Roger Jeary
Director of Research
020 7611 2500

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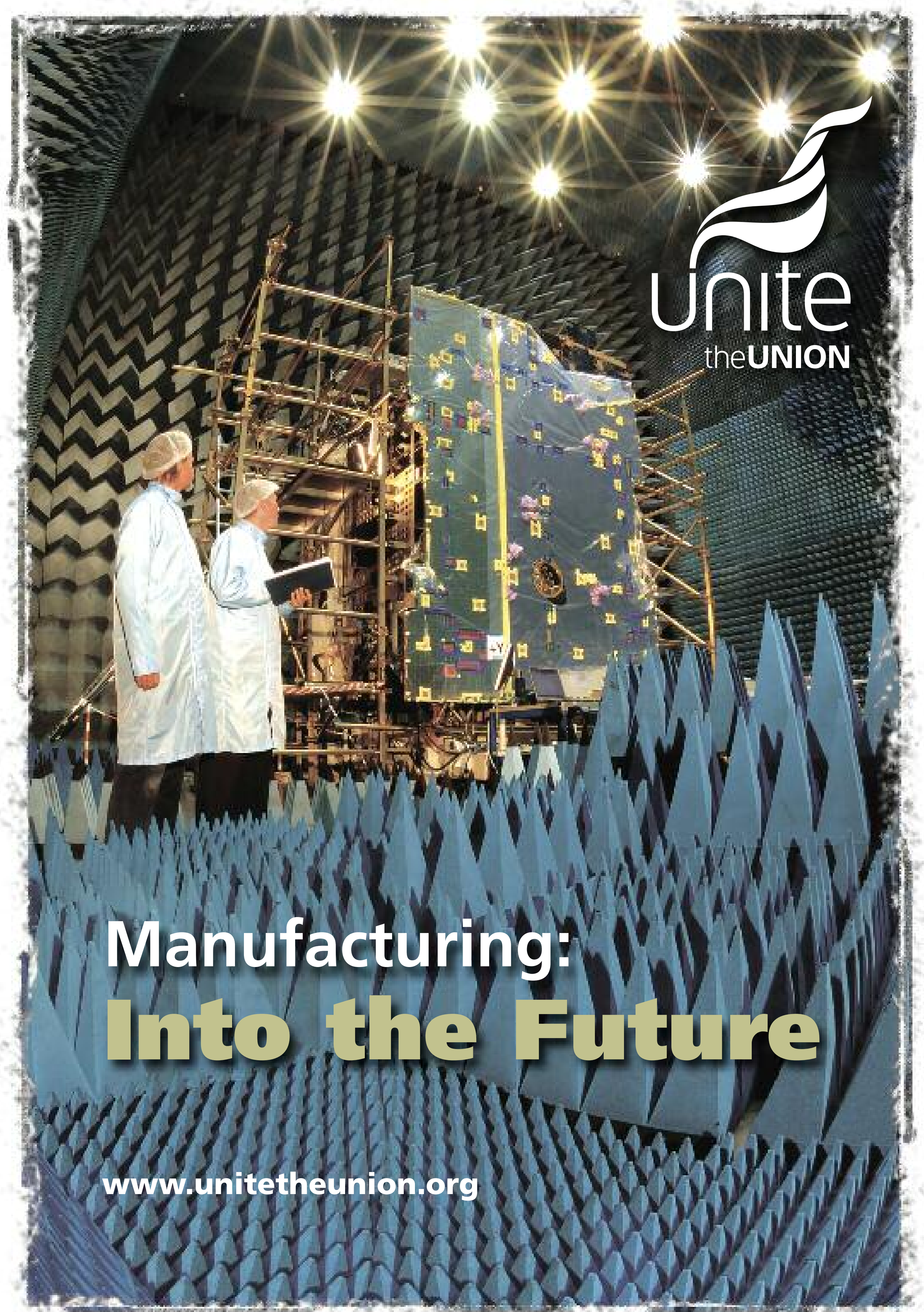

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Manufacturing:
Into the Future

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Foreword:


Derek Simpson


Tony Woodley

By Unite Joint General Secretaries, Derek Simpson and Tony Woodley

As we enter the second decade of the 21st century after one of the worst economic recessions brought about by the irresponsible and greed motivated international banking classes, it is right that Unite, the manufacturing union, should publish its vision for the wealth creating hub of the UK for the next 10 years.

The lessons of the last 20 years have surely now been learnt, as our manufacturing base shrunk from employment of over 4 million to the current level of 2.6 million, and the country shifted its interests to the service industries supported by the income from the financial sector during a period of world growth. Unfortunately having taken the government eye off the ball, the antics of global bankers created a financial smoke and mirrors environment which inevitably led to the global financial crisis as it collapsed in 2008.

As usual with such events it was ordinary workers who suffered most and manufacturing in the UK was again hit hard. 2009 saw 300,000 manufacturing jobs lost despite huge efforts from Unite and other unions to retain jobs in difficult economic circumstances through responsible negotiating to retain essential skills. Unite has continued to campaign strongly for manufacturing at factory, corporate and government levels. We have had some successes, most notably the introduction of the car scrappage scheme to support the automotive industry, but much more needs to be done.

We recognise that the government has now realised that manufacturing is essential to the overall economic growth for the country and we welcome the initiatives already taken. But so much more is needed to ensure the future sustainability of UK manufacturing jobs in a global market. This document highlights some of the key strategic issues which need to be addressed in the coming months and years. Better use of public procurement to support UK manufacturing jobs; support for strategically important manufacturing industries; increased support for skills training through statutory means where necessary.

Most importantly, we need a fair deal for workers in the UK. We cannot continue to be Europe's flexible worker hub where lack of employment protection encourages short term investment by global companies who can hire and fire almost at will. Sustainable industries need a sustainable workforce, well trained at the employer's expense and with secure, well paid jobs. This has been achieved in pockets of UK manufacturing, our mission is to see that extended across manufacturing.

We have repeated many times over the last few years that there is a future for manufacturing in the UK. Most importantly though is the recognition that there is no future for the UK without manufacturing. This document sets out our key priorities to secure that sustainable future for manufacturing jobs in the UK.

Derek Simpson Tony Woodley

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Manufacturing and the economy

UK manufacturing is not dead, or even in terminal decline. The sector as a whole has grown despite severe recessions in the past, and it will survive the current downturn.[1]

Background

It would be easy to assume that manufacturing in the UK is no longer significant to the economy of the country. Nothing could be further from the truth and there are serious lessons to be learnt from placing too much reliance upon one sector. The fact remains that manufacturing industries in the UK employ around 2.6 million people representing 10% of all employees and accounts for £160 billion (12.4 %) of national economic output.

Three quarters of all research and development in the UK goes into the manufacturing sector. Manufactured goods in the UK contribute a disproportionate share of total exports compared with their share of national output, with 46% of the value of exports in 2008 accounted for by manufactured goods.

During 2008 and 2009 the impact of the global recession has hit UK manufacturing hard with job losses across the industries exceeding 300,000, this is on top of the serious reduction in the previous 20 years. The sector continues to suffer from the migration of jobs to low wage economies and the impact on different regions of the UK has been marked. The West and East Midlands and Yorkshire and Humber English regions have borne the brunt of the losses during 2009, not surprisingly given the concentration of manufacturing in those areas, with Northern Ireland and Wales suffering similar heavy losses as well.

