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Briefing – The Economic Downturn

The intention of this paper is to reflect the experience of CIGB's chaplains and to contribute to the reflection and action needed to respond to the current economic turmoil. In the past CIGB has done significant work with unemployed people in the 1980's and at the close of Rover. Responding to those adversely effected by economic change may need to move up the churches' agenda in ways we have not foreseen.

No one can have missed the credit crunch and the economic downturn. Commentators don't always agree about the length and depth of the 'crisis' and as things seem to change daily the full impact is not yet fully known. The situation is both international and national but the churches need to be aware of local impacts as well as, if they are to respond appropriately with pastoral support and informed comment.

Practical consideration will need to be given to how churches can support people experiencing

- financial hardship due to rising costs including fuel poverty and debt
- increased levels of anxiety & work related stress
- redundancy and unemployment

Theological consideration will need to be given to the new context

- pastoring in a time of anxiety
- hope and the lack of hope
- living simply and joyfully
- reflection on the realities of unfettered free market capitalism and the impacts of money becoming a commodity rather than an expression of value.

1. Commentators observe that after a long period of stability, instability in the banking sector is now effecting the 'real economy'. The contrast between 'banking sector' & 'real economy' says something about where we are. It has been suggested that the long period of stability lead to the finance sector developing more and more complex products & structures, including hedge funds & futures markets, so that few can understand what is really happening. This has happened at a time when de-regulation has been promoted. 'Short selling' – profiting from decline - appears to be growing

2. As money became a commodity, rather than an indicator of value, the markets depended more and more on 'confidence' because money as a commodity is inherently unstable. Now that confidence is lost with real consequences.

3. People have become defined as 'consumers' & houses as investments as well as or rather than homes. This 'commodification' of life has skewed our relationships with material things in ways that have effected values and behaviours.

4. While economic stability allowed us to believe that everything would be alright, the loss of stability is increasing levels of anxiety for individuals, families and companies.

5. People in poverty have always known anxiety but the current insecurity/ instability is effecting an increasing range of people in a variety of ways including those approaching pension age, young workers wondering if they'll ever be able to retire, or young home buyers. The sense of uncertainty, even when the impact is indirect, is effecting everyone.

6. Some people can draw on the experience of other times, for instance the 1970's or the experience of war but for many people under 45 that is not relevant. It's possible that they may be less resilient in facing the current situation.

7. There is a critique to be made of Western free market capitalism that has separated money from a product, separated the top earners from the rest of the economy, failed to pay producers a fair return & which has been built on waste & the careless use of resources.

8. Into this the Christian faith can offer a message of well founded hope, can uphold the treasure which is to be found in the person & can offer the possibility of living simply and joyfully.

Current situation in Birmingham/ Solihull

There are few large employers left in Birmingham/ Solihull although there are sites such as the city centre, the airport/ NEC, where a large number of people are employed by a number of companies and sectors such as retail and financial services. Car manufacture has a remnant of 'mass employment' with 6000 people at Land Rover.

Consequently, apart from potentially in car manufacture, any loss of jobs is like to be in comparatively low figures in any company. This has the benefit that redundancy may not effect whole communities but the risk that redundancies are hidden & people are not supported. Nevertheless, unemployment is rising with all it's attendant issues for individuals, families and communities. Redundancies are already happening in construction & in other industries – some of which were planned before the current downturn became so obvious.

Apart from redundancies many companies are reporting lower sales, lower profits and higher prices. At the moment this does not seem to have lead to an immediate widespread reduction in investment, training and development but the fear must be that if the situation worsens investment in the future may become more difficult. Many companies are looking to 'good house keeping' looking for cheaper solutions or deferring 'non- essential' activity.

Manufacturing

The Birmingham Chamber of Commerce second Quarterly Economic Survey [Fieldwork 26.5 – 6.6.08] indicates a 'sharp slowdown in sales' across the UK market. In response, some manufacturers have increased export activity, helped by the depreciation of sterling against the Euro and other currencies. Only 36% of companies were working to full capacity with 30% of companies reporting lower profits than last year. There was some disagreement whether inflation or slowing growth is the greater threat.

Anecdotally, firms are expecting lower employee numbers, mainly by freezing posts and investment in training has reduced.

Cash flow is a significant issue with some small firms reporting delays in payment by larger firms. Tighter credit means it is harder for some Small/ Medium Enterprises [SME] to borrow.

Land Rover in Solihull has lost a shift. There are no redundancies as yet but the loss of overtime is significant for some. Friday is now a training day. Production of the Discovery is down about 40% although Defender production has risen. Jaguar has seen less of a drop, from a low base.

People are 'trading down' cars & updating their properties rather than move so some sectors are doing well while others suffer.

Trade exhibitions are doing less well than usual. When people foresee an upturn the exhibitions increase in volume but that is not expected for a year or so.

Service Sector

The service sector includes professional services, retail & leisure which are being effected differently by the downturn. Those professional services most directly related to the housing market are looking at lower profits this year and retail and other 'consumer facing' sectors are most immediately effected by consumer confidence.

The proportion of firms working at full capacity has fallen from 72% in Quarter 3 of 2007 to 58% in Quarter 2 of 2008. As a result there is less recruitment and less staff turnover, as people opt for security. As the future is uncertain, at the moment most firms have maintained their plans for investment and training, unlike in earlier downturns, but this may change.

Marks and Spencer's plans to reduce redundancy benefits have been leaked to the press amid fears that this is a precursor to redundancies.

John Lewis store in Solihull saw its profits drop by 11%. The worst performing store in the Partnership was Peterborough with a drop of 18%.

Some retailers / service industries are cutting hours so reducing incomes & increasing workloads for staff. There are concerns about redundancies.

Capita, the out sourcing company, announced in January that 400 jobs would be lost at Wythall by the end of the year.

Kalamazoo may relocate from Northfield with a loss of 150 jobs.

Self employment

Comments on BBC Birmingham's website indicate the difficulties faced by the self employed, sole traders and people working on commission, as consumers cut expenditure.

Other comments

Nationally ¾ of firms are freezing recruitment making it more difficult for people joining the labour market.

Fujitsu has issued 90 day redundancy notices and 140 jobs may go.

Birmingham Post [Trinity Mirror group] is going to compact format, losing the Saturday edition and moving to Fort Dunlop with the loss of 65 jobs. 'It's horrible, embarrassing and downright frightening'.

The Members Forum of Birmingham City Councils Housing Partnership is looking at how to help first time buyers and existing mortgage holders.

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