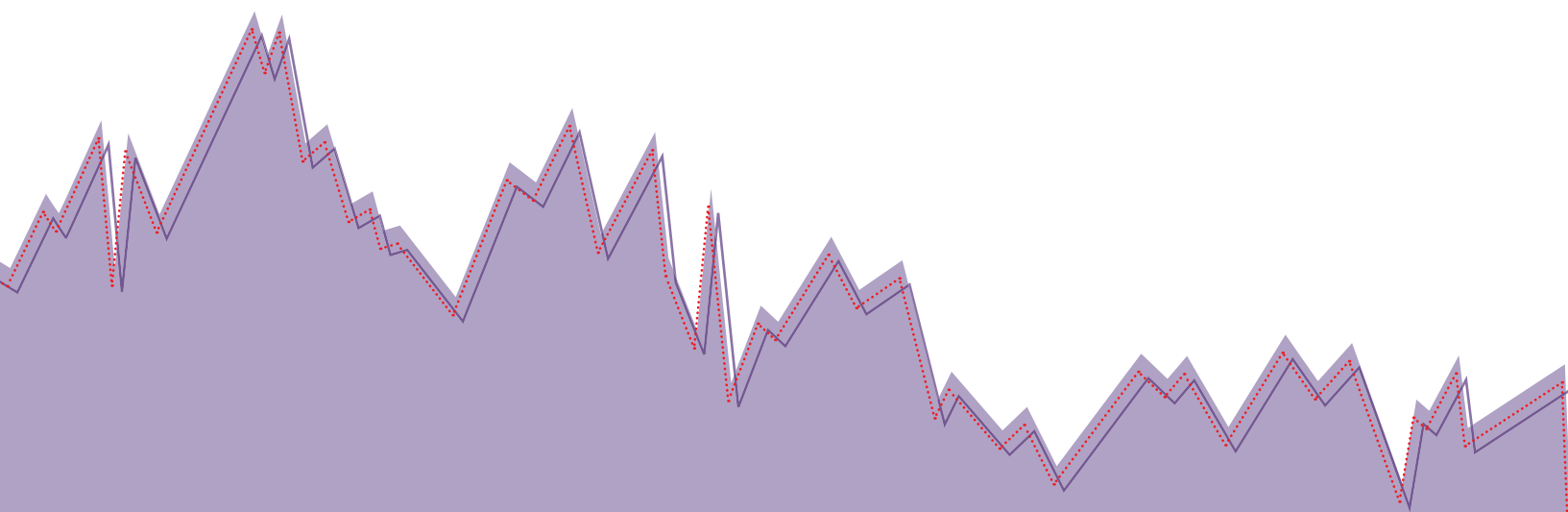




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AFTER AUSTERITY: AN ECONOMIC PLAN FOR THE NORTH WEST

Final report prepared by
CLES Consulting
Presented to
UNISON North West



Foreword

No country in the world has ever voluntarily implemented public sector cuts on this scale. Yet austerity has come to be considered by the media and in the political arena as a reasonable response to an economic depression caused by the finance sector. But the evidence is that UK debt has been higher in 200 out of the last 250 years and that the debt this time is because of a drop in Government tax take. It was not caused by an increase in public expenditure. That is why it makes you wonder why austerity was necessary in the first place.

But of course, austerity is a political project, not an economic one. That is why privatisation is complementing the reduction of state services and why Government policy is not driven by equality. Our country has become more unequal than at any time in modern history, with a significant increase of in-work poverty. What growth there is, is benefitting the wealthy and the South East at the expense of the middle and low income earners, and the North West.

This report provides the evidence of exactly what austerity is doing to our country. £19bn has been lost to the economy each and every year through benefit cuts. They are even driving people who are in work to food banks. When 1m people need to ask for food, because they haven't got any, the welfare state isn't working. Local authorities, historically one of the key instruments for implementing social justice, have been decimated in the North West. We are losing libraries, adult care packages, day centres, social workers, sports centres, youth clubs, welfare rights services.

The general election will be dominated by scare stories and headlines about the need to finish the job and keep up the austerity programme. But this is little more than a dumbed down story of debt and deficit, with little reference to concrete evidence. We need to have a debate informed by facts that leads to solutions to the economic and social problems in the North West. This report is an important contribution to that debate, so please read on.