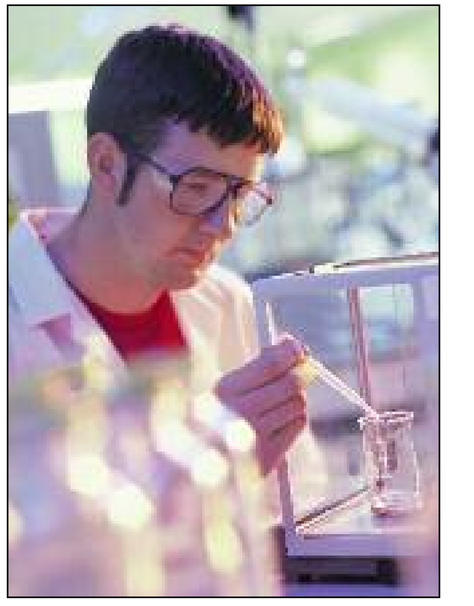
The UK manufacturing and engineering sector needs to survive, not only because it is important in its own right, but because it supports so many businesses in the services sector. Indeed, the distinction between 'manufacturers' and 'service providers' is becoming increasingly blurred, as products and services are increasingly bundled together to provide differentiated value-added solutions. If manufacturing disappears, we believe a large element of the service sector would also be at risk.

In seeking to build sustainable competitive advantage, manufacturing must focus first and foremost on its unique knowledge and capabilities, rather than its products. A strong focus on R&D, dedication to quality, reliability, and responsiveness, strong partnerships throughout the value chain and concentration on customisation will characterise the most successful businesses. More and more companies are operating in both areas, or bundling goods and services together in customised packages for clients.

As the importance of intellectual property and knowledge-driven businesses grows, it is likely that the most successful companies and economies will be the ones who manage to bridge this traditional divide between manufacturing and services, and turn that new capacity into competitive advantage. A good example of this is Rolls-Royce, which has made a significant and successful transition from a pure manufacturing company in decades past, to an integrated solutions provider which now generates over half of its revenue from services as it looks to capture value across the full lifecycle of its products.

[1] PriceWaterhouseCoopers April 2009 – The Future of UK Manufacturing.

Investment



The UK outperforms every country in Europe in terms of attracting inward foreign direct investment to manufacturing, and is second globally only to the USA. From April 2008 until March 2009, foreign direct investment in the UK increased. However, with this comes the over reliance on foreign owned manufacturing companies which, in a global environment, leaves the UK open to switches in corporate investment strategies and location of production sites drifting to lower wage economies.

The trend for growing foreign control of UK manufacturing capacity looks set to continue. According to an ERA report[2], this is a largely positive development since foreign firms tend to be larger, more productive and invest more than their local counterparts and are often responsible for the introduction of new ideas which spill over into rival firms. Multinationals are however more likely to base higher-value activities such as research, design and marketing in their home countries.

Whilst R&D expenditure in the UK is concentrated in manufacturing, the overall size of R&D investment is still much lower than major competitors, probably a reflection of the high proportion of foreign owned companies making up the sector. OECD figures show that R&D spend accounts for around 1.8% of UK GDP compared with 2.5% in Germany, 2.6% in the US, 3.3% in Japan, and an OECD-high of 3.8% in Sweden.

Investment is also dependent upon access to finance and recent economic conditions have meant that this has been seen as a major obstacle during the 2008/09 recession. The following paragraphs look at the steps taken to address this key issue.

Recession impact

Apart from the obvious global impact on manufacturing caused by the crisis in global financial services, the knock-on impact has been felt in the UK through the difficulties faced by businesses in accessing financial support. In the last 12 months, which has also seen the ownership of two major UK based banks by the government, steps have been taken to create improved access to finance with varying degrees of success.

Probably the most successful initiative has been the creation in May 2009 of the car scrappage scheme which provides financial incentives for car owners to trade in old models for new ones. In figures up to the end of the year this scheme has accounted for over a quarter of a million of new car registrations in the UK providing a significant boost to a struggling automotive industry. By the time the scheme winds up at the end of March 2010, that figure will have risen to almost 380,000 vehicles.

Earlier in 2009 the government provided a £2.3bn package of loan guarantees (£1.3bn from the European Investment Bank and £1bn UK funds) which were linked to 'green' investment schemes. It also put pressure on the two 'publicly owned' banks to make available over £20bn of funding available for supporting industry in general. In addition the banking bail-out was supposed to restore bank capital and market confidence to sustain consumer credit.

Neither of these initiatives provided the immediate kick start needed by the industry and strong efforts by Unite to persuade government to introduce a short time working compensation scheme were also rebuffed.

[2] The ERA Foundation: The Sustainability of the UK Economy in an Era of Declining Productive Capability June 2008.

Other major capital financing schemes announced later in 2009 included:

- Enterprise Finance Guarantee (EFG) up to £1.5 billion originally, now extended for 12 months to March 2011 with additional £500 million aimed at smaller businesses in form of government guarantees for bank loans;
- Advanced manufacturing package - Investment totalling £151.5 million has been announced as part of the government's targeted strategies for key sectors and markets. It will expand access to information, encourage take up of new technologies and address specific challenges faced by the aerospace sector;
- UK Innovation Investment Fund of£125 million; and
- Strategic Investment Fund of £750 million.

"Green" jobs

Much has been written about the potential for "green "jobs to be created as a result of efforts to combat the effects of climate change. The terminology is unfortunate as it tends to suggest in people's minds jobs related only directly to renewable energy and high tech environmentally friendly products. In reality what the economy needs are sustainable jobs capable of delivering continuing employment in a wide range of manufacturing industries. Whilst many of these will be created through a shift in energy production combating carbon emissions, there will be many other jobs throughout the supply chains which will be needed to support the low carbon economy which globally is being sought.

These will include jobs throughout the chemical, steel and other process industries as well as high tech jobs in the automotive and aerospace supply chains. The government has set out its strategy in its Low Carbon Industrial Strategy. Trade unions including Unite have made clear that as the skill sets change and new jobs evolve, central to any strategy has to be the concept of a just transition for workers and industries. Economically this means ensuring that intensive energy users such as the Chemical and Steel industries are not penalised or prevented from operating viably in the UK by uneconomic energy prices or penalties for high emissions.

The challenges facing the UK's energy-intensive heavy industries - iron and steel, aluminium, cement and lime manufacture, pulp and paper making, basic inorganic chemicals, and nitrogen fertilisers – have to be supported as they adapt to a low carbon future. Together these industries directly employ around 220,000 workers, in some 400 installations across the UK, accounting directly for 1% of UK GDP, with additional multiplier effects at regional level. The strategic challenges facing these industries include:

- energy price increases to 2020 as a result of a combination of climate change policies;
- their need to secure an adequate quota of free emissions allocations, benchmarked against high production standards;
- government-supported investment in a range of low carbon technologies, reducing energy usage and the carbon footprint of installations;
- skills and training for a low carbon future; and
- the need to ensure consultation between government, industry and trade unions to ensure an effective strategic response to these challenges.

The final point above will in part be looked at as a tripartite body, the Forum for a Just Transition, established at the end of 2009 upon which Unite is represented.

Future economic needs

If UK manufacturing is to prosper and grow in the next decade, the right economic climate is essential. Whilst some factors are driven by global considerations and not solely within the power of a UK government, there are clear objectives which the UK must set. Interest rates which at the end of 2009 remained at an all time low of 0.5% must not be allowed to rise to a level which discourages future investment.

Government incentives to industry to invest more in skills and R&D need to be more widely applied. Public procurement should be used to greater effect to support manufacturing processes undertaken in the UK. These and other issues will all be looked at in more detail in subsequent chapters of this document.

Low carbon industrial strategy

Introduction

One of the biggest challenges for manufacturing in the UK is the switch to a low carbon economy. Manufacturing companies are already coming under increased pressure to make their processes more energy efficient, cleaner and more sustainable. At the same time the development of new technologies and more environmentally sustainable products will play a major part in the transition. Those companies that are able to adapt will see the transition as a great opportunity and one that will shape the future of all manufacturing from now on.

