

FACT

S E R V I C E

61 Safety underfunding – MPs
Pension regulator's new powers

62 Pain for the economy

63 Directors' pay
Global rich – what credit crunch?

64 Union funding of Labour

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Safety underfunding – MPs

There is “widespread concern” that the Health and Safety Executive (HSE) is inadequately funded, undermining its ability to carry out its work, according to the latest report from the Work and Pensions Select Committee.

The report called for more “front line” health and safety inspectors, more frequent site visits, bigger fines and more prosecutions. Numbers of inspectors employed by the HSE had fallen by more than 15% since 2003, it said. Geoffrey Podger, the HSE chief executive, has blamed previous budget restraints for the staff cutbacks.

Safety campaigners had calculated employers were likely to receive an HSE site inspection every 14.5 years compared with an average of every seven years in 2001-02. Studies had suggested there was a link “between the decline in the inspection rate and increases in fatal injuries”, the committee said.

TUC general secretary Brendan Barber said the theme running through the report was that the HSE was being asked to do too much with too little. “The government needs to address the very serious resource issues that this report raises,” he added.

Prospect, the union representing 1,500 HSE staff, called on ministers to heed the committee’s findings. HSE inspector and Prospect branch chair Neil Hope-Collins added: “If our members are to reduce the current unacceptable level of death and injury at work then they need to be out and about in enough numbers to make an impact.

“We welcome the call for additional resources to be directed at construction and off-shore sectors; this work is highly skilled and there simply are not enough inspectors to tackle the hazards workers face in these industries.”

<http://www.publications.parliament.uk/pa/cm200708/cmselect/cmworpen/246/246i.pdf>
http://www.tuc.org.uk/h_and_s/tuc-14611-f0.cfm
<http://www.prospect.org.uk/news/newsstory.php?news=506>

Pensions regulator’s new powers

The government plans to increase powers requiring employers to provide contributions to a pension scheme if their actions could threaten the security of members’ pensions.

The changes would give the Pensions Regulator stronger powers to reduce the risk to members’ interests by scheme changes or corporate transactions. They would apply to an employer or their associates, including investors in the employer

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who might seek to profit from the scheme. There is a formal eight-week consultation period over the plans but the the government intends that the core amendments should be effective from 14 April.

Pensions minister Mike O'Brien said the powers would only be targeted at risky situations to avoid putting onerous burdens on employers. The vast majority of pension schemes would not be affected.

He added: "The proposed changes would also allow the Pensions Regulator to require an employer or associate to make additional contributions to a scheme where a "bulk transfer" has been carried out and was detrimental to the interests of members."

Unions have promised to work closely with government and the Pensions Regulator to ensure that this new regulatory framework is strong enough to cope with any new business models emerging from the pensions industry.

TUC general secretary Brendan Barber said: "These measures will help protect pension schemes against smash and grab raids by unscrupulous investors. Requiring companies to contribute to pensions funds will improve the financial security of schemes. Giving the Pensions Regulator the power to bolster scheme trustees will also protect the governance of schemes in members' interests.

"Pensions should be backed either by a sponsoring employer or a regulated insurance company. The government is right to target business models that rely on operating in the occupational pensions realm instead of the insurance sector, where they would be required to hold more capital against their liabilities. These models should have no place in the pensions industry."

<http://www.dwp.gov.uk/mediacentre/pressreleases/2008/apr/pens065-140408.asp>
<http://www.tuc.org.uk/pensions/tuc-14564-f0.cfm>

Pain for the economy

The UK economy is in line for two years of lower growth of 1.8% this year followed by 1.5% in 2009 – down from the 2007 figure of 3.1% – unless the government takes firm and decisive action, according to the Ernst & Young ITEM Club.

Employment levels in the UK will remain steady and manufacturing exports in particular will benefit from the weak pound, according to its report.

However, the outlook for the housing market and the high street is bleak and about to get a whole lot worse despite further predicted cuts to the Bank of England base rate to 4.5% by the year end.

"Although the UK economy has remained relatively buoyant so far this year, our reliance upon international banking markets means it is only a matter of time before it slows. This is going to be a rapid, painful adjustment and it will be a rough ride for a substantial proportion of the population. We are facing a massive sea change in the balance of the economy," according to Peter Spencer, chief economic advisor ITEM Club.

ITEM believes the economy's over-dependence on overseas borrowing makes it imperative for the regulatory authorities to take decisive action to alleviate the effects of the credit crisis. Although there is no scope to increase spending, ITEM say that as a last resort the government should borrow to fund the mortgage lenders, minimising the dangers of overreaction in the housing and exchange markets.

