

## **CSEU submission to the Ministry of Defence consultation on the Defence Industrial Strategy (DIS)**

**October 2005**

The Trade Unions within the defence industrial sector, AMICUS, TGWU and GMB, operating within the Confederation of Shipbuilding and Engineering Unions (CSEU) have lobbied long and hard for a strategic approach by H.M.G to this key sector.

We welcomed the Defence Industrial Policy and we fully support the principle of a Defence Industrial Strategy. Whilst we have reservations regarding the schedule which has been set for the completion of the exercise, we are encouraged by the efforts to engage all partners in dialogue.

Our members work at every level in the sector including management, technical and engineering and manufacturing workers. They are involved at every stage of defence manufacturing from research and development right through design, manufacture, assembly, testing and delivery and beyond, in the form of maintenance, repair and overhaul and finally decommissioning. We have members involved in land systems, aerospace, maritime systems, missiles and space technology.

### **Skills shortages – Demographics**

Feedback from our members and their employers indicates that the industry is facing a demographic challenge on skills, which could soon become a crisis. The average age of the workforce in defence has been concentrated due to successive rounds of redundancies and restructuring. These issues have traditionally been resolved through the mechanism of voluntary redundancy and early retirement.

Workers over the age of 50 are encouraged to leave as they can access a pension as well as a redundancy payment. Workers under the age of 30 often leave as they have the best prospect of re-employment elsewhere. This combination of factors means that the bulk of the workforce is within the age bracket of 30-50, which potentially will lead to a huge loss of skills and experience within a relatively short timescale as these workers reach retirement age.

If we are to maintain our capability in defence manufacturing this potential skills gap must be addressed now. The workers who will be lost are highly skilled and cannot easily be replaced. Many employers are already reporting that they are finding it difficult to attract young people into the industry. It is also becoming increasingly difficult to fill apprenticeships with the right calibre of candidates. This will only worsen as the effects of the UK's ageing population reduce the numbers of school leavers and graduates.

Workers seek stability, a challenge, a safe and healthy working environment, career prospects and a feeling that their contribution is valued. This is impossible to achieve in an industry or from an employer where a short term "off the shelf" approach is the modus operandi.

We are also encountering serious abuses of labour practises by certain employers using agency workers who are Eastern European. These workers often lack the necessary levels of skills, are not fluent in English, are often badly or indeed unsupervised and have little or no knowledge or regard for health and safety regulations. A major user of this type of transient labour has already expressed their intention to bid for sub contract work on CVF.

The CSEU would be implacably opposed to such a bid being aided by these unacceptable labour standards.

Whilst BAE Systems on the Clyde and VT on the South Coast have made sterling efforts to recruit young people in the last couple of years, this has not been common throughout the industry. It has been against a backdrop of a very real shortage of the number of skilled craftspeople who will be required when the CVF contract commences. A real opportunity lies in the area of adult reskilling.

We have a great success story on the Clyde following a CSEU initiative where welders were successfully trained and redeployed as electricians. The CSEU umbrella organisation on site prevented any potential inter union or demarcation problems. This model could be adopted elsewhere but there is an issue of insufficient government funding for over 25 training.

**We therefore believe that the following issues must be taken account of in the Defence Industrial Strategy:**

1. Employers need to be able to plan ahead in order to invest in recruitment and training of new employees, or to retrain and re-skill existing employees. In order for companies to have the confidence to do this, Government contracts and orders need to be transparent and long-term. In addition, the timing of orders may have to be manipulated in order to smooth out peaks and troughs in labour demand, or to build in time periods where re-training of existing labour can occur.
2. There needs to be a coherent cross-departmental strategy to ensure that there is support for training and re-training in the industry.
3. Many defence employers are currently facing difficult trading conditions and many of our members face redundancies. Job losses at the moment would be short sighted and would exacerbate the problems outlined above. Government action is needed now to allow employers to retain staff with confidence.

**Competition**

The CSEU believes that the UK Defence Industry has undergone consolidation and shrinkage which has left only a handful of key players in the market. Whilst there is some duplication across these companies, many specialise in areas which reflect an advantage in their capability. We believe that with appropriate planning and management the whole industry could fill all of the UK defence procurement requirements.

The current policy of subjecting much of the procurement process to competitive tendering runs the risk of driving suppliers out of business. The may chose to manufacture in low

cost economies to reduce costs and maintain margins. The result of this is a simple but devastating loss of skills and capability in the UK.

Whilst we accept that defence suppliers must be competitive and the Government must ensure value for money for the taxpayer, we believe that this calculation is much more complicated than a simple comparison of tendered prices. Wider economic benefits must be taken into account when evaluating contracts and deciding where to place orders.

### **Value for money - Broader economic benefits**

Jobs in the defence industry are highly skilled and are high value added. This reflects the level of intellectual capability and technological complexity, which is brought to bear in the work.

Roles such as these create broader economic benefits outside of the defence industry. Firstly, they increase the nation's knowledge base and technological advantage. This is crucial in global competition. Secondly, expertise and experience in defence transfers across to the civil and commercial sector. This gives the UK a competitive advantage. Thirdly, high value added jobs lead to good pay. Through the multiplier effect this creates regional wealth around defence industry clusters and contributes to the nation's wealth through taxation.

Conversely, loss of these jobs creates loss of further jobs through the multiplier effect, plus loss of tax revenue, coupled with direct support in the form of unemployment benefits, etc. In addition, our experience is that where jobs are lost the skills are lost to the industry forever. Our members have reported that even when employers retain contact with ex-employees, attempts to re-employ those who have previously left in redundancy exercises once work picks up again are rarely successful and only a very small percentage of ex-employees ever come back to the industry.

### **Investment**

It is accepted that a major reason why the UK enjoyed its number two position in the world was the progressive investment regime of past generations.

The abrogation of this essential responsibility in the 70's, 80's and 90's has seen the USA move even further ahead. Worryingly Europe as a whole and France and Germany individually once again outstrip the UK in R and T investment. This must ring alarm bells.

The UK Government's approach to nurturing a climate of R. and T. investment has led to a complicated and fragmented process. This will not encourage private industry in the defence sector to concentrate its investment strategy in the UK when faced with the range of inducements now available globally. Investment is the lifeblood of any industry. The UK is in danger of becoming anaemic.

### **Technology Sharing**

Despite the oft repeated protestations of successive US President's that the UK is US' dearest friend and ally it has not enjoyed a "special relationship" when it comes to the application of US control mechanisms on export licenses and Technical Assistance Agreement. Indeed in a legal and regulatory sense the UK is treated no differently from any other country.

A classic example is J.S.F. If the UK is to be encouraged to contribute the best of its innovation we must be allowed to share in the technology.

We appreciate the differences in the style, format and committee systems of the two administrations. The system of export controls to encourage self sufficiency in defence and create a regime of no technology compromise is also understandable.

The US and the UK have proven at the highest levels and in the face of national and international criticism that they can co-operate in the most sensitive areas. Surely within a Defence Industrial Strategy we can reaffirm our need to prioritise the agreement of a system, which enables us to share technology in a more efficient manner.

### **Summary**

Our submission opened by underlining our support for an effective, visible, consistent and progressive Defence Industrial Strategy. Let us conclude by clearly stating that this can only be achieved if it strengthens the defence industrial base. We recognise that global competitiveness and technological change will mean in some instances significant restructuring in some instances. This can and should be achieved on a mutually beneficial basis by early and meaningful consultation, total transparency and full recognition that successful change can only be achieved together.

The CSEU are committed to work towards this end on a tripartite basis with government and employers.

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