Many of the companies that Unite members work for are frequently blamed for creating the problem of climate change. Yet it is within these sectors that the solutions for a sustainable future must be found. It is crucial that solutions are found that not only make a difference to the environment but also benefit workers and society through the creation of sustainable jobs. If this transition is not handled correctly it risks being used as an excuse for cost and job cutting or provides the vehicle for exporting jobs abroad. The concept of a just transition is that the costs and benefits of decisions made in the public interest – including those necessary to protect the climate – should be shared fairly and progressively.

What is a low carbon manufacturing job?

The Department for Business, Innovation and Skills (BIS) estimates that "the global market for low carbon goods and services is already worth over £3 trillion and growing rapidly." In the UK this is estimated to be worth £107 billion a year, representing 7.4% of GDP. BIS claims that the UK is a "world leader in many low carbon and resource efficient services, technologies and processes, this is a huge potential opportunity."[3]

If the right policies are put in place then there will be numerous opportunities for the manufacture of new products, services and components that will reduce emissions across a large number of industrial sectors. The UK economy will also benefit from the production of these goods and services and companies can benefit exponentially from new ways to innovate and research and development opportunities.

These will include for example, jobs manufacturing components and end products for new energy generation technologies such as wind turbines and wave generation. Jobs creating the technologies needed to retrofit old buildings such as insulation, new building materials, micro generation technology such as solar cell roof tiles or gadgets that cut the power use from electrical equipment and, jobs that will facilitate the research and development that is needed to produce electric cars and low carbon aircraft.

Government has pledged support for these kinds of industries but it is clear that much more can be done to provide start up capital for new companies and support crucial research and development. However, a more strategic plan of which areas of the 'green' economy the UK manufacturing sector should focus on would be useful and would facilitate a co-ordinated approach to education, skills and training which are crucial for the productivity and prosperity of the sector.

Green jobs are not just new jobs in new industries. In fact most of the jobs that will be needed to move to a low carbon economy will on face value look very much like the ones we have now. Most of the jobs and industries that we currently have will continue to be part of the economy such as making low carbon versions of cars, or trains, making steel, aluminium or other materials like plastics, printing and pharmaceuticals or food processing. To facilitate this there needs to be significant research investment and government support for these jobs to change and adapt the processes that they use and to re-skill existing workers enabling them to develop their potential, up-skill and benefit from new ways of working.

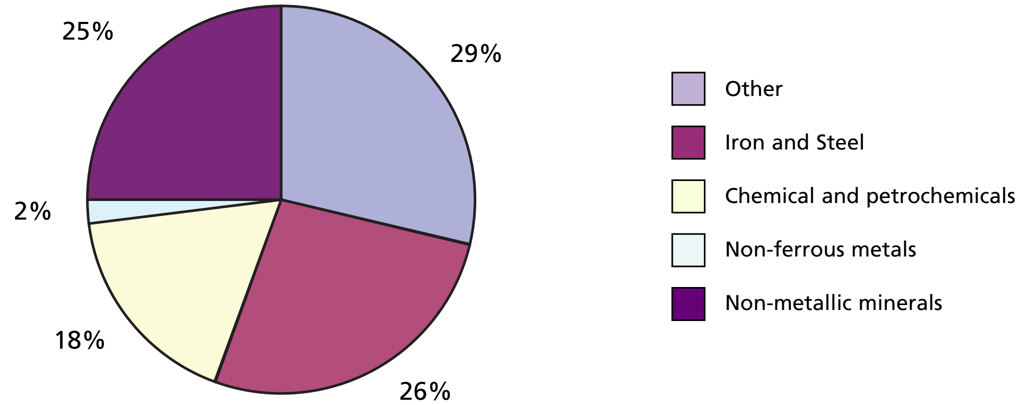
3 DBIS Low Carbon Industrial Strategy: A Vision.

Manufacturing's contribution to UK emissions

The Carbon Trust estimated in 2004 that UK industry consumed almost 400TWh of energy and emitted 105 million tonnes of carbon dioxide into the atmosphere. This figure represented around 20% of the UK's total energy use. Most of these emissions came from manufacturing[4]. It should be noted that while this figure attempts to account for the indirect emissions from freight and power they almost certainly underestimate the embedded carbon from across the global supply chain that services the UK.

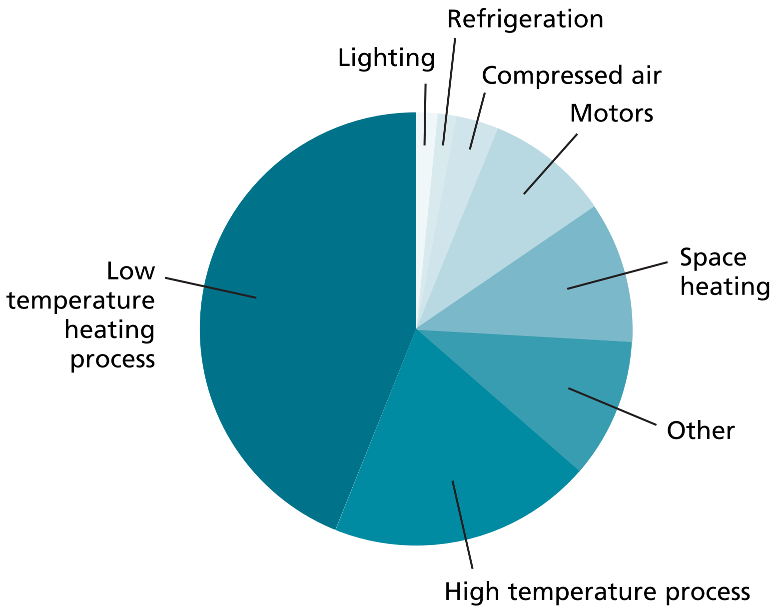
Of the direct CO2 emissions from manufacturing and construction, over two thirds were from three sectors: iron and steel, non-metallic minerals and chemicals and petrochemicals. It will not be a simple matter, nor desirable, to move away from these sectors as they are fundamental for much of our economy and lifestyles. If significant emission cuts are to be made in these sectors then there will either have to be new processes found or replacement materials that can be made in a more sustainable way.

Direct CO2 emissions from manufacturing and construction



The chart below illustrates which different industrial processes consume the highest amount of energy and thus highest carbon emissions.

Industrial energy consumption by end use (different processes)[5]



Note: Low temperature heating process includes drying and separation, process heating and distillation in the chemicals sector; baking and separation processes in the food and drink industry; pressing and drying processes in paper manufacture; and washing, scouring, dyeing and drying in the textiles industry.

[4] Manufacturing – Introducing energy saving opportunities for business,' Carbon Trust 2007
[5] Carbon Trust – Manufacturing, Introducing energy saving opportunities for business.

A major part of cutting emission from these processes will be to source energy from low carbon renewable sources such as off shore wind. However, there are also many things that companies can do to improve their own contribution. The Carbon Trust offers companies advice and support on how to cut their emissions and many companies have already started innovating through, for example, using their buildings to generate much of the energy they use in partnership with companies such as Ecotricity[6]. Government has also set up the Industrial Energy Efficiency Accelerator (IEEA) that is tasked with channelling £15 million into low carbon manufacturing process research[7]. This is a good start but much more needs to be done.

Summary of the largest end users of energy for the industrial sectors[8]

Industry sector	Most energy saving potential
Cement, ceramics, foundries, glass	High temperature processes (furnaces/kilns)
Chemicals	Process heating; motor-driven processes, refrigeration
Engineering	Industrial buildings, including heating, boilers, steam systems and lighting
Food and drink	Boilers; process control; refrigeration
Paper making	Drying and separation
Publishing, printing	Compressed air

Some of the traditional ideas of manufacturing may also have to change. Increasingly companies will be encouraged to take responsibility for the full life of their products. This has already started to happen for example with refrigerators and cars. Manufacturing could become more akin to a service – where at the end of a products life it is collected by the manufacturer and recycled or upgraded – thus cutting waste and energy use.