Unlike other proposals for dealing with the crisis, ITEM would not put any pressure on the government's net debt target. There is a good precedent for this. Back in the 1970s the Treasury lent half a billion pounds to the Building Societies when they were short of funds in the summer of 1974. As Spencer points out, "This was a huge sum then in terms of the size of the mortgage market. It was not an anathema then. Nor should it be now."

The fact that overseas banks will no longer buy UK mortgages and that banks are not lending to each other is hitting the housing market very hard, creating a famine in the mortgage market. ITEM expects house prices will fall by 10% and the numbers moving home will fall by 40% over the next two years.

There is some good news, however, for manufacturing as the economy rebalances towards net exports following the fall in the pound. The extent of this support remains unclear since the ability of exporters to respond to this opportunity must have been reduced by the previous decade of attrition. However, the weakness of the economy means that increases in labour and other domestic costs should not erode these gains in competitiveness.

Spencer explained: "The fall in the pound against the Euro has been much greater than the fall against the dollar, helping to maximise the competitiveness gains in the important European market while reducing the increase in import costs. We

expect manufacturing output to rise by 1.3% in 2008 and 2.5% in 2009 – the first time it has risen faster than GDP growth since 1994.”

While the impact of the credit crunch means that a sharp slowdown in GDP growth is inevitable, ITEM continues to believe that particularly with a proactive and energetic response from government, a recession in the UK is still unlikely.

Spencer concludes, “Let’s not get too gloomy. The economy is in relative good health and employment levels are still high. We should be able to adjust to this situation if the government take decisive action now. Nonetheless, if it does not, the risks are plain to see, not just in the housing market and the high street. If sterling’s recent retreat turns into a rout, this would threaten a breakout of wage inflation, which could end 15 years of successful inflation targeting.”

http://www.ey.com/global/content.nsf/UK/Media_-_08_04_21_DC_-_The_Government_must_be_bold

Directors’ pay

Thirty two directors who were paid at least £500,000 a year in 2007, including 25 on over £1 million, feature in the table below.

They are headed by Eric Daniels, chief executive of finance group Lloyds TSB, who was on £2.9 million last year.

Leslie Van de Walle took over as chief executive of packaging group Rexam on 17 January 2007 and received £2.7 million for the remainder of the year.

Sir Crispin Davis, chief executive of media group Reed Elsevier, was on £2.4 million in his eighth year in the job.

It’s back to finance to complete the top five with Clark Manning of Prudential on £2.1 million and Andrew Moss of Norwich Union owner Aviva on just under £2.1 million.

Year-on-year comparisons could be made for 27 directors with 19 getting a pay rise. They included lucky 13 executives who got a rise of at least 10.0% at a time when the rise in average earnings in the economy as a whole was just 3.7%.

David Robbie, finance director of Rexam, saw his pay shoot up by almost a third (+32.8%) to £563,000; Andrew Moss got a similar rise – 32.1% – but just earned a whole lot more.

A 26.8% rise for Graham Chipchase, head of the plastic packaging division of Rexam, put him on £582,000 last year.

Helen Weir, who heads the UK retail banking section of Lloyds TSB, got a 21.1% rise to £1.6 million, and Pat Tierney, who retired from Reed Elsevier’s board in January this year, ended on a high with a 20.9% rise and a final salary of £973,000.

Director	Company (year end)	Pay (£000)	% rise
Eric Daniels	Lloyds TSB (12.07)	2,884	18.0
Leslie Van de Walle	Rexam (12.07)	2,660	n.a
Sir Crispin Davis	Reed Elsevier (12.07)	2,431	19.2
Clark Manning	Prudential (12.07)	2,141	14.1
Andrew Moss	Aviva (12.07)	2,097	32.1
Terri Dial	Lloyds TSB (12.07)	1,995	16.1
Andy Haste	Royal & SunAlliance (12.07)	1,912	4.3
Mark Tucker	Prudential (12.07)	1,873	n.a
A Monteiro de Castro	BAT (12.07)	1,852	1.5
Paul Adams	BAT (12.07)	1,701	-30.3
Richard Harvey	Aviva (12.07)	1,695	-36.8
Helen Weir	Lloyds TSB (12.07)	1,586	21.1
Michael Fairey	Lloyds TSB (12.07)	1,440	-23.6
Truett Tate	Lloyds TSB (12.07)	1,386	6.4
Archie Kane	Lloyds TSB (12.07)	1,377	10.0
Philip Broadley	Prudential (12.07)	1,366	16.4
Michael McLintock	Prudential (12.07)	1,298	-6.1
Mark Armour	Reed Elsevier (12.07)	1,276	19.0
Philip Scott	Aviva (12.07)	1,261	-1.9
Erik Engstrom	Reed Elsevier (12.07)	1,189	3.1
Gerard van de Aast	Reed Elsevier (12.07)	1,165	9.7
Andrew Prozes	Reed Elsevier (12.07)	1,133	-5.1
Paul Rayner	BAT (12.07)	1,121	-34.6
Nick Prettlejohn	Prudential (12.07)	1,056	n.a
George Culmer	Royal & SunAlliance (12.07)	1,010	10.4
Pat Tierney	Reed Elsevier (12.07)	973	20.9
Bill Barker	Rexam (12.07)	902	n.a
Simon Lee	Royal & SunAlliance (12.07)	800	n.a
Bridget McIntyre	Royal & SunAlliance (12.07)	757	-4.7
Jan du Plessis	BAT (12.07)	646	9.9
Graham Chipchase	Rexam (12.07)	582	26.8
David Robbie	Rexam (12.07)	563	32.8

