

trades unions and globalisation

Edited by Tony Pilch

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trades unions and globalisation

Edited by Tony Pilch

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Preface

Wilf Stevenson, Director, Smith Institute

The Smith Institute is an independent think tank which has been set up to undertake research and education in issues that flow from the changing relationship between social values and economic imperatives. In recent years the institute has centred its work on the policy implications arising from the interactions of equality, enterprise and equity.

Increased competition from abroad has heralded changing industrial patterns in Britain, with consequences for workers in each sector of the UK economy. The rise of off-shoring is just one example. In a global economy, the uncertainties that accompany the free movement of labour, and the fast pace at which a competitive advantage can be created and lost, have led many countries to move in the direction of increased protectionism. However, as the Chancellor has suggested, measures that seek to reverse or halt the free movement of goods and services, capital and labour are likely to impact disproportionately on our prosperity and growth. As this collection of essays shows, a better approach may be to seek to involve workers and employers in meeting the challenges of a rapidly changing and changeable labour market, preparing workers for the jobs of the future and seeking to develop mechanisms for people to learn new skills at every stage of their lives.

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Foreword

Stephen Cavalier, Thompsons Solicitors

As the leading trade union law firm, Thompsons Solicitors recognises that the issue of globalisation is hugely important to our union clients across all sectors.

The firm is proud to be associated with this important publication from the Smith Institute which was born out of the inaugural WH Thompson lecture given by Ed Balls MP in 2005. There he called on the British labour movement to show the same sense of purpose, towards the new challenges of globalisation in the 21st century, and the same commitment to social justice, that it did in reversing the mass unemployment of the 1980s. He repeats that call in this pamphlet.

How often do we read in our trade union journals, or hear in debates at union conferences, suggestions that international work is not the business of a trade union? The argument is that protecting members' jobs, pay and conditions at home should be the labour movement's only focus. But Trade Minister Ian McCartney reminds us that the struggle to improve the lives of workers in Britain led to the creation of both the trade union movement and the Labour Party, and he suggests that raising labour standards throughout the world must be central to the work of unions.

That means unions forming partnerships with sister organisations in developing countries in order to tackle poverty and injustice around the globe. Workers in developing countries aspire to and should be entitled to expect the same rights as workers in the developed world.

In our own way, we at Thompsons have sought to recognise the centrality of raising standards and of international solidarity work. In Colombia we have been working with the Transport & General Workers' Union to provide legal support and representation to trade unionists. In South Africa we have worked with the National Union of Mineworkers to win justice for those whose lives have been destroyed by asbestos. We are involved in part-funding a project to raise health and safety standards in Chinese mines by training both managers and workers.

Brendan Barber of the Trades Union Congress writes that one of the major issues confronting international trade union federations is what can be done at a global level to improve union recruitment and organisation. It is a fact that there are no international union-recognition standards and, as transnational organisations relocate, traditional bargaining

units are fragmented, making it difficult for unions to organise and bargain effectively.

Migrant workers too present unions with recruitment and organisational challenges. Dave Prentis of UNISON describes the vital difference that trade unions can make to the lives of the 86 million workers living outside their countries of origin, vulnerable to exploitation and discrimination.

But the lack of properly enforceable international labour standards and a "global court" for labour-protection enforcement results in a patchwork of trade union and employment protection across different countries and allows unscrupulous employers to exploit the differentials that exist.

Even within the EU there is a lack of cross-border protection, with doubts about whether the Acquired Rights Directive, for example, applies to transfers across borders. The Transfer of Undertakings (Protection of Employment) Regulations may provide some legal protection to workers transferred from a UK-based undertaking out of the European Economic Area.

Derek Simpson of Amicus continues the theme of the power and influence of transnational corporations, rapid advances in technology and the global mobility of goods, services, capital, information and people.

Trade unions, he says, are adapting to the changed world, but adapting too slowly. He calls for a review of all our strategies, including recruitment practices, campaigning, structures and organisations. The forthcoming creation of the UK's biggest union, through the merger of Amicus and the T&G, with the solidarity agreements that exist between the other union giants in Europe and the US, is a step towards a "multinational trade union organisation within the next decade".

Globalisation is changing even the words we use to describe the issues and challenges facing trade unions. This pamphlet uses "glocalisation" to illustrate the continued importance of grass-roots work alongside our international efforts. The European Commission, in a recently issued green paper, *Modernising Labour Law to Meet the Challenges of the 21st Century*, employs "flexicurity" to describe the challenge to European labour markets of combining greater flexibility with the need to maximise security.

The European employment task force, in 2003, urged member states to assess, and where necessary alter, the level of flexibility provided in standard contracts in areas such as periods

of notice, costs and procedures for individual or collective dismissal or the definition of unfair dismissals. The green paper has emerged out of that challenge and, while none of the contributors to this pamphlet would describe globalisation as something that can or should be opposed, the potential threat it poses to workers' rights must not be underestimated.

To underline that, Professor Jude Howell of the London School of Economics & Political Science, who has worked closely with the Great Britain China Centre, writing about globalisation, workers and the All-China Federation of Trade Unions, informs us of how, with increasing numbers of foreign companies setting up in China, migrant workers employed on temporary contracts, working very long hours and in poor working environments, have become the core of the country's workforce.

John Monks of the European Trade Union Confederation warns that Europe, by holding back wages, reducing labour rights and decreasing taxation on profits, is competing itself out of internal demand and into a precarious workforce. He takes up the issue of flexicurity, insisting that a flexicurity that merely forces employees to abandon their fundamental rights and to accept increasingly precarious jobs is unacceptable.

The European Commission's green paper offers an opportunity for European trade unions to coalesce in around 2007.

We hear less now about the importance of unions and employers working in partnership than we did in the late 1990s. The decisions of transnational companies, as they chase after the lowest-wage economy, to close their UK plants and resite them in Eastern Europe, as with Peugeot, or to off-shore to India, as with Norwich Union, have seriously soured the partnership spirit.

So how BAE Systems has worked in partnership with the trade unions to develop a modern industrial and employment policy to enable the organisation to cope successfully with the challenges of the global defence market is an important model. BAE Systems and the unions have shown themselves determined to turn what was an adversarial industrial relations tradition into a partnership where challenges and problems are solved together.

This varied collection of essays will, it is hoped, be an important contribution to this crucial debate, one that Ed Balls proposes offers a chance for trade unions "to remain steadfast in their commitment to making global poverty history" and, at the same time, deliver the prosperity and opportunity that union members deserve.

Chapter 1

Shaping globalisation around progressive values

Rt Hon Ian McCartney MP, Minister of State for Trade

Shaping globalisation around progressive values

We live and work in a time of rapid change. It affects all aspects of our lives: as citizens, as consumers and as workers, we are all affected positively and negatively by the impact of globalisation. Many workers in 2007 are required to meet vastly different challenges from those that faced workers in 1997. This is something we need to address as a government, a Labour Party and a trade union movement.

What do I mean when I talk about "globalisation"? In abstract terms, I am talking about the rapidly increased flows of trade, investment, finance and ideas across national borders. This increase has meant that rapid changes are taking place in pretty much every economy in the world, most famously with the rapid rise of the economies of India and China and many others. To be clear, I am not going to suggest that globalisation is, in and of itself, necessarily either good or bad for working people.

In many ways it is down to us – as trade unions, as a government and as people of the centre left – to shape this changing world around our traditional values of internationalism, and economic and social justice, underpinned by human rights.

Globalisation in action

I want to start by sharing a few facts that illustrate in some way what I mean by globalisation.

China now produces around 70% of the world's mobile phones, 60% of digital cameras and half of all computers. Indeed, a single factory in the Guangdong province produces 40% of all microwave ovens in the world. And China is more than a source of cheap labour – in 2005 China had 5 million university places, up from 1 million in 1998. Chinese universities produce 250,000 engineers every year.

In 1980, around a 10th of manufactured exports came from developing and emerging countries. Today it is a quarter. By 2025 it will be half.

By 2035, India will have the largest population in the world. India's economy will be driven by a young population (54% are now under 25), which could accelerate its success story, leaving India as the "workforce of the world" in the 2020s and 2030s. China and India alone could be responsible for as much as a quarter of all world trade by 2025.

In 1990, 25% of the world's population lived in urban areas. By 2025, this figure is expected to reach 75%.

As internationalists, we celebrate the fact that in the 1990s alone, globalisation helped 212 million Chinese people to lift themselves out of absolute poverty – although 500 million Chinese people still live on less than \$2 a day and 300 million do not yet have access to safe drinking water. Nor, of course, can a Chinese worker join an independent, free trade union.

So what do all these mind-boggling facts and figures mean for a Labour government?

Clearly, this will be a century of the most profound changes seen since the Industrial Revolution. All these changes have a huge impact on the government, as we try to make sure that our people benefit from the opportunities that come with globalisation.

I believe fundamentally that good governments are key to helping people prosper. Look at the Korean peninsula, north and south. In the 1950s, South Korea was actually poorer than North Korea. It was poorer than the poorest African country. It was a war-ravaged country, a country suffering the most crushing poverty and starvation.

Fifty years on, South Korea – now a parliamentary democracy – is the 11th largest economy in the world, benefiting not only the millions of people who live there, but also us here in the UK. It is the second-largest research and development investor into Britain, providing British workers with high-quality jobs. North Korea, by contrast, is a country on its knees, unable even to feed its people.

So there is a choice here. Far from being bystanders as the unstoppable force of globalisation overpowers us all, I believe good governments can shape this globalised world around the values of democracy and internationalism, eradicating poverty, tackling corruption and working towards prosperity and opportunity for all.

An essential prerequisite is a sustainable and independent government, working to and recognising the rule of law. In practical terms, this means working to deliver the UN's millennium goals on international development, helping businesses to develop at home and abroad on a sustainable and ethical basis and working to prevent the corruption that steals money, opportunity and hope from those who need it most.

What is more, in terms of trade policy there is a vital, active and dynamic role for good governments to play in tackling poverty, maximising opportunity and enabling free and fair trade, so that all countries – not just the rich or the rapidly emerging economies – benefit from the trading opportunities we have enjoyed in Britain for centuries. Increased trade is good for our fellow human beings in the developing world, but it is also good for us here at home. Not only by making cheaper the goods that we all buy, but also by bringing in new investment and highly skilled jobs.

How governments can shape change

So how best can government ensure that here at home we benefit from the trade opportunities that globalisation brings? I see six key challenges.

First, we need to provide economic stability on a foundation of full employment, encouraging job creation and helping good businesses and their workers to flourish.

Second, we need to ensure we have a vibrant, modern manufacturing and services sector, investing in science and R&D.

Vibrant cities are the drivers of globalisation. So, third, we must push forward regeneration in all our cities, making them places where employment grows and where the infrastructure and capacity are in place to attract a skilled workforce.

Fourth, we need to ensure that we have a dynamic, modern welfare state that proactively prevents poverty and assists people to make the most of every opportunity, inspiring people to aspire to be the best they can be. This means providing a welfare state that intervenes to help the young, those of working age and older people, breaking the cycle that translates today's poor child into tomorrow's poor pensioner.

Fifth, we must improve our workforce's skills. This is, I believe, one of the most fundamental challenges facing both our country and our trade union movement. Increasingly, across the world, the best way to attract companies is not by low wages but by access to a highly skilled workforce.

Reskilling is a real challenge for unions and employers. It is important that we, as a government, look increasingly at trade unions, providing services and advice to members to help them and their families in the face of situations that arise for myriad reasons around the many facets of globalisation.

Sixth, it is critical that we maintain open trade policies that support working people at home and abroad, and resist protectionism. This means ensuring we have a set of rules and minimum standards in our world trading system that delivers fairness for all peoples of the world, particularly those whom we have failed in the past. For us that means rules with core labour standards at their heart.

More than 100 years ago, the struggle to improve the lives of workers in often appalling conditions led to the creation of the trade union movement and the Labour Party. Now, as a Labour government, we have the opportunity to project those values outwards. Under Labour, the Foreign Office now works regularly and closely with trade union partners on raising labour standards throughout the world.

We have funded programmes, for example in Brazil, to crack down on child labour. Furthermore we are working on a project on mine safety to reduce the appalling loss of life in Chinese mines. We are also working with the National Union of Journalists and sister unions on a capacity-building project to provide technical and editorial support for journalism in the Ukraine. We can and will do more as a Labour government, because tackling poverty and injustice around the world remains as dear to us today as it was a century ago.

Furthermore, work led by the Department for International Development has seen domestic workers in Bangalore arrange crèche facilities for themselves; waste pickers in Pune helped rag-picker children into more dignified jobs; in Nigeria, the national Labour Congress, working with the DfID and TUCAid, is building the capacity of trade unions to reflect the concerns of women workers, improving working conditions for women through more equal pay, non-discrimination and better maternity provision.

Our Doha goals

If we are to protect workers through core labour standards as we seek to build a free and fair world trading system, it is vital that we make progress multilaterally in delivering a successful Doha trade round. These are hard negotiations, but I believe the WTO is the best chance we have of building a trading system that helps deliver a more prosperous and more just world. The UK is committed to reaching a pro-development agreement, which we would see as based on these five key principles:

- more trade opportunities, meaning substantial increases in market access to the developed world for developing countries' agricultural products;

- fewer unfair subsidies, meaning significant reductions in trade-distorting support for agricultural production in developed countries;
- no strings, meaning no quotas or duties, on exports from the least-developed countries into developed countries and the richer developing countries;
- significant support for the poorest countries, meaning that we help them take advantage of increased trade by, for example, building capacity in their countries; and
- liberalisation on fair terms, meaning that any liberalisation of developing markets is consistent with that country's capacity to adapt its development programme.

Such a deal would help us make progress on Labour's historic goal of tackling world poverty. After all, the Labour government has led the world in terms of international development: the UK's G8 presidency, with the strong support of the trade union movement, delivered an enormous amount for the world's poor. I believe this is one of the proudest achievements in Labour's history – massive debt cancellation, \$50 billion in extra aid, and major announcements on education, HIV/AIDS, polio, tuberculosis and women's health.

This means that some of the poorest countries on the planet now spend their money on paying teachers, doctors and nurses their wages, rather than on paying the wages of rich bankers – so that Zambia has established a universal free healthcare system; so that Tanzania has fed 3.7 million people previously on the verge of starvation; and so that 14 countries in Africa are now free of the crippling debts they have been saddled with for a generation.

Having made massive progress on debt, aid, health and education, a significant missing piece of the jigsaw is trade. By working to deliver on debt, aid and trade, I believe this Labour government is truly applying its traditional values to the modern world – a fairer world that gives millions of our fellow human beings the chance to prosper.

Until now, I have been mainly upbeat in my assessment of globalisation. I believe this is a time of opportunity for our movement, our country and our world. However, I am far from naive about the harsh reality of globalisation as experienced by millions of working people.

The impact on workers

Globalisation can seem to be taking away the opportunities that working people have long enjoyed, leaving people feeling powerless. The world can seem skewed in favour of

very large businesses, which can close a factory in Bolton or Bradford one day and reopen it in Bratislava or Beijing the next. This is not a one-way process, however; indeed, one little-known fact is that UN figures show that the UK has received \$771 billion in foreign direct investment, which in 2004/05 created 75,000 new jobs.

To the workers left behind after redundancies – and their communities – it is a personal tragedy. In the trade union movement we know only too well that unemployment is never a price worth paying. The government has to respond, and does, with regional assistance, proactive support for people seeking new work, and a massive skills programme to help workers reskill and move on to new opportunities.

