



**A NEW DEAL FOR THE
REAL ECONOMY**

Introduction

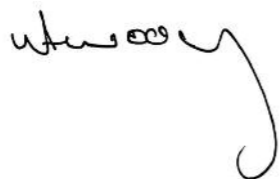
There can be little doubt that ordinary working people and their families are those most likely to suffer the most from the effects of the collapse of the financial markets and the crisis of confidence that this has caused on a global scale. As the latest UK figures display a negative figure for economic growth for the first time since 1992 and forecasts for further reductions in growth at least until the middle of 2009, the need for a re-evaluation and renewal of an economic plan for the UK is clear to everyone.

Unite welcomes the positive steps taken by the Labour Government so far, but as the largest trade union in the country representing some 2 million people, we believe that much more needs to be done to put in place policies designed to secure jobs, protect the most vulnerable in society and redress the imbalance between market forces and social need.

We are therefore setting out in this paper the Unite priorities for government action founded on the principles of fairness and equality. These are designed to take us through the coming months to a new economic order which returns democratic control to nation states over the free market whose actions have led to the current crisis. Our specific proposals are designed to address short to medium term needs of working people. However, we believe that they form the basis for further renewal and a new direction for UK and global economics.



Derek Simpson
Joint General Secretary



Tony Woodley
Joint General Secretary



unite
the UNION

Labour Market

The rising levels of unemployment already being experienced will contribute to a downward spiral of reduced demand if allowed to continue unchecked. Maintaining the government's commitment to full employment is an absolute priority during the coming months. Unite cannot accept that unemployment is inevitable nor indeed 'a price worth paying'. Unite believes that the trade union record of support for business and workers is undeniable. Such support for workers has not always been reciprocated and therefore Unite is demanding that the following steps be taken in order to ensure that the legitimate trade union voice for workers is both recognised and supported.

- Amendments to the current Employment Bill which:
 - Provide protection for workers participating in lawful industrial action of lawful strikes;
 - Cut the red tape that union's face when balloting members for industrial action;
 - Strengthen regulations which prevent employers using agency workers to undermine strike action; and
- Give legal effect to the European Court of Human Rights judgement that trade unions should be able to expel fascists from membership.
- Immediate introduction of parity and permanency for agency and temporary workers to stop the spread of insecure work.
- End the opt out to the Working Time Directive.
- Promulgation of the commitment from government to work with all interested parties to examine the Laval and other similar ECJ judgments and take any necessary steps to ensure they do not worsen employees' rights under British industrial relation laws.
- Implementation of government commitment to increase the cap on statutory redundancy payments.
- Maintaining a commitment to hard-working people and families through implementation of agreed extensions to paid maternity leave and flexible working.
- Fairness for all through support for vulnerable workers, opposition to scapegoating and discrimination; implementation of single equality act; mandatory equal pay audits, and rights for union equality representatives.

Business support

Unite notes the announcements already made by government to improve support to small and medium businesses (SMEs). Unite has also welcomed the substantial support provided to the Banking and Finance sector. Unite is calling for support for manufacturing to be extended and for greater accountability and responsiveness from those businesses receiving government assistance.

MANUFACTURING

- In the case of manufacturing Unite argues that a specific remit be given to those banks which have been bailed out to provide pro-active support for re-capitalisation for strategic industries such as automotive, high technology and low carbon manufacturing. This would reflect similar action already taken by the French and German governments.
- Both the German and French finance ministries have agreed that the financing arms of carmakers could use the state guarantees for new lending of up to €400bn and €320bn respectively. In addition carmakers in Europe called on the European Commission to give them €40bn in cheap loans in response to the \$25bn the US Congress has promised mostly to domestic manufacturers to develop greener technologies.
- Given the relatively decent base of much of UK manufacturing, government industrial policy should aim to provide funds for poorly capitalised businesses attempting to commercialise new technologies, especially in fields such as low carbon energy production, low power electric motors and lightweight construction materials.
- Additional to this initiative must be a fast track promotion of public procurement aimed at utilising British manufacturing wherever possible, within the same constraints of EU competition regulations that other countries in the EU work under. There has recently been some recognition by government of the potential to use economic, social and environmental factors in determining where contracts are awarded and more needs urgently to be done to encourage this throughout procuring departments and local government.
- With the prospect of job losses within manufacturing looming, Unite wants to see assistance for workers to enable them to adapt to a rapidly changing economy, by providing retraining assistance for workers in sectors of the economy vulnerable to dislocation before they lose their jobs. This is equally applicable to the service industries as it is to manufacturing.

FINANCE AND SERVICES SECTORS

- Unite represents almost 200,000 employees in the financial services industry. Tens of thousands of finance sector workers have already lost their jobs in the past ten years. And many more face insecurity through the current crisis in the sector.
- Unite will not accept a situation where reward for failure is considered acceptable and wishes to challenge the short-termism which drives irresponsible risk. However the vast majority of finance sector workers are subject to terms and conditions within the sector, which bear no relationship to the obscene bonus culture enjoyed by those at the top. Employees should be viewed genuinely as assets and not a cost or become victims in this economic crisis. Decent pensionable pay increases should be awarded to workers for a fair day's work. Short-term incentives should be replaced with decent pensionable pay increases and there must be an end to rewarding staff with bonuses which do little to protect finance workers long-term financial stability.

