



One World One Union

## **Industrial Report 2006**

**Chemicals & Pharmaceuticals Sector**

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# **Industrial report 2006**

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## **Chapter 1**

### **UK Economic and Social Overview 2006**

#### **Introduction**

It is a matter of fact that the UK economy has remained relatively stable for a prolonged period and that the economic policies of the Labour Government have ensured that the majority of the working population are benefiting from this stability. However, there are factors such as energy prices and slow economic growth in the Euro Zone, (key UK export market), which are having a severe impact on the business economy and consequential detriment for workers in a number of sectors.

Currently inflation at 1.8% remains within the targets of the Treasury and the Monetary Policy Committee at 2% (April 2006). However, the Retail Price Index which tends to be used for bargaining purposes remains at the higher level of 2.4%

Overall, with productivity increasing year on year, the economy continues to be in good hands comparing the UK with the rest of Europe. However, despite this general trend, growth in 2005 was sluggish at 1.8% compared with 3.2% in 2004. This caused unemployment to rise for the first time for years and jobs to continue haemorrhaging, particularly in the manufacturing sector. The growth figures for the first quarter of 2006 showed the gross domestic product (GDP) grew by a steady 0.6%. This figure pushed the annual rate of growth up to 2.2% from 1.8% in 2005. Surprisingly, manufacturing output grew 0.7% during the period - its strongest performance since 1999, buoyed by increased oil and gas output.

#### **Economic Growth**

The Chancellors forecast for economic growth in 2006 has been revised down. There is still the potential in the economy to meet the higher end of the Treasury forecast of 2.5% growth in 2006. This, Amicus has argued, will only be reached if interest rates are cut in order to stimulate demand in an economy which is likely to suffer from high energy costs and global competition from China and other low cost economies.

In May 2006, the Bank of England maintained the interest rate at 4.5%, a 0.25% reduction from the same time in 2005 (having been cut once in August). This compares with the figure of 6.25% in May 1997.

The decision not to cut interest rates is likely to be based on two main issues, one that in itself it will result in inflationary pressures and secondly that the high energy costs will add to that inflationary spiral.

However, the Government's own figures show that there is capacity in the economy for further growth without the consequences of higher inflation. Despite this they are still likely to be mindful of the warning from the Governor of the Bank of England that continued increases in energy prices may eventually impact upon the inflation figures.

The increases in oil prices during April this year are already adding to the inflationary pressures arising from fuel prices.

More worrying are the signs that the UK economy could fail to reach the top end of the Treasury target for growth this year which inevitably will add to the current levels of unemployment.

### **Labour Market**

Slow economic growth in 2005 and the first half of 2006 has already resulted in an increase in unemployment. The latest published figures (March 2006) show falls in the number of people in employment and in the employment rate. The number of unemployed people, the unemployment rate and the claimant count all increased in the first quarter of 2006.

The working age employment rate was 74.5%, down 0.2 percentage points from the previous quarter whilst the unemployment rate was 5.1%, up 0.1 percentage point from the previous quarter.

The number of unemployed people rose by 30,000 over the quarter and over 120,000 over the year to a total of 1.559 million; the claimant count in March 2006 was also up to 937,600, an increase of 106,200 on the previous year.

The redundancy rate for the 3 months to January 2006 was 5.7 per 1,000 employees, unchanged from the previous quarter but up 0.1 on the year.

### **Forecast for Manufacturing**

The Treasury forecast is for manufacturing output to grow in 2006 between 1 and 1.25%. In 2005 manufacturing moved into recession, with a fall in output of 0.5%. This resulted in not only a down-turn across the whole economy, (as investment and exports were reduced), but also resulted in total employee job losses of 111,000 in the 12 months to January 2006. In January 2006 there were 3.08 million manufacturing employee jobs in the UK economy, this is the lowest level since comparable records began in 1978.

Between January and February 2006 manufacturing output decreased by 0.2%. Only five of the 13 sub-sectors, as defined by the Office of National Statistics, showed an increase in output during this period

The latest economic predictions are for manufacturing job losses to reach 80,000 in the 12 months to December 2006 unless action is taken to further stimulate economic growth. The recent developments in the automotive industry is an illustration of the continued problems faced by a workforce which suffers from the absence of a level playing field.