To the government there are also further challenges: how can we best support businesses, so that jobs stay in Britain and we attract more inward investment, bringing high-skilled, well-paid jobs to the UK? How can we work with unions and employers to ensure that workers are reskilled and ready for future challenges? How can we ensure we have a strong, modern manufacturing sector in the UK – well placed to prosper, notwithstanding the challenges from around the world? How can we support companies of all sizes in developing the manufacturing of the future, in new technologies, in environmental technology, in pharmaceuticals, in creative industries, in financial services?

It is important that we are frank in saying that no government can in all sincerity pretend that it can stop all job losses or factory closures; but a centre-left government can build a proactive welfare state to take us back towards full employment, when 10 years ago everyone told us that we would never see full employment in Britain again.

No government can guarantee that its citizens will not face difficulties in an increasingly globalised world, but a centre-left government can bring jobs and hope to communities like my own in Makerfield, where in some areas nine out of 10 people languished on benefits under the Tories, their potential untapped – our people and whole swathes of our communities abandoned.

Yes, there are still tough times facing us, but our centre-left government is on the side of working people and is prepared to face the challenges of the future, and work with unions to ensure we can all prosper in the future.

The future of British manufacturing

British manufacturing, for all of the challenges it faces in a globalised economy, is

adapting to change and leading in many industries, from aerospace to biotechnology to pharmaceuticals. Even in the car industry, which we know has seen some of the most painful job losses, in 2005 we produced about 1.6 million cars. These days they might be called Nissans, Hondas, Toyotas and Minis, but this is equivalent to the peak number of cars that rolled off the production lines in the early 1970s, although in those days they were called Austins, Leylands, Morrises and Minis (albeit under different ownership). Furthermore, Nissan recently unveiled the new Qashqai – designed in London, engineered in Bedford and built in Sunderland – pledging that the expansion in production would safeguard or create 1,200 jobs.

Manufacturing in Britain, before this era of globalisation, often meant low-paid, low-cost, low-skilled work. As we look to the future we will need to look to a more highly skilled workforce: today the UK has 9 million high-skilled jobs; by 2020 we will need 14 million high-skilled workers. And whereas today 3.4 million people are in unskilled work, by 2020 we will need just 600,000. That is the scale of the challenge – for government, for employers and for unions alike.

What does globalisation mean for working people and their unions? The British trade union movement makes a significant contribution to these on-going challenges and debates, and is to be congratulated for doing so without falling into the short-termist trap of demanding protectionist policies that would be harmful to our own country as well as to our fellow workers in the poorest countries.

I have some further reflections of my own as a committed and passionate lifelong trade unionist, who now finds himself grappling with these challenges as the Trade Minister.

For many workers, globalisation can be a story of instability and change, and of job losses. For other workers it can be a story of job creation and opportunities to learn new skills. In many developing countries it can be a lifeline for workers – the opportunity to prosper and get sustained employment for the first time in their lives. So what does this mean for trade unions at home?

The challenge for trade unions

The most fundamental challenge for the trade union movement, in bread-and-butter terms, is as ever to recruit millions of new members at home and abroad, in the new work-places, at home and in the emerging markets. We need to look at how we are structured and assess whether we are a movement with the right offer and the right vision to shape

our globalised world around our values.

This will bring immense challenges to us all. In some of the emerging countries trade unions are either very weak or, more fundamentally, not free. This is about good governance in these countries, working together to ensure both that basic standards are met and that civic society institutions, such as trade unions, are free to speak up on behalf of working people.

Our challenge is to work with international colleagues to build a vibrant, progressive, growing movement to speak up for working people around the world.

Our challenge is to work with governments to ensure there are global institutions that are effective and to ensure that the free and fair trading opportunities we have long enjoyed are shared by working people around the world. Such institutions must be committed to tackling the corruption that undermines economic development, limits spending on health and education and hits the poorest people hardest.

Our challenge is to work in partnership with international businesses to apply the highest standards, above and beyond a basic minimum.

Our challenge is to work to ensure that a set of core labour standards are respected across our world.

Our challenge is to meet the huge skills challenge Britain faces over the next 15 years. If we are to compete on the basis of a high-skill, high-wage economy, trade unions have a proven and vital role in developing workplace skills. We have made great strides together already, not least through the Union Learning Fund, the thousands of new learning representatives and the creation of unionlearn. But this is just a start. And where workers in the UK have low or no basic skills, there is a huge challenge for trade unions in reaching out and bringing those people into union membership and giving them access to the skills and training they need to move on.

The challenge for us all is this: the world is changing very rapidly; are we as a movement changing quickly enough to meet these challenges?

Despite these huge challenges, this is a time of opportunity and hope for the left. If we get this right, this is an internationalist agenda. Many challenges can only be faced

internationally – free and fair trade, tackling climate change, eradicating poverty. If we get this right, this offers us a chance to deliver better skills for millions of workers around the world. It offers us the chance to shape this changing world around the values of the centre left.

The future can be bright, but only if we show we have the ideas, the confidence, the discipline and the capacity to make the future ours.

The prize for the centre left is great, but the scale of the challenge is profound – as was brought home to me last summer, when I became a grandfather for the ninth time. My cherished granddaughter, Bethany, all things being equal, will live to 101.

But the challenge is this. At the same moment my granddaughter came into the world, another baby girl was born, in sub-Saharan Africa, a short six-hour plane journey away. She is a child we will never know and never meet. Why? Because she died the day she was born: killed by a preventable disease.

Who knows? These two little girls could have grown up to work together or learn together, but they have both been robbed of the chance. Worst of all, one of them had no chance at all. That is the scale of the challenge we face.

Chapter 2

Building partnerships across the globe

Brendan Barber, General Secretary of the Trades Union Congress

Building partnerships across the globe

At the 2006 Labour Party conference, in his last leader's speech, Tony Blair said that "the British people today are reluctant global citizens"; and, he said, "we must make them confident ones".

As the general secretary of an internationalist movement, I could not agree more. I want to see British trade unionists developing partnerships with their fellow workers across the globe to achieve our objectives. Only by working together across the globe can we defend the gains we have made in developed countries, spread them to places where what we have is only dreamed of, and then go further and bend globalisation to our needs.

Globalisation could be the most positive development in human history, providing for everyone, everywhere, the opportunity to realise their full potential, and we need to keep that vision in mind. So why the reluctance? And what can we do to restore confidence in globalisation?

Behind the fear

First, there is insecurity and, in some cases, actual reductions in living standards and freedom.

Our parents would have described security – security of employment, security in retirement, and the armed security that delivered a longer period of peace for the UK than it had experienced for centuries – as a central plank of the post-war British system. Now insecurity, change and sometimes downright fear are the leitmotifs of our modern world.

The fact that job mobility has not increased over the last few decades, that more pensioners now live longer in retirement and are better off, and that you are still far more likely to die in your own home than anywhere else does not matter. People sense that the risks they run have increased and the costs of falling through the safety net have increased, and part of the reason for that is that abroad is a lot closer to home than it used to be.

There is a palpable sense in manufacturing that jobs could disappear any minute – not helped by the experience of so many working people of hearing about their redundancy or the hostile takeover of their employer on the morning news. In too many cases, of course, people have actually lost their jobs, or seen their earnings fall behind. People's

pensions have been stolen from them.

China and India may not be to blame (in reality, many more jobs have been lost to technological innovation or productivity improvements than to outsourcing or under-cutting), but that is what employers and economists are always telling us, so it is hardly surprising that people should believe it.

Second, there is no convincing narrative about how ordinary working people can benefit from globalisation. Cheaper goods are little comfort if those goods are what you used to make. The freedom to travel is of little benefit if you cannot afford it, or if when you go abroad you come face to face with the effects of the war on terror.

Where the benefits of globalisation are proselytised, they seem to be mostly for the rich. Free movement of labour or labour market flexibility is seen by some employers as a licence to exploit. Cheaper prices seem to have most impact on profit margins, and even increased profits do not seem to come the way of the workers. As ever, workers are told to work for less so that they can compete with the East, while employers need to be paid more to compete better globally.

And we seem to be running faster and faster just to stay in one place. We are told that we can only protect the European social model by becoming more flexible – which often seems to mean we need to give up everything the social model has delivered in order to keep the name. It is like the archetypal US Vietnam-era general claiming that “we had to destroy the village in order to save it”. Digby Jones, former director-general of the Confederation of British Industry, used to claim every time we suggested another rise in the minimum wage or a small measure of equality for part-time workers or agency staff that if we took that step, China would eat us for breakfast and India would eat us for lunch.

So a lot of our members have looked at this vision of globalisation and decided that they would rather not start competing with Chinese wages, or Indian workplaces. Even if they could, what would be the point? Why not pull up the drawbridge and shut out the rest of the world? Being threatened with poverty carries no weight – because that seems to be what lowering the drawbridge offers as well.

The impact on the world's poorest

Finally, as if the impact of globalisation on the West isn't bad enough, its impact on the

poorest countries of the world seems to be even worse!

The abandonment in 2005 of a system called the Multi-Fibre Agreement, which protected textile industries from foreign imports (mostly Chinese), has led to relatively few job losses in high-wage economies like Europe. Its impact has been felt mostly in places like Lesotho, Malawi and Bangladesh, where it has prompted mass layoffs, huge wage cuts and rioting in the streets (literally, in the case of Bangladesh).

Globalisation has seen an increase in export processing zones, where governments seek to become more attractive to investors by suspending basic human rights like the right to join a trade union and bargain collectively, and where women's rights to be treated equally are subordinated to management's right to harass.

And the people of the global South have proved ungratefully reluctant to accept the largesse of the globalisers, with "no deal" being considered the better option by many governments of the South in the Doha development round of the World Trade Organization.

So yes, many of our people are reluctant to embrace globalisation. They fear the loss of income, loss of security and loss of influence that the free market on a global scale seems to offer. And if that is the vision of globalisation that we are being offered, then unions will represent our members and reject it. But it is not the only vision on offer. As the revolutionary catchphrase of the era has it, "another world is possible".

As other contributors will make clear, reducing tariffs *can* raise living standards all round. An increase in free movement of labour *can* deliver increased freedom, more remittances, and better life chances. And multilateral systems *can* deliver the prospect of overcoming war, climate change and poverty.

Britain's economy is built on trade (Germany's even more so – indeed, last year it overtook Japan as the world's number one exporter) in services like design, cultural industries and finance as well as manufacturing. British jobs depend on the export of those goods and services, and increasingly on the delivery of imported goods and services to the UK consumer. Foreign direct investment provides even more jobs in the UK.

The picture can be the same in other countries, although many countries in the global South have not made the gains in growth and decent work that increased trade should have brought. Both classical economics and real experience, however, suggest that

increased trade produces increased wealth. (The picture on the distribution of that wealth is of course different.) Trade unions are convinced that the route out of poverty is the provision of decent work in sectors of the economy other than subsistence agriculture and extractive industries.

The picture on migration is even clearer. From the overall statistic that remittances from migrant workers to their families dwarf the developed world's aid budgets, to the individual experiences of millions of migrant workers, migration has been a route out of poverty for individuals and entire communities. Economic migrants and refugees have built the economies they have travelled to and helped build the economies that they have left, although we still have concerns about the brain drain that affects less developed countries exporting the most natural of resources – their skilled workers.

And finally, the trade union movement is committed to the strengthening of multilateral institutions as the best alternative available to unilateral or bilateral steps. For all its faults, the UN provides a forum for settling disputes and ensuring the rule of international law, and the World Trade Organization does provide a lever for poorer countries to negotiate from a stronger position than in bilateral or regional deals where the stronger economies have more power – the collapse of the Cancun trade talks demonstrated that, albeit in a negative way. Although nowhere near as tripartite as the International Labour Organization, the Organisation for Economic Co-operation & Development provides a voice for international trade unionism through its trade union advisory committee (which has made real progress on the code for multinationals in terms of corruption and anti-social practices).

How to make globalisation work

But globalisation will not deliver all the benefits it could, and could indeed simply spread the misery wider, if we just let globalisation happen to us, or – as some of the more fervent neo-liberals argue – aggravate its effects by encouraging it to grow unfettered. Like capitalism in one country, global capitalism needs checks and balances if it is to deliver wealth, health and happiness for all.

First, we need global rights that provide a safety net and prevent competition from becoming a race to the bottom – rules about trade, rules about corporate social responsibility, rules about human rights and democracy.

The TUC has always been, more or less, a supporter of the basic principles of free trade.

In part, to be honest, that was because free trade benefited our economy as one of the global “first adopters” of industrialisation. But it was also because we believe that trade creates wealth and world trade can spread that wealth throughout the world.

And that has also been the view of the international trade union movement, because we recognise that the best way for less developed countries to escape from poverty is to work their way out of it, by producing goods that can be sold on the world market. The creation of decent work is integral to development. Africa in particular needs to replace its dependence on a subsistence economy of agriculture and extractive industries with industries that add value to those primary products. And value-added industries require the sort of skilled, well-paid, safe jobs that characterise the developed economies.

Our commitment to free trade is most emphatically not in contradiction to our support for trade justice, however. We don't believe trade is truly free if it isn't trade between equals, and we don't believe that decent labour standards are a non-tariff barrier to free trade. Free trade means the absence of measures designed to keep one country's goods and services out of another. Global labour standards, by their very nature, are universal and should apply everywhere. Their absence in the poorest economies is an imbalance that urgently needs to be addressed. The TUC is working closely with other trade union movements around the world (in particular in Brazil, India and South Africa) to develop common trade union strategies towards trade and labour standards across the North-South boundary.

Multilateral action is needed

Second, we need multilateral action to prevent wars, famine and environmental catastrophe.

The UN is, I think, less of a lost cause than it used to be, although it was never a lost cause for the trade union movement (and we've given house room to most of them). It needs to be persisted with, it needs to be defended, and it needs to become the answer more often to the difficult problems around the world. It is, almost universally, where the most difficult problems in the world do eventually end up – Darfur, Lebanon, Iraq – and they end up there in worse shape if countries start from the premise (as the US so often seems to) that involving the UN cannot or will not help.

On climate change, the case for multilateral action is obvious. No country can address the causes or mitigate the effects on its own, because no country's borders really reach up to the sky – though we recognise that the solution to environmental damage is not one-

size-fits-all. But this is not to say that such problems can be tackled only at the level of summits.

Third, the G8 and the OECD need to do more to rebalance the global economy, through increased aid and debt relief for the poorest countries (at least implementing the G8 Gleneagles agreement that the Make Poverty History campaign fought for), and through a reduction in the US deficit and the Chinese exchange rate.

And fourth, the labour movement needs to raise its game to respond to the challenges of globalisation not just at the level of policy as described above, but through organising. A key step was taken at the beginning of November with the creation of the International Trade Union Confederation, a new international organisation unifying two strands of trade unionism that split apart as the Cold War developed after the Second World War and involving some of the best of the rest of world trade unionism. Wasteful rivalry has bedevilled the international free trade union movement. We now have the chance to put the bureaucracy of the past behind us and put more effort into campaigning and organising at global level.

In particular, we need to address the changes in global business that have created multinational corporations that owe no loyalty to one country, and supply chains that stretch around the world. Two examples should indicate the direction we need to travel in.

Western companies are opening in China and India at an increasing pace. We need to ensure that where jobs are being exported to those economies, the workers in such companies in the global North get the retraining they need to stay employed, and that workers in the destination country get fair terms and conditions. In particular, unionised companies in Europe should not be allowed to abandon the respect for their workforce that union recognition and involvement represents when they go abroad.

