Unite the Union submission to Business and Trade Committee inquiry into Industrial Policy

Preamble: Unite the Union

This submission is made by Unite the Union, the largest trade union in the UK and Ireland with 1 million members across all sectors of the economy including, manufacturing, financial services, transport, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not-for-profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our union. Our General Secretary is Sharon Graham.

Introduction: Industrial policy for the many

Unite welcomes the return of industrial policy to the attention of this Committee and is open to sharing ideas, based on the direct experiences, views and expertise of our members.

Unite had welcomed the fleeting return of industrial strategy to the government's attention in 2017. This attention quickly gave way to the short-term political dramas of the day, a recurring barrier to industrial policy which demands long-term, bold thinking.

Looking ahead to 2035, a major milestone date for the UK's transition to net zero[1] requires a perspective of 11 years. The last 11 years have seen 6 different governments with either none or wildly different ideas on industrial policy. This shows the need to ground industrial policy away from Westminster in the longer-term needs of workplaces and communities.

As a major example, our steel industry is now verging on collapse, endangering our national security and putting thousands of jobs at risk. As Unite's Workers Plan for Steel[2] has demonstrated, £12 billion of investment spread over a decade would transition the UK to low carbon steel and reverse decline in the industry and increase jobs. It would also repay itself over the same period.

This is the sort of bold, interventionist thinking which is urgently needed to prevent the UK falling further behind. Public intervention is the new normal globally, but the UK is out of step with our US and EU counterparts. The US Inflation Reduction Act alone is worth $300 billion in deficit reduction and $369 billion in energy security funding.[3] The Act's significant pro-worker and pro-union obligations for employers are a direct result of ongoing dialogue between the administration and unions such as the USW. The Act's limitations have been successfully challenged by the collective strength demonstrated by the UAW in their strike at the 'Big Three' automotive employers. These unions are demonstrating the critical role of workers in driving successful industrial policy.

The UK economy remains blighted by profiteering across critical industrial sectors. Unite is continuing to expose profiteering, from the £45 billion extracted from the UK domestic energy system in 2022 by multinationals[4], to spiking profit margins of UK's largest companies which rose 89 per cent higher since the pandemic.[5] Profiteering is the major cause of the cost-of-living crisis, which will not end until workers see the rising pay and living standards they deserve.

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[1] https://www.gov.uk/government/consultations/consulting-on-ending-the-sale-of-new-petrol-diesel-and-hybrid-cars-and-vans
[2] the-workers-plan-for-port-talbot.pdf (unitetheunion.org)
[3] https://www.democrats.senate.gov/imo/media/doc/inflation_reduction_act_one_page_summary.pdf
[4] https://www.unitetheunion.org/unpluggingenergyprofiteers
[5] https://www.unitetheunion.org/what-we-do/unite-investigates

Growth: In whose interest?

All major political parties are fixated with GDP growth. It simply is not the case that GDP growth automatically benefits workers. For example, wages are not directly linked to GDP. The average UK GDP growth rate between 1950-2010 was 2.5% a year, a similar rate to other large European economies. Yet workers share of the national wealth, expressed in wages, was able to grow faster than this because collective bargaining and workplace power was strong.[6]

Since 2010, the UK economy has grown at around 1.5% a year, but the decline in collective bargaining power mean workers have seen falling real wages and falling household income.

Inequality is growing. The wealth of the top 0.1% has almost tripled since the 1980s. Wages in real terms are lower now than they were in 1997[7]. These are the measures that really matter.

It is Unite's analysis that GDP growth has slowed over the last 50 years due largely to low business investment and the role of financialisation. Between 1970 and 1990, UK annual investment rates averaged 23.7% of GDP.[8] This has now fallen to an average of just 17.9%. At the same time dividends for shareholders have risen. It's time to end prioritising profits for shareholders over jobs for workers.

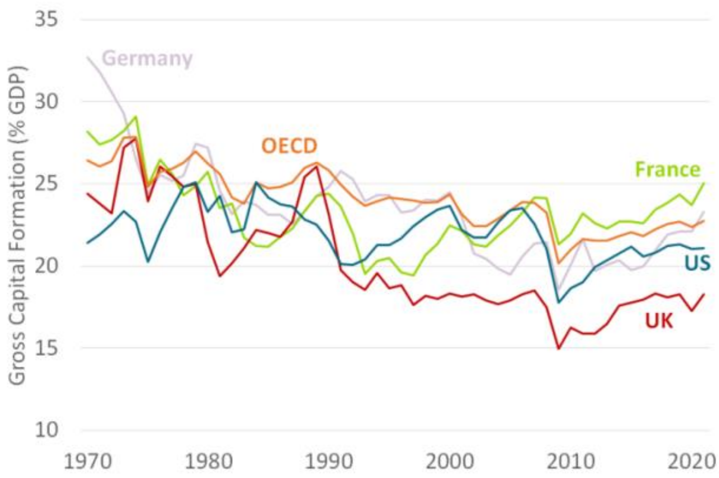
Sustainable economic growth will not be achieved by an industrial policy based on deregulation or money-for-nothing tax cuts and subsidies handed to profiteering multinationals. Industrial policy must focus on investment which grows and improves the economy where it matters.