The other area where carbon emissions will need to be cut will be in the transport and logistics systems used by manufacturers. At the moment much of this is done on the basis of what is often referred to as "just in time delivery" that relies heavily on fast delivery of products and materials mostly by road. For emissions to be cut from logistics and transport there will need to be funding for research and infrastructure that will allow the development of more sustainable and slower models such as utilising Britain's canal system. Unite has discussed this further in its Sustainable Transport and the Environment guide.[9]

[6] http://www.ecotricity.co.uk/
[7] http://www.greenwisebusiness.co.uk/news/innovation-drives-15m-low-carbon-investment-in-uk-manufacturing-858.aspx
[8] Carbon Trust – Manufacturing, Introducing energy saving opportunities for business.
[9] http://www.unitetheunion.org/pdf/climate%20change%20booklet.pdf

Industrial activism and a level playing field

The transition to low carbon industry will require a new level of industrial activism. It is not simply a case of leaving everything up to the markets. Not only will this fail to create the solutions to climate change but it will also inevitably lead to worse outcomes for workers.

Government needs to put in place a framework of incentives, funding and penalties that give companies confidence to invest in new technologies, products, processes and services while guaranteeing a fair and equitable outcome for all those affected. So far Government has introduced several policies to develop a framework for the transition. Most notably the Climate Change Act which sets binding targets for the UK. The first UK climate targets were announced with last year's budget (2009), setting a new legally binding 34 percent reduction in emissions (based on 1990 levels) by 2020.

However, there need to be clear systems in place to protect workers that might be negatively affected by the transition. If changes to processes or company structures are being put in place there should be protections for workers where their jobs are affected. This means supporting companies to re-skill and up-skill workers and building strategies for regional development so that jobs that change or are no longer needed are replaced. One innovative solution to this is the Midlands Engineering Industries Redeployment Group (MEIRG) now part of the Career Chain project which was set up to support companies retain and share skills while helping workers to find new work in times of redundancy. Another welcome move has been the creation of the Forum for a Just Transition that will look at these issues on a national basis.

Government has also established the Automotive Council a tri-partite body on which Unite is represented, charged with the task of developing a path to low carbon vehicles in the automotive industry.

High Energy Intensive User Industries (HEIU) and carbon leakage

Workers in the UK's high energy-intensive industries - iron and steel, aluminium, cement and lime manufacture, pulp and paper making, basic inorganic chemicals, and nitrogen fertilisers are particularly vulnerable as they adapt to a low carbon future. Together these industries directly employ around 220,000 workers, in some 400 installations across the UK, accounting directly for about 0.5% of UK GDP. They also have a long history of trade union membership and organisation; many of these sectors offer high quality, highly skilled employment supported by decent terms and conditions. They also provide unusually high rates of full-time employment.

These industries are particularly at risk from what is known as "Carbon Leakage" – the transfer of jobs from countries with higher standards of environmental controls to those with less. There are already major concerns that many of these jobs are being moved outside the EU where controls are generally higher – notably steel jobs at Corus. This process is happening through a combination of increases to energy prices related to oil and gas prices as well as government climate policies and global market rules that allow other countries to under cut.

These base industries are crucial to the UK's manufacturing capability and will play an important part in supplying the new low carbon manufacturing (e.g. steel for wind turbines or glass for double glazing). It will therefore be counter productive not only for the workers who lose their jobs but also for the environment if these jobs and carbon emissions go elsewhere.

Investment and funding

Government will need to create significant funding streams to help businesses adapt and develop their innovative potential.

The 2009 budget made a significant start through commitments to fund:
- £4 billion of new capital from the European Investment Bank
- £525 million of support to offshore wind
- £405 million of targeted support for low carbon industries and advanced green manufacturing
- £375 million to support energy and resource efficiency
- £250 million for low carbon investments
- £140 million for small-scale electricity and heat

In addition government has been trying to get more private investment involved in funding such as through the UK Innovation Investment Fund with the first closing of the £125m Hermes Private Equity environmental innovation fund[10]. While these funding initiatives are a good start they will need to be sustainable over the long term. This will also need to be effectively assessed and followed through rather than being used as a political football. Government should also use the public procurement process to encourage contractor and suppliers to utilise and enforce carbon neutral initiatives which are part of the EU procurement regulations.

For innovation to succeed there needs to be a significant level of investment and support for companies to encourage them to adopt carbon neutral strategies. This will involve supporting more links between industry and academic work, as well as greater government investment and ownership of strategic technologies and patents. One area of concern will be how to provide fair incentives to invest in research and open that research to wide spread implementation.

Investment in skills

One area that will require major investment will be in developing the new skills that are needed for the transition. These will include both major investments in research and development to create new technologies, processes and products and also in the work force that will be delivering these improvements.

The UK government has already produced a white paper[11] calling for the following skills policies to help with the low carbon transition:

1. Annual national strategic skills audits starting in 2010
2. A new Skills Funding Agency funding stream of £100 million to fund 160,000 training places at levels 2 and 3. Low Carbon Industries have been viewed as a priority for this funding.
3. A Renewable Energy Skills strategy delivered by eight sector skills councils
4. It promotes a "collective employer" approach to skills development
5. A pilot of a Joint Investment Scheme involving a few sector skills councils to lever match funding from government and employers for priority sector skills investment. This is expected to generate a £100 million fund.

In addition, research by Pro Enviro for BIS, DECC and Defra has highlighted a list of skills that need to be developed[12]. In their report Pro Enviro however stress that there is still a long way to go. Not enough research, strategy or awareness has been developed into what skills are necessary[13].

10 http://www.dius.gov.uk/innovation/ukiif
11 Skills for growth
12 http://skills4lowcarboneconomy.co.uk/Skills-Checklist.aspx
13 http://www.skills4lowcarboneconomy.co.uk/uploaded/documents/Reports/LCREE-4-Page-Exec-Summary.pdf

Global strategy

There will be no reduction in carbon emissions without a global strategy. As in the UK, there has to be a just transition through a global framework for adaptation. It would be a travesty for well meaning climate change legislation here in the UK to have the result of moving jobs to countries that have far worse environmental standards and worse protection for workers. It is also important that the UK takes a fair responsibility for the emissions it produces including those associated with our historical legacy. Cuts to carbon emissions have to be made internationally if we are going to be successful in stopping dangerous climate change.

This will mean Government working hard to make a fair and just legally binding international agreement on emissions cuts. Any agreement would need to build international funding structures and processes for investment and technology transfer that can help poor and industrialising countries develop and improve their standards of living without pursuing high carbon industrial strategies.

The Copenhagen Agreement at the end of 2009 was a start to this process but much more needs to be done for anything effective to come out of these negotiations. Trade unions have a clear role to play in the move towards a carbon neutral manufacturing sector and lobbying and influencing government in relation to policy decisions around climate change and 'greening the workplace'.

Unite recommendations

- There needs to be a negotiating forum for a set of legally binding global targets that will prevent undercutting based on environmental grounds
- Implement a fair system for valuing carbon globally that will reconfigure the global market to incentivise low carbon production.
- Put in place protection and support for strategic industries that may face substantial problems with change, especially high energy user industries (HEUI).
- There needs to be urgent government investment in research into cleaner processes for HEUI's and funds to help them adapt.
- Set up interventionist market mechanisms such as EU subsidies or tariffs on products from outside of the EU that have lower environmental, labour and social standards.
- Target public procurement contracts at suppliers that offer low carbon services, and can deliver 'green' skills training.
- There needs to be specific and targeted linkages between universities and manufacturing industries in relation to research into low carbon initiatives.
- All reps should encourage their employer to adopt 'green' initiatives in the workplace.