Public Services

- Unite welcomes the government commitment to maintain and increase public spending over the coming period. Whilst accepting that some of this increased borrowing will be needed to compensate for lost taxes, the creation of demand from working people and low income families can only be achieved if a policy of fair pay and pensions for public service employees is adopted.
- Recent global economic events have demonstrated clearly that the arguments made by Unite and other public sector trade unions that public sector pay was not fuelling inflation were right. The issue now is no longer inflation, which is likely to reduce over the next 12 months significantly, but the stimulation of the economy both through business investment and consumer demand. Unite is demanding that below inflation pay increases for millions of public service workers must be redressed and the increasing opposition demands to reduce public sector pensions repudiated.
- Unite is also calling for further privatisation and PFI for investment to be scrapped and for the post office infrastructure to be developed to ensure accessible, affordable and stable banking for all.



Taxation and Investment

TAXATION

- The use of fiscal policy as well as monetary policy is fully justified in the current economic times. Unite has called for the establishment of a Price Commission on energy utilities and windfall tax on past profits on oil and energy companies of 5%.
- Unite is urging government to introduce a more progressive tax regime which ensures a more fair distribution of wealth and which reduces the tax liability for the poorest in society whilst introducing a higher rate of tax for those earning in excess of £100,000. A review of the way in which private equity gains are taxed should also be undertaken leading to a replacement of the capital gains tax by income tax.
- Furthermore, government must clamp down on tax avoidance by wealthy individuals and corporations. The TUC report published earlier this year identified a potential tax increase of £24.7 billion simply by closing the loopholes which provide tax avoidance for wealthy individuals and major corporations (1).
- In a global economy it is difficult to track fiscal liabilities. The task is made even more difficult through the use of tax havens. There are currently about 70 recognised tax havens in the world holding some \$11.5 trillion of assets at a potential tax cost to world governments of approximately \$255 billion a year (2). As part of a new economic order Unite is calling upon the UK government, in conjunction with other developed nations, to change its policy on tax havens and demand that these places change the ways in which they manage their economies. The first step in this process would be a review of UK administered jurisdictions currently providing tax havens.

PUBLIC INVESTMENT

- The advancement of work on Cross rail and the Olympics is welcomed as a contribution to public investment led projects which benefit both public and private sectors. Similar encouragement for power station build and other infrastructure projects are also needed.
- As part of the programme to avoid repossessions and evictions, an increase in social and council house building and refurbishment is essential. The recent guidelines issued by the Ministry of Justice on repossessions were welcome as were other steps taken by the DCLG as part of a housing package. However, Unite wants to see greater encouragement and support for Local Authorities to take responsibility for delivery of council housing meeting the needs of the least well off in society, with a target of 1 million new homes by the end of 2011.
- Government must take positive steps to encourage local authorities to issue Local Authority Bonds as a means to raise local investment in housing and the infrastructure. Similarly, long term government borrowing would be welcome to pension funds as gilts are generally felt to be in short supply relative to pension funds appetite for them.
- To encourage wider investment both industrially and domestically, Unite is calling for a further reduction in interest rates to 2% by the end of 2008. Government should, if necessary, take steps to ensure that Banks reflect this cut in the rates offered to businesses and create easier access for business and domestic borrowing.

(1) Touchstone Pamphlet -The Missing Billions TUC 2008

(2) Ibid

Capital restructuring - Future shape of the global finance

- The collapse of the global financial markets signals the need to reign in the excesses and irresponsible practices following 'big bang' in the City, whilst recognising the value and importance of the sector to the economy and society.
- There is a danger that as we move into a recession, the causes of the financial meltdown may be forgotten. This would be extremely dangerous and irresponsible. Unite is calling for regulation to be consistent and tight across the whole of the financial system including the shadow banking system to ensure that the interests of beneficiaries, consumers, investors and workers and the wider economic system are protected effectively.
- Short-selling should be prohibited or tightly controlled and trading on futures markets for commodities should be restricted to those who have an interest linked to real economy activity, namely, producers, traders and major consumers.
- New financial products should be examined by regulators for their impact on the financial system and the real economy before they are allowed to be traded.
- Mechanisms to facilitate investments in the real economy through a straightforward, transparent and single-purpose intermediary system should be developed as a matter of urgency to allow investors to channel money to where it is needed without taking on the risk of the current financial system.
- It is essential that an international financial regulatory system is established to undertake regulatory oversight of the international financial system.
- Unite is also calling for all stakeholders to have a voice in regulation of the sector including the trade unions. Unite with its 180,000 members working in the sector is well-placed to provide that voice.

10 Key priorities

- Maintaining a commitment to full employment
- Restoring and defending collective rights of workers
- Increasing public spending levels to create demand
- Advancing investment in public infrastructure
- Supporting manufacturing through procurement and investment
- Reducing interest rates to stimulate investment
- Introduction of a fair tax regime to address poverty gap
- A Price Commission for energy and a windfall tax on profits
- Introducing a new order and regulation into the finance sector
- Freezing repossessions on homes and creating 1 million new affordable homes