That means investment tied to job creation with obligations for union-recognised standards of pay and conditions. It also means investment in crumbling public infrastructure and services. It means taking advantage of Britain's potential to lead the world in industries like green steel and wind energy.

Investment: Time for intervention

Investment in the UK is now significantly lower than other countries in the Organization for Economic Co-Operation and Development (OECD) group of advanced economies. Investment levels average just 17.9% of GDP, compared to 20%+ in comparable countries. This is a long-term issue as investment rates have been declining internationally for decades.[9]

[6] Gross Domestic Product: chained volume measures: Seasonally adjusted £m - Office for National Statistics (ons.gov.uk)
[7] https://researchbriefings.files.parliament.uk/documents/CBP-7484/CBP-7484.pdf
[8] Unite analysis of World Bank data
[9] Gross capital formation (% of GDP) | Data (worldbank.org)



This is a process that began in the 1980s as the City's big banks and investment firms began to make huge profits by directing resources into speculation rather than productive investment.

Public sector investment is not filling the gap. In the UK, public sector investment is just 2.4% of GDP, compared to 3.9% in the US and 6% in Japan. The government has experimented with setting up investment banks, but it sold off the Green Investment Bank in 2017 and the UK Infrastructure Bank is 147 times smaller than Germany's equivalent.[10]

All the evidence suggests we can't rely on corporations and financial markets to invest in the real economy. The UK urgently needs new public investment infrastructure to both increase and direct investment on at least the scale of Germany's KfW (around £330 billion).

An investment policy must not be fettered by arbitrary fiscal rules or a return to austerity. Both are political choices which must be utterly rejected.

Conditionality: No money for nothing.
Intervention and investment are needed, but government cash offered without guarantees doesn't work.

2023's Autumn Statement demonstrates that once again, the government is prioritising big business rather than workers. After receiving an improved position in the coffers of £27 billion ahead of the Autumn Statement, the government decided to spend it on £11 billion of tax cuts and £4.5 billion in handouts for big businesses, as spending on public services was reduced by £19 billion. These cuts are effectively paying for tax breaks to business.[11]

Industrial policy must be based on investment, not tax cuts, and this or any other forms of financial support such as procurement contracts, must come with strict conditions linked to defending and improving jobs, pay and conditions.

Procurement:

The public sector spends £300 billion a year, a third of total public sector spending, purchasing goods and services from private sector companies. These contracts continue to

[10] https://labour.org.uk/press/governments-new-infrastructure-bank-will-have-no-effect-on-growth-and-is-147-times-smaller-than-germanys/
[11] CP 944 – Office for Budget Responsibility – Economic and fiscal outlook – November 2023 (obr.uk)

be handed over to companies with no strings attached and no consideration of social value for workers or communities.

Public money goes to cheap overseas suppliers, while workers in strategic domestic industries, such as shipbuilding and steel, are abandoned. Unite does not accept that the government's 'hands are tied' by international trade agreements. Instead, The Procurement Bill gives the UK an opportunity to centre wage and job guarantees in social value considerations, adopt strategic long-term procurement planning, extend the power to "buy local" and introduce a "Buy British" procurement framework based on international precedents, most notably the Inflation Reduction Act in the US. This shows how procurement can end decades of neglect in foundation industries and create thousands of new high quality, unionised jobs.[12]

Steel: Case study

Steel is an important case in point - 18% of the steel produced in the US is purchased by the public sector while the German state buys 32% of its own steel. New legislation resulting in the procurement of 700,000 tonnes would see the UK reach 15% by 2030. This level of public-sector driven demand would grow the market for UK steel and further justify investment.

Rail manufacturing:

Of immediate concern to Unite are the 1,300 jobs in Derby, and hundreds more in the supply chain, currently at risk due to the mishandling of government rail manufacturing contracts.

