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Ex-Rover Workers Suffer Big Wage Falls as they Find New Work

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Groundbreaking research reveals latest findings on what has happened to the 6,300 workers who lost their jobs in the collapse of MG Rover.

Three years on from the historic collapse of MG Rover in April 2005 90% of workers who lost their jobs have found new employment, but most have taken significant pay cuts, new research finds today.

A study of a sample of the 6,300 workers ex-Rover workers who lost their jobs when the Longbridge plant closed, finds that two thirds have suffered wage falls - of an average of £5,640 per year in real terms*. A third of the former workers reported an increase in their salaries. Those out of work the longest suffered the largest drops in income.

Some 31 per cent of workers have stayed within the manufacturing sector and are earning broadly similar amounts, but the 60 per cent who have moved into the service sector are mostly earning less. People who found work in four sectors - wholesale and retail, real estate and business services, education, and health and social work - took average cuts of more than £6,000 in annual income*.

Almost a quarter of respondents said they were in debt or in need of drawing on savings; 36 per cent said they are just about able to manage on their current incomes; and a further 38 per cent said they were in a position to save some money.

As the threat of a serious recession mounts, the report carries political and practical lessons for how to handle large-scale plant closures and avoid regional crises of unemployment. It argues that fast action by local agencies as part of a co-ordinated response by policymakers to support, inform and retrain the workers who lost their jobs can be called a 'success story' in that large-scale, long-term unemployment in the south Birmingham and wider West Midlands area was avoided.

A total of 90% of the ex-Rover workers were in some form of employment by April 2008. Almost three quarters were employed full-time, 11% were self-employed and 5% were part-time; another 5% were unemployed and looking for work and 2% were unemployed and not looking for work. This represents a labour market activity rate higher than the West Midlands average.

Some 28% of the ex-workers said their current job was better than the one they had at MG Rover, 21% that it was about the same and 46% that it was worse (the remainder were unsure). Nevertheless a majority still said they liked the work they did and expected to be doing it for the foreseeable future.

The report follows the third wave of research into the fortunes of the ex-Rover workers and comes after previous surveys in July 2005 and December 2005. It was written jointly by researchers at Birmingham Business School and The Work Foundation and drew on a representative survey of 204 workers.

David Bailey, Director of Birmingham Business School, and an author of the report, said: 'The collapse of Rover is rightly termed historic because it marked the closure of the last volume carmaker in the UK. The finding that many workers are in what they see as worse jobs may confirm people in the view that the 'newer' jobs in services are just not quite as good as the 'older' jobs in manufacturing they have come to replace – though there are significant numbers now doing rather better than they were. However, it needs to be borne in mind just how calamitous the sudden arrival of very large numbers of skilled, unemployed people could have been for the region. For almost all the workers to be in work three years on must count as the central positive finding.'

Michelle Mahdon, senior researcher at The Work Foundation, said: 'The jobs at Rover were high quality manufacturing jobs paying above the average for the West Midlands region so it was always likely that workers would not be able to find directly comparable work – over half the respondents are now doing completely different work and using completely different skills.

'In general, people's health and wellbeing was positive three years on and people claimed reasonable job satisfaction and reasonable life satisfaction, although the research was done prior to the recent downturn in the economy. But judged against national levels, it does appear that the ex-Rover workers are now in jobs with slightly lower levels of autonomy, challenge and skill use, and fewer opportunities for progression than other workers in the UK.'

In total some 60 per cent of workers have undergone training and education. Two thirds took up the offer of free training places offered by local agencies and many others underwent training by their new employers. The types of assistance and support that people found most helpful were free travel to a training course or job interview; a free place on a training course; being sent on a training course by a new employer; and help with setting up a business. However most people who found a new job did so through their own initiative or through personal contacts.

The report calls for a mix of proactive and 'intelligent reactive' policies to become a 'permanent capacity' in order for policymakers to address large-scale redundancies in the future. In addition the government and agencies should ensure: employees have the necessary skills to cope as industries change; access to high quality, flexible education and training programmes; and support from information and mobility programmes. This is especially important as the short-term economic climate worsens.

Ends

Notes to Editors

1. 'Life After Longbridge': Three Years on. Pathways to Re-Employment in a Restructuring Economy' by David Bailey, Caroline Chapain, Michelle Mahdon and Rebecca Fauth is available from www.theworkfoundation.com. The research was supported by the Economic and Social Research Council and was carried out by researchers at The Work Foundation and Birmingham Business School, University of Birmingham.

2. The research was supported by the Economic and Social Research Council.

3. In wave three, a representative sample of 204 people were interviewed.

4. *Figure is adjusted for inflation. Unadjusted, the average wage fall is £3,400. Industry average falls are wholesale and retail -£6,036; real estate and business -£6,261; education -£8,788; health and social work -£7,739.

5. David Bailey and Michelle Mahdon are available for interview.

6. The report will be released at an event chaired by Richard Burden, MP for Birmingham Northfield in the Wilson Room, Portcullis House, Westminster, London, 11.00-13.00, 13th November 2008.

7. The Work Foundation is an independent research organisation and consultancy.

For further information

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