There have been some early signs of improvements within the sector. In the 3 months to January 2006 manufacturing productivity rose by 1.7% compared with the same period in the previous year. However, care must be taken over such statistics which do not necessarily reflect real growth in jobs or profits.

Amicus continues to campaign on skills and training within the economy as a whole but with particular emphasis on manufacturing, where employers have failed to invest in training over a long period.

### **Earnings**

Average earnings including bonuses rose by 4.2 per cent in the three months to February, up from 3.6 per cent in January. This increase (in the including bonuses rate) is mainly due to higher bonuses in the private sector services sector.

Average earnings excluding bonuses, or regular pay, rose by 3.8 per cent in the three months to February 2006. This is unchanged from January.

Pay growth in the public sector continues to rise at a faster rate than that in the private sector. Pay growth in manufacturing rose at a faster rate than that in services during the 3 months to February 2006.

### **Global & European Comparisons**

Current estimates for growth in Gross Domestic Product (GDP) see the UK in advance of both Japan (by 0.4%) and the Euro Zone countries (by 0.3%) whilst still trailing the USA (by 1.1%).

UK inflation continues to be lower than the EU average and in January 2006 was lower than in France (by 0.4%) and Germany (by 0.2%). Inflation in the USA is consistently higher than in both the UK and the Euro Zone, whilst Japan continues in a period of negative inflation.

Most recent forecasts suggest that the UK unemployment rate will remain at around 5.1% in 2006; the same forecasts suggest a figure of between 8.4% and 8.7% within the Euro Zone.

In terms of international trade, in the three months ending in February 2006, the deficit on trade in goods widened by £2.2 billion to £19.1 billion. This reflected a widening of the trade deficit with non-European countries whilst trade within the euro zone narrowed slightly.

In the same period, the balance of trade deficit in goods and services widened to £13.2 billion from a £11.9 billion deficit in the previous three months.

In February the UK's surplus on trade in services was £1.7 billion compared with £2.0 billion in January.

### **Public Services**

Amicus members working in the public services have been faced with attacks on jobs and conditions of employment through PFI and other outsourcing schemes. On top of that the union continues to defend local government workers whose pension benefits are under threat.

Amicus is represented on the Public Services Forum through which members in the public sector are able to have their issues raised at the highest level with government on a joint union basis as appropriate.

The union's leading work in the National Health Service in ensuring the best possible outcome to the Agenda for Change programme continues and many Amicus members have benefited from the considered approach of lay representatives and officials to the many issues raised.

### **Pensions**

The long awaited Pensions Commission Report (Turner Report) was published at the end of 2005 and had much to commend it. However, Amicus has voiced strong opposition to any suggestion that the state pension age should be lifted above 65 and has also argued that compulsory contributions from employers and employees must not be undermined with provisions for opt outs under any pretext. A detailed response to the Commission's Report was submitted by Amicus in April this year.

There is an unhealthy and worrying undermining of the basic tenet that pensions are deferred wages and a right to be enjoyed by all. Amicus continues to campaign across all sectors for this right to be honoured at a level which will ensure security and dignity for all pensioners.

Amicus has been successful in campaigning and negotiating protection for existing members in a wide range of public sector jobs, including health services, government departments and education. Whilst this success is welcome in central government departments, Amicus continues to play a leading role in the problems faced by our members in local government, whose pension rights are being attacked. Amicus members have already taken part in industrial action to defend their pension rights and have secured further talks with the employers to help obtain delivery of safeguards satisfactory to our members.

In the private sector many members have seen future pension rights reduced and contribution costs increased as final salary schemes are amended or closed altogether. However, the union has been successful in defending the worse excesses of employers in many cases and ensuring that members continue to benefit from sound occupational pension schemes.

### **Conclusion**

The overall climate under which the union has operated over the last year has been one which has not seen the economic and political environment progress in the way we would have liked. There is much still to be delivered from the commitments made by the government in its manifesto for a third term. Whilst some steps have been made towards delivery of the Warwick commitments the pace of change has been less than satisfactory and much still needs to be done.

## **Chapter 2**

### **Amicus Policy - Campaigns and Organising**

#### **Introduction**

This overview gives a brief synopsis of the work being undertaken in the union's main campaigns and the linkage between support departments and the Full-Time Officials and members.