The Alstom factory in Derby is unique as it is the UK's only end to end (design, build, test) train factory, making it essential to the UK rail industry.[13]

In this instance Unite is calling for public contracts to be brought forward to sustain the plant. The broader point is that a strategy of long-term procurement planning can be combined with using public contracts as a lever for employers to invest in future proofing critical manufacturing sites.

The UK's strengths and competitive advantages:

The UK has a significant strength in high skilled, high value manufacturing, particularly automotive, aerospace, shipbuilding, offshore wind, and rail. In sectors in crisis, most notably steel, Britain could become a world leader in green steel, not just saving but expanding steel jobs for generations to come.

Unite's economic modelling proves that steel demand will be there to increase production. UK wide, Unite's national plan involves doubling capacity by 2035 – which will still leave the UK below the European average per head. Rebuilding production will require further investment, and it will require changing procurement rules and tackling high energy costs to make the industry competitive.[14]

The case of a steel repeats what Unite has witnessed across the economy. Competitive advantages are regularly sacrificed for short term profit boosts to multinationals. The closure

[12] https://www.insidegovernmentcontracts.com/2023/05/treasury-releases-long-awaited-guidance-for-domestic-content-bonus-credit-under-inflation-reduction-act/
[13] https://www.unitetheunion.org/news-events/news/2023/september/unite-tells-government-to-bring-forward-contracts-and-safeguard-alstom-jobs
[14] Unite: Workers Plan for Steel: the-workers-plan-for-port-talbot.pdf (unitetheunion.org)

of GKN in Birmingham in 2021, resulting in 500 job cuts, was caused by offshoring automotive component manufacturing to Eastern Europe[15]. This was allowed to happen despite the UK investing in R&D for GKN's electric drive units, a critical component for electric vehicles. This is why Unite demands that any UK investment in R&D must come with obligations for UK manufacturing jobs.

Net Zero: Automotive case study

Multiple industries are currently transitioning to low carbon technology, but the question remains: 'on whose terms?' Across manufacturing the transition has come hand in hand with job cuts, pay suppression and new automation as employers seek to claw back their investments.

The transition to net zero must be supported by government, but it must also be negotiated with workers to ensure jobs are defended with the creation of like-for-like (or better) job roles.

Any transition can only be considered 'just' if there is a commitment that:

- Every step of the transition will be negotiated through collective bargaining;
- Realistic estimates for the numbers of new green jobs, the quality of those jobs, their likely locations and time-line;
- Any UK public funding (i.e. in R&D) must come with obligations for UK manufacturing
- Commits to upskilling, education and training and how this will be provided by employers and government;
- Gives comprehensive support for workers in downstream sites, such as manufacturing supply chains, to defend employment, win new investment and secure a transition on workers' terms;
- Commits to protecting and extending trade union collective agreements and the ability for workers to organise their workplaces (i.e. extended recognition agreement).[16]

These demands originated from shop stewards in the automotive sector as a direct response to the realities of the transition. 2024 is a turning point year for the automotive industry. Years of short-term contingency planning for Brexit, Covid and supply shortages have now developed into fixed strategies based on profiteering, price gouging and heavy investment in electrification ahead of 2035.

The most significant industry-wide trends facing workers are the divorce of revenue from volume, inevitable attempts to claw back billions in electrification investment through pay suppression, and corporate lobbying of governments amounting to 'playing chicken' with factory closures to gain subsidies.

Disruption to investment from Brexit, the closure of the industry during Covid and then stoppages caused by supply chain crises resulted in significantly lower annual volumes across the sector for several years. In 2023 this has become a permanent feature as employers pivot away from volume-led production to prioritising vehicles with the highest revenue. This is an approach led by Stellantis before Covid and is now followed by BMW, JLR, Ford, Nissan and then the premium players in their drives for electrification. The result is that revenue and profits go up even when volumes and sales fall.

[15] https://www.birminghammail.co.uk/news/midlands-news/hammer-blow-more-500-jobs-22065826
[16] Motion of the Unite Automotive Sector National Industrial Committee, November 2022

As an example, the following table[17] shows that European carmakers were able to significantly increase revenue in 2022 even when sales fell. In total revenue grew 14.9% despite a -1.9% fall in sales.[18]