Small and medium sized enterprises

Small and medium sized enterprises (SMEs) are of crucial economic, industrial and social importance to the wider UK manufacturing sector and the UK economy in particular. There are currently an estimated 4.8 million SMEs[14] in the UK, employing around 13.7 million people with a combined annual turnover of £1,500 billion.[15] It is clear from these figures that SMEs have a vital role to play in supporting the big tier 1 companies within the manufacturing sector and in increasing productivity and GDP.[16] SMEs are without a doubt the key to increasing dynamism within the manufacturing sector and creating jobs for UK based workers.

There are significant industries within the UK economy where SMEs play a considerable role in the economic growth and profitability of companies. These include, the civil aero and defence sectors, the space sector, vehicle building and motor components, and in particular the food and drink sectors. There are substantial strengths that SMEs provide for the different sectors within the wider manufacturing industry, especially in relation to innovation, research and development (R&D) logistical capability and lean manufacturing methods.

However, there are also significant problems which SMEs consistently have to deal with. These can include the lack of provision of training for existing workers, which can create skills gaps and skills shortages. A lack of available investment funding for innovation and R&D which stymies growth and productivity, significant problems with successfully accessing external export markets and a procurement structure in Europe that is very difficult to negotiate.

SMEs are often at the forefront of responding quickly to the dynamic nature of technological and industrial change. As such they require a highly skilled workforce that can react quickly to the demands of the tier 1 companies or the export markets that drive the production requirements. It is vital that SMEs retain experienced highly skilled workers and do not rely on recruiting workers for specific jobs, especially contract workers from abroad as this could have serious implications for expansion and economic growth in the UK, and could also lead to decisions to off-shore or out-source where labour is cheaper and more available.

To enable SMEs to function successfully there must be an acknowledgement and an obligation for the companies concerned to accept that they must train their existing workers and allow them the opportunities to develop and up-skill. Unite has consistently challenged the lack of training for workers in SMEs and has lobbied government to introduce a statutory training levy for any company that is unwilling to train its workforce or allow workers to access training outside of the workplace. The statutory right to request training is a step in the right direction but in SMEs there could be a number of operational reasons why any request would be turned down.

Government has clearly stated that 'enterprise' is at the top of its agenda[17], however, it is overwhelmingly true that SMEs continue to face major obstacles to growth. Removing as many of these obstacles as possible is the key to creating a highly productive and highly skilled economy. With nearly 4.8 million SMEs in the UK, many still report obstacles for innovation which are directly linked to the lack of investment available and the impact of the current recession on the access to borrowing. Government must ensure schemes already in place to assist SMEs, such as the Capital for Enterprise Scheme and Enterprise Finance Guarantee Scheme must be built upon, extended and advertised widely.

One of the key areas where SMEs can be assisted by government is through the awarding of contracts through the public procurement process. The European Commission and the UK government acknowledge that the failure to access public procurement contracts is particularly acute for SMEs. SMEs are found in all areas of the UK economy and more needs to be done to ensure they have the opportunities that public procurement contracts offer. One of the main problems is the procurement process, this is difficult enough in the UK but when UK based companies try to access procurement opportunities in Europe it is a minefield.

Government has previously implemented a number of key initiatives to assist SMEs in applying for European contracts but it is clear that barriers have still not been broken down completely and further work needs to be done to make sure that opportunities for European contracts are forthcoming. It is the number and complexity of administrative and bureaucratic regulations that have a detrimental impact on SMEs trying to access the European market. These can differ from country to country and can also differ in some countries, such as France and Germany, from region to region.

The manufacturing supply chain in the UK is dominated by SMEs. As a consequence the symbiotic relationship between big companies and SMEs cannot be under estimated. What is crucial to recognise is that if small and medium sized companies can no longer supply the big tier 1 companies they will go elsewhere, either by off-shoring or outsourcing – a situation that could exacerbate the contraction of the UK based manufacturing sector even further, resulting in job losses, company closures and the loss of intellectual knowledge, skills and experience.

Unite recommendations

- Unite believes that a statutory training levy should be implemented for all employers who refuse to train their workforce.
- There should be an easily accessible single point of contact for all employers to enable them to navigate the complex procurement process.
- It is imperative that government provides long term investment funding to assist and support UK based SMEs, this action is vital to ensure companies are not forced into off-shoring or out-sourcing.
- Government must recognise the importance of SMEs to the future of the manufacturing supply chain, if the supply chain fails, tier 1 companies will look abroad for innovative products and services.
- UKTI and RDAs must work together to promote export opportunities for UK based SMEs

14 Department for Business, Innovation and Skills – SME Statistics for the UK and regions 2008.
15 ibid
16 UK Gross Domestic Product
17 See Going for Growth: Our Future Prosperity, page 12, www.bis.gov.uk/growth

Skills and training

Commentators have indicated that the global economy has started to expand again and after an unprecedented economic recession, growth in the UK has shown its first glimmer of hope. Manufacturing in the UK has been severely hit by the recession and it is because of the fortitude, pragmatism and experience of the UK workforce that this recession has not been signified by the huge job losses that happened in the previous two recessions.

However, what has happened is an attack by some employers on any type of peripheral company expenditure. For example, many sectors in the UK economy have struggled to maintain a training programme for their workforce, while up-skilling, workplace training and personal development have been seriously lacking in some companies and in some sections of the manufacturing economy has been non-existent.

While it is true that there has been a decline in the number of people employed in manufacturing, around 11% in 2005 to approximately 10% in 2009[18], the UK manufacturing sector has seen a radical change in the way it does business. The sector no longer competes only on price or volume sold. The sector also encompasses a broad range of value added strategies which uses intangibles such as branding, marketing, servicing and staff training to add value to the manufacturing process and enable manufacturers to develop and become more innovative.

The UK manufacturing sector has seen productivity rise faster than the economy as a whole and part of the reason for this is the greater move towards automation, information technology and innovative ways of working. Another important way in which companies can improve productivity is through a highly skilled workforce that uses innovation to research, design and produce new products and services to maintain and improve competitiveness in the face of emerging low-cost economies.

The UK economy has flourished because of its highly skilled and flexible workforce but there are problems ahead if employers do not train their existing workforce. There are also issues around the age demographic of the manufacturing sector in the UK, and without a concerted campaign to maintain and increase the apprenticeship programme in the UK the situation will only get worse.

Unite believes it is vital that everyone has the opportunity to be educated, trained, develop skills and contribute to the economic success of the UK. Government has worked consistently to ensure that the mechanisms are in place to enable people to improve their skills and their educational achievement. Since 1997 nearly six million people have improved their basic skills and over two million people have started an apprenticeship.[19] The trade union movement has worked tirelessly to enable workers to improve and increase their basic skills through the Lifelong Learning programme.

Trade unions and learning

Union Learning Reps (ULRs) have made a substantial impact on putting learning and skills training at the top of the agenda in workplaces across the country. Working with employers, learning providers and members, they are trained in advising members on learning needs and opportunities ranging from basic skills training to promoting personal development. ULRs are giving thousands of workers the opportunity to re-visit learning and training in a safe and supportive environment, enabling workers to develop new skills or update existing ones.

[18] Office for National Statistics (ONS) Manufacturing share of total UK employment 2009.
[19] The Data Service (2009) – Post 16 Education & Skills: Learner participation, outcomes and level of higher qualification held.

Case Study

The Rolls Royce factory at Inchanin in Scotland employs around 1200 people, the majority of whom are highly skilled. The Trade Union Learning Fund allowed for the whole workforce to have access to learning opportunities, many of whom had not undertaken any form of learning for 20 – 30 years.

A large number of Union Learning Reps (ULRs) were trained and a Learning Steering Group, made up equally of management and reps was created. There is a formal, signed learning agreement and learning needs surveys are carried out frequently to identify workforce skills needs, with other courses available such as basic IT, literacy and numeracy and languages.

The trained ULRs ensure that every worker at the factory has access to a ULR and is offered the opportunities that Life Long Learning can bring.

The key to the success of this learning initiative is communication, and a willingness from all stakeholders to ensure that there are benefits for the workers and the company. The trade union movement has a vital role to play in ensuring learning initiatives like this continue to be successful.