And equally, where Western enterprises are sourcing materials, products and services in less developed countries, they should take their social responsibilities seriously – making sure that the same basic standards that apply to their own workforces apply to workers in their supply chain. The Ethical Trading Initiative – a partnership between progressive employers, unions and non-governmental organisations – is one example of how this can happen, drilling the International Labour Organization's core labour standards and decent work down from the high street (many of our major retailers are Ethical Trading Initiative members) to factories and farms around the world.

Part of the process of exporting the European social model and ensuring that ILO core labour standards actually do apply globally involves union organisation. The national boundaries that defined trade union movements in the middle of the 20th century are breaking down. (As with so many features of globalisation, this is nothing new – at the turn of the last century, British unions had branches in Johannesburg, Melbourne and New York, and many retain their organisation in Ireland, 80 years since partition.)

We have stronger sectoral organisations in the global union federations, which sign framework agreements with multinational corporations. Unions from many different countries are co-operating on joint organising strategies in the logistics industry, in security services like G4S, and in retail giants like Wal-Mart. Many framework agreements providing for rights to union organisation and so on have been signed with oil and manufacturing companies globally.

One of the major issues to confront the new International Trade Union Confederation (and the newly formed European Trade Union Confederation network of organisers) is what can be done at global level to improve union recruitment and organisation. Exchange of information is of course vital, as is co-ordination to reduce the wasteful rivalry of conflict and competition. But we should be looking for more in the way of joint organising campaigns at global level, better research and use of factors such as workers' capital/pension funds.

More imaginatively still, the German trade union movement is campaigning for a historic expansion of the *Mitbestimmung* system of co-determination, so that German companies that operate abroad must include representatives of their foreign workforce on their advisory boards. And the British trade union NUMAST (for commercial shipping officers) has begun the process of merger with its Dutch equivalent by forming Nautilus UK and Nautilus NL (and, eventually, just Nautilus).

An article this short cannot hope to do justice to many of the world's most pressing questions – the HIV/AIDS pandemic or the failure to deliver a decent education to all – and that is rather in the nature of globalisation. It's big, but it's not too big for us to tackle – I'm confident of that!

Chapter 3

Sharing the benefits of globalisation

Dave Prentis, General Secretary of UNISON

Sharing the benefits of globalisation

Globalisation is one of the most powerful forces of our time. It is reshaping economies, societies and public services in profound and numerous ways. Among the issues it poses for organisations promoting equity and social justice is that of managing change rather than being overwhelmed by it. The challenge is to show that the opportunities of globalisation can be combined with measures that ensure economic security, stability and social justice: to recast and build on the achievements of the welfare state, rather than to submit to their degradation and dismantlement.

Trade unions are an essential civilising force in society and the economy. They fought and still fight for fair wages and decent conditions, good health and safety standards, anti-discrimination measures and practices that enable workers to balance their working and family lives. They also stand in solidarity with their sisters and brothers across the world who face oppression, who fight the denial of their basic human and trade union rights, and who struggle for a better quality of life for those who live in the most appalling conditions.

Above all they stand for economic and social justice, not charity. As a countervailing force to managerial power, trade unions ensure that power is not abused – they act as a brake to power and its possible abuse. They are a force for dignity at work. Such issues are universal – as relevant in the manufacturing workshops of China and the software centres of India as in the workplaces of Britain. In a changing economic climate, where uncertainty and change feature more prominently than in the past, the constant renewal of trade unionism is vital.

Whose globalisation?

Globalisation is a shifting, evolving, multifaceted concept. But globalisation is far from new; earlier eras have tussled with it too. Globalisation also has an ideological face. Proponents of some models of globalisation have aligned it with calls to privatise, cut public spending, reduce welfare provision and deregulate labour markets. The role of public policy and state action is belittled and democratic accountability neglected. Regulations that protect and enhance the quality of life are characterised as “burdens”. Models of new public management, with quasi-markets and an emphasis on internal competition and private providers, are imposed on public services. The global shock troops of this model are the flourishing, and far from disinterested, management consultancies.

The dominance of this perspective is reflected in the lack of labour and environmental standards in regional trade agreements such as the North American Free Trade Agreement, Mercosur and the Asia-Pacific Economic Co-operation Forum. Indeed, even within the EU, the focus of recent years has been on market-building activities rather than market-controlling ones.

But globalisation is a contested concept. The above model overstates the power of transnationals and underplays the capacity of active citizenship and effective trade unionism. Rampant inequality and its social consequences have been widely noted and criticised (notably by the Nobel prize-winning economists Joseph Stiglitz and Amartya Sen). The new, "greener" corporate strategies of a few transnationals are, arguably, largely owing to the success of the campaigns of their critics, in which trade unions have played a leading role. The triumph of the Labour government's windfall tax on utilities – despite legal threats and even calls for economic sanctions – vividly demonstrated that governments are far from powerless in the face of mobile transnationals. The relative success of Norway's legal measures to ensure that 40% of boards of directors are women is another telling example. Throughout the EU, new laws have been introduced to counter discrimination on the grounds of sex, race, age, disability, sexual orientation and religious belief, as well as an array of measures to assist those workers trying to balance family and working life – setting the terms by which firms operate in the (lucrative) markets of Europe.

Transnationals

One widely recognised feature of globalisation is the growing importance of transnationals. The 12 most important industries, such as textiles and the media, are each more than 40% controlled by five or fewer corporations. The patenting of seeds, drugs and genes by corporations has been a major source of public anxiety. As the state has withdrawn from some key social and economic activities, private firms now play a far greater role in providing services (such as criminal justice, healthcare, education, water services and military services) that were once the domain of the state.

The spread of a model of privatisation and public-private partnerships has seen firms that were once confined to the UK developing similar models elsewhere; we are witnessing the globalisation of public services. Thus, in 2005, Rentokil Initial derived more than half its revenue (some £1.25 billion) from its activities outside the UK. Serco derived some £600 million from its activities outside the UK. The latter has exported its private prisons from the UK to Germany.

As the power of transnationals has grown, so too has distrust of their activities. High-profile board-level scandals have added impetus to such concerns. The Fairtrade mark, to which fair labour standards are central, is one manifestation of this concern; it has gone from the margins to the mainstream – from the Oxfam shop to Marks & Spencer – and has had a knock-on effect on a range of other goods and services. Trade unions play a key role in monitoring and holding to account the activities of transnationals, across borders and frontiers; and in getting corporations to accept responsibility for their actions. US unions recently campaigned in London and Birmingham – successfully – to secure bargaining rights in the Hilton hotels in the US. In a globalised world, such actions will become more widespread.

Global unions

The trade union movement, in recognising the role it has to play in countering the twin threats posed by the power of transnationals and governments who use globalisation as an excuse to weaken labour and other standards, has begun to organise in a more robust manner. The coming together of the two leading global trade union bodies (the International Confederation of Free Trade Unions and the World Council of Labour) will result in a stronger global voice.

The work of a number of global union federations in securing worldwide framework agreements for their members has begun to instil some balance into negotiations. And the work of UNISON, through its international development fund, in assisting trade unions in the developing world to increase their capacity to campaign against the ravages of and to determine a trade union response to HIV/AIDS, is but one example of how the trade union movement is responding in a coherent and concerted way to the challenges that working people face in the globalised world.

Migrants and globalisation

As capital has become more mobile, so too has labour. In the post-Cold War era, labour has generally been seen as less mobile than capital; but the weakening of border controls and the spread of low-cost air travel and telecommunications have altered this. Globally, some 175 million people are thought to be living outside their countries of origin – 86 million of whom are workers. They are generally seeking a decent life away from the poverty, famine, repressions or war in the countries they have fled. Exploitation of such vulnerable workers is widespread. They often face xenophobia, discrimination and a denial of basic rights. Trade unions can make a vital difference to such workers and their families. They can give migrants what they need most: a voice for their concerns and

a springboard to justice and equality.

Large sections of the UK economy rely on migrant labour; about a third of NHS staff were born overseas, and in 2003 some 44,000 medical workers came into the UK.¹ Between 2000 and 2002 a quarter of all work permits were for workers in health and social work – more than in any other sector. Similar patterns can be found in other developed countries. Migrant workers replenish our skills base (though this issue raises problems of its own) and are part of the solution to the issue of an aging workforce. Trade unions are an arena where people from diverse backgrounds can find common solutions to common problems; they are a force for cohesion and integration.

Alliances

Modern, effective trade unions are not about defending declining strongholds and the inward-looking, bunker mentality that this so often entails. Rather, they are constantly looking for possibilities of renewal and the potential for growth. Trade unions need to look outwards, mapping socioeconomic trends and adjusting recruitment and organisation strategies accordingly. They are part of a broader coalition of forces that holds corporations accountable to citizens. The recent experience of UNISON as a central player in the Make Poverty History campaign shows too the way in which unions can and must work with development agencies and other non-governmental organisations across the world to demand major policy change from governments, based on the concept of decent work.

It is unlikely that Nike and other transnationals would have embarked on monitoring and improving the working conditions of their contractors were it not for the actions of trade unions and NGOs in highlighting these issues. The sterling work of London Citizens is a vivid example of the success of this approach. This venture has been strongly supported by several trade unions in their efforts to recruit and organise migrant workers – and, just as crucially, to bring the plight of migrant workers to a wider audience.

Part of this approach also involves reviving and reasserting the much neglected link between human rights and labour rights (the right to form and join trade unions, the right to equal treatment, rights against forced and child labour).² The institutions of international co-operation (notably the UN and the International Labour Organization) have a renewed role in this respect – they are currently weak and need strengthening.

1 "Overseas Staff Form the NHS's Backbone" in *Financial Times* (28 August 2004)

2 Alston, Philip (ed) *Labour Rights as Human Rights* (Oxford University Press, 2005)

The need for international labour and environmental standards is becoming increasingly pressing, to ensure that nations are not at the mercy of corporations and that an international "beggar thy neighbour" downward spiral in labour standards does not ensue.

Conclusion

In 1999, the then president of the World Bank stated that "at the level of people, the system isn't working". Trade unions have a key role in ensuring that the voice of people is heard. The historian Donald Sassoon argued that "for the Left to remain national, while capitalism is international, would be like a shadow that has lost its body".³

Trade unions have always recognised that their founding principle, solidarity, does not stop at national borders. Globalisation has reinforced that position and meant that trade unions have to give increased emphasis to the regional (for the UK, this means Europe) and the global. The trade unions are building ever stronger and more effective international partnerships. Whether it is in the form of the co-operation agreement between UNISON and our German sister union ver.di, whether it is through our work in demanding improved European legislation with our sister public service unions in the European Public Service Union, or in fighting poverty and repression in the developing world, trade unions are facing up to the challenges posed by the world in which we now live.

Just as many firms operate with a global mentality, so too must trade unions. The task before trade unions is that of countering and diminishing the negative potential of globalisation and enlarging and enhancing its virtues; to ensure that many, not just a few, share the benefits of globalisation.

3 Sassoon, Donald *One Hundred Years of Socialism: The Western European Left in the Twentieth Century* (Fontana, 1997)

Chapter 4

Globalisation – trade union scourge or an unprecedented opportunity for international labour?

Derek Simpson, General Secretary of Amicus

Globalisation – trade union scourge or an unprecedented opportunity for international labour?

Organised labour is facing a series of unprecedented challenges arising from the economic and political changes known as globalisation. These changes include: the fragmentation of production; the rise in power and influence of transnational corporations; the rapid advances in technology; and the global mobility of goods, services, capital, information and – to some extent – people.

These powerful forces have had profound effects on the workforces and labour market structures of all the industrialised countries. There have been seismic shifts in occupations, industry sectors, employment practices, job security, skills sets, and social and regional inequalities.

The speed with which these changes have taken place has caused problems for the trade union movement. Trade unions have struggled to come to terms with the decline in manufacturing and full-time male employment, combined with the expansion of the service sector and the growth in part-time and female employment. Membership decline has been constant for 20 years, and organising against the economic and political changes has proven very difficult. That said, a recovery – or at least marked deceleration in membership decline – has begun.

The world has been transformed and trade unions are adapting, albeit too slowly. We need to be more effective in responding to the challenges we already face from globalisation and in anticipating the challenges of the future. All of our strategies, recruitment practices, campaigning, structures and organisation have to be reconsidered in the light of contemporary global realities. If the trade union movement is forward thinking and prepared to jettison much of its traditional mindset, I believe, to paraphrase Karl Marx, that globalisation may prove to bear within itself the seeds of its own destruction.

Trade unions need to exploit lean production techniques and the new communications technologies. Unions also need to restructure and organise along transnational lines as well as at local levels, to fight against the pressures from transnational companies that are bearing down on wages and conditions.

Trade unions are already capitalising on the fallout from globalisation. The pensions crisis, increasing employment insecurity, falling wages, longer working hours and the growing

anti-globalisation movement have all boosted union membership. There is even more need for trade unions given the public's growing concerns about the impact on world inequalities and environmental degradation. In addition, the crisis in corporate governance and the absence of social responsibility among employers – exemplified by the accounting scandal at Enron and even the sackings by megaphone at Gate Gourmet – are all grist to the collective mill.

Global trade unions

To be successful, trade unions need to be effective at every level. Unions must operate across the new labour market, in every workplace, and transcend national frontiers. Additionally, unions have to demonstrate relevance to the next generation of workers and reinvigorate the image of unions in the eyes of the present generation.

Geographical location is no longer important to corporations. They can effectively move work wherever they want around the globe to maximise profit margins, exploiting the cheapest resources, including labour, at the lowest possible price, and still transport their goods and services to the marketplace. Trade unions, therefore, have no option but to operate across national boundaries too.

The platform for creating multinational unions is larger domestic trade unions and solidarity agreements with our international counterparts. Amicus and the Transport & General Workers' Union are beginning this process, now creating the UK's biggest union. We have signed solidarity agreements with super-unions in Europe and the American unions, the Machinists and the United Steel Workers. I believe it is possible to have a functioning, if loosely federal, multinational trade union organisation within the next decade.

By pooling resources at national and international level, trade unions can avoid the costly duplication of activities. Staff now tied up in meetings with colleagues from competitor unions can be released into the field to undertake greenfield recruitment as well as to service existing members, whose needs increasingly require individual attention.

While the trademarks of globalisation – mobility and transnational linkages – have imbued multinational companies with greater wealth and power, the methods they use to increase productivity make them vulnerable to cross-border industrial action. Lean production and just-in-time supply techniques make production easy to disrupt, as long as all production facilities can be closed down simultaneously.

The adoption by multinational companies of corporate social responsibility as a tool to offset public distrust of the global industrial giants is another gift to trade unions. Companies that fall short of the standards they set themselves can lose valuable reputation in the eyes of their customers, as and when their failures are brought to public attention by trade unions.

Trade unions have to re-energise and equip their network of workplace representatives to act increasingly as points of expertise for members and invigorate a network of new workplace activists. Developing a culture of activism will support on-going organising activities, as well as planned special projects and campaigns against the symptoms of globalisation.

"Glocalisation"

Our international efforts cannot be made at the expense of our work at the grass roots. Trade unions have to become much more embedded in local civil society by developing and harnessing community as well as workplace links.

Global companies sell their goods and services locally, and action to destabilise their reputation is best taken there. This approach has been termed "glocal" by trade union academic Jane Wills, who says that, like businesses, trade unions have to be simultaneously local and global in their operations.⁴

More community-based methods, such as The East London Communities Organisation (TELCO)'s campaign for a living wage for lower-paid workers, have involved other local organisations including schools, colleges, mosques, churches, community centres and union branches.