OEM	Net Profit	Profit growth	Revenue	Revenue Growth	Unit Sales	Sales growth
BMW	18.6	49.1%	143	28.2%	2,399,632	-4.8%
Stellantis	16.8	23.6%	180	18.1%	6,003,000	-2.3%
Volkswagen	15.8	2.6%	279	11.6%	8,481,000	-1.1%
Mercedes	14.8	34%	150	12%	2,450,000	5.6%
Volvo	1.6	14.3%	31	11.7%	615,100	-12%
Ferrari	0.9	12.7%	5	19.3%	13,221	18.5%
Renault	-0.7	-172.4%	46	0.4%	2,051,000	-5.9%
Total	**67.8**	**22.3%**	**834**	**14.9%**	**22,012,953**	**-1.9%**

Every major car plant (OEM) now has electrification plans in place. The government does not have a credible industrial strategy as the sector approaches the 2035 ban date on petrol and diesel vehicles. This has left the industry in a position of 'playing chicken' by winning subsidies and government support by threatening to relocate production. Nissan, Stellantis, BMW and JLR/Tata have obtained millions from the government with such an approach. Unite supports government investment to secure jobs, including for these employers, but they must come with job guarantees.

Through regulation and competitors, the OEMs are being compelled to invest heavily in electric vehicles. In addition to price gouging, employers are clawing this investment back by weaponizing overcapacity to increase 'race to the bottom' competition between plants and attempting drastic pay and conditions suppression. This is particularly acute in the components supply chain resulting in several major industrial disputes. This is no basis for a 'just transition.'

Economic security:

Some industries, such as energy and steelmaking, are critical to national security. In such cases government support must extend to taking a stake or outright public ownership.

In the case of energy, public ownership and control and an end to rampant profiteering which has hiked bills and even added to high inflation. This would have a knock-on benefit for energy intensive industries such as steel and manufacturing which are paying disproportionately high prices for energy.

Likewise, steel is a critical foundation industry. The government must be prepared to step in to prevent job losses and put the industry on a sustainable future. This could include taking a stake in exchange for investment in new technologies, such as Electric Arc Furnaces, to support the UK becoming a global leader in green steel production.

Artificial Intelligence:

Unite notes comments from Chancellor Jeremy Hunt at Davos that Artificial Intelligence could transform productivity, which would enable the government to lower tax levels, while

[17] https://europe.autonews.com/automakers/led-bmw-2022-profits-soared-europes-biggest-automakers

[18] https://europe.autonews.com/automakers/led-bmw-2022-profits-soared-europes-biggest-automakers#:~:text=Net%20profits%20rose%2022%20percent,the%20largest%20luxury%20automaker%2C%20Ferrari.

advocating “light touch” regulation.[19] Hunt’s only concern was that a “rogue actor” could use AI to build nuclear weapons. A more immediate worry than some Digital-Oppenheimer is how artificial intelligence is already radically altering the nature of work.

Unite is not against new technologies, but we are against all the gains being captured by employers and profiteers, when workers face attacks on jobs, pay and conditions. The introduction of such technology must be negotiated, with jobs, pay and conditions protected through collective agreements.

In the finance sector, for example, automation has led to bank branch closures, thousands of job cuts, intense work surveillance in call centres, and increased financial exclusion for customers. At the same time, bank profits have soared to new highs. In the ports sector, research has found that automated ports are actually up to 15% *less* productive than standard ports[20], suggesting that here automation is really about attacking workers’ autonomy and bargaining power.

Gains from automation should be used to boost pay or reduce the working week, to make work more rewarding and fulfilling – not turn workers into extensions of the machine.

Role of the trade unions:

From the transition to Net Zero to procurement, Unite demands a central role for workers and their trade unions in industrial policy. This goes beyond listening to workers’ concerns, to using industrial policy as a lever to improve jobs, pay and conditions while empowering workers.

This must start with the immediate repeal of all anti-union laws, the extension of union rights and the extension of collective bargaining.

Britain has the most repressive anti-union laws in Western Europe, and the current government is pushing even further. The Conservative Party has brought in nine anti-union laws since 1980.

Unite has warned that any government that forces our legitimate activities outside of the law cannot expect us to play by their rigged rules.

Unite is calling for the immediate repeal of the Strikes (Minimum Service Levels) Act 2023, the repeal of the Trade Union Act 2016, an immediate ban ‘fire and rehire’ tactics and the repeal of all prior anti-union legislation.

Irrespective of the Strikes (Minimum Service Levels) Act 2023, Unite will not instruct our members to cross their own picket line. We will stand in solidarity with any worker who receives a work notice.

Beyond this, the government must support union demands for online union voting, including strike ballots, and recognition, access and bargaining rights so that workers can unionise in informal and unorganised sectors.

January 2024

[19] Technology in a Turbulent World’, World Economic Forum 18/01/2024
[20] Unite research on automation in the docks industry