#### **Manufacturing**

Most of our work in connection with this campaign will be centred around the TUC Manufacturing Task Group, which the General Secretary chairs, and the DTI Manufacturing Forum on which the union is represented. The key elements of the campaign during 2006 are likely to be focussed upon the government's energy review and pricing for industry, continuing outsourcing of work offshore, public procurement strategy (particularly in Defence Industries), and our campaigns on the Services and Posted Workers' Directives.

Work undertaken by Research and Political departments will be used to inform, through the Communications department, national and regional officials in the field, activists and our organising team.

#### **Level Playing Field and Employment Rights**

Amicus is continuing to campaign across a range of employment legislative demands including the implementation of those commitments contained in the Warwick agreement. This will centre upon redundancy payments and consultation, working time opt out, equal treatment for agency and temporary workers and a review of anti-trade union legislation introduced during the Tory administration of 1979-1997. The union remains concerned at the rate of progress on a number of these issues and the General Secretary has warned of dwindling support for the government if commitments are not honoured.

These campaigns, co-ordinated through our campaign team, will be supported by the Parliamentary Group and, where appropriate, pursued in conjunction with the TUC.

#### **Collective bargaining strategies**

Key to the Amicus vision is the return to national bargaining wherever possible as a step to being more able to influence European and Global corporations. This will be advanced during 2006 primarily through our campaign in engineering which will be facilitated through the CSEU. The Research Department will support the CSEU Executive and General Secretary in mapping out the strategic approach necessary to advance our campaign through analysis of current reward structures across the sectors covered by the CSEU. As we move towards the fulfilment of this goal, the opportunities to further pursue other collective objectives, such as the 35 hour week, will be enhanced.

### **Public Sector Campaigns**

Our policies centre on the work being done in the health sector on job evaluation and Agenda for Change alongside our campaigns to resist privatisation and support public sector workers' pensions and other conditions of work. This work is being pursued through our contribution to the TUC Public Services Forum and our campaigning activity orchestrated in conjunction with Communications and Political and Policy departments.

There are clear links between our work in this sector and that in equalities, and this is will be facilitated by national officers working in conjunction with one another on a range of issues supported by other departments.

### **Equalities**

The work of the Equalities Unit is geared to promoting the Amicus policy position on a wide range of legislative and structural changes planned over the next 2 years. This is not done in isolation but through the union's equality structures and linked into the industrial sectors of the union. Work will be undertaken to strengthen our own equality structures and those links with industrial sectors both at national and regional level.

The union's work on equal pay will be continued throughout 2006 with members of Research, Communications and Political departments working closely with the Head of Equalities and National Industrial Officers. Also 2006 will see the introduction of the Age Discrimination Regulations in October and plans are in place to ensure that Amicus representatives are equipped to deal with these.

The Research department is also looking at the other strands of equality to identify workplace achievements and to use these to publicise the practical work achieved by the union in these fields of equality.

### **Pensions**

Initial responses to the Turner report have already been made by Amicus and more detailed analysis will follow when the government publishes its response and invites comment. The union participated in the ongoing consultation process across the regions and On National Pensions day in March. Again all the union's support departments will be working to take forward our own policy objectives with respect to pensions, both occupational and state.

The area is complex and a wide range of issues will be addressed through 2006 including improvements in the Financial Assistance scheme, improved provision for member nominated trustees, protection of defined benefit schemes and protection of public sector pensions. In addition, Turner opens the door for compulsory pension contributions and a return to the earnings link.

### **Learning & Skills**

Amicus has led on this issue through its promotion of learning representatives in the workplace and its contribution in to Sector Skills Councils. Work is planned, in conjunction with the Political and Communications departments, to ensure that our

lobbying activities are sustained to assist in making skills a statutory negotiating item and to see employers making appropriate contributions to the delivery of skills training. The union will also be proceeding with its campaign to secure a right to paid leave of absence for training.

### **Health and Safety**

Although progress has been made on a corporate manslaughter bill, still more needs to be done. Amicus has already made formal submissions to a select committee on this and will be making further submissions as appropriate.

Other work will be undertaken to support our campaigns for safer workplaces including improved resources for the Health & Safety Agency, proper standards being applied by contractors and our work on the Dignity at Work project. The union has also made submissions on the new Asbestos Regulations

All of this will be supported by National Officials and Research, Political and Communications departments

### **International**

The union's international work is vital to the future vision and objectives of the union. Led by the General Secretary and the International department, the union's officials, lay activists and other departments will be working throughout 2006 to build links with other unions and to further our policies through international activity.

