# Unions advocate closer collaboration with business as Britain heads into recession

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Britain's Trade Union Congress began its annual meeting Monday under conditions where the collapse of the Southeast Asian and Russian economies, together with the growing political and economic crisis in the United States, is fuelling a plunge into recession.

The unions have called on the government to abandon its decision to give the Bank of England control over determining interest rates. The high rate has forced up the price of the pound to the detriment of manufacturing exports. In the week prior to the conference, TUC General Secretary John Monks led a delegation to 10 Downing Street to warn that without a change in Labour's economic policy, there would be massive job losses and industrial unrest.

Ken Jackson of the engineering and electricians union, the AEEU, said that Britain was just 'hours away' from a recession. Earlier he warned the governor of the Bank of England, Eddie George, that 250,000 manufacturing jobs would be lost unless the government changes course.

The unions are responding to growing signs that the economy is in deep trouble. In the past two months, over 4,000 jobs have been wiped out in the Northeast region alone. A prime location site for computer electronics corporations, it has been hit hardest by the crisis that began in Asia one year ago.

The announced closure of Fujitsu's £500 million production plant in Prime Minister Blair's parliamentary constituency of Sedgewick lost the region 670 jobs. This follows the decision by Siemens to end production at its microchip plant in North Tyneside by December, with the loss of 1,100 jobs.

Competition and over-capacity has led to a price fall for memory chips of 95 percent in the last 15 months. To offset this, South Korea's top five conglomerates have launched a series of mergers. The merger between Hyundai Electronics and Lucky Goldstar (LG) Semicon has threatened plants that were to be built by these companies in Scotland and Wales, including LG's proposed £1.3 billion plant in Newport, Wales.

Sales to the Asian Pacific region, which make up 11 percent of UK exports, fell by £2 billion in the first half of the year. Prudential, the UK's biggest life assurer, has seen its single premium sales in Asia plunge from £49 million to £9 million, with regular premiums dropping from £23 million to £16 million.

Economic problems are spreading to all areas of the UK economy. In August the car manufacturer Rover, which was bought by Germany's BMW four years ago, shed 1,500 jobs. More than 15,000 jobs in the auto components industry could be lost within three years, according to analysts. Decisions by Rover, Nissan, General Motors and Leyland DAF to source components overseas would take £500-£600 million a year out of the UK economy. Other job losses include 500 in Britain and 3,200 elsewhere at the industrial gas giant BOC. The electronics giant Philips has just announced the possible closure of its UK operations, threatening the loss of 2,000 jobs.

The collapse of the Russian economy wiped £30 billion off share prices in the City of London on August 27. The UK is the second biggest direct investor in Russia, with £3 billion. Firms such as BP, Cadbury Schweppes and Unilever stand to lose more than £1 billion on industrial investments. This coincides with a statement by the Confederation of British Industry's Industrial Trends Survey showing that economic growth in the UK was 'almost at zero'. The deficit in goods and services was at its highest level for eight years, the time of the last recession. The Treasury has pencilled in a yearly deficit of £11.75 billion, up from £3.75 billion last year.

Factory production fell to its lowest level for six and a half years. In most of the 11 British regions output has fallen for two successive quarters, the official definition of a recession. 'Firms are responding by buying in fewer goods, running down stocks and, worst of all, laying off staff,' said Peter Thompson of the Chartered Institute of Purchasing and Supply.

The domestic market is equally depressed. On August 17 it was revealed that the price of goods on High Street had fallen for the first time in a quarter of a century. House prices have fallen by 0.5 percent for the first time in 20 months. Financial commentators warned of the possibility of 1930s-style world-wide deflation and shrinkage in the economy.