Barry Kushner

Councillor on Liverpool City Council

Co-author of 'Who Needs the Cuts?: Myths of the Economic Crisis'

CONTENTS	PAGE NO.
1 INTRODUCTION	3
2 POLICY AND LITERATURE REVIEW	4
2.1 Contemporary policy under the Coalition Government	4
2.1.1 Austerity policy up to 2014	4
2.1.2 Changes to the welfare state	6
2.1.3 Governance shift: regional to sub-regional approach	7
2.1.4 The importance of European Union structural funds in the North West	10
2.1.5 A new era for services: localism and a change towards a smaller state	11
2.1.6 Public health reform	12
2.1.7 Changes within higher education	13
2.2 Changes in economic policy	14
2.2.1 Previous Government policy: New Industry New Jobs	14
2.2.2 The move towards industrial strategy by the Coalition Government	15
2.3 Changing models for a changing economy	15
3 THE NORTH WEST ECONOMY: A PROFILE	16
3.1 The North West's economic direction: sustainable and inclusive recovery?	16
3.1.1 A slow-growing economy and the widening output gap	17
3.2 Business sentiment	19
3.2.1 Consumer spending and sustainability	19
3.2.2 Wages	20
3.2.3 Public spending cuts have negatively affected businesses	20
3.3 More people in work but large swathes of the population do not benefit	20
3.3.1 Employment levels rising but not all communities benefit	20
3.3.2 To what extent are new posts being created quality jobs?	22
3.4 The changes in public sector employment	28
4 THE CHALLENGES FACING PUBLIC SERVICES IN THE NORTH WEST	30
4.1 Local government	30
4.1.1 Finances continue to be squeezed	30
4.1.2 An increasing inability to deliver quality services	30
4.1.3 Impact upon democracy and accountability	31
4.2 Health	31
4.2.1 A major contributor to the local economy	31
4.2.2 Increasingly difficult to sustain quality services	31
4.2.3 Privatisation a major threat to the future of integrated health care	32
4.2.4 The importance of delivering strong public health services	32
4.3 Higher education	32
4.3.1 A significant contribution to the regional economy	32
4.3.2 Erosion of terms and conditions	33
4.4 The care sector	33
4.4.1 Not perceived as an important component of the economy	33
4.4.2 Care sector needs appropriate support to tackle some of society's biggest challenges	34
5 IMPACT OF THE CUTS AND MITIGATION - CASE STUDIES	35
5.1 Overview of the case studies	35
5.1.1 Significant impacts across all areas	35
5.1.2 Some opportunities for innovation, stifled by limited resources	36
5.2 Cumbria	37
5.2.1 Context to the locality	37
5.2.2 Area profile	37
5.2.3 Impact of the cuts	37
5.2.4 Adapting to a new era	38

5.3	Lancashire	40
5.3.1	Context to the locality	40
5.3.2	Area profile	40
5.3.3	Impact of the cuts	40
5.3.4	Adapting to a new era	41
5.4	Liverpool	43
5.4.1	Context	43
5.4.2	Area profile	43
5.4.3	Impact of the cuts	43
5.4.4	Mitigation and innovation – adapting in a new era	44
5.5	Manchester	46
5.5.1	Context	46
5.5.2	Area profile	46
5.5.3	Impact of the cuts	46
5.5.4	Mitigation and innovation – adapting in a new era	47
5.6	Oldham	49
5.6.1	Context	49
5.6.2	Area profile	49
5.6.3	Impact of the cuts	49
5.6.4	Mitigation and innovation – adapting in a new era	50
5.7	Preston	52
5.7.1	Context to the locality	52
5.7.2	Area profile	52
5.7.3	Impact of the cuts	52
5.7.4	Mitigation and innovation – adapting in a new era	53
5.8	Salford	55
5.8.1	Context	55
5.8.2	Area profile	55
5.8.3	Impact of the cuts	55
5.8.4	Mitigation and innovation – adapting in a new era	56
6	KEY MESSAGES	58
6.1	Appreciate the value of public services and local government	58
6.1.1	Re-affirm the value of public services	58
6.1.2	Develop a premise for a new settlement on the role and value of local government	59
6.1.3	Develop a 'Fair Deal' for the North West	60
6.1.4	Build a case for devolution of resource and policy powers	61
6.1.5	Develop and extend innovative solutions which bring public sector agencies together	63
6.2	Protect and develop the public sector workforce	64
6.2.1	Promote the sustainability of the workforce	64
6.2.2	Up-skill employees	66
6.2.3	Promote 'Employment Charters' across the region built upon employee rights	66
6.2.4	North West councils to adopt the UNISON Ethical Care Charter and Kingsmill Review recommendations	69
6.2.5	Promote in-sourcing across all public organisations	70
6.3	Maximise the potential of the regional economy	72
6.3.1	Understand and extend the economic footprint of public services	72
6.3.2	Develop a more effective economic plan for the future	74