Highly skilled workforce

The UK has many world-class companies and real strengths in research and design. The retention of intellectual property in the UK is vital to the prosperity of the nation. The UK also has an excellent science base with clear linkages between science research and industry. The Aerospace and Pharmaceutical sectors are two that rely heavily on a highly educated and highly skilled workforce. Government has been consistent over the past 4 years in building a progressive education and skills strategy to try to meet the Lisbon Treaty target for "the European Union to become the most competitive and dynamic knowledge based economy in the world, capable of sustained economic growth with more and better jobs and greater social cohesion"[20].

However, although government has identified the need for a highly skilled workforce in the UK, there is evidence to show there is a mismatch regarding the definition of a highly skilled workforce and the current supply led system of further education and higher education provision, investment in the teaching of STEM[21] subjects and ensuring companies, especially SMEs, provide workplace training.

If government is to achieve its goal of a manufacturing sector predicated on a highly educated and highly skilled workforce it must recognise that the higher education system is fundamental to providing the appropriate educational and vocational skills. Many of the UK's economic competitors invest significantly more in higher education. It is not acceptable for government to cut funding to UK universities which then compromises students who want to go to university in England. This action means universities are forced to increase the places awarded to overseas students, because they bring in substantial revenue, so the universities do not lose – only the prospective students.

For manufacturing in the UK to flourish there must be a pool of home grown talent available to employers, this would include technicians, engineers, scientists, managers and last, but certainly not least, apprentices. It is crucial that the technological changes in the means of production in the UK can be utilised and enhanced by new advances in technology and research and development in the key industries in the UK such as Aerospace, Defence, Pharmaceuticals, Information Technology and Chemicals.

[20] See http://europa.eu/lisbon_treaty/index_en.htm
[21] Science, Technology, Engineering and Mathematics subjects.

Many employers express concern about the lack of talent in the UK and Unite shares the belief that the loss of home grown talent could mean skills gaps and skills shortages for the future. As such, this could easily mean a company taking the decision to move abroad, or to choose not to invest in the UK, in preference to countries where there are plentiful supplies of highly skilled workers willing and able to work. Unite believes that action taken now could stop this scenario taking place.

Apprentices

It is clear that skills shortages in the manufacturing sector are a significant problem to employers. The global recession has meant that a large number of workers have lost their jobs and their skills and experience could be lost to their sectors forever. The manufacturing sector has an ageing work force and because of this new workers are needed to train side by side with existing highly skilled and experienced workers. Although manufacturing as a sector is changing and becoming a highly skilled technology led sector, it still needs those young people who are willing to start as apprentices and undertake their training in the workplace.

The UK government has committed to investing in the apprenticeship schemes and has identified the need to increase the overall number of apprenticeships from 250,000 to 400,000 by 2011. However, what Unite thinks needs to be done for the future is to ensure that the quality of apprenticeships on offer improves, that all those young people who want to become an apprentice have the opportunity to do so and that pay for apprentices is linked to the national minimum wage. One way of doing this is by using the public procurement process to ensure any major government contracts have clauses to include training and skills and the recruitment of apprentices.

Pay is one of the most important issues for apprentices. Some apprentices are very poorly paid and this is usually compounded by the fact that it is often women who receive the lowest apprentice pay rates. For some apprentices there are clearly laid out pay rates that are negotiated by the union involved, for others the rate is based as a percentage of the craft technician rate and for others the employer has agreed the trade unions recommendation of a minimum of £80 per week to be paid to all apprentices. The Apprenticeship Taskforce has identified low pay as one of the most significant reasons for the non-completion of apprenticeships.

Unite welcomes government’s commitment to funding for adult apprentices. However, there should be a greater expansion of this programme, especially in the light of the economic recession where adults may have been made redundant, have outdated skills, or who would like to change direction in their career. Adult apprenticeships are also a way of breaking down occupational segregation. Research has shown that older women are more likely to enter non-traditional occupations if there are clearly structured training programmes such as adult apprenticeships.

At present there is very little recognition of the role trade unions play in apprenticeships. Unite believes this role could be strengthened by recognising the role that unions play in working with employers ensuring high quality apprenticeships are on offer, and that employers are forced to pay apprentices the negotiated rate of pay. Statutory rights around training and skills would help unions to support the expansion of the apprenticeship programme even further.

Unite recommendations

- Government investment in education, skills and training must be maintained and increased.
- Government must reinstate funding to UK universities. It is not acceptable that universities will cut places for UK based students in favour of the revenue to be had from overseas students.
- The current investment in the Trade Union Learning Fund initiative must be maintained.
- Apprentice programmes must continue to be funded and government must commit to reviewing the link between apprentice pay and the National Minimum Wage.
- Government must use the public procurement process to assist in workplace training and investment by companies in apprentices.
- There needs to be a concerted review of the teaching of STEM subjects in the UK. This is to ensure that there is a sufficiently highly skilled workforce to ensure the future of UK based manufacturing.
- There needs to be a consolidation of the number of Sector Skills Councils. These are seen by employers as nothing more than quangos and any money saved could be invested in training and skills initiatives that have proven to be effective.

Procurement

One of the key elements in Unites manufacturing policy is ensuring that workers in UK based companies benefit from the significant sums of money spent on the procurement of goods, works and services for the public sector. The public sector is the biggest purchaser in the UK economy spending over £200 billion per year on the goods and services needed to deliver public services. Companies based in the UK are also able to bid for public sector contracts in the wider European Union (EU) and companies in other EU Member States can also bid for contracts in the UK.

The guiding focus of the procurement process is to achieve value for money (VFM) for the tax payer and to ensure the goods and services required by the public sector are meeting the core objectives of the sector. The procurement procedure called commissioning, is designed to ensure the life-span of the process, from the identification of a need, through to the end of the awarded services contract, or end of the useful life of an asset or the completion of a building project. These can include Private Finance Initiatives (PFI), large construction projects and investment in large defence items such as aircraft carriers.

Public sector procurement is governed by the UK regulations that implement the EU procurement directives. These apply to the majority of procurement contracts with a total value over a specified threshold[22]. Procurement's which are under the designated threshold are not covered by the UK regulations but are still subject to EU Treaty principles.

Why do we need a procurement policy?

The present government is trying to ensure that there are long term benefits to the UK economy and the UK tax payer via efficiency savings generated through the procurement process. The long term sustainability of improvements in value for money is highly dependent upon constantly improving the procurement capability of government departments.

This capability is predicated on improved capacity planning for government contracts, more effective and fair competition for government contracts right across the EU and government commitment to ensuring there is a strategic and viable focus on enabling UK companies to benefit from the procurement process.

The present government has made it clear that there is a need for a common process to manage large, complex procurement projects, and a system for managing suppliers of goods, works and services. There is also a need for common systems of recording purchases, setting targets for improving value for money and an overarching commitment to ensuring small and medium sized enterprises (SMEs) based in the UK are encouraged to bid for contracts across all EU member states.

With the recent introduction of social and environmental regulations, local authorities and central government have the scope to assist in awarding contracts to UK based companies employing workers living in the UK. There are significant opportunities for SMEs within the essence of these clauses and it is the responsibility of government to ensure that fairness is the watch word when awarding procurement contracts.

[22] See http://www.ogc.gov.uk/procurement_policy_and_application_of_eu_rules_eu_procurement_thresholds_.asp

European Union and procurement

European procurement legislation seeks to prevent favouritism, inertia or corruption which may lead to EU internal markets making it difficult for suppliers to sell their goods and services in all the Member States. It is vital that for the internal market to work in a fair and free manner that all Member States comply with EU procurement legislation. Unfortunately this is not the case and there have been a significant number of cases of infringement brought against Member States for breaches of procurement legislation.