This will include work on our policies regarding a level playing field, asylum seekers and migrant workers, EU Directives and Works Councils and Offshoring. The union will also be pursuing key international developments where we have policy objectives and where it is appropriate for Amicus to have a voice through campaigns such as Africa Matters.

### **Organising Strategy**

Recruitment results in Amicus continue to grow, with over 85,000 new members joining us in 2005, of whom 32% were women. Organising, recruitment and retention remains a priority within Amicus ensuring that our influence and strength increases on behalf of working people.

The Amicus *Organising for Growth Strategy* focuses on the leadership role of the officials who will work alongside Amicus workplace representatives to achieve our aims together.

The strategy requires every official to identify two key targets within their area of responsibility where they have recognised the need to build both union membership levels and organisational structure. Plans have been agreed, together with teams of workplace representatives and activists, to build workplace organisation. These will be monitored throughout the coming months.

In order to support the aims of the officials in their organising efforts, Amicus has been working jointly with the TUC Organising Academy in providing a development programme. This was initially a pilot programme involving five regions, and is now being extended to all Amicus regions. This forms part of the officials training and development programme.

The organising element within all the workplace representatives training has been reviewed and enhanced to ensure that all key activists understand the link between organising and all other areas of union activity. Specific Organising Skills courses have been developed with a number of pilots being run nationally. There is also a one day organising training module that can be run in the regions, sectors, or in specific workplaces.

### **Merger**

The union continues to discuss the proposed merger with TGWU and GMB. It is working towards starting a new union next year although there is still much work to be done before the objective is reached. The vision for the new union is to develop a campaigning union at the forefront of supporting workers both nationally and internationally.

The aim is to make the new union the premier and largest trade union in Britain and Ireland with political influence at home and abroad, placing the union in a better position to develop international co-operation with sister unions, and more able to tackle the effects of globalisation.

Most importantly the new union will be a membership based organisation with lay democratic control accountable to working members.

### **Summary**

This brief summary of our policy work is intended to give a flavour of the key activities being undertaken by the union in delivering the policy objectives determined by Annual Policy Conference. Some of these are developed more fully in the individual industrial reports for each sector.

Underpinning all of this is the work of the General Secretary and senior officials of the union in delivering closer co-operation with other unions and growth through merger and organisation.

## **Chapter 3**

### **Amicus Political Report**

#### **General Election 2005**

The Labour Party secured its third historic election victory in May 2005. This was in no small part due to the effort put in by Amicus members across the country.

The campaign led by the General Secretary and developed regionally was locally delivered in the key marginal seats. Nationally, Amicus sent targeted mail shots to all members, had a DVD dedicated to each sector, outlining the importance of a Labour victory and this delivered more of our members securing postal votes.

Without the input of the union campaigning with members up and down the country, the Labour Party may well have lost the election, but most certainly without Amicus members involvement the Government would never would have obtained a 67 majority.

#### **Warwick**

The Warwick agreement came about as a result of Amicus pushing forward the policies that our members feel are vital for their working lives. Throughout the general election campaign, Amicus rightly campaigned on the commitments given from Warwick. And now Amicus continues to campaign to ensure that the Warwick agreement is delivered in full.

Both Tony Blair and Gordon Brown have promised that the Warwick agreement will be implemented and will be implemented in full. To ensure these commitments are upheld a Trade Union Labour Organisation (TULO) TUC Contact group has been established where senior Ministers, Ian McCartney and Gerry Sutcliffe attend to report on progress and listen to concerns.

Tony Dubbins, Joint Deputy General Secretary of Amicus, Chairs TULO

#### **Parliamentary Groups**

Amicus still retains the largest Parliamentary group with 114 Amicus MPs.

There has been an enhanced focus on the parliamentary group to ensure our Amicus MPs have a closer working relationship with Amicus. As part of our strategy to deliver this we have established seven sub groups which concentrate on different industrial areas.

In order to ensure a constant revitalisation of the group, these sub groups, remain fluid, based on the requirements of Amicus. The sub group functions are to ensure better delivery of membership issues.