1 INTRODUCTION

UNISON is the North West of England's largest trade union representing 200,000 members delivering a wide range of services in the public, community and private sectors. UNISON is well-placed to draw on the knowledge and experience of its members to inform the policy process.

The economic landscape of the UK and North West is changing. Since the election of the Coalition Government in May 2010 a number of strategic decisions have been made which have affected the vitality of public sector institutions and public services more generally. Cuts in public expenditure have led to reductions in services.

Furthermore, as CLES' work with UNISON in 2013¹, showed, the UK is damaging its future, through austerity, which is undermining some of the key elements which make it strong and resilient. Therefore we require a rethink as to how we create an economy which provides for all. In this, UNISON NW believe that public services are a vital basis to general economic health, creating a context from which business can grow, labour markets can develop and general prosperity can be advanced.

This report, prepared by CLES, is split into the following sections:

- ❑ **Policy and literature review** which assesses contemporary policy under the Coalition Government, and the implications of this policy for economy and society. This also sets the scene for the reports key messages through outlining the need for alternative models within a changing economy.
- ❑ **Economic profile of the North West:** this section provides a regional profile of the North West economy. It provides an overview of trends over recent years, incorporating the economic recession and the 'austerity' period. It considers to what extent the changes in the economy, together with austerity measures and changes in public sector employment, are impacting on the North West (and local divides), and whether they are contributing towards or against government economic policy objectives.
- ❑ **The challenges facing public services in the North West:** through interviews with UNISON NW sector leads for local government, health, higher education and community, this section outlines the impacts of austerity measures across some key public service areas in the region, addressing how these areas are being affected by cuts and how service provision is being impacted, and also how the sector contributes to economic prosperity.
- ❑ **Case studies across local authority areas:** through interviews with local UNISON staff and desk research in seven North West local authorities, this section drills down into the detail of public spending cuts and the impacts that it has had in local authorities. It also assesses where local government has worked innovatively to protect jobs and terms and conditions of its staff, and where it is engaging in activities to deliver public services differently and advancing approaches to deliver economic and social gain within their localities. Some of the good practice is reflected in the key messages, together with examples from elsewhere.
- ❑ **Key strategic messages for policy makers:** The report concludes by making policy recommendations that appreciate the value of public services and local government, protect and develop the public sector workforce and maximise the potential of the regional economy.

We hope that this report will be a useful contribution to the debate around what comes after austerity.

Angela Rayner

UNISON North West Regional Convenor

Kevan Nelson

UNISON North West Regional Secretary

¹ UNISON (2013) 'the cuts: UK's damaged future'. <https://www.UNISON.org.uk/upload/sharepoint/On%20line%20Catalogue/21568.pdf>

2 POLICY AND LITERATURE REVIEW

2.1 Contemporary policy under the Coalition Government

The Coalition Government's stated aims and rationale of its economic policy since 2010 has focussed heavily on deficit reduction, enterprise and fairness². The key ambitions of the Government's economic policy are to reduce the amount of national debt incurred each year and to stimulate and support private sector growth. This has translated into a number of different policy changes, such as reducing welfare support and heavy cuts in spending by local authorities and other public sector bodies. The Government's supposed focus on 'fairness' has become a contested issue, and the evidence accumulated across many sources, some of which are cited in this report, show that there is in actual fact disconnect between Government policy and fairness for communities across the region.

This section of the report outlines how policy has evolved up to 2014 and sets out key themes of economic and related policy under the Coalition Government, which are:

- ❑ Austerity policy up to 2014;
- ❑ Governance shift: regional to sub-regional approach;
- ❑ The importance of European Union structural funds in the North West;
- ❑ A new era for services: localism and a change towards a smaller state;
- ❑ Changes to the welfare state;
- ❑ Public health reform; and
- ❑ Changes within higher education.