Public procurement accounts for a significant proportion of economic activity in the EU, accounting for over €2,000 billion or 17% of EU GDP.[23] The amount of procurement contracts advertised at EU level has increased to €370 billion or almost 3% of EU GDP in 2008[24]. However, there are still significant problems with contracts being awarded to companies which are established in one member state and want to bid for contracts in another.

EU research estimates that only 1.7% of contracts are currently going from one member state to another, with a significant proportion of business being awarded to locally established subsidiaries of a partner country. This is clearly one of the ways in which companies who wish to procure in other member states manage to do so, through buying a share in a subsidiary company or going into partnership, but it is not the solution to the problem of infringements[25].

The difficulties around procurement do not stop there. Decentralisation causes momentous problems where public procurement is concerned. In France there are 40,000 different public procurers issuing tenders in the Official Journal of the European Union[26]. France also has a culture where strategic industries are identified and supported by government. French industrial policy ensures that long-term investment plans are published and there is extensive, pro-active dialogue with national suppliers and the French ministries.

French industrial policy includes intense lobbying of the European Commission for more flexibility in the application of competition, financial and environmental regulations to encourage the growth of strong French industries. The policy also includes plans to stimulate French industry through research and development, including the creation of committees for strategic reflection, focusing on the long term future of the textile, health and automotive sectors[27]

In Germany there are 35,000 public institutions with a procurement function.[28] German public procurement operates within a very complex framework of legal and administrative systems and the co-ordination of local and regional public procurement presents considerable problems for central German authorities due to the federalist state structure. All of these add to the barriers experienced by UK companies. There are also complex regulations in Germany regarding national standards, in particular the DIN standards[29] and TÜV certification requirements. To confuse UK companies even more TÜV requirements can differ from one region to another[30]. German authorities are entitled to require these standards if there is no equivalent under European Union or international law.

23 Internal Market Scoreboard – July 2009, page 7.
24 ibid
25 See Infringement Cases at Europa – Press Releases – Public Procurement: Commission requests United Kingdom
26 Improving Procurement: Case Studies and International Comparisons, p.29.
27 Questions-Réponses Politiques, Le Monde Economie.
28 Improving Procurement: Case Studies and International Comparisons, p.24.
29 Deutsches Institut für Normung e.V. www.en.din.de/
30 ibid

Procurement and small and medium sized enterprises (SMEs)

The European Commission and the UK government both acknowledge that the failure to access public procurement contracts is particularly acute for SMEs. This clearly indicates that there is inherent discrimination in the process of procurement in the European Union. There are 3.5 million businesses in England and all bar 5,400 are either small (with fewer than 50 employees) or medium (with 50 to 249 employees) workplaces.[31] SMEs are found in all sectors of the economy, account for half of all business turn over and employ 57% of England's private sector workforce.

The very possibility that UK SMEs could tender for these lucrative European contracts is clearly problematic. The process of procurement in the UK market is complicated enough, but in the European Union it is even more complex, costly and time consuming. The UK government has been working to try to address these problems and support SMEs in overcoming the current barriers to their entry into the European Union procurement market.

Government has implemented a number of key initiatives to assist SMEs. These include:

- The establishment of the Small Business Service (SBS);
- A simplified National Pre-Qualification Questionnaire;
- Recommendations for the standardisation of accreditation models; and
- The production of the Small Business Concordat.[32]

However, it is clear from evidence that the barriers are not being broken down and further work needs to be done by the agencies concerned.

It is also true that too many administrative and bureaucratic regulations have a detrimental effect on SMEs working in Europe. In an already lightly regulated market the UK government has taken further steps to reduce the burden of bureaucratic regulations on SMEs. This includes a programme of administrative burden reductions and a consolidation of regulatory and inspection bodies. However, a study by the Federation of Small Business found that SMEs are still dissatisfied with the volume and complexity of administrative regulations and the high rate of change in legislation[33]
In the light of this and the previous discussion regarding the de-centralized nature of many of the European Union members states, government has taken steps to make it easier for SME suppliers to find contracting opportunities[34], especially lower value contracts (typically below £100,000).

Procurement and skills

There is an increasing recognition that procurement can have a positive impact on skills and innovation in companies who are contracting with the public sector. The present government has produced guidelines for all government departments on how they can incorporate basic skills and training requirements into their procurement arrangements.[35] Evidence has shown that procurement can help increase skills at all levels.

Training and apprentice clauses and contractual skill requirements can have a significant influence on intermediate and higher level skills as well as level 2 and basic skills. Quality standards can also be used to increase demand for skills as they can define the precise skills and training elements required.

31 Mapping of Government Services for Small Businesses.
32 www.odpm.gov.uk/index.asp?id=1136698
33 Ibid
34 www.supply2.gov.uk
35 See www.publications.dcsf.gov.uk

Case Study

Sheffield City Council and the Kier Group established a partnership to deliver construction works in the local area. The partnership has been used as a vehicle for community regeneration and supporting disadvantaged groups. The partnership has also adopted clear objectives regarding education, training and employment.

This approach has created over 1,000 employment and training opportunities which currently include, 57 apprenticeships, 103 disengaged young people on the City Stewardship scheme, 22 work step placements and 320 14-16 year olds learning about construction on day release.

Source: OGC – Promoting skills through public procurement.

It is clear that through procurement government can play a leading role in encouraging and supporting individuals and employers to continue to invest in skills and training and support their workers. Procurers need to consider the benefits to wider society when spending tax payers' money buying goods and services. In July 2008, central government, the trade unions and private and third sector organisations agreed a joint statement[36] on access to skills, trade unions and advice in government procurement. The aim of which is to improve the quality of public service delivery by presenting service provider employees with access to skills training.

Unite recommendations

- Government needs to talk to companies in the manufacturing sector and trade unions to ensure a pragmatic, sustainable and long term strategy for key industries within the sector.
- The commitment of the present government is the key to ensuring that public procurement works in an advantageous way for UK manufacturing companies.
- Government needs to show its support for industry and ensure that social clauses are used successfully to support local businesses, communities and workers.
- Government must emphasise public procurement as a lever of skills, training and apprenticeships for suppliers and especially SMEs.
- All companies involved in bidding for procurement contracts should be encouraged to sign up to the Unite Positive Procurement Pledge.

36 www.cabinetoffice.gov.uk/media/cabinetoffice/workforcematters/assets/CO_joint_statement.pdf

Corporate ownership

Background

In the previous chapters the key issues affecting the future of manufacturing in the UK have been addressed. To make progress on all of those issues workers as stakeholders need to have a voice and to be assured that their business is sustainable and not under constant threat of financial or corporate oblivion.

In the UK the last 20 years has seen most major prime manufacturing companies either close, transfer its business abroad or undertake significant change of ownership. With one or two notable exceptions, such as Bae Systems, Rolls Royce and GSK, UK manufacturing is owned from afar. In itself this may present a vulnerability to future investment and UK sustainability which will be returned to in this chapter, but the nature of the financial ownership in the form of excessive debt, is adding to the vulnerability issue as industry comes out of recession.

If the return to growth for the UK is as slow as some predict then the ability of the top manufacturing companies in the UK to earn sufficient to repay their debts is brought in to question. This at worst may impact on the very survival of a company, and at best, place pressure on jobs and pay of the workers employed.

The recent global financial recession has brought to the fore the debt laden nature of much of the sector and was indeed a contributory factor which brought about the financial collapse in the first place. Whilst there is nothing intrinsically wrong with borrowing to fund long term investment in a company, what has been seen to be more common in recent years is creating debt to increase returns to shareholders without necessarily improving productivity or performance of the company.

