

Steady decline in defence spending over two decades hitting world-leading UK sector

By Ian Godden, chairman of the trade group ADS

There could be a further 20,000 to 30,000 job losses in a sector that supports more than 300,000 jobs and is worth over £23 billion in 2010, with £9.5 billion of that coming from exports last year. The UK is number one in Europe and second only to the US in the global defence exports market with a 22 per cent market share.

There is real concern in the industry that recent news of potential job losses are only the tip of the iceberg. Defence spending 20 years ago was around 10 per cent of Government spending and 4.5 per cent of gross domestic product, while today it is 5 per cent of Government spending and around 2.3 per cent of GDP. With such cutbacks under Governments that have included all three major parties this is not a party political issue but a matter of the national interest that has a profound impact on the capabilities of both our Armed Forces and our industrial base.

With defence currently supporting over 300,000 jobs the 10 per cent cut in Government spending is estimated to lead to the loss of between 20,000 and 30,000 highly-skilled jobs in the UK, often in localities where deprivation is already above the national average. In the longer run this will hit small and medium-sized businesses disproportionately and therefore affect future wealth-creation opportunities across every region of the United Kingdom.

The current approach to defence spending causes the country to go in the opposite direction to stated Government policy on rebalancing the economy towards high technology, advanced manufacturing with strong exports and support for SMEs. Defence is 10 per cent of the UK's manufacturing and engineering base and is a world leading, export-led industry with 3,000 SMEs - more than France, Germany, Italy, Spain and Norway combined.

Some, but not all, of these job losses can be mitigated in other sectors, most notably aerospace, a long term high-growth sector that grew in the UK even through the most recent recession. Aerospace is, by far, the most successful of the UK's manufacturing sectors in terms of exports and the greatest industrial success story that we have. If we are smart as a nation, with Government and industry investment, then we can grow and create more wealth from the long-term opportunities in aerospace to compensate somewhat for the engineering and manufacturing losses in defence. However, we still need to reinvest in the UK defence industry to maintain its world leading position and export base. This would prevent it becoming sub scale and being dragged down to a point where it becomes uncompetitive with all the negative impacts that this will have on our Armed Forces and our economy.