#### **Parliamentary Activity**

Amicus is a major campaigner in parliament on numerous issues that benefit our members, such as skills, pensions, support for manufacturing, a level playing field across Europe for business and government procurement. Amicus has lobbied the government successfully on specific issues that have arisen. In 2005, we helped to secure DTI investment in Airbus, in the European Space technology project, in the European global positioning satellite – Galileo, and in paper recycling plants. Recent lobbying activities include production of the military aircraft – the Nimrod, and on behalf of manufacturing sector, lower gas prices and more efficient use of the gas inter-connector.

### **Constituency development plans (CDPs)**

In order to enhance our work with CLPs and to develop closer and more proactive working relationships Amicus has re-looked at the way it develops its constituency development plans.

Part of this is to give more support to constituencies that work closely with Amicus.

This includes the potential to support CLPs sending delegates to Labour Party conference, funding to improve CLPs contact rate with voters and support to run effective campaigns to recruit more Amicus members.

### **Parliamentary Panel**

As part of our new strategy Amicus is looking at how we select our candidates. The main thrust of this strategy is to ensure we get more working class people, women and minority ethnics. We want to ensure that our candidates in the next general election greater reflect the balance of working people in this country.

The first wave of this is to have taster courses, where members of Amicus can come along and gain an idea of what might be involved in getting selected as a candidate, standing for election and the role of an MP.

The next wave is to allow our current panel members the opportunity to continue as panel members, by taking part in an interview.

This third phase is an accredited course, which prospective candidates will attend and develop skills required to become an MP. The final phase of this course will involve an interview.

Amicus want to develop a parliamentary panel that is in tune with the needs and concerns of Amicus members.

### **Finance Sector – UNIFI**

We have been raising the profile in the finance sector of the Amicus political work. As part of these efforts there were specific mailings to finance sector members during the election campaign. Work is in progress to bring former Unifi members into the political fund and to involve them in the political democratic structures of the union.

### **Anti- fascist Activity**

Amicus has been busy working with Searchlight campaigning against the BNP in any bye-election where they field a candidate.

In the May elections Amicus produced a number of tabloids which were distributed in Burnley, Oldham, Bradford, Keighley, Leeds, Sheffield, Rotherham, Barking & Dagenham, and Thurrock. These were done in conjunction with Searchlight.

### **Local Councillor Network**

The local councillor network has recently established a database. We are still looking to ensure that this is further updated. Information can be emailed out to members of this database. This will be developed to enable us to send briefings and give advice to all our councillor members.

Several meetings/networks have been organised this year, and more are intended for the future.

### **Constituencies**

Amicus wants to further develop our links with Labour Party constituencies. We want to help support the number of delegates at Labour Party conference and we want to improve membership of Amicus within CLPs and further deliver our message. As part of this strategy these sector conferences will see the launch of our campaign to build Amicus activism within the Labour Party. All delegates to conference are invited to visit the political stand for more information.

Delegates seeking more information on the political department can visit the Amicus web site at:

<http://www.amicustheunion.org/Default.aspx?page=1190>

## **Chapter 4**

### **Industrial Report**

The chemical and pharmaceutical industries remain major contributors to the UK economy. The Amicus membership now extends across engineering and maintenance, supervisory, scientific, administration, marketing and sales and management grades, with total numbers exceeding 20,000.

The UK chemical industry is the country's largest manufacturing sector, accounting for 11% of the value added by the whole of the UK manufacturing industry. It accounts for 2% of GDP, investing over £2 billion annually, representing 14% of total manufacturing investment, with a further £3.5 billion being spent on research and development. It employs more than 400,000 people throughout the country. It is the UK's top manufacturing export earner, with an annual trade surplus of nearly £5 billion on sales of £33 billion, of which £29 billion was accounted for by exports, with a large proportion going to other countries in the European Union. It also provides a tax and national insurance contribution of nearly £5 billion a year to the UK national Government and local authorities.

The overall picture in the chemicals sector is one of significant cutbacks in the bulk chemical industry with an increasing concentration in specialty chemical production and the growth of bio-chemical operations. This in turn has seen a shift towards much smaller business and recent surveys indicate that 95 per cent of the workforce are employed by small or medium sized enterprises (SMEs).

The industry continues to see a break up of the old giants with smaller businesses either being sold off to management, venture capitalists or to other specialty operators.