The effort to satisfy shareholders and the financial markets is not based on real increases in output, productivity or jobs. Rather than securing long term sustainability and growth, the emphasis has been on increased share price and payouts to shareholders through dividends, the buying back of shares or by massive fees and capital gains for private equiteers

Alongside the financial issues impacting on ownership of manufacturing there is the issue of mergers and takeovers. The UK is the least well regulated country in the EU when it comes to protecting home based companies from takeovers from abroad. Our long established practice of the market knows best has seen off iconic brand names and factories with consequential job losses and community devastation. As industry increasingly becomes foreign owned, the likelihood of investment being concentrated in the home country of the owners increases.

What are the policy issues which arise from this issue?

The issue of defending UK based strategic industries is top of the list of demands which Unite is placing upon government. The events which led to the hostile takeover of UK company Cadbury by the American company Kraft at the beginning of 2010 is a classic example of a takeover which clearly was not in the best interests of the company nor indeed its workers.

This is an area where the 2006 Companies Act could be re-stated providing for good governance, active and responsible shareholding and a significant measure of corporate control. More importantly, Unite, along with the TUC, has called for the establishment of a Takeover Commission, where all the stakeholders can offer a valid contribution and government acknowledges the true cost of company mergers and acquisitions. A Takeover Commission would assess whether the bid is likely to enhance – or indeed damage - the target company's economic and productive capacity in the long-term. Assessment could include for example impact on investment, employment, R&D, training, the economic case for the bid, comparisons of financial projections, and levels of debt and repayment schedules.

Compare this to similar situations in other parts of Europe such as Germany, France and Belgium. In these countries provisions have been put in place which protects companies from hostile takeovers or mergers deemed not to be in the country's strategic interests. Germany has already acted on this front to say that the German Government needs the ability to make strategic interventions to protect the best long-term interests of the real economy. Secondly, the French have weighted votes for those who are long-term shareholders and in 2005 introduced a law that takeovers in certain strategic sectors have to be approved. While, Belgium and Holland allow companies to have articles of association that do not prevent takeovers but focus the debate on whether they are in the best strategic long-term interests of the enterprise.

Unite has also called for the current UK takeover regulations to ensure that greater credence is given to long term shareholders than those who are short term and interested only in a quick return for their investment. Greater transparency at the time of bids for companies or during merger talks are also essential if all stakeholders including shareholders and workers, are to be able to defend their interests and question the industrial motives behind such transactions.

> ***"At the centre of financial markets is the tension between the need for a long term investment in a real asset, and the desire for a short term gain from a financial asset. Should the prerogatives of the latter trump those of the former? What kind of economy will we end up with if they do? We have to address these questions."***
>
> Lord Mandelson – Mansion House Speech 1st March 2010

Unite is arguing that long term considerations must outweigh any short term gains to be derived from the purely financial transaction of takeover or merger.

There also needs to be a considered look at the case for requiring all companies making significant bids in this country to put their plans to their own shareholders for scrutiny. Unite would also want to see the plans being put to the union concerned and for it to be enabled to scrutinise the transaction before any deals are signed and sealed. Government has a clear responsibility to ensure regulatory measures are in place to certify a fair and open process and Unite has been campaigning extensively to ensure these processes are put in place.

An integral part of the process of change is the need to provide a Takeover Code which reflects the changes Unite has demanded. The provisions of a Takeover Code must include the following

- A clear statement that nothing in the Code (or Listing Rules) stops an employer sharing market sensitive information with Trade Unions and for this to include future financial and business plans;
- To raise the voting threshold for securing a change of ownership to two thirds;
- To lower the requirement for disclosure of share ownership so companies can see who is building up stakes on their register;
- To ensure there is provision to guarantee that properly evidenced bids are the only ones that are tabled in an effort to stop the disquiet and apprehension for workers in the company;
- That bidders set out publicly how they intend to finance their bids, not only for the short term but over the long term too;
- There also needs to be much greater transparency and regulation around advisors' fees and incentives;
- Be explicit about the information and consultation process and introduce a trade union right to meet shareholders

Overall a range of factors based on the European experiences mentioned above and the UK experience and existing regulations must be looked at to arrive at policies which compel a more sensible debate about the best long-term interests of the company and wider public interest. In addition, Unite will argue for enhanced rights for workers in terms of their ability to be consulted as key stakeholders, and for a new form of public interest test to be introduced. This test was removed the early 2000s and Unite is now arguing for it to be re-instated. In applying such a test Unite argues that social as well as competition criteria should be applied at both UK and EU level.

The TUPE regulations as they are currently constructed have failed to address a number of concerns. Unite has consistently pressed for the TUPE regulations to be strengthened and extended to cover transfers resulting from the sale of shares. If the right framework is established, then the interests of manufacturing and those who work within UK based companies, means the opportunity for safeguarding jobs, terms and conditions along with future investment in the industry can be better protected.

Unite recommendations

- Government should expand its criteria for interventionist policies designed to protect strategic manufacturing industries.
- Establish a Takeover Commission to oversee mergers and takeovers to which all interested parties can contribute.
- Review existing legislation which provides for information to be provided to trade unions on matters relating to transfers of undertakings, mergers and acquisitions.
- Ensure the UK's Stewardship Code[37] is significantly improved and tightened, with long term stewardship at the heart of a fund manager's mandate.
- The 2006 Companies Act requires re-stating to ensure that before a company is sold in the UK there are safeguards to ensure consideration is given to what is the best outcome for the company in the long term.
- Government must ensure that shareholders from each company involved have a responsibility and an opportunity to scrutinise any buy-out or merger. With a statutory requirement for openness, transparency and full disclosure to all stakeholders including workers and any unions involved in the company.
- Unite believes a rigorous Takeover Code is overdue and any consultation on the code must include all stakeholders.
- Unite also believes that takeovers and mergers should be considered in the light of public interest not just shareholders

[37] A Code setting out the responsibilities of Institutional Investors under review during 2010

Into the future

- **UK is the 6th largest manufacturing economy in the world**
- **Manufacturing generates 13.5% of GDP**
- **75% of business R&D in the UK is carried out by manufacturers, worth almost £12 billion**
- **Manufacturing generates 46% of UK export earnings**
- **Almost 3,500 chemicals companies manufacture in the UK**
- **The UK aerospace industry is the second largest in the world, employing over 100,000 highly skilled people and worth £17.9 billion**
- **UK manufacturing is worth over £160 billion to the UK economy**

These are the facts today and the reasons why the UK cannot allow manufacturing to wither on the vine. The massive contribution that manufacturing makes to the UK economy is there for all to see and the policy and strategy adopted by the UK government has to be framed to ensure that the figures above are maintained and encouraged to grow, if the economy as a whole is to recover the ground lost over recent years.

Over recent years Unite has campaigned to place manufacturing at the heart of government economic and business policy. In the last year we have started to see some evidence of our arguments being taken on board and these have been reflected in the preceding chapters. But there is so much more that can and must be done.

That is why this document is setting out what Unite sees as the policies necessary to build on the steps taken to date. Manufacturing will continue to figure high on the Unite agenda in the coming years. This document has highlighted in the various chapters recommended steps that Unite believes are necessary to achieve a strong and viable future for manufacturing in the UK. Here we bring together the overarching policies which Unite will campaign around to achieve these recommendations

Strategic policies have to be designed for the long term not short term fixes and set out below is what Unite believes are the 10 pillars which will carry manufacturing in to the future and provide the basis for its ongoing campaign for manufacturing investment and jobs.

- **Build a framework of policies to defend strategically important industries**
- **Continued financial support through interventionist policies**
- **Targeted support for small and medium sized enterprises**
- **Better use of government purchasing power to secure manufacturing jobs in the UK**
- **Maximising the opportunities that the low carbon revolution offers**
- **Delivery of an education and skills framework which meets all industry's needs**
- **Creating a university structure which builds on the science base so necessary to secure high skilled jobs**
- **Create right investment environment for Research and Development**
- **Creation of a level playing field to deliver security and fair pricing for energy**
- **A framework of legislation which promotes transparency and engagement for all stakeholders in the future of manufacturing**