The greatest fears have been expressed over the impact of any continued fall in share prices on Wall Street. The editorial in the *Economist* of September 5 commented: 'For the first time since the early 1980s, global slump is a thinkable, even plausible outcome. Indeed in some ways the danger now is greater than it was then. Much of the world is already in deep recession; the chances are that the worst is not yet over for many big emerging-market economies (as we will continue to call them for now), not to mention for a handful of rich-country commodity producers, whose export revenues have crashed. What mainly stands between the world and an economic setback worse than anything since the Great Depression of the 1930s is the present momentum of growth in America (above all) and Europe.

'Can that momentum be relied upon? Mid-week, Wall Street stood some 15% lower that at its peak in July. Yet at these prices American equities are still dear. If the market were to fall another 20%, say, the shock to the American consumers might be enough to bring the country's long expansion to an end. With it would go any hope that the United States could pull the world out of its troubles.'

What motivates the trade unions' new-found concern over Blair's policies is not the impact of this impending global catastrophe on their members. None of those calling for a course correction by the government have challenged its basic assertion that Britain must be made globally competitive. To accept this means recognising that wages, working conditions and welfare benefits must be determined by the need to challenge not only with Britain's rivals in Europe, America and Japan, but the low wage and taxation regimes in Asia. And this remains the intention of the trade unions.

According to a survey by the employment lawyers, Dibb, Lupton and Alsop, a quarter of some 50 unions have adopted a no-strike policy as part of the 'New Unionism' championed by Monks. This has involved ever-closer collaboration with government and management in ensuring industrial peace, which has ensured that industrial disputes during the first year of the Blair government have reached the lowest level since records began in 1892.

The TUC's response to the present situation has been to call for this collaboration to be deepened. The General Secretary of the public sector workers' union, Unison, said, 'It would be good to see new systems and forums of debate and discussion.' MSF General Secretary Roger Lyons called for a tripartite task force to develop a manufacturing strategy and 'the absence of an investment culture amongst British owned manufacturing companies.'

All the demands now being voiced for government intervention focus on measures that will benefit industry. The only proviso advocated for continuing, and even increasing, corporate subsidies and tax breaks is that this is made dependent on a commitment to maintain investment for a specified period.

This is prompted by two considerations. Firstly, the deregulation of the economy and the destruction of wages and social conditions since the 1980s established a key position for Britain as a production location for the European market. It now attracts 40 percent of Japanese investment in Europe, 40 percent of American and almost 50 percent from South Korea, with the transnational corporations accounting for two-fifths of Britain's top 100 exporting businesses and 40 percent of manufacturing exports.

This position is being rapidly undermined, however, as governments across Europe rush to implement the type of economic reforms pioneered by Thatcher and continued with a vengeance under Blair. The unions' response in calling for a return to some form of national economic regulation is in essence a call for trade war measures to be taken against Britain's rivals.

Secondly, the trade unions fear that the social base of the Blair government is in danger of complete erosion. It is significant that the impact of factory closures has so far been felt most acutely in the Northeast, where no less than five cabinet members have their parliamentary seats, including Northern Ireland Secretary Mo Mowlam and Blair himself. Amongst the thousands of workers threatened are the layers of white collar and 'skilled' workers in the new high tech industries on which 'New' Labour relied for its ascent to power. Those laid off at companies such as Siemens and Fujitsu are faced with finding work that will mean a dramatic lowering of their living conditions, or a prolonged period of unemployment. The unions are anticipating that this will produce a growing revolt against the Blair government amongst all sections of workers.

Labour has, however, refused to consider any change in policy. Blair dismissed the warnings made by the union leaders and indicated that any industrial conflict would be met head on. Chancellor Gordon Brown refused to countenance any lowering of interest rates that would lead to inflation and stressed the need for further attacks on the wages and greater productivity.

For its part, the Bank of England was even more blunt. It said on August 13 that higher unemployment is the price Britain will have to pay for hitting the government's 2.5 percent inflation target by keeping pay demands in check: 'Unemployment has reached a level likely to prove incompatible with price stability.'

See Also:
Blair government in crisis over welfare
[21 August 1998]
Asian crisis blasts through Scotland's 'Silicon Glen'
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