Source: Company remuneration reports

Global rich – what credit crunch?

The ranks of the world’s rich swelled to eight million last year as the wealthy proved immune to the strains across global economies in the latter half of the year. There was a 4.5% increase last year in so-called “high net worth individuals”, those with investable assets of more than £½ million (using a rough exchange rate of £1=\$2) excluding primary residence, according to the 2008 wealth report compiled by Citi Private Bank and Knight Frank.

The UK, with 557,000 high net worth individuals worth £½ million, ranks third behind the United States and Japan.

The USA is still home to most of the world's truly rich. High net worth individuals make up 1% of its population, with 3.1 million people claiming to be dollar millionaires, and 460 to be billionaires.

However, the UK has seen the biggest increase in dollar billionaires with numbers rising by 40% in 2007, from 35 to 49.

Elsewhere, there was particularly strong growth of wealthy populations in the emerging economies of China and India, as well as those countries that have access to natural resources such as Kazakhstan. Countries such as Brazil, Canada, Australia and Russia also each added more than 8,500 wealthy residents in 2007 on the back of the commodity boom.

The report says there was little change in the investment activity of the very rich during the credit crunch in 2007, other than a shift away from structured finance. It says the very wealthy are "weathering the crunch" much better than institutional investors, owing to the diversity of their portfolios.

The report says that the rate of growth of high net worth individuals has outpaced growth in both gross domestic product (GDP) and GDP per head, which it believes indicates that the rich are getting richer relative to their respective countries.

<http://infowars.net/articles/april2008/210408rich.htm>

Union funding of Labour

Labour is facing a fresh party funding row over proposals that would give it control over hundreds of thousands of pounds of extra funds raised from union members.

The plans have so incensed one of the UK's biggest trade unions that it has threatened to cut its ties with the party, the *Guardian* has learned. The GMB – the third largest union in Britain and one of the party's biggest donors – has said it will ballot its members if the new proposal to change the way unions contribute to Labour is included in a white paper on party political funding to be published next month.

The row centres on plans floated by the justice secretary Jack Straw insisting that all the money raised by four million trade unionists affiliated to Labour is paid directly to party headquarters.

The proposal would boost Labour's coffers at the party's cash-strapped HQ by millions of pounds and strip union leaders of the power to decide how they allocate the cash to local parties. It would also reduce the unions' autonomy to spend the money on other campaigning issues, including fighting the BNP.

Paul Kenny, general secretary of the GMB general union, said: "The government is going down the wrong road and taking the wrong direction. There is no way we are going to concede the right to allocate their cash to Gordon Brown and the party headquarters when not all our members support everything that the government is doing. Not all our members support the Labour party and they would not stand for their money being used in this way. They would want us to disaffiliate if the government insists on doing this."

John McDonnell, Labour MP for Hayes and Harlington, said the proposal would be opposed by MPs and rank-and-file party members. "It gives Labour party headquarters the right to take over control of all trade union money and is unacceptable."

Returns from the Electoral Commission for last year show that the GMB gave nearly £1.4 million in cash donations to Labour. Some £1.2 million was paid directly to party HQ. In addition, the union gave nearly £171,000 to local constituencies, Labour local government campaigns such as in Brighton and Hove or the party's Trade Union Liaison committees. Under the new proposals, that sum would go straight to Labour HQ.

Straw is anxious to bring in new laws to curb the "arms race" on campaign expenditure between political parties in advance of an election in 2010. Talks broke down between the main parties last year when they failed to agree on the final version of proposals put forward by Sir Hayden Phillips, the former civil servant, appointed by the government to reform party funding.

On Labour funding, the major stumbling block between Labour and the Tories and Liberal Democrats has been over trade union donations. The Tories insisted there should be a £50,000 cap on trade union donations and that the individual members who affiliate to union political funds should choose which party should receive their donation.

<http://www.guardian.co.uk/politics/2008/apr/16/tradeunions.labour>, *Fact Service* has amended the donation figures given in the original report