As well as successfully mobilising local citizenry, community-based campaigning has brought many diverse groups together in a new era of collective activity, and their involvement has successfully targeted people whom trade unions have found particularly hard to reach – mostly female, ethnic minority and migrant workers and agency staff working in metropolitan areas. In essence, single-issue, community-based campaigning gives those groups representing the largest employment-growth areas first-hand experience of trade unions outside the workplace, allowing workers freedom from potential employer intimidation.

4 Wills, Jane *Union Futures: Building Networked Trade Unionism in the UK* (Fabian Society, September 2002), p37

Unquestionably, then, even in this global era, unions need to organise more effectively at local level if they are to reach and address the needs of workers.

The way ahead

The challenges, then, are twofold. Domestically, we have to address the transformation of the industrial and workplace landscape that has depleted trade union membership and attacked membership densities by changing union organising structures and membership patterns. We then need to press for an end to the national legislation that restricts our capacity to take effective action against transnational employers.

Second, we have to ensure that by operating on so many fronts – at workplace, regional, national, European and international levels, we do not divert or dilute our focus. We have to act seamlessly across and within all these structures if we are to counter effectively the actions of global corporations and challenge global exploitation.

International planning has to link our national trade union strategies and campaigns with both workers and consumers transnationally. Making international legal challenges and putting pressure on key institutional shareholders or decision makers will also be part of the developing strategy.

Trade unions have only recently begun to understand their power to tarnish corporations' valuable brands and reputations. Companies' increasing commitment to corporate social responsibility programmes are making them ever more vulnerable to consumer and investor pressures.

As vast as transnational corporations' resources are, the number of stakeholders that have an interest in them is just as large. Pressure no longer needs just to be exerted directly on the employer by the workforce alone; it can be applied more effectively in some situations via fund managers, pensioners, shareholders, consumers or franchisees.

Significantly, in June this year Amicus together with the T&G launched the UK's first trade union orchestrated boycott, after French company Peugeot announced it was closing its Ryton plant in Coventry – involving the loss of 2,300 jobs – to switch production to low-wage Slovakia.

Our £1 million newspaper and billboard poster advertising campaign targeted Peugeot dealerships, UK sales hotspots and the International Motor Show. The campaign began

ahead of the September launch of the new 306 model, when registrations and sales would have been at their highest. This campaign was conducted despite us being unable to advertise against the action of a company or business on radio or television, because it is illegal for unions to do so. In future, however, advertising using viral e-mail may help unions circumvent this restriction and take a powerful message into the heart of the buying public, until the law can be changed.

I believe that this approach marks the beginning of a new, multi-pronged style of campaigning, and we have warned other companies that may be considering abandoning their workforces that they may face similar co-ordinated campaigns and boycotts.

Change for the good

If trade unions prepare properly, the change in employment demographics often considered to have been one of the greatest threats to trade unions can be one of our greatest opportunities.

Increasingly, the UK workforce is female and ethnically diverse, and these workers are typically underrepresented by organised labour. Although female membership is growing, women are still less likely than men to be trade union members. The classic low-paid and low-skilled employment offered by part-time working deserves to be a growth area for trade unions.

Ethnic minority workers are also severely underrepresented in trade unions, despite black workers showing greater propensity to join trade unions than white workers.⁵ Clearly, we need to do more to provide for underrepresented groups – young, female, black, Asian and white part-time workers – and the evidence indicates that we would be pushing against an open door.

Most significant is organised labour's failure to recruit and organise in the private sector. Union density in the public sector stands at 60%, but it has fallen to just 19% in the private sector, with fewer than one in five employees being union members. The Workforce Employee Relations Survey attributes the decline in trade union membership both to the failure of unions to achieve recognition in newly established and expanding private-sector workplaces, and to the falling densities in unionised workplaces in both the

5 Fairbrother, Peter "Unions in Britain: Towards a New Unionism?" in Fairbrother, Peter and Griffin, Gerard (eds) *Changing Prospects for Trade Unionism: Comparisons Between Six Countries*, Employment and Work Relations in Context series (Continuum, 2002), p68

private and public sectors.⁶ Even more concerning, the trade unions' public-sector preserve is also under attack, and falling membership density is likely to result from public services being contracted out or privatised.

So as well as establishing effective community and global networks, we have to recruit workers in the growth areas of the economy – business and personal services, retail and distribution, hospitality and leisure – and address the fact that the burgeoning workforces associated with these areas – women, minority ethnic and migrant workers, part-time and agency staff – remain those least likely to join a trade union.⁷ There are 25 million people⁸ in the UK who are earning very low rates of pay, working long hours, with poor levels of training and derisory benefits – a situation crying out for unionisation.

This requires new agendas and issues and the adoption of targeted campaign approaches and methods. To appeal to women and the low-paid we have to concentrate on working-time issues, low pay, pensions and inequalities, and for professional and for skilled workers we have to address skills and productivity issues.

Fighting back

Of course, membership figures are not the only reliable indicator of trade union performance; but an active and growing trade union membership is vital, not only to be able to defend and advance the interests and prospects of non-members, but to be able to retain and wield political influence on behalf of existing ones.

The existence of effective trade unions may also be essential to the survival of the free trade agenda. Unless workers in advanced and developing countries are protected from the excesses of globalisation, they may ultimately move to overturn the system they will rightly blame for their exploitation.

We have to adapt to society's new inequalities and address our membership weaknesses by aligning ourselves to workers at the top and bottom of the labour market, as well as retaining and growing our middle-income, professional membership, where traditionally we have been strongest. Unions have to be better at convincing people that their involvement matters and that strong trade unions can and do make a difference.

6 *Reaching the Missing Millions: Report of the TUC's Promoting Trade Unionism Task Group* (Trades Union Congress, August 2001), p14

7 Wills, *op cit*, p1

8 *Ibid*, p3

Trade unions must also position themselves as positive purveyors of change in the workplace, and may gain more ground by appealing to people's hopes and aspirations, not just their fears.

Above all, to be effective, trade unions must work and function along the same lines as organisations of global capital. By expanding the dimensions of trade union activity, organised labour can devise strategies and customised campaigns that seek to get the best deal for their members from transnational companies.

Only by having these linkages and alliances in place can trade unions adopt cross-cutting strategies to protect effectively their members' interests: for example, by mobilising shareholders or consumers, by threatening supply chains, by exploiting transnational corporations' reliance on just-in-time mechanisms, or by co-ordinating industrial action internationally to prevent corporations playing one national workforce off against another.

The fact that globalisation results in monopoly ownership provides another opportunity for organised labour. The concentration of capital has resulted in the concentration of employment, and so the threat of co-ordinated action can make transnational employers more open to negotiation.

Again, the communications advances associated with globalisation can assist us. Robust organising strategies are being made possible and being democratised through the use of global technologies – fax, email, cheap travel, blogs etc – which can be used to spread workers' experiences across the world simultaneously, and can be adopted as readily by trade unions as by global corporations.

To achieve results we have to establish carefully where power and decision making lie within transnationals, and where trade unions can establish bargaining leverage. Then we have to deploy all the expertise and resources available to be able to maximise this leverage. This may depend on the building of powerful on-going as well as ad hoc coalitions with other groups, be they faith organisations, student networks, shareholders, consumers or charities – either at global, national or local level, or all levels.

In building these networks of international solidarity, more effort must be made to support and combine with fledgling trade unions in developing countries. Only by nurturing strong global movements and forcing better labour standards on production or

services that are outsourced to developing countries and newly industrialised countries can the ability of transnational companies to play one government and one workforce off against another be defeated. So, as well as organising at different geographical levels, trade unions have to operate within the existing political, economic and social contexts to be successful.

These are enormous challenges, but when applied effectively, trade union organisation and mobilisation can make us very powerful in securing decent terms and conditions for all. I believe globalisation could provide as many opportunities as limitations for trade unions. However, this is a critical juncture for trade unions around the world, and they must move quickly to exploit these opportunities for the advantage of workers across the globe – or face disaster.

Chapter 5

Globalisation, workers and the All-China Federation of Trade Unions

Professor Jude Howell, Director of the Centre for Civil Society at
the London School of Economics & Political Science

Globalisation, workers and the All-China Federation of Trade Unions

Following the introduction of market reforms in 1978, China embarked on a gradual process of opening up its economy to the world. It started out by setting up four special economic zones in Guangdong and Fujian provinces, far enough away from Beijing to minimise any potential damage should the experiment turn out disastrous. In fact it proved a great success in terms of spiriting growth, attracting foreign direct investment and boosting foreign trade.

Other major cities and inland provinces pressured the government over the next decade to be given similar policy privileges to encourage foreign direct investment and to engage in export trade and production. By the 1990s China had become the second-largest recipient of foreign direct investment, a major global exporter and the world's main manufacturer of textiles and electronic goods. In 2002 China acceded to the World Trade Organization, drawing it deeper into the global market economy. But what did all this mean for workers in China? And what has been the role of the All-China Federation of Trade Unions, the ACFTU, in ensuring the rights of workers?

Restructuring of the working class

The introduction of foreign-invested companies, along with the gradual development of a domestic private sector, has led to a restructuring of the working class in China. In the pre-reform era and the early days of reform, state and collective workers constituted the mainstay of China's labour force. Controls over rural-urban mobility served to maintain a rigid boundary between urban and rural and between workers and peasants. Temporary and seasonal workers were used to meet any sudden rise in production demand, but their status, income and conditions of employment did not match those of state workers. Indeed state workers were the *crème* of the working-class in China, enjoying a job for life (known as "an iron rice-bowl"), access to healthcare, welfare and pensions, and high social and political status.

With the setting up of foreign companies in the coastal areas of China, and often on greenfield sites, the demand for labour required a relaxation of urban-rural controls. From the mid-1980s onwards, rural residents migrated in droves to the coastal cities in search of work in the new factories, on construction sites and as domestic workers in the homes of a growing middle class. Unlike their counterparts in state enterprises, migrant workers were employed on temporary contracts, working often very long hours and in poor working

environments. By the late 1990s migrant workers had become the core of China's manufacturing industry.

The rise of the migrant worker was accompanied in turn by the demise of the state and collective worker. With many state enterprises operating at a loss, the central government increased pressure on the state productive sector from the mid-1990s onwards either to close moribund factories or to streamline their workforce. The rapid closure and downsizing of state enterprises led to a new category of worker, referred to euphemistically as "stepped down from their post" workers (*xiagan gongren*). Such workers were treated officially as distinct from the unemployed for three years, during which they would receive supplements from the local government and access to retraining.

Once portrayed as revolutionary heroes and the icons of modernisation, state workers were now depicted as obstacles to development. Often older than migrant workers, they were seen as less able to adapt to the faster pace of work required in modern and especially foreign enterprises. Although the opening up of new sectors such as retailing, banking and services to foreign investment has created new employment opportunities, these are being taken either by those with the requisite skills and technical knowledge, which state workers are less likely to have, or, where the work is more labour-intensive, by cheaper, younger rural migrant workers.

China's working class at the turn of the millennium has thus become increasingly diverse, fragmented and devalued. With the diversification of ownership forms, the continuing expansion of the private sector and deeper engagement with the global economy, labour relations will continue to become more complex and challenging.

With the decline in status of the worker in Chinese society has also come a worsening of working conditions for many workers, particularly migrants. While state workers continue to enjoy limited working hours, access to subsidised housing, and benefits such as maternity leave, their counterparts in foreign-invested enterprises often fare less well. There are regular reports of workers being required to work 12 hours a day, to work excessive and often compulsory overtime, having their wages withheld until they leave, and of penalties being imposed for talking during working time or visiting the lavatory. There have also been numerous cases of workers injured because of unsafe machinery and of fires breaking out in factories.

Clearly, conditions in foreign-invested enterprises vary enormously according to sector,

size of factory and source of investment. Some of the worst reported offenders with regard to working practices are the small-scale, labour-intensive enterprises owned by Hong Kong, Taiwanese and Korean businesspeople. Many of these factories in turn are part of longer global value chains that end with large brand names and retailers in Europe and the USA. Compared with the pre-reform era, when workers were once hailed as the "masters of their country", labour relations in China have become increasingly complex. Now workers in China are "employees" contracted by a private employer, rather than "masters". As a trade unionist stated in a workshop on labour issues in Beijing in 2002, "the interests of different parties are becoming clearer".

Since the late 1980s the numbers of strikes, protests and actions in foreign-invested enterprises and ailing state-owned enterprises have increased relentlessly. Following the intensification of state enterprise reform from the early 1990s onwards, protests by laid-off state workers have spiralled, increasing in scale and ferocity – the protests in Liaoning province in 2003 being a case in point. However, workers have thus far been unable to form a nationwide, cohesive and effective labour movement, and protests have remained localised and contained.

Nevertheless, the increasing diversification of interests among Chinese workers, coupled with the rise in spontaneous protest actions, poses challenges for the Chinese party/state and in particular for the ACFU. How should they address the diverse needs and interests of workers, and which workers? How do they organise in the workplace? How should they mediate disputes?

In this vein the party/state has adopted a number of strategies to keep labour quiescent. It has initiated reforms to establish a comprehensive social security safety net for the urban unemployed, though progress to date has been uneven, leaving many workers struggling to subsist. It has introduced tripartite collective bargaining as a way of mediating labour disputes. However, as the law remains vague on who has the authority to represent employers, local trade unions have in some instances even been compelled to organise employers in order to have a third party with which to bargain.

A further step towards protecting workers has been the introduction of laws and regulations, and the push towards collective contracts. Here the key challenge has been how to enforce the laws, when local labour bureaux and trade unions lack the staff and capacity to monitor firms, and when the interests of local government and entrepreneurs overlap at the expense of labour. Hence top party leaders have urged the ACFU to take a more

independent and proactive role in protecting workers. But is the ACFTU up to the challenge? Given its dependent relationship to the party, can it carve out a more autonomous space in which to act in the interests of workers?

ACFTU attempts to adapt

Over the past three decades the ACFTU has attempted to adapt in several ways to address the changing needs of workers, though the process has been worryingly slow. For example, in response to the growing number of disputes in the newly established special economic zones, the ACFTU established legal affairs departments at all levels, providing legal advice to workers, and trained union cadres in relevant changes in legislation and regulations. It has trained and appointed staff to deal with labour disputes and mediation, reflecting the increasing use of arbitration committees and law courts to settle labour disputes. Moreover, higher-level trade unions have become more involved in mediating disputes in enterprises, especially in the private sector.

The ACFTU has contributed to a raft of new legislation over the past 20 years to deal with the changing situation of workers. This has included, for example, the revision of the Trade Union Law in 2001 and the introduction of the Labour Law in 1994. From the late 1990s, the ACFTU has experimented with and gradually extended the idea of collective bargaining, mainly in state enterprises. In 2003 the ACFTU issued a new directive permitting migrant workers to join the trade union movement. It also experimented with the idea of "neighbourhood trade unions", which would bring into its fold workers employed in the informal sector and in small enterprises, as well as the laid-off.

Finally it has sought to increase the number of trade unions in the foreign-invested and private sectors. Indeed, in 2005 it succeeded in requiring Wal-Mart – a notoriously anti-union multinational company – to permit the establishment of trade unions in its units in China. It has similarly put pressure on Dell, Kodak and other transnational companies that prohibit the establishment of trade unions.

At the local level, some local trade unions have been particularly innovative in introducing new measures and ways of extending the reach of trade unions. For example, Guangdong Provincial People's Congress passed a local regulation, coming into force from 2004, to allow 10 or more workers to establish a factory branch.

