane maker Bombardier, which announced 600 jobs will go at its plant in Northern Ireland. Mechanical digger manufacturer JCB is experiencing a 50 percent drop in demand and plans to shed 950 jobs.

- Airlines and aviation firms have announced swingeing job cuts or plans for the same. British Airways plans to cut 25 percent of its posts, meaning 12,000 jobs lost. EasyJet will cut its workforce by nearly a third, with 4,500 jobs to go. Richard Branson's Virgin Atlantic will cut its workforce by a third, or 3,000 jobs. More than 300 airport workers employed by Menzies Aviation in Edinburgh and Glasgow have been put on notice of imminent redundancy. The company furloughed more than 17,500 jobs worldwide in March in response to the pandemic.

- Energy companies planning job cuts include Centrica, the parent company of British Gas, which wants to axe 5,000 jobs by simplifying its management structure. Ovo, the UK's second largest energy supplier, will cut 2,600 jobs and close offices.

- Builders' merchant Travis Perkins plans to cut its workforce by 10 percent, with 2,500 jobs slated to go. It owns DIY chain Wickes and hire service Toolstation.

- Fashion and clothes chains have also announced cuts, with Mulberry announcing 470 job losses. Fashion brands

Oasis and Warehouse, brought out of administration in April by Hilco, will close its outlets with the loss of 1,800 jobs.

- The Restaurant Group outlet chain, which owns Wagamama and Frankie and Benny's, will cut 1,500 jobs.

- Last November, the Enterprise section of the BT telecommunications group announced that 367 jobs were under threat and in February said that compulsory redundancies would be enforced.

A June 11 *Financial Times* article warned of large-scale job losses on the horizon: "Close to 100,000 jobs in business with large UK operations hit by the coronavirus crisis are now on the line, according to a *Financial Times* tally of company announcements and administrations since March. This is likely to be the tip of the iceberg, with millions of jobs potentially at risk by the year end—and many of them small companies."

The article points out that of the then 8.9 million workers furloughed, 3 million work in retail and the hospitality industries, which are unlikely to be able to operate normally given social distancing measures, for some time to come. Many redundancies are likely in the retail and hospitality sector.

The FT spoke to a Tory minister, who said many of his Tory MP colleagues were reporting "redundancy notices ... being prepared" by local companies in their constituencies.

It quoted Stephen Phipson, head of manufacturing body Make UK, saying, "We have sight of a lot of redundancy programmes across manufacturers ... Over the next few weeks we'll sadly see a lot more job losses coming. The job retention scheme may have simply deferred the job losses, not prevented them."

In an FT article of June 16, Samuel Tombs, an economist at economic intelligence consultancy, Pantheon Economics, warned, "Unemployment will leap if even a small fraction of employers never bring back furloughed workers." He noted that the collapse in job vacancies in May—the highest drop since records began—was the harbinger of much greater job losses in the coming months.

Among areas particularly hit are the so-called "red-wall" conurbations. These are constituencies mainly in the Midlands, northwest and northeast of England that have suffered economic and social decline. They had been previously held by Labour MPs but switched to Conservative in the December 2019 general election because of disillusionment with Labour and support for Prime Minister Boris Johnson's pledge to enact Brexit.

A *Times* June 1 article reported on a study by the Institute for Employment Studies (IES), using Office for National Statistics data. The report said, "Those areas where people were already struggling to find work were those that were more affected by the crisis. For example, areas with more

than 15 claims per vacancy in March had an average increase of their ratios by 21 claims per vacancy, while areas with less than 0.5 claims per vacancy in March had an average increase of 1.5 extra claims per vacancy."

The *Times* commented, "The data suggests that the lockdown has made existing inequalities worse. Low skilled, low paid workers living in deprived areas have taken the biggest hit."

The article points out that prior to the COVID-19 crisis, in many of the deprived "legacy towns," where there were around five job seekers for each vacancy, that number is now around 12.

IES head director, Tony Wilson, told the BBC, "It's clear ... that this crisis is hitting many poorer areas hardest—with coastal towns and ex-industrial areas seeing particularly big increases in unemployment." According to the IES, among the hardest hit areas are Blackpool, with one in eight workers claiming work-related benefits, and Thanet in Kent and Birmingham, where the figure is one in 11.

Employers are using every opportunity to exploit the pandemic crisis and further slash costs as they cut their workforce. As workers are only being paid 80 percent of their wages, with most companies not paying the other 20 percent, some firms are already attempting to make redundancy payments based on the lower rate of furlough pay—not the full wage that workers earned before.

For a worker earning £30,420 this would mean losing £507 if they had a one-month redundancy notice period, or £1,521 over a three-month period. The *Sun* newspaper reported, "Employment lawyers say they have received plenty of calls from people whose bosses have tried to pay them less based on their furloughed rate of pay. It cited Kate Palmer, an employment lawyer at Peninsula UK, who said, "We have not had clear government guidance on whether redundancy pay can be based on one's furlough pay."



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