Pharmaceuticals continues to be a success story in the UK, with major investment and continued emphasis on research and development. Most of the major global players have a presence in the UK, led by the UK based GSK and AstraZeneca. Like chemicals however, the industry continues to see rationalisation and amalgamation and merger impacting on jobs.

#### **Recent changes to the industry**

The chemicals and pharmaceuticals sector supports a global industry and many of the employers that Amicus deals with are trans-national. The sector has continued to experience a series of mergers, amalgamations and disposals. Due to one reorganisation after another, many companies have changed hands either through merging or part of their business being sold off.

## **Company developments**

### **Syngenta**

Meetings have taken place to negotiate the annual pay review for SA91 staff. Discussions are also ongoing with regards to redundancies at the Huddersfield plant.

### **Avicia**

The company are seeking to harmonise key aspects of their pension scheme arrangements prior to an attempted sale.

### **ABB**

ABB are also seeking to change their pension scheme arrangements (definition of final salary). Amicus has sought legal advice on an ongoing basis but unfortunately it seems there is little that can be achieved through the legal process unless it can be proven that the staff are legally entitled to a pay rise.

However, this has led to an increase in membership and Amicus is now in a position where we can demonstrate that we have more than 50% of staff in the Union and discussions are currently ongoing to establish recognition and collective bargaining rights.

### **GSK**

Yet another company that is changing its pension arrangements alongside its redundancy terms. However, the company that normally deals with employment issues on a site by site basis has had to discuss these matters on a national basis. Amicus has been successful in setting up a joint consultative forum for the manufacturing staff, with valuable input from our site shop stewards. This has resulted in changes, but changes that have been acceptable to our shop stewards and members.

### **Arch Chemicals**

Discussions with the company regarding recognition are ongoing.

### **Colgate**

The Company have announced that they are to close their site at Manchester and relocate to another part of Europe, discussions are ongoing.

### **Unilever**

Following the decision by Unilever to combine their previous disparate businesses under one company, Unilever UK, Amicus is pressing for a National Shop Stewards Forum to be set up and recognised by the company.

## **Developments in the industry**

Both industries have, during the last few years, suffered from three external issues.

Firstly the UK's current energy market arrangements, particularly for intensive users of energy, are undermining the sustainability of the UK's industrial base. Amicus agrees with the UK Government that energy policy has to be framed within the context of a sustainable framework and the threat posed by climate change. However, large-scale users of gas and electricity are paying more than their European competitors.

Secondly, the attack on animal experimentation in respect of research into new drugs, which has resulted in Amicus members suffering direct physical attacks.

Amicus is working with the ABPI, the Bio-industry Association and the Research Defence Society and has been successful in lobbying the Government to legislate against the activities of animal extremists. The Serious Organised Crime and Police Act, enacted in April 2005, includes tough new powers to tackle the animal rights extremist campaigns of violence and intimidation aimed at companies and individuals involved in research with animals. The principal measure, a new "economic damage" law, makes it a criminal offence to target any scientist, research facility or company in the supply chain with a campaign of unlawful acts including criminal damage, trespass, blackmail and libel. The new offence carries the penalty of up to five years in prison and an unlimited fine. The Act also includes enhanced measures to prevent harassment of individuals.

Amicus is also a founder member of the Coalition for Medical Progress, (CMP), a body established to promote better understanding and awareness of the need for animal testing for the furtherance and development of life-saving drugs and medicines.

Thirdly, the forthcoming EU Legislation on chemical testing (REACH), which could lead to a serious migration of jobs from Europe. Amicus is playing an active role within both industries to combat EU Legislation which could adversely affect job security in the UK.

Amicus continues to work closely with the Chemical Industries Association, (CIA), on this and other industry wide issues and will continue to use our political influence to assist in the defence of the sector.

During 2005, the majority of pay settlements in the chemical and pharmaceutical industries ranged from 2.5 to 4 per cent. The median increase was 3.4 per cent. One third of the settlements monitored so far are either linked to performance or have a merit component and a number of companies continue to operate some form of bonus scheme.

Pay rates in the chemical and pharmaceutical industries continue to compare

favourably with other manufacturing industries.