While the ACFTU has taken steps to address the changing needs of workers and to stabilise labour relations, often under pressure from central government, it faces a range

of constraints in doing so. The most profound of these is its complex relation with the Chinese Communist Party. As a Leninist-type transmission-belt organisation, the ACFTU serves the dual function of on the one hand representing upwards the interests of workers and on the other hand relaying party directives downwards to workers.

In the reform period this dilemma has become more acute. For example, in situations of state enterprise downsizing or closure, or local government efforts to create a favourable environment for foreign investors, trade union officials come under pressure to choose between leaning "upwards" or "downwards", and their responses have varied considerably. With many trade union leaders appointed by the local party committee, it is not uncommon for trade unionists to behave more like bureaucrats than representatives of their constituencies. As one trade unionist commented in a workshop in 2002: "The trade union is like a government department. It's very administrative. It hasn't reformed yet."

In a bid to make trade unions more representative, some local trade unions in Zhejiang and Guangdong provinces have begun to experiment with the democratic election of grass-roots trade union cadres. However, there is on-going controversy within both the ACFTU and the party leadership about the desirability and purpose of such elections. Therefore, the extension of such elections to other provinces and the push from below for a more representative union will take some time to realise.⁹ The structural dependency of the ACFTU on the party thus continues to be a major constraint on the ACFTU becoming an autonomous agency that prioritises the interests of its constituency.

While the ACFTU regularly reiterates the importance of organising workers in the private sector and mediating in disputes, local trade union cadres find their access to factories blocked and private company owners unwilling to permit trade unions. Collective bargaining assumes the ability to negotiate, to articulate, and to represent the interests of the party concerned. However, many trade union officials lack the skills and incentives to negotiate with or challenge management or to engage in collective bargaining. Moreover, for many trade union representatives on the factory floor, the fear of losing their job is real. Under such circumstances, remaining silent is a safer option. There is thus a problem of skills, incentives and leadership, which affects the capacity of the ACFTU to adapt to a globalising industrial world where negotiation, confrontation and demands for protection are becoming increasingly important.

9 Howell, Jude "New Democratic Trends in China? Reforming the All-China Federation of Trade Unions", Institute of Development Studies working paper number 263 (March 2006)

Influence from multinationals

Additional pressure on the ACFTU to reform comes from the various initiatives by large transnationals to improve workers' conditions, including enhancing their participation in factory affairs. Under pressure from Northern consumers to source products from suppliers with decent working conditions, some foreign companies have introduced codes of conduct that stipulate hours of work and overtime, health and safety requirements and acceptable management practices, and/or set up new forms of worker representation. A Reebok factory in southern China set up its own system of elections, which resulted in the incumbent trade union representative being swept from power.

The idea of codes and international labour standards has, however, met with mixed responses within the ACFTU and among labour scholars and government officials. Some fear that certain international legislation and practices, such as social clauses and codes of conduct, are about the protection of the interests of Western economies. Others welcome the potential protection these offer to workers, as reflected in the following comment from a trade unionist in a workshop organised in 2002: "If someone died at work, it was a sacrifice for the factory and country. We never protected their rights. Now we must operate according to law and international labour standards. I regret we never did before." While efforts by large international firms might make a difference for some workers, scholars such as Pun Ngai¹⁰ argue that codes of conduct do little to address the on-going exploitation of workers, manifested in wages that are lower than the legal minimum and excessive overtime.

What, then, does the future hold for Chinese workers and the ACFTU in an increasingly globalised economy? The introduction of market reforms has heralded the end of the cosy relationship between workers and the party-state. The key challenge for the Communist Party over the next decade will be how to retain sufficient legitimacy to fend off any major threats to its power. Purging the party/state of corrupt officials, instituting more democratic processes of governance at lower levels, and establishing effective channels for the articulation and mediation of interests are crucial elements of such a strategy. The thorny issue will be the question of representation.

Though the ACFTU has been courting international trade unions for years, the further opening up of the economy and society engendered by entry into the World Trade

¹⁰ Pun, Ngai "Global Production, Company Codes of Conduct, and Labour Conditions in China: A Case Study of Two Factories" in *The China Journal* no 54 (July 2005)

Organization does give the ACFTU greater opportunities to engage with the international trade union movement and understand how a trade union could effectively represent workers. As happened with the All-China Women's Federation at the landmark Fourth International Conference on Women (Beijing, 1995), such encounters might inspire new practices, new ideas and new ways of thinking, leading to more effective representation and protection of workers. However, this is likely to remain a slow process, for the ACFTU's position in relation to the party is much more political and sensitive than the ACWF's.

In the future we can expect the party/state to continue to adopt a three-pronged approach to labour relations. This will involve appeasing workers through welfare reforms, piecemeal changes in the ACFTU and continued repression, rather than incorporation, of labour activists. State-labour relations will remain contested, as welfare reforms lag behind material needs, as alliances between local governments and entrepreneurs prioritise profit and development over employment conditions, and as the articulation of workers' interests remains muffled. Spontaneous demonstrations, protests and strikes by workers in foreign companies and laid-off workers will continue. Under such circumstances, the spectre of political instability will continue to haunt the minds of the party's leaders.

Chapter 6

Global Europe – a European trade union view

John Monks, General Secretary of the European Trade Union Confederation

Global Europe – a European trade union view

The European Commission last October adopted a communication entitled *Global Europe: Competing in the World*, which discusses the external aspects of Europe's competitiveness and links external policies to the EU's growth and jobs strategy. The title was familiar. One year previously, in October 2005, a pamphlet was published called *Global Europe: Full Employment Europe*, arguing that globalisation posed "fundamental questions about traditional models of European development". That came from HM Treasury.

The purpose of this piece is not to draw up a textual comparative analysis of these documents. But the temptation to compare the approaches is too hard to resist.

Both, rightly, reject protectionism. The backcloth to both publications was the rejection by the French of the EU constitutional treaty in the May 2005 referendum. A contributory factor to the "no" vote lay in fears that this constituted an opening up to the world that put at risk the French way of life. The French government reacted by promoting "economic patriotism". The Dutch situation following their "no" vote is even more complicated, but the rise of the populist-left, anti-globalisation Socialist Party is an indicator.

Of course, this begs the question whether globalisation really is the main motor for change in European society. Change has powerful internal socioeconomic dynamics too.

And clear thinking is not helped by those employers, saloon bar pundits and others who urge a lowering of standards for European workers to compete with the Chinese. The recent European Commission policy document on China notes that "Europe's chief assets in its trade relationship with China are innovation, specialisation, quality, related services and brand identity. High unit labour costs are not necessarily an impediment to export success: the strongest performing European exporters to China have some of the highest labour costs in Europe."

We need to improve, not cut costs

If there is to be a race it should be to the top, not the bottom, through upgrading skills and technology. On this, the European Commission and the Treasury agree. But the UK sees little added value to be had through action at European level and, in truth, its minimalist position is now reflected in the Lisbon strategy for growth and employment, relaunched in 2005. This leaves it to national governments to implement national reforms, and prioritises competitiveness over social cohesion and environmental improvement. The

result is competition downwards in Europe, holding back wages, reducing labour rights, decreasing taxation on profits.

In doing this, Europe is competing itself out of internal demand and into a precarious workforce. Europe is also missing out on the opportunity to provide a real and sustainable answer to global competition by investing together in research, innovation, knowledge for everyone, decent jobs with fair working conditions and a dynamic economy. There have been some interesting initiatives recently, for example aimed at reinforcing economic co-operation in the eurozone to produce a better balance between economic and monetary factors, and encouraging research and innovation. The European Trade Union Confederation congress, in Seville next May, will be discussing these crucial issues. The support of the European trade union movement for a process apparently being diverted from its agreed course can by no means be taken for granted.

The shock of the "no" in France encouraged the then UK presidency to continue its liberalisation offensive by convening the Hampton Court summit, in October 2005, to launch a debate "designed to build a new broad consensus on how to achieve the EU's economic and social goals in the context of globalisation: the modern way to social justice". In that, it did not succeed, perhaps because the German elections did not turn out as the UK hoped and Gerhard Schroeder turned up, unexpectedly, in Wolsey's palace.

The UK tends to the view that on economic policy the EU's regional approach is at best almost irrelevant, except in providing an unfettered internal market – work still in progress – and at worst has turned into a hindrance to the flexible approach necessary to deal with the global modern economy.

The prime institutional target is the European Commission, which, under the traditional community method of decision making, should be the motor for innovation and the guardian of the treaties. In this respect the proposal, set down in the Treasury paper, to make commission decisions on competition policy contingent on the views of an "independent" group of business people was ill-advised. The proposal was shot down by EU finance ministers when it was put to them subsequently.

The UK preference is for any action to deal with global economic issues to be taken at the national level, for diplomatic efforts to be carried out through intergovernmental mechanisms, and to rely on international institutions to deal with developmental concerns, while attaching the Union Jack to aid packages wherever possible. All this leaves little

room for the European dimension, and labour market issues are particularly ringfenced. One need only refer to the saga of the Working Time Directive.

IMF will not protect workers

But the answer is not to retreat into the illusory internationalism of the International Monetary Fund and the World Bank. Their joint record in improving the well-being of workers in the developing world does not stand up to scrutiny, while they never fail to castigate labour regulation in European countries, and the EU generally, for mollycoddling working people.

The World Bank's recent publication *Doing Business*, for example, includes as European misdemeanours: rules requiring the provision of social protection to part-time workers; minimum wages set at levels considered too high; maximum hours laws stipulating a working week of anything less than 66 hours; advance notice of dismissal requirements; and affirmative action programmes aimed at combating racial or gender discrimination. Their hard-line policies in the two new EU member states, Bulgaria and Romania, led trade union leaders there to complain that the comparative laxity of Maastricht criteria that their countries were striving to meet was being undermined.

In any debate about globalisation we cannot just look at the supply side – on how to improve our ways of producing. In the minds of many working people, globalisation has to do with call centres, outsourcing, “delocalisation”: jobs leaving and people arriving. Trade policy bears the brunt of this mistrust.

HM Treasury's thesis that the EU should now forgo policies appropriate to the Europe “of the trade bloc era” disregards the key fact that the trend, in the Doha talks for example, has been towards the formation of negotiating blocs – ostensibly disparate, but whose durability has surprised most observers. The problem with these alliances, however, is the lack of a social dimension.

The issue was identified by the seminal 2004 report of the independent World Commission on the Social Dimension of Globalization, which was established by the International Labour Organization and co-chaired by President Halonen of Finland and President Mkapa of Tanzania. This identified regional groupings as stepping-stones towards a fairer globalisation, depending on how strong a social dimension they had. The EU was a prime example for them, while processes with similar goals were under way in Latin America and Africa.

The EU has the competence to negotiate on behalf of all 25 member states in international trade, while following a mandate agreed by them. Agreeing that mandate may not be easy – consider the EU's position on agriculture – but the approach is surely right. Who would believe that individual EU countries could alone negotiate better deals for themselves? In any event they would have to leave the EU altogether to do so. Even the independentist wing of the Conservative Party – in alliance with some US Republicans, who a few years ago were pressing for the UK to join the North American Free Trade Area – eventually had to recognise the internal contradictions in their position.

Rules-based multilateralism provides a more level playing field between countries with very different levels of development. It promotes respect for international law, for the UN, and for its specialised bodies such as the International Labour Organization, the UN Environment Programme, the World Health Organization and others.

But that does not mean that the EU should not develop bilateral or interregional agreements. Indeed, they should be supported strongly, as tools for sustainable development. The EU has agreed, or is in the process of negotiating, treaties and agreements with a whole range of regional groupings as well as bilateral deals. These include economic partnership agreements with subregions in Africa, the Caribbean and the Pacific; the Euro-Mediterranean process; in Latin America with Mercosur and the Andean Community; and the Gulf Cooperation Council.

Remember our rights-based values

All these and other agreements provide an opportunity to advance European values. The European Commission recognises that “as we pursue social justice and cohesion at home, we should also seek to promote our values, including social and environmental standards and cultural diversity, around the world”. HM Treasury does also recognise that Europe has social values, but it seems to be saying that they should be promoted by osmosis: “we must recognise that flexibility matched by fairness is essential to deliver a Europe of full employment and opportunity for all. Without it, Europe will fail its greatest challenge: making its social values a reality for all in the global economy.”

The debate on “flexicurity” is currently engaged and the European trade union movement is pressing for a balanced approach combining strong social support with active measures to assist workers during periods of transition, as is the case in Scandinavian countries. A flexicurity that merely forces employees to abandon their fundamental rights and accept increasingly precarious jobs is unacceptable: it would amount to no more than a source

of insecurity, and would be counterproductive.

At the same time, values cannot be reduced to that limited, though important, consideration. Our values are rights-based. They can be found in the treaties, including related charters and declarations, notably the Charter of Fundamental Rights. They are the basis of what Europe should promote worldwide.

Bilateral agreements also provide an opportunity to advance EU positions on issues such as climate change, the environment, public health, intellectual property rights and technology transfers. These positions reflect collective preferences that cannot be reduced to "national traditions and collective electoral preferences". They can be found in regulations and standards and should not be dismissed as red tape and barriers to trade – markets cannot operate without them.

For example, draft regulations on the registration, evaluation and authorisation of chemicals (REACH), which have been painstakingly negotiated with substantial involvement from the European Trade Union Confederation, might not be to the taste of some companies, particularly American ones, but they do reflect what the people of Europe want. The question of collective preferences was taken off the commission's agenda when Pascal Lamy ceased to be Trade Commissioner, but it should be reinstated.

Energy issues have climbed up the agenda. One of the few concrete points of agreement at the Hampton Court European summit was for the creation of an integrated European energy grid, and the pooling of the member states' individual bargaining strengths in negotiating with external energy suppliers such as Russia. There is still a long way to go, but the agreement in principle was a welcome step: Britain had always opposed such initiatives in the past. Now the EU is moving towards incorporating energy issues in all of its relations, first with neighbouring countries, and then further afield. To resolve internal differences the EU could take an old lesson from the European coal and steel community and set up an energy commission in Europe.

The same goes for environmental issues and climate change. We have recently seen an opening towards Europeanising these policies from the British government. Whether this is just part of the usual triangulation aimed at embarrassing the "green", anti-European David Cameron is too early to tell. But the fact is that the related challenges of security of supply in energy and climate change cannot be overcome at the national level. More Europe, not less, is what we need.

On one of the main immediate concerns of workers about globalisation, company restructuring, the UK's answer limits itself to pointing to the EU's information and consultation rules. This can only attract a hollow laugh from those of us who were involved in the extended battle to have those provisions adopted, and that after the UK obtained special extensions limiting their application.

It is also a pity that the government plays down the significance of the other notable Hampton Court decision, to set up a globalisation adjustment fund – in reality, although welcome, a rather limited tool to alleviate the effects of industrial relocation – taking the view that such actions should be taken at national level. But then, their long-standing objective has been to repatriate EU structural funds, perhaps with the exception of those allocated to the "new Europe" countries of the unlamented Donald Rumsfeld, like Poland, whose support is needed to combat the allegedly federalist "old Europe".

Europe can always be blamed for the hurt of globalisation, while any positive initiatives should belong to the home politicians – in fairness, this is the fallback position of politicians throughout the EU.

Trade must be fair for all

For trade unions, the key concern on trade is that it is fair for all. The EU needs to act transparently, respecting the precautionary principle, to reinforce its own specific and original approach to external trade. Do we want to act like the Chinese, who under the cover of "non-interference" have launched an offensive in Africa aimed at extracting maximum trade benefits to them without any other consideration? No wonder Mugabe was a happy man at the China-Africa summit in Beijing. But rewarding the enemies of good governance will be destabilising in the longer term, to everybody's detriment. Europe should take the opposite track, and cases like Zimbabwe are test cases for our values.

