Tata ends British Steel pension scheme

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The Indian steel giant Tata Steel has announced plans to close the British Steel defined benefit pension scheme it inherited after the takeover of the once state-owned company. Tata Group, an Indian multinational, owns Tata Steel Europe—the former Corus Group plc., which was established in 1999 from a merger of a Dutch firm, Koninklijke Hoogovens, and British Steel.

The company will transfer from the British Steel Pension Scheme (BSPS) to an inferior defined-contribution provision scheme. This will hit the benefits of 140,000 plan members, including 16,000 existing workers and 91,264 pensioners. Tata stands to save around £1 billion as a result of ending the British Steel pension scheme.

Tata Steel Europe took the first step towards closing the scheme two years ago when it announced that from April 2014 new starters would be enrolled in a less generous defined contribution scheme.

The company said, “We have been unable to come to an agreement that would have enabled defined benefit provision to continue and will be consulting employees on a proposal to close the defined benefit scheme to future accrual.”

The defined benefit provision plan was based on the company promising to pay a specified monthly benefit based on employees’ length of service and earnings. The employer also made good on any investment losses. The Defined Contribution plan has no such guarantee and the final pension workers receive is solely governed by the market performance of the scheme.

A 60-day statutory consultation period began on March 23 and Tata is proposing to close the scheme on April 1, 2016.

Negotiations between Tata and the trade unions have been ongoing since November 2014. After months of talks, the unions said they were disappointed that Tata broke off discussions and publicly announced the closure without reaching an agreement with them.

In March at a meeting of the three main unions involved—Community, GMB and Unite—held at the Trades Union Congress headquarters in London, a decision was taken to hold ballots for strike action. If a strike goes ahead it would be the first national action for 30 years in the industry.

Roy Rickhuss, general secretary of Community and chairman of the union coordinating committee, said, “Tata Steel’s decision to close the British Steel Pension Scheme is unnecessary and profoundly disappointing. It is not a position we expected to find ourselves in, given that trade unions have been in discussions with the company since early November.”

Rickhuss pathetically complained that the union had done everything possible to reach an agreement and was willing to ensure that members of the pension scheme would have to pay out even more.

“Throughout a long process, we have acted in good faith and negotiated constructively in trying to reach an agreement which addresses what we acknowledge to be a significant deficit in the scheme.

“We have made every effort to compromise with the company, even discussing the possibility of meeting the deficit through changes to member benefits, despite the fact the company is legally obliged to pay for the deficit and has always done so in the past.”

However Rickhuss continued, “the company rejected this offer out of hand. It appears they are hell-bent on closing the scheme and are not prepared to compromise.”

The UK steel industry employed 200,000 workers in 1970 compared to 19,000 today. By November 2014, the British Steel scheme was valued at about £13.6 billion with just 16,000 workers contributing to the fund.

An article dated March 13 in the *Financial Times* detailed the financial deficit facing the British Steel

Pension Scheme. The FT said, “Although the figure is not finalised, the pension deficit is thought to be in the region of £2bn as of March 31 2014. This compares with a deficit of £1.2bn in 2013. The steel group estimates the closure will create savings of about £1bn.”

Final salary or defined benefit pension plans were used extensively by unions, particularly in the UK public sector, as a bargaining point in lieu of increased wages. With companies such as Tata no longer willing to secure the funds’ assets, the fate of pensioners and the pensions of present employees now rests on the speculative and unstable performance of the stock market, in particular the equity markets.

In 2012 the British government commissioned a review of the Equity Markets. Its findings published in the Kay Report were an attempt to allay fears over the way the long-term equity markets were managed.

However, any recommendations against dangerous practices made by Professor John Kay were treated with scepticism. At the launch of the report the *Guardian* commented, “To the sceptics, the Kay report will read as a longing for a world that disappeared 20 years ago—one where the investment landscape was dominated by large fund managers with concentrated portfolios; where private investors were still a force; where index-tracking, and index-hugging, was a minority sport; where hedge funds and ultra high-frequency traders barely registered.”

Tata’s decision on pensions comes after the October 2014 disclosure that the company had signed a Memorandum of Understanding with the Klesch Group to sell its European long products division to the Geneva based group. This led to fears that up to 6,000 steelworker jobs would be lost in the UK and a further 600 across Europe. Tata claimed the decision for the sell-off is part of its plans to concentrate on the steel strip division based in Port Talbot, Wales.

The steel unions claimed they were unaware of Tata’s plans. The national trade union steel coordinating committee said they would “stop the sale through a cross-Tata campaign.”

The main concern of the unions is not with the fate of steel workers who face unemployment in an already economically depressed area, but with the threat to the competitiveness of the British economy. A statement released by the unions called “on the government to intervene in the public interest to ensure a future for the industrial assets of strategic importance to the UK’s construction, infrastructure and manufacturing base.”

The UK retail giant Tesco, one of the last four FTSE100 employers offering a defined benefits scheme to new starters, has also announced its intention to close its defined benefit pension scheme affecting 350,000 members. The scheme has a £3 billion deficit.

Tesco’s decision forms part of its £500 million cost cutting plans, including the threatened loss of 10,000 jobs. This follows a prolonged disastrous trading period that has led to a Serious Fraud Office investigation for accounting irregularities.

What is clear in the downgrading of Tata and Tesco’s pension funds is that workers past and present will pay for the reckless actions of the multinational companies. As has been the case in the public sector regarding established pension rights, the steel unions may make noises about opposing such proposals and even ballot for strike action but this will only be a precursor for an inevitable climb down and capitulation.

Since the 2008 global financial crash, backed by numerous pseudo-left groups who act as their apologists, the trade unions have overseen the destruction of hundreds of thousands of jobs in both the public and private sectors. The fight to retain rights won over decades of struggle cannot be left in the hands of the moribund trade unions. New organizations of working class struggle that are independent of the unions and capitalist parties must be built to initiate this fight.

The author also recommends:

UK teaching unions complete rout of pensions fight [13 April 2012]

UK unions push probation worker pension cuts [14 August 2012]