### **Future challenges**

Concerns of both employers unions and the government about the future of the industry were addressed in the Chemicals Innovation and Growth Team (CIGT) report: *Enhancing the competitiveness and sustainability of the UK chemicals industry*. This report underlined the importance of the economic transition for the industry, the need for clearer leadership, for investment in R & D, workers skills, for attracting bright young school leavers into the industry, and for dealing with economic concerns.

**Energy Costs:** The UK's current energy market arrangements, particularly for intensive users of energy, are undermining the sustainability of the UK's chemical industry. As mentioned earlier in this report, large-scale users of gas are paying more than their European competitors. Amicus is concerned that the current energy prices will displace manufacturing in the UK and is actively lobbying the Government on the issue. The key issue for Amicus and its members in the Chemical Industry is the relative competitiveness of energy prices compared both to European and global markets.

As a result of liberalisation of the energy market in the UK, and with the reluctance of our European neighbours to follow suit, we are now a hostage to fortune. At present the UK can store the equivalent of 13 days supply, (when the gas storage facility at Rough is in action,) compared with 60 days in Italy, 76 days in Germany and 90 days in France. Since 2004, when we became a net importer of gas, we have become more dependent on our neighbours. We are also told there is only 20 years of capacity left in the North Sea. By mid March this year industry in the UK was paying three times the spot price of gas in the Netherlands and almost seven times more here, than in the US and was in receipt of its first gas shortage warning from the grid.

The 'dash to gas' generation of electricity, has only served to compound this problem, by linking electricity prices with gas supply. These high prices cause real job losses in manufacturing with factories having to shut down or reduce production. By way of example, Elementis is closing around 50% of the company's loss-making chromium chemicals capacity at Eaglescliffe. It blamed high energy costs as one of the factors responsible for the losses in its UK chromium operations. 120 of 230 jobs are expected to be lost.

This is why Amicus supports a balanced energy policy which incorporates both emerging technology, Clean Coal generation and Nuclear energy as it appears to be to only way of meeting this challenge and securing jobs not only in the Chemical Industry but also in the rest of the UK.

**REACH:** As reported at the last sector conference two years ago Amicus is continuing to work closely with other UK trade unions and the UK Chemicals Industry Association to raise our concerns over the impact this legislation will have on the sector. Over 30,000 substances will need to be tested and we are concerned that it is estimated that 80% of the costs will fall to 20% of the industry – mainly small and medium sized companies in the specialist chemicals sector who are significant employers in the UK. We believe that there must be a system of prioritisation within the REACH process. Chemicals that have the greatest potential for exposure to workers, consumers and the environment should progress through the system first. Amicus believes that, ultimately, the regulations could lead to job losses and could damage the competitiveness of the EU chemical industry without delivering the expected environmental and health benefits, and we will continue to press to resolve these issues.

**Skills:** Amicus continues to work closely with COGENT: the sector skills council for chemicals manufacturing, working to provide strategic solutions to the acquisition of skills, to enhancing employability and to improving competitiveness in the sector. Amicus is fully supportive of the four industries which have received the news that they will get National Skills Academies (NSAs) - aiming to be open by September 2006, with the objective of transforming their skills base and competitiveness. The Department of Education and Skills (DfES) has said that it wants to see a further eight skills academies to start by 2008, and has made it clear that the chemicals sector is a priority because of its strategic importance to the UK. Amicus is fully supportive of COGENT's enhanced proposal to the DfES of the setting up of a National Skills Academy for the chemical sector. We are also the only union to be involved in the DTI-established Chemistry Leadership Council, and are represented on the Skills Network Group which is identifying the key competences and skills which chemicals companies (and those which support the industry) will need in their workforces over the long and shorter term, and what scope there is for the industry and Government to make radical improvements in this area. Amicus is committed to ensuring that our members have the knowledge and skills to improve their industry's productivity and overall performance, and deliver greater job security.

**Pensions:** As reported at the last sector conference two years ago final salary pension schemes continue to come under pressure, with companies increasingly keen to amend schemes and close schemes to new starters. Amicus will continue to support members in the fight to maintain good pension arrangements.

**Protection for workers:** Amicus, working with the ABPI, the Bio-industry Association and the Research Defence Society has successfully championed for new legislation to protect workers from the activities of animal extremists, and will continue to monitor the effectiveness of The Serious Organised Crime and Police Act to ensure that the police use the full authority provided by the act to protect Amicus members in the pharmaceutical industry.