We also expect Europe-based companies to respect European values and international labour standards in their external operations. Past reports that European companies in China and Vietnam have pressed the governments of those countries not to improve wages and labour conditions have shocked the international trade union movement.

The World Commission on the Social Dimension of Globalization found in its review of international governance that "what has emerged is a fragmented and incoherent system consisting of a patchwork of overlapping networks and agencies in the economic, social and environmental fields". Among proposals to deal with the lack of balance and

coherence in international policies and rules, it proposed the setting up of policy coherence initiatives. Unfortunately we have seen no progress, particularly in the key trade union demand to establish coherence between WTO and ILO approaches.

The question of coherence is an issue also for the EU. A prime example was highlighted recently by the chair of the African, Caribbean and Pacific group of countries, now negotiating economic partnership agreements with the EU, who said "when we sit down with DG Trade they say they do not have a remit to negotiate development, but the Development Directorate say they could not negotiate trade deals. They play us off one against the other."

It is clear that the European Commission is under strong pressure to be WTO-compliant in its bilateral agreements. But solutions need to be found to stop the delinking of EU trade policy from social, developmental and environmental considerations that can be discerned in the moves towards the negotiation of free trade agreements, particularly with countries in Asia, as the commission announced in its *Global Europe* communication. They need to be in line with other policy positions it has adopted dealing, for example, with the social consequences of globalisation: with quality jobs; with decent work. There, the commission pledged to use its commercial weight more to promote social standards and decent work in bi- or multilateral negotiations.

There have been some successes: for example, recently El Salvador did ratify core International Labour Organization conventions, under pressure sustained by the trade union movement that it could lose its special status under the EU Generalised System of Preferences. It is also to be hoped that the European Commission's efforts through the GSP will bring positive results in Belarus. But these seem to be exceptions that prove the new rule that free trade agreements should be value-free.

Colleagues in the UK will judge what is the present level of policy coherence – joined-up thinking – in government at home between, say, the Foreign & Commonwealth Office, the Department of Trade & Industry and the Department for International Development on questions of trade and labour standards. Past experience showed that there was much to be done. Two examples: a former junior Foreign Office minister having to recant his agreement to put pressure through trade on the Belarus regime, following DTI pressure; and a former DfID Secretary of State saying that the DTI looked after the interests of British workers while it was her job to represent the poor of the world. The view of the electors of Birmingham, Ladywood were unrecorded.

We need to discuss openly what price we as Europeans are ready to pay in trade negotiations to obtain market opening in third countries, particularly in relation to sensitive areas such as services and movement of labour. Liberalisation cannot be left to closeted deals between trade experts. The cost/benefit analysis should involve all of us.

There is an urgent need for a genuine Europe-wide debate. Fundamental changes in our internal economic and social policies cannot be dictated by the considerations of the traditional political economy. Recent history in the EU shows that trade and globalisation questions are now of wide-ranging public concern and need public confidence to lead to positive political as well as economic and social outcomes.

We need a debate on the "new capitalism" that is emerging, driven by global rootless capital. The EU has the economic weight, should it have the political will, to manage these new forces. It can take on the casino capitalists and promote respect and rewards for those who accomplish real things in improving our society. We must encourage it to develop European rules for the games of the new capitalism, and to contribute towards drawing up global rules.

It is no longer good enough – if it ever was – for the Labour government to fight off European initiatives to bring some greater co-ordination and order to financial markets that seem to have usurped the place of government in international governance. After all, what is a "level playing field" – a term much favoured in the UK – if there are no co-ordinated approaches?

Chapter 7

Management and trade union partnership in action at BAE Systems – a case study

Dave Ryan, Human Resources Director (Employee Relations) at BAE Systems, and Keith Hailes, Chairman of the Trade Union Corporate Consultative Committee at BAE Systems

Management and trade union partnership in action at BAE Systems – a case study

The company

BAE Systems is an international company engaged in the development, delivery and support of advanced defence and aerospace systems. It is at the forefront of innovation, working to develop the next generation of intelligent defence and security systems: in the air, on land, at sea and in space. The company designs, manufactures and supports military aircraft, surface ships, submarines, combat vehicles, radar, avionics, communications, electronics and guided weapons systems.

BAE Systems is Europe's largest defence contractor, with a heritage stretching back hundreds of years. We have major operations spanning five continents and customers in some 130 countries. The company employs approximately 100,000 people and generates annual sales of more than £15 billion.

The success of BAE Systems' business depends on the skills, innovation and contribution of all its employees. To get the best from its employees, the company aims to treat them with respect, create a supportive work environment and provide opportunities for training and development.

We value our relationship with our employees and their trade union representatives, and view this relationship as being fundamental to our business success. Good industrial relationships with employees and their trade unions are strategically important in helping the company's employees remain productive, motivated and competitive.

In his Theory of Moral Sentiments, Adam Smith described the "helping hand" that matched the "invisible hand" of his Wealth of Nations. Smith believed that the drive for economic success should be combined with traditions of social obligation and a broad moral commitment to civic improvement. In that spirit, the management and trade unions at BAE Systems believe that they have developed a partnership model that provides the significant tangible business benefits required to survive and prosper in the fiercely competitive 21st-century marketplace.

Globalisation

While globalisation brings unprecedented opportunities, it also brings new challenges. The structure of developed economies is changing rapidly, hastening the pace of

technological change – this is partly in response to the growth of the Chinese and Indian economies.

The rise of the knowledge economy has its roots in the spread of information technology, which has changed profoundly the production and consumption patterns of work and leisure. This has had the strongest impact on the traditional "blue-collar economy" of manufacturing jobs. Circumstances have changed because of production changes. Capital is no longer as static as it was in earlier industrial times. Today's manufacturing of components can be undertaken almost anywhere in the world, because of the unprecedented compression of time and space in contemporary society caused by the information technology revolution. At BAE Systems, we have to be flexible to manage and adapt to such swift change, and are constantly reviewing our internal structures to make change manageable.

Indeed, the government has acknowledged this technological revolution. Technology and innovation are at the heart of the Department of Trade & Industry's five-year plan, and science and research are seen by the Treasury as the key to economic success in the new knowledge economy – as set out in policies such as the 10-year science and innovation framework, which includes the goal of increasing scientific research and development spending by £1 billion in 2007–08 compared with 2004–5, an average growth rate of 5.8% in real terms.

UK wholly owned businesses – trade union membership

In the UK, BAE Systems employs approximately 32,000 employees in its wholly owned businesses. The principal trade unions recognised in BAE Systems for the purposes of collective bargaining are Amicus, GMB, the Transport & General Workers' Union, Prospect and the Union of Construction, Allied Trades & Technicians. Negotiations and consultations are conducted under the umbrella of the Confederation of Shipbuilding & Engineering Unions. Trade union membership is approximately 55% across the UK businesses, and collective bargaining covers approximately 70% of the UK workforce. By comparison, nationally across all sectors in the UK only 35.3% of employees had their pay covered by a collective agreement.¹¹ Union presence is therefore strong in BAE Systems, which helps the effectiveness of the partnership approach. The general industrial backdrop indicates a union base that is rather narrow, resulting in workplace organisation that is weak and a bargaining agenda that is too restricted.

¹¹ *Trade Union Membership 2005*, Department of Trade & Industry employment market analysis and research (March 2006)

BAE Systems' industrial relations strategy

There is a strong emphasis on skills development and training to enable our employees to fulfil their potential. This is self-enlightenment at work, as a more skilled workforce is able to adapt more rapidly to organisational and technological change. These processes give our employees a voice in the process of change and restructuring and in the design of jobs and organisation of work.

BAE Systems' industrial relations in the early 1990s were typical of many British engineering firms, with a long history of industrial action and a relationship between management and unions that was aggressive, adversarial and characterised by a complete lack of trust. As this paper will discuss, this traditional approach has been replaced by a process of solving issues together through joint working parties based on partnership, not conflict. The aim of the whole process is to solve problems, not to create disputes. At first it was hard for managers and trade union representatives to change culturally embedded behaviours, because change of this nature is uncomfortable, and in some cases it was more comfortable to adopt a traditional "us and them" approach. However, both parties have shifted towards a collegiate attitude to such matters.

BAE Systems management is committed to a partnership approach with all its employees and the trade unions that represent them, because this co-operation brings real benefits to the business. To maximise the effectiveness of BAE Systems, change has been and will remain a feature of working life for the foreseeable future. To fully realise the company's potential, it is essential that all employees have a clear view of the company's aims and objectives to ensure an effective contribution by all employees.

BAE Systems management recognises and respects the importance of the role of the trade unions to represent their members, and equally the trade unions acknowledge the responsibility of management to manage the business. It is accepted that, in the best interests of both the business and its employees, a close working relationship based on meaningful consultation and mutual trust is fostered and continuously developed between the trade unions and management. This approach has led to a real openness between management and the unions to new ideas and influences that are at the heart of the company's very creativity.

Consultation framework

We have various consultation processes in place to deliver our industrial relations strategy. Management and trade unions meet on a regular basis through a structured meeting

schedule. Twice a year the chief executive officer, Mike Turner, briefs senior union representatives from across the business on the business position and the challenges ahead. At this meeting there is an opportunity to ask the chief executive questions about all aspects of the business.

Trade unions are consulted on a wide range of issues including business strategy, pensions, training, employment policy, general organisation of the company and restructuring. The focus of consultation is through corporate consultative committee meetings, which are held quarterly and attended by union representatives and senior managers. Typical topics discussed at these meetings include business strategy, pensions, job loss mitigation, diversity, health, safety and environment, lobbying and government relations, apprentice training and education partnerships.

Turning words into action

BAE Systems management and unions have worked in partnership over the last few years to the benefit of the company and its employees. Three examples of what we have achieved are outlined below.

1. Protecting jobs and handling rationalisation

Sometimes change can bring about difficult decisions that can have an impact on employment. It is important, when such changes arise, that management and unions work in partnership to try and handle the consequences in a way that best balances the need to protect the business with the interests of employees who wish to remain with the company.

In 2000 the newly formed BAE Systems (from the merger of British Aerospace and Marconi Electronic Systems) focused activities on core business and improving efficiencies. A falling workload in the BAE Systems portfolio, in some regions of the UK, meant that the business inevitably had to make redundancies. During this period, management and unions developed a brochure – *The Protection of Jobs & Handling Rationalisation Best Practice Guide* – which was launched by the chief executive in April 2001. This brochure contains examples of best practice, drawn from across the business, that represent a blueprint for avoiding redundancy and handling rationalisation.

Some of the job protection features of the *Best Practice Guide* will normally be utilised prior to a redundancy announcement. They are:

- **Joint lobbying model** – which provides assistance to union representatives when lobbying MPs, ministers and local/regional government for work that will lead to sustaining capabilities and skills within BAE Systems.
- **Cost reduction measures** – reduced overtime working; removal of non-essential temporary and subcontract labour; review of shift-working arrangements; appropriate controls on recruitment; transfer back into BAE Systems of subcontracted work where it is practical and economically viable to do so; and considerations relating to the transfer of work packages to locations affected by redundancy.
- **Retraining** – a suite of training programmes aimed at reskilling employees to fill vacancies across the company. Programmes vary in duration but often include full accreditation to recognised standards. Safeguards are in place to protect those employees who find retraining difficult to adapt to, and foundation training is also available to assist those employees who face a significant step-up to a new job. We have agreed a framework for how union learning representatives will operate within BAE Systems. We believe that opening up further access points for employee information and support, through the operation of union learning representatives, will help embed the importance of and appetite for learning in the organisation.
- **Relocation** – the company offers financial support for those employees at risk of redundancy who elect to relocate and fill a vacancy at other BAE Systems sites.

Where redundancy cannot be avoided a series of measures will be put in place to assist employees through the rationalisation period, by the establishment of an on-site employee advice and support centre, which will provide some or all of the following services:

- on-site presence of the Employment Service in the form of a mini job centre;
- an on-site presence representing the local economic development agency;
- an outplacement service to help employees appreciate the skills they hold and how best to market these skills, and to identify gaps and provide guidance in applying for jobs both inside and outside the company;
- vacancy lists, both internal and external;
- trade union financial advisers, as an alternative option to company advisers;
- a counselling service;
- trade union involvement in exit interviews;
- the provision of redundancy and pension quotes; and
- a pensions advice service.

The *Best Practice Guide* is now being reviewed and updated, and will when reissued

include the addition of an aspirational survey, to allow all employees at risk of redundancy to understand the available options and express their personal preferences in priority order.

2. Clydeside shipyard redundancies – 2001

In July 2001, BAE Systems announced 1,000 job losses in the Clydeside shipyards of Govan and Scotstoun. Immediately following the announcement Wendy Alexander MSP, the Minister for Enterprise, Transport and Lifelong Learning, responded by establishing the Clyde shipyards task force, which she chaired. Other members included George Foulkes MP, Minister of State at the Scotland Office, and Brian Wilson, Minister of State for Industry and Energy. BAE Systems, Clydeport, the DTI, the Employment Service, Glasgow City Council, Scottish Engineering, Scottish Enterprise Glasgow, the Scottish Executive, and the appropriate trade union representatives also participated.

An early task was to disaggregate the work of the task force into four workstreams, which considered:

- How robust was the BAE Systems shipbuilding strategy?
- What changes in the skills mix of the workforce would be necessary to meet the challenges of the future?
- How might local communities be affected, and what might be done to improve the built environment and to offer support?
- What might be done to reduce the numbers made redundant compulsorily, and how might any who find themselves unemployed be assisted back into work or training?

Four subgroups were established to cover the work of the task force:

- strategy;
- skills;
- community regeneration and land use; and
- redundancy management.

The strategy presented by BAE Systems was seen by the task force as coherent and robust, given the prevailing market conditions, the asset base and the distribution of skills across the Clyde shipyards. The strategy subgroup recognised the main market drivers of excess capacity and diminishing orders, and that the BAE strategy reflected industry trends identified elsewhere in the world. Shipbuilding was changing. A number of factors were driving a reshaping of the industry, including a decrease in procurement and an increase

in the technical specification of defence systems. Fewer ships were being ordered by governments, which restricted export opportunities for the Clyde shipyards; while in the UK, much greater attention was being given to value for taxpayers' money, at a time when the Ministry of Defence was tasked with funding the largest UK warship programme for many years. There was also an increase in competition. In the 1950s, only 10 countries could build major warships. By the year 2000 there were 38. Within the UK, merchant shipping had declined to the extent that warships and auxiliary construction were the only major market for the UK shipbuilding industry.

The skills subgroup undertook a training needs analysis, which provided information to identify the range of skills and trades available on the Clyde and the skill requirements in the medium term (beyond five years). This analysis identified both the trades and skills of the groups of workers being made redundant and those to be retained. Information on the surplus trades and skills "at risk" was also considered in relation to the work being undertaken in respect of redundancy management. The information from the analysis was assessed, alongside demographic and West of Scotland labour market projections, to identify issues affecting the general supply of skills.

The skills subgroup made a number of recommendations to be adopted by BAE Systems:

- to develop relationships with local and regional authority campaigns to continue to attract young people as modern apprentices;
- to work in partnership with the trade unions to create a network of learning representatives who would be able to give information, advice and guidance on learning and development opportunities;
- to set up a learning centre in the Govan yard, similar to the existing one at Scotstoun, to ensure easier access for the Clydeside workforce;
- to continue discussions with the trade unions on cross-skilling, up-skilling and investment in training programmes; and
- to adopt the use of externally certified qualifications.

