Unions back pension attacks at Tata Steel UK

Danny Richardson
15 December 2016

Tata Steel UK and trade unions at its plants have agreed to a “rescue plan” to keep the company in operation at the expense of the closure of the British Steel Pension Scheme (BSPS) worth £15 billion.

The victory for Tata Steel allows the closure of the BSPS to future accrual, replacing it with a defined contribution scheme with maximum contributions of 10 percent from the company and six percent from employees.

Tata Steel UK employs 15,000 workers directly and an estimated 25,000 are connected in the national supply chain.

On December 7, more than 50 officials of unions operating in Tata Steel UK gathered to hear senior management representatives outline a proposed ten-year investment plan. Tata claimed there would be a broad commitment to reinvest in its largest plant, at Port Talbot in South Wales. Also on offer was a proposal to renew one of the two ageing Port Talbot blast furnaces.

Absent from the meeting was the Speciality Steels business in South Yorkshire and the SAW mills in Hartlepool, with media reports stating both are under offer for sale. Asset stripper Liberty House is looking to buy the South Yorkshire operations for £100 million.

Tata UK called the meeting to ensure the unions were briefed on their role in selling the abolition of the BSPS that Tata’s owners had longed for since it bought its UK steel plants in 2007.

The full agreement is not yet public, but the details released by the unions include:

• A ten-year investment plan totalling £1 billion to support steel making at Port Talbot. It is claimed this will also secure the future of connected sites.

• A jobs pact equivalent to Tata’s agreement with steelworkers at its Ijmuiden plant in the Netherlands, which includes a so-called “commitment” to seek to avoid any compulsory redundancies for five years.

• Tata Steel will begin a consultation on the closure of the BSPS to future accrual, replacing it with a defined contribution scheme.

• A guaranteed minimum five-year commitment to the Port Talbot plant with a further commitment to reinvest in the ageing Blast Furnace 5 as part of an “investment plan.”

Tata Steel workers will be balloted on the proposals in the New Year.

In March, Tata’s European holding company was ordered by management in India to "explore all options for restructuring, including the partial or entire sale of its UK operations.” Several of the smaller specialist sites have already been sold, including the Long Division to Greybull Capital in June for £1. The unions primed that sale by recommending a three percent wage cut and changes to enhanced payments outside the standard 40 hours. The pension scheme was revised allowing Greybull to cut by three percent its payment into the fund.

Tata then looked to a European merger between itself and German steel giant ThyssenKrupp. The stumbling block was the BSPS, whose debts ThyssenKrupp would have no part of.

In August, Bloomberg revealed “While ThyssenKrupp is open to integrating Tata’s British unit in the joint venture, the Essen, Germany based company wants Tata to find a way to fund its U.K. pension-scheme obligations as a precondition” The *Observer* wrote a similar piece noting, “last year [2015] Tata had to pump £129m into the scheme and will spend even more in 2016.”

Since Tata first threatened to close its UK steel plants earlier this year, the unions and the Labour Party have worked to channel the anger of workers into a nationalist “Save Our Steel” campaign. Based on the unions holding a few demonstrations around city centres, the campaign called for government aid to defend “British steel” against “unfair competition” and the “dumping” of cheap steel produced in China onto the British market. This demand was directed to a government that has carried out the most vicious attacks on the hard won social rights of workers since Margaret Thatcher, the prime minister who sold off the then nationalised British Steel industry.

"Save Our Steel" brought together every nationalist scoundrel in the political sphere, including Labour leader Jeremy Corbyn. On a visit to Port Talbot in March, Corbyn called for "a state buyout to protect our steel industry".

For Tata Steel's owners or any proposed buyer, their main concern was the termination of the BSPS. By April this year, the BSPS had liabilities of around £485 million. In its aim to end the BSPS, the company is reliant on the full co-operation of the steel trade unions.

In 2009, the Community, GMB and Unite unions negotiated away the right of new entrants to join the BSPS. Instead, they were directed into an inferior and less secure Defined Contribution Plan. That is now the pension plan being put forward by Tata to replace the BSPS.

In 2015, Tata demanded that all workers come under the Defined Contribution Plan. Steel workers pressured the unions to hold ballots against the proposals. The result was a massive vote from workers at all Tata sites to strike, with average turnout at the plants at over 76 percent. The largest union, Community, recorded an 88 percent vote. At Port Talbot, 84 percent of Community members turned out and voted by 96 percent to strike.

Just prior to the strike ballot Unite said its members opposed Tata's "proposal to close the pension scheme and to financially penalise workers and their families in retirement," as "totally unacceptable." It warned of strikes unless Tata "enters into further meaningful negotiations that would preserve the pension scheme…"

The unions and Tata then cobbled a deal together, the details of which have not been made public. The company and union issued a joint statement calling off the strike, with the union supporting Tata sending in "pension specialists" to sell the deal to the workers.

At the time, WSWS reporters who spoke to Tata steel workers in Rotherham, South Yorkshire were told by some that they were looking to retire at 60, but this had been negotiated away by the unions, forcing them to work an extra five years.

With the latest announcement, what was described as "unacceptable" by the workers is now fully acceptable to the unions.

Since the agreement was announced, media reports have centred on the "secure" future of Port Talbot in Wales, which employs over 4,000 workers with another 6,600 in service industries. These claims largely repeat the company/union mantra that the promise to keep the plant open represents a major victory.

However, the deal is entirely at the expense of workers jobs and conditions. Earlier this month the *Financial Times* noted that with higher global steel prices and the fall in favour in the pound since June's Brexit referendum, "Coupled with an efficiency drive involving hundreds of redundancies and a focus on higher-value kinds of steel, Port Talbot is making a small monthly profit…"

In a combined press statement by the three unions, Roy Rickhuss, the head of Community could hardly contain his enthusiasm declaring, "We will continue to work closely with Tata and all levels of government as we seek to build a sustainable future for Britain's steel industry."

Tony Brady, Unite's National Officer, was also effusive saying it was "a step in the right direction for our industry but there is still a lot more that government can and must do," adding, "The UK steel industry supports our whole manufacturing sector and it is vitally important that the future of that industry is secured for generations to come."

In a similar vein David House, GMBs National Officer, said the deal "would mean the blast furnaces at Port Talbot keep making steel and that steelworks across the UK get the investment they need to compete in the future… We will continue to fight for a level playing field for our industry; for action on energy costs, on business rates, and on the dumping of foreign steel."