

Rolls-Royce cuts 9,000 jobs as airlines turn off engines

May 20 2020, by Ben Perry



Rolls-Royce engines, like this Trent 700, power many of today's aircraft

Rolls-Royce, the British maker of plane engines, said Wednesday it will cut at least 9,000 jobs and slash costs elsewhere, as the coronavirus hammers the aviation sector.

"This is not a crisis of our making. But it is the crisis that we face and we must deal with it," chief executive Warren East said in a statement announcing that Rolls would cut nearly one-fifth of its global workforce.

"Our airline customers and airframe partners are having to adapt and so must we."

Unions said they expected most of the cuts to occur in the UK, while analysts said the knock-on effect for supply chains meant many more people working across the aerospace industry were set to lose their jobs.

17% of staff

Rolls said it expected "the loss of at least 9,000 roles" from a global workforce of 52,000 and would also cut "expenditure across plant and property, capital and other indirect cost areas".

The measures is expected to hand the company annual savings of more than £1.3 billion (\$1.6 billion, 1.4 billion euros).

The restructuring will cost Rolls about £800 million.

Rolls said the restructuring would predominantly affect its civil aerospace business.

"Our defence business, based in the UK and US, has been robust during the pandemic, with an unchanged outlook, and does not need to reduce headcount," it added.

Rolls has already spent the past two years cutting thousands of management roles following weak demand for its power systems used by the marine industry.

"The restructuring announced... (in) June 2018 will transition into this wider proposed reorganisation," Rolls said Wednesday.

"Focused predominantly on reducing the complexity of our support and management functions, the programme has substantially delivered on its objectives."

'Terrible prospect'

The new cull comes as global air travel remains virtually non-existent, even though governments have begun to ease their lockdowns.

With planes grounded worldwide, airlines are slashing thousands of jobs and Rolls has followed suit.

"Being told that there is no longer a job for you is a terrible prospect," East added on Wednesday.

"But we must take difficult decisions to see our business through these unprecedented times."

Steve Turner, a senior official at British union Unite, accused Rolls of "shameful opportunism".

"The news that Rolls Royce is preparing to throw thousands of skilled, loyal, world-class workers, their families and communities under the bus during the worst public health crisis since 1918 is shameful opportunism," he said in a statement.

Paul Everitt, chief executive of UK aerospace trade body ADS, meanwhile said that Britain's government needed to take "urgent action" to "minimise the impact on jobs and manufacturing capability in the long-term".

Following its announcement, Rolls-Royce saw its share price slide by 2.5 percent to 261 pence in morning deals.

London's benchmark FTSE 100 index was down 0.1 percent overall.

"In a positive economy job layoffs will often send shares higher since it lowers wage costs," said Jasper Lawler, head of research at London Capital Group.

"In such a hard economy for air travel to which Rolls Royce is closely tied, the job losses just spell out the difficulties."

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