The community regeneration and land use subgroup recommended a number of private- and public-sector initiatives aimed at unlocking the true value of the Clyde corridor in the region of the BAE Systems shipyards.

The redundancy management subgroup supported consultations between unions and management aimed at mitigating the level of potential compulsory redundancies. This

was carried out by a series of remedial measures including:

- seeking voluntary leavers;
- assisting relocation to other BAE Systems shipbuilding sites;
- redeployment within the Glasgow shipyards, with training, where appropriate; and
- promoting employment opportunities elsewhere within the wider BAE Systems group.

The overall impact of these positive measures was to reduce the estimated number of compulsory redundancies from 1,000 to approximately 150.

Wendy Alexander, the former Scottish Minister for Enterprise, Transport and Lifelong Learning, called this partnership approach "an outstanding example of modern industrial relations practice across a wide range of complex and difficult issues". Since 2003 BAE Systems has recruited 350 apprentices into the Clyde shipyards, making it a beacon for learning in this area of the country.

3. Pensions

In 2002 BAE Systems initiated a review of all its UK pension schemes. Because of poor performance in the financial markets, BAE Systems, along with many other companies, was facing shortfalls in its company pension schemes. The review was conducted in consultation with union and pension representatives and was satisfactorily concluded in 2003 with changes to the main scheme, with company and scheme paying increased members' contributions. The 2005 pension scheme actuarial valuation results saw very large deficits declared in all of BAE Systems' UK pension schemes, and following lengthy consultations with union and pension representatives, the deficits were eliminated by changes in benefits and contribution increases for the company and pension scheme members.

These were very difficult times because all employees valued their pension benefits highly and were looking forward to retirement with a good pension. This placed a great strain on the relationship between management and unions, but we approached the challenge with a determination to address the problem. We knew that doing nothing was not an option, so both sides took a constructive approach throughout the extensive consultations.

We established a pension review consultative committee, comprising senior management representatives from human resources, communications and pensions along with senior union and pension representatives, some of whom were member trustees of the various

BAE Systems pension schemes. The committee agreed a common objective to eliminate the pension scheme deficits, while maintaining affordable and sustainable pension schemes.

Full-time trade union pensions officers were co-opted on to the committee to provide expert pensions advice from a trade union perspective. BAE Systems pension schemes have more than 45,000 active members, so communicating the progress in consultations and giving pension scheme members an opportunity to ask questions were vital to the success of the consultations. All communications were agreed in advance with the pension review consultative committee and took the form of face-to-face briefings, home mailings and company notices.

Having taken into account the views of union and pension representatives and scheme members, the company developed final proposals for pension scheme contribution and benefit changes, which representatives of the pension review consultative committee, after consultation with national officers of the Confederation of Shipbuilding & Engineering Unions (the umbrella body under which trade union negotiations and consultations are conducted at BAE Systems), felt were the best that could be achieved in the circumstances. Employees expressed a clear majority in favour of the final proposals through trade union ballots and all-employee telephone surveys.

In June 2006 CSEU general secretary John Wall made the following comment about the management and unions having worked closely together to reach an agreed position on pensions:

The strength of the BAE Systems agreement lies in the way they conducted the consultation process.

The company were clearly committed to working closely with both the unions and their employees to find a way forward acceptable to everyone. We were all involved in helping develop the solution and had full visibility of the information. This, combined with the fact that we have a joint understanding of the basic principles of a strong pension scheme, including maintaining a viable final salary scheme for existing members, allowed all parties to come to a final agreement.

I would like to see more companies take this lead.

A view from the CSEU on the BAE Systems partnership

John Wall was also recently asked to comment on the relationship between BAE Systems and the unions. His response is reproduced in full below.

You asked me to provide some feedback, on behalf of the CSEU, of how we would see the relationship between the CSEU and its affiliated unions and BAE Systems. I would make the following points:

- *There is a determination by both the company and the CSEU affiliated unions to work together in a partnership which carries the support and endorsement of the CEO and the senior leadership within the business;*
- *Company information is shared openly with the trade unions. Sometimes this extends to confidential information which requires the necessary prudence. This open approach is complemented by formal briefings led by the senior leadership team including twice-yearly by the CEO.*
- *Briefings cover both overall company strategy and specific business level updates with regular communications with the CSEU trade unions at all recognised sites.*
- *The company has undertaken significant restructuring and outsourcing activities in the last 10 years and although there have been some strong differences of opinion along the way, the company's approach to such matters has always been professional with the company seeking to consult the trade unions at an early stage of this process. The excellent lay representative consultative committee structure underpins this, in my view.*

From my perspective, BAE Systems is one of the better companies to conduct business with. There will always be differences, but the CSEU have confidence that where such differences exist, they can be resolved constructively through the strong working relationships that have been established.

A final word

It is often said that management gets the unions it deserves, but it is the management's behaviour that creates the environment in which the unions have to operate. At BAE Systems, managers and trade union representatives undertake behavioural skills training in order to help them understand how to behave to create a positive working relationship.

BAE Systems management and unions are determined to pursue this partnership approach because they both believe that a change in relationship between management

and the unions is the key to business success. The unions responded positively to the partnership environment created by the management, and while there are still differences of opinion and arguments today, as John Wall indicates above, conflict is handled in an adult way, enabling solutions to be reached more quickly that are in the best interests of both the business and its employees.

A modern industrial and employment policy, developed through partnership with the trade unions, can help BAE Systems, its employees and the unions to cope successfully with the challenges of a global defence market, and to sustain capabilities and high levels of technical skills in the UK. The continuation of the BAE Systems management and trade union partnership model will be a fundamental element in this process going forward.

Chapter 8

Globalisation and the challenge for British trade unionism

Ed Balls MP, Economic Secretary to the Treasury

Globalisation and the challenge for British trade unionism¹²

For over a century now, the British labour movement has fought for full employment in Britain, stood up for manufacturing, made the moral and economic case for free and universal public services and – as our shared commitment to the Warwick agenda demonstrates – fairness and proper workplace rights for all.

Even in the toughest times in recent decades – years of mass unemployment, cuts in services and a full-frontal assault on rights at work – British trade union and Labour Party members never flinched in their determination to campaign for what we knew to be right.

And this tenacity and determination to fight on for what we believe has been matched, across the British trade union and labour movement, by an unstinting commitment to fighting for social justice beyond our borders: campaigning now for over a century for rights to trade union recognition around the world, an end to child labour, debt relief and increased international aid flows, and the opening of trade markets to developing countries.

My argument in this chapter is that this same strength of purpose and commitment to social justice that we have shown in reversing the mass unemployment of the 1980s will be needed as we face the new challenges of globalisation in the 21st century, helping not just our own people but people round the world.

The challenge of globalisation

We are now in a new era of global economic change and industrial restructuring, as dramatic as the Industrial Revolution of the 18th century and the first era of rapid global integration at the end of the 19th century, during which the British trade union movement was born. Never has technological change been so rapid and pervasive. It is changing the way in which companies do business around the world and placing a new premium on the skills and flexibility of our workforce.

We all now understand how globalisation is changing the economic landscape. The attraction of Eastern Europe as a location for lower-cost manufacturing, the rise of India as a centre for software engineering and a magnet for outsourced processing, and the

¹² This chapter is based on the inaugural WH Thompson Memorial Lecture, which I gave in November 2005 as a backbench member (see endnote).

emergence of China as a world economic power, increasingly committed to competing not on low costs but on high added value, are all well known.

Globalisation is not an economic theory, it is a human challenge – it is the reality for businesses and working people who often have to make daily decisions about how to stay competitive or keep their jobs and update their skills. Many trade union members, many of my constituents, know more than any of us how great this force is. And while they see the benefits in terms of new investment from abroad and cheaper goods in the shops, they also fear the effect it can have on their own lives and their security.

My constituency – Normanton in West Yorkshire – has a long-standing industrial tradition in mining, railways and manufacturing. And we have seen the forces of technological and global economic change at work close by. Recently, the long-standing train manufacturer in my constituency – Bombardier – announced it was closing, with more than 400 jobs lost as part of a global restructuring plan. And today, with gas prices high and many of our local coal mines now closed, our coal-fired power stations are burning coal from Eastern Europe and Australia.

Across the West Yorkshire region, I have seen at first hand the impact of globalisation on fellow Transport & General Workers' Union members in our textile sector, where – in the wool and worsted industry – employment has fallen to 11,000, a 10th of the level in the 1950s, as a result of the loss of jobs at the lower, bulk end of the market to fabric and garment imports from China and other newly emerging economies. Yet despite these pressures, things are radically different today from how they were 10 or 20 years ago.

In my constituency, because of our economic stability and the New Deal, our district has an unemployment rate not above, but below the national average. We have more jobs than ever before, more vacancies than we can fill and youth unemployment is all but abolished. My constituency has benefited from new industrial expansion – including Coca-Cola's largest bottling plant in the world, servicing the UK market with high-technology production – and the efforts of Amicus, the recognised union. And local manufacturers are taking on and beating competition in Asia, exporting high-technology precision machine tools.

When Bombardier announced it would be closing, local economic development agency Wakefield First stepped in with Yorkshire Forward, our regional development agency, and the local Employment Service's rapid response task force to announce immediate plans to

help the skilled workers to find new jobs and unskilled workers to retrain.

When in our area in the 1980s and 1990s coal mines closed, members of the National Union of Mineworkers moved from well-paid employment to redundancy and unemployment. In this decade, when the nearby Prince of Wales Pit finally closed for geological reasons, all of the 400 miners had a new job to go to.

I do not, in any way, underestimate the shock and suffering for any man or woman who after 20 years of service is told they are losing their job and must retrain – or the stress and insecurity that the risk of losing a job can cause. But these local examples do show that, while we know that we cannot stand in the way of these global forces of change and restructuring, we are not passive in the face of change – that a modern industrial and employment policy can intervene to help companies and trade union members – my constituents – cope with change, win new investment and sustain good and skilled jobs.

Our response to globalisation – managing change

This, then, is our starting point in facing the new challenges of globalisation: our belief that we can shape the forces of global change and turn them to our advantage.

Some argue that nothing can be done in the face of globalisation and technological advances, that it is impossible in the modern world to sustain prosperity and fairness together, that individuals must be left alone to adapt to far-reaching change, that a race to the bottom in terms of incomes and standards at work is inevitable, that a laissez-faire approach is the only game in town.

We reject the view that Britain's future is as the low-cost, low-productivity Hong Kong of Europe. We reject it just as 20 years ago we rejected the view of those who argued that mass unemployment was here to stay, a price worth paying. We will never forget the experts who succumbed to the view that, as manual tasks were mechanised, as digital and computer technology replaced the jobs of skilled workers, we should bury forever the idea that we could have an economy founded on full employment.

The labour movement never surrendered our goal of full employment. We passed resolutions for jobs, marched for jobs, rallied for jobs, we campaigned for jobs and stood up not just for a sectional interest but for the whole country in refusing to accept that full employment was an unachievable goal. And in government since 1997, we have proved the sceptics wrong.

We have put in place a new economic policy – a new British model of monetary and fiscal policy for our country, based on Bank of England independence and the code for fiscal stability. We have taken tough decisions to establish and entrench economic stability – because we know that in the face of severe global economic pressures, where shocks in one part of the world can impact on another, it is vital that industry can plan for the long term and have the capacity to respond to change.

And we backed that stability with the New Deal, paid for by the windfall tax, a new employment policy that set out proactively to generate new employment opportunities for young people and the long-term unemployed and equip them with the skills they need to be flexible and adapt to new technologies.

We backed that stability too with a new regional industrial policy and a network of regional development agencies, charged with closing regional divides in income and employment, and – with trade unions actively engaged as members of the board – with managing industrial and economic change in our regions.

The result is that this Labour government has not only built a Britain that is more stable than at any time for a generation, but we have shown that stability is for a purpose – unemployment the lowest for 30 years; long-term youth unemployment, once 350,000, now less than 7,000 – restoring full employment to the centre of economic policy and bringing us closer to full employment than at any time in our generation.

And we have confounded other myths that the Conservatives peddled in the 1980s and 1990s. We pledged to introduce a national minimum wage; the Liberals opposed it and the Tories said it would cost 1.5 million jobs and hurt the weakest. But now we have a minimum wage, child poverty reduced by 1 million and over 2 million more jobs.

Far from being driven to lower standards, we have proved that in today's global economy we can have a full employment economy and legislate for enhanced rights at work – statutory recognition, paid maternity and paternity leave, and, as a result of the Warwick agreement, we will have paid bank holidays, four weeks' paid holiday, a new national childcare strategy, gender equality in the workplace, and security and dignity in retirement too. So we have proved since 1997 that we can deliver stability and prosperity and shape the policy agenda in a progressive direction.

Time to challenge expectations once again

When some argue that the rise of China and India and the globalisation of manufacturing means that we must sacrifice our goals of full employment and good, decent-paying jobs, that globalisation means accepting rising wage inequality or fewer rights at work or a privatised NHS, our response must once again be to confound the sceptics.

As a Labour MP and trade union member, I am proud that it has been the Trades Union Congress – under the leadership of John Monks and now Brendan Barber – that has led the assault on the global pessimists who argue that a race to the bottom and sacrificing standards and incomes is the only way forward.

In its research report *Globalisation: Myths & Realities*, the TUC exposes myth after myth about globalisation:

- The myth that multinational capital is footloose and looking for low labour costs to maximise profits, with most foreign direct investment going to low-wage countries in the developing world – when, as the TUC researchers point out, in fact the bulk of foreign direct investment stills flow between rich industrialised countries.
- The myth that the rise of the “Asian tigers” and other developing countries threatens living standards in the developed world, when in fact wage gaps between the newly industrialised countries in Asia, the USA and the UK have been narrowing since the mid-1970s alongside rising real wages in industrialised countries.
- The myth that the relocation of jobs to the developing world means fewer jobs for workers in developed countries, whereas workers in the newly industrialised Asian economies are becoming more prosperous at the same time as British workers are also becoming more prosperous, with employment levels not falling but rising.

As the TUC report concludes: “The task is neither to halt globalisation in its tracks nor to simply accept that an unregulated capitalism is inevitable.” The fact is that globalisation can be managed well or badly, fairly or unfairly – and government, working with unions, can make genuine political choices about the kind of society in which we want to live.

But it is not easy.

There are some in the trade union and labour movement who do argue that through trade protection and labour regulation we can exclude competitors and prevent change. But I believe most of us know we cannot bury our heads in the sand and try to stop imports of

new goods from abroad – and that we cannot guarantee the same job in the same company for life. We know that in an open and far more rapidly changing global trading economy, flexibility – the ability to respond quickly – is not an option. It is a necessary precondition of success and of delivering greater prosperity, fairness and security.

Investing to compete and cope

And while emerging market countries are ready to attract low-value-added industries, low investment and low-skilled work in order to boost their employment and incomes, we know – as they move to higher added value – we have to compete on ever higher levels of skill and technology, rather than ever lower levels of poverty pay.

That is why we have responded with a new 10-year framework for science investment, the research and development tax credit, the regional development agencies and the Manufacturing Advisory Service, providing face-to-face, hands-on advice for manufacturers who want to respond flexibly to new changes and take the high road to higher productivity.

And we know too that we cannot leave companies and individuals to cope with change alone, but must equip companies and people to master change – through investment in skills and training, and through the best transitional help for people moving between jobs.

There are issues for trade union leaderships themselves to debate as they respond to the global pressures: how to organise across national borders, the case for national and perhaps international mergers, or the case for common cross-border agreements or even international works councils. How they respond to these challenges organisationally is their expertise. Politicians can listen – but I am not going to even try to tell the trade union movement how to do its job!

It is clear to me that British unions are responding to these challenges. Take, for example, the work of Amicus, which is preparing a recruitment campaign in the Polish press to ensure that when Polish workers come here to work they know their rights and join a union. Or UNISON's international trade union development fund, which is providing grants of up to £25,000 to help strengthen public-sector trade unions organising across the world. Or the fact that British unions are working closely to support their brothers and sisters in the Iraqi trade union movement.

But beyond organisation and partnership, there is a wider role for trade unions in

shaping the policy agenda in response to globalisation – we need trade unions to work with government to show it can be done. I believe we have already shown since 1997 that we make better policy when we work closely with trade unions as well as employers. That model of partnership working in policy making has worked well, not just with the Warwick agreement but also with the Low Pay Commission, the TUC-CBI competitiveness work, the Pensions Commission and the regional development agencies, where the role of trade unionists has been crucial in shaping the new regional industrial policy.

Let me highlight two areas where I think trade unions have a particularly important role and where I believe there is more to do: skills and European economic reform.

Trade unions and skills

First, skills. In my view, the skills challenge is the central challenge of our time. Raising educational standards and promoting opportunities for learning in the workplace has always been a central aim of our movement, throughout the past 100 years. But never has it been more vital – it will determine whether we succeed or fail in mastering the challenge of globalisation.

Even if we thought we could ignore skills and try to beat China and India in a race to the bottom, I fear that we would rapidly have to change course as we realised that they aspire to race us not to the bottom but to the top: to be high-skill, high-technology economies too. China and India are now turning out more engineers, more computer scientists and more university graduates – 4 million a year, more than the whole of Europe and America combined.

So our education system must be geared up to empowering young people and adults with training and skills opportunities and to ensuring that adult men and women can move from low skills to high skills. And it cannot be done without the support of trade unions. There are now nearly 15,000 union learning representatives – over half of whom are women – in workplaces across Britain, bargaining for skills and convincing workers and management of the importance of training.

And, supported by the Union Learning Fund, over 400 union learning centres have been set up, focusing particularly on providing training for previously excluded groups of employees such as part-time workers, freelance or shift workers, and those with basic skills needs.

Unions also have played a key role in promoting the employer training pilots, and will do so in the implementation of the national employer training programme, which provides a package of support for employers willing to offer individuals access to free training for a first full level 2 qualification in the workplace.

But I think we need to go further – and the government’s Leitch review on closing the skills gap provides us with an opportunity to face up to the challenge.

I believe there is a growing recognition that the old voluntary and ad hoc approaches to skills policy did not work. Simply leaving skills policy to the market means that, because of market failures like the fear of poaching and the inability of employers to get all the benefits of transferable skills training, we end up with much less investment in skills, particularly basic and level 2 skills, than our economy needs.

And as I have argued before, we must now debate how we can move to a post-voluntary approach to skills training, with a new relationship between the government, employers and individuals in which everyone plays their part and accepts their responsibilities – government to provide the resources and opportunities, employers to ensure all their employees have opportunities to train, trade unions and individuals to take up the opportunities on offer.

Trade unions and Europe

The second area I would highlight is Europe. Europe is crucial for our response to globalisation. The biggest change in Britain’s trading relations with the rest of the world has been the intensification of trade with the rest of Europe.

But we also know that the current model in Europe is failing to deliver the social justice and economic opportunity all of us would like to see. Today there are 19 million people unemployed across Europe, almost half for over a year, with older workers hit hardest. Our challenge is to move from an inward-looking Europe to a global Europe based on both flexibility and fairness. John Monks makes this point when he says: “We are not in favour of protectionism, but we want common standards and to know under what jurisdiction workers are operating. We support the Lisbon strategy and wish to see it revitalised.”

We need to debate what we mean when we say we want a full-employment global Europe. On the one hand, it will mean greater flexibility in product markets, labour markets and capital markets, to ensure that Europe’s businesses and individuals are

equipped to take advantage of new opportunities. It also means, as in this country, sustained investment in education and lifelong learning.

But I have always believed – and it is even more true in today's integrated economy – that an effective and well-functioning single market requires an effective and well-functioning social dimension. And we need to debate what this means in practice.

In principle, the globalisation fund proposed by Manuel Barroso – to help workers in circumstances where restructuring has made them redundant or given them difficulties within the labour market – is the right response to industrial change and restructuring. Indeed, it is the very approach that, with our own regional industrial strategy in Britain and with the New Deal and our rapid response task force, we are already taking. But it does seem to me that this kind of response is better delivered at the national and indeed regional level, closer to where change is having an impact, than at the European level. We are better off with 25 national New Deals, rather than one European New Deal.

I believe the introduction of requirements for information and consultation in multi-national companies, such as those provided by the European Works Council Directive, is the kind of European social dimension that the single market needs. It deals with cross-border issues. It requires both employers and trade unions to accept their responsibilities and work together, in the belief that we achieve more through co-operation than by standing apart. It provides the kind of advance warning of economic restructuring and greater consultation for companies operating across European borders that a single market requires.

In my WH Thompson lecture last year, delivered when I was a backbench MP and was speaking in a personal capacity, I said that in my view our government should have acted much more quickly in the last parliament to embrace the Information & Consultation Directive as an example of the right kind of social dimension in practice – and we now need to ensure that it is implemented properly. Both employers and trade unions have a responsibility to make it work.

Our internationalist tradition

But meeting the challenge of globalisation is not only about how national economies deliver employment and social justice at home. Our view is that globalisation also demands an international response that advances the cause of global social justice. And as the TUC report on the myths and realities of globalisation highlights, it is not the rise

of emerging and developing countries but rather their continuing exclusion from industrialised markets that should concern us. It says:

... it is manifestly untrue that workers in the developed world have got poorer as a result of wage growth in developing countries. Indeed, it has been the movement in the opposite direction – the massive widening in the gap between the rich and the poor economies within the global system – which has provoked widespread popular criticism of globalisation.

To turn our backs on our responsibilities abroad and to take the protectionist road would, in my view, be to betray our internationalist tradition and the commitment to global social justice that has characterised our movement from its very beginning. And while there are some in our movement who lean towards protectionism, in the main the British trade union movement has stood apart from its brother and sister trade unions in other parts of the world, including America, in its opposition to protectionism.

Of course, trade unionists in Britain rightly demand a level playing field for our exports, and in procurement policy too. The manufacturing forum – now up and running with full trade union representation – is looking at public procurement, so that British companies are no longer unfairly denied contracts and markets across key sectors of the European economy and so that British workers and British industry secure a fair deal.

And we are steadfast in our opposition to exploitative labour practices abroad, which is why the British trade union movement has always been united in its opposition to child labour and steadfast in its support for the basic trade union and labour rights in the International Labour Organization charter.

British trade unions have always rejected protection, in favour of an enlightened policy of support for trade unionists in developing countries and the rights of those countries to trade with industrialised countries on fair and open terms.

History of internationalism

When you study the history of our movement, there is a common thread of internationalism, woven with two strands – a commitment both to promoting workers' rights abroad in international solidarity, and to promoting open and fair trade – that runs through the history of the trade union and labour movement.

International solidarity has characterised British trade unionism from the very beginning: when British trade unionists stood shoulder to shoulder with the cotton workers of America's South during the American Civil War; when British workers, in textile towns up and down the land, set aside their own immediate economic interests, stood against slavery and stood solid "for Lincoln and liberty".

That international solidarity was repaid in kind – as in 1889, when during the London dockers' strike the workers were sustained by the financial support received from workers abroad, with Australian trade unions making a donation of £30,000.

At the end of the First World War, the international joint committee of the TUC lobbied David Lloyd George to redraft his statement of aims, while William Appleton, as secretary of the General Federation of Trade Unions, convened the allied trade union conference at Leeds in July 1916 to demand that the peace treaty should include provisions for international labour standards on hygiene, safety and hours of work – with an international organisation to give effect to them. And when the International Labour Organization was eventually created in 1919, it drew its inspiration from the British trade union movement in fighting for social justice and higher living standards for workers around the world.

And then of course Ernest Bevin, who, as T&G general secretary, rallied British workers for the "heroic struggle" of the International Brigades in Spain, cast aside his differences with Churchill to bring the collective efforts of all British workers into the struggle against Hitler, and as Attlee's foreign secretary stood up for international solidarity and pursued a borderless world where he could, in his words, "go where I damn well please".

But that commitment to international solidarity in the first half of the last century was matched by a consistent support for open trade and opposition to protectionism. Joseph Arch, leader of the National Agricultural Labourers' Union, warned in 1884:

The natural effect of Protection is to restrict trade, and restriction means less of everything for the working classes. This is proved by actual experience. The darkest days in our history were those of Protection.

And following Keir Hardie's rejection of Joseph Chamberlain's tariff reform crusade in 1903, which the TUC described as "nothing better than a delusive fallacy", John Burns looked back on the 1906 general election and concluded that "the new Labour party" and their trade union colleagues "were floated into Parliament on the river of free trade".

Even in the 1930s, when mass unemployment and protectionism gripped the world, the TUC continued to challenge calls for protectionism, describing tariffs as:

... merely a disguised form of indirect taxation, and the administration of tariffs so frequently corrupted by sectional pressure ... that we should be inclined to say that this is a protective device we should adopt with great reluctance.

These strands of international solidarity and a commitment to open trade have continued into modern times:

- the work of Norman Willis as general secretary of the TUC in support of the Polish solidarity movement;
- Lord Brett, who as chair of the trade union group of the International Labour Organization led the campaign for an end to child labour;
- the late Ron Todd, who as chair of the TUC's international committee welcomed the seminal speech to the 1988 TUC conference by European Commission President Jacques Delors, saying "the only card game in town at the moment is in a town called Brussels and it is a game of poker where we have got to learn the rules and learn them fast"; and
- Rodney Bickerstaffe's work as president of the European Public Services Committee, representing 7 million workers in Europe.

And more recently there is the work the T&G has done, in the light of the cockle pickers' tragedy in Morecambe Bay and the role of gang masters, to which the government has responded by licensing and regulating employment so that we protect lives by rooting out dangerous abuses.

I believe this historic internationalist tradition and commitment to global social justice explains why trade unions have been a driving force in the Make Poverty History coalition and continue to drive forward both the trade justice movement and the global call to action against poverty.

But it is not simply driven by economic logic – the result of our being an industrial and trading nation with many jobs dependent on exports to countries overseas. It also reflects, I believe, what you might call a globalisation of values: a shared commitment at the heart of the trade union movement to social justice for all, transcending colour, race, gender and religion.

These are the values of trade unionists in Asia, Africa and South America – a bond that no amount of financial upheaval can destroy. You only have to look at the great source of pride every year that our movement takes in the attendance from trade unions in the developing world – often organising in very challenging environments – at the annual president's dinner at the TUC congress.

So when some argue that globalisation breaks communities apart, tears families up and destroys traditions, our response is to point out that the moral bond between unions – this globalisation of progressive values – has been in place for 100 years and continues to shape our response to globalisation.

Our response to globalisation – global social justice

While we know pragmatically that there is no future for Britain in trying to use protection to insulate ourselves from the global forces of change, we know too that it would be not just counterproductive and a rejection of our past, but also morally wrong. That is why British trade unionists have been resolute in their support for trade justice and have joined British ministers in urging:

- for trade ministers around the world to work urgently to secure an ambitious and pro-development outcome to the Doha round of world trade talks;
- a reform of the European common agricultural policy, a policy that impoverishes so many and that cannot be justified when agriculture now plays such a small role in our industrialised economies; and
- the abolition of trade-distorting subsidies, especially in vital commodities like cotton and sugar;
- while backing the principle that developing countries can choose their own economic destinies and that the developed world must not force liberalisation on developing countries, including through trade negotiations or aid conditionality.

But this is not a one-sided bargain. British trade unionists also argue with moral force that the new arrangement agreed at the World Trade Organization must be matched by a commitment to ensure that the core labour standards of the International Labour Organization are properly respected in developing countries.

The trade union movement has consistently argued that the core conventions of the ILO on child labour, forced labour, and the rights to organise and to collective bargaining should be properly respected. At Doha, the British government tried to launch a dialogue

between the ILO and the WTO on labour standards. Some developing countries rejected this, fearing an impingement on their sovereignty.

But the trade union and labour movement does have a duty to ensure that the basic standards are adhered to: the right to free association, the right of children to education rather than forced labour. And beyond these basic standards, I believe there is also a role for international institutions to monitor whether development goes hand in hand with both poverty reduction and progress on rights at work.

And we have a particular responsibility in ensuring that multinationals behave responsibly. The governments of the OECD have already recognised that there is a need to promote good practice in multinationals, and the Guidelines for Multinational Enterprises set out a clear commitment that multinationals must, in their international operations, respect human rights, trade union rights and the environment. So far, implementation of the guidelines has been patchy. A far more determined effort could make a real contribution to economic development, and reassure trade union members that globalisation is not proceeding at the expense of the poorest and most vulnerable.

Conclusion

The British Labour Party and trade union movement have never in our history sought to follow the dead end road of protectionism and isolationism. Now is not the time to change course. Instead, British trade unions and the wider labour movement must and will continue to face up to the challenge of globalisation in a manner that is progressive, determined and internationalist in outlook.

For over a century now, our movement has fought for full employment in Britain and social justice round the world. Our shared history shows us how, in our response to the new challenge of globalisation, we can remain steadfast in our commitment to making global poverty history and opening up our markets to developing countries and deliver the prosperity and opportunity that our members – and constituents – need and deserve.

Endnote

This chapter is based on the inaugural WH Thompson Memorial Lecture, which I gave in November 2005 as a backbench member. I started my lecture by saying how honoured I was that David Thompson had asked me to deliver the inaugural lecture.

Everyone in the trade union and political world knows and admires Thompsons Solicitors. So do employers. Good employers respect their professionalism and commitment to rooting out injustice – a reputation built now over 80 years of legal practice. Bad employers fear the very name!

Thompson's founder, William Henry Thompson, was known as Harry to his family and friends. A trained solicitor, during the First World War he refused to take part in military service because of his pacifist beliefs. For this he spent time in jail, including a transfer to Wakefield Prison in September 1918. After his release, Harry's first major case was as solicitor to Poplar Borough Council, when it made its stand against the unfair burden of local rates on the poorer boroughs of London. He set up offices in Chancery Lane, from where his reputation grew as the leading expert in the country in workmen's compensation.

Following his death in 1947, he left a rich legacy in the form of the UK's largest personal injury, employment rights and trade union law firm, with more than 800 staff in 22 offices, including in Northern Ireland and the Irish republic.

Following in his footsteps, Thompsons has successfully fought test cases involving a wide range of industrial injuries including asbestosis, deafness, welders' lung, repetitive strain injury, stress and miners' injuries including vibration white finger, chronic bronchitis and emphysema. It is as a result of Thompsons' decision to take up the cases of miners whose lives had been blighted by illnesses like vibration white finger that, since 1997, the government has paid out a total of £2.8 billion in compensation. As someone who represents a coalfield constituency, the legacy of those legal victories is seen every day – and, I can tell you, it is not forgotten.

Following Harry Thompson's example, this determination to fight for just causes and to improve and uphold standards in the workplace has been matched by a commitment to fighting for fairness and justice beyond our borders, driven by the belief that an assault on social justice anywhere is an affront to social justice everywhere.

The Smith Institute

The Smith Institute is an independent think tank that has been set up to look at issues which flow from the changing relationship between social values and economic imperatives.

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