2.1.1 Austerity policy up to 2014

Following the Coalition Government taking office in 2010, objectives were set out through the 2010 budget to 'rebalance the economy' and implement austerity measures. In economics, 'austerity' refers to reducing budget deficits in economic downturns by decreasing public expenditure and/or increasing taxes. In the UK, since 2010, this has been characterised by the former with large scale cuts to central and local government budgets and associated cuts in welfare benefits and local authority budgets for services.

The Government has made a clear choice that in order to stimulate business growth there needs to be a cut in public sector spending. This is at the expense of tax rises which are the other key lever to invest in the economy. Whilst on the one hand cuts have been made to Corporation Tax and Income Tax, the Government has cut huge amounts of money from public services.

Stimulating the private sector

The Coalition's main objective has been to stimulate private business as a means to increasing income. The policy aim is to achieve this through reducing regulation and tax rates for businesses whilst refocusing support towards infrastructure, the low carbon economy and regional development.

Policies have included increasing support for start-up firms, finance for new start-ups and business growth and making radical changes to the planning system by introducing a presumption in favour of development. Inward investment and increasing exports have developed into a key focus of the Coalition Government's evolving programme of work to support the private sector.

Current policy has four overarching ambitions to be:

- 1) The most competitive tax system in the G20;
- 2) One of the best places in Europe to start, finance and grow a business;
- 3) Encourage investment and exports as a route to a more balanced economy; and
- 4) A more educated workforce that is the most flexible in Europe.

² HM Government (2010) Budget 2010. London: The Stationery Office.

The overall approach is to support the private sector to grow, with minimal industrial or place based interventions, under the belief that a 'rising tide will lift all boats'. The Government reported in 2013³ that its 'fiscally neutral' approach 'has been effective in providing protection against a challenging backdrop of global uncertainty and fiscal vulnerabilities'. However although the UK economy is growing, there are concerns as to its sustainability and to how balanced this is (as outlined in Section 3). Evidence, as shown in this report, highlights that within the North West the 'recovery' is not inclusive and is characterised by suppressed wages and underemployment.

Public sector spending

"The greatest contribution to the Government's fiscal consolidation will come from public spending reductions, rather than tax increases"⁴.

"Public sector pay restraint has been a key part of the fiscal consolidation so far"⁵.

Public sector spending cuts, the key action being utilised to cut the budget deficit, have been significant, and will continue until at least 2018. These changes have been established under the Government's intentions to promote a 'fair' tax and benefit system. There are two key elements to this - specific departmental cuts and Welfare Reform. In terms of the latter, significant changes to benefits and tax credits have been introduced through Universal Credit (announced in the 2010 budget) and the Welfare Reform Act (published in 2012) (see 'Changes to the welfare state' section below).

Public sector workers have been a central target of cost cutting initiatives. Public sector pay freezes have effectively lowered the remuneration of public sector work, and cuts across public sector departments have meant many departments have had to lose staff in large numbers. As shown in Section 3, the drive towards a smaller public sector has had significant consequences for the workforce. The Treasury has recently announced that a further £25bn of cuts will need to be implemented following the election next year – around half of this (£12bn) would come from the welfare budget. Therefore the squeeze on public sector workers and for those also relying on welfare benefits will, at the present trajectory, continue for years to come.

CONTEMPORARY POLICY – KEY IMPLICATIONS

Private sector growth

Growing the private sector presents new employment opportunities, and is the central objective of the Government. Measures to boost the private sector are focused on tax and regulatory policies, with minimal intervention across different sectors and places. However, as important as the focus upon business growth has been, cuts to taxes such as Corporation Tax has been at the expense of public sector spending across a range of sectors.

Public sector spending

Cuts in public sector spending are having significant impacts on service delivery and on welfare support. Reduction in services across local areas is impacting families and businesses. For instance, every public sector job is estimated to generate between 0.3 and 0.5 of a job in the wider economy,⁶ therefore the impact upon businesses that rely on public sector contracts and that have employees who re-invest public money back into local economies, is significant.

Jobs continue to be lost in the public sector, with many struggling to find alternative work, particularly where public sector positions do not exist like for like in the private sector. For those still in work, pay freezes mean that household budgets are being further squeezed as prices continue to be high, despite recent falls in inflation.

Additionally, welfare cuts affect people both in and out of work; where pay conditions are poor, benefits which were keeping many households going are being cut, forcing people below the poverty line.

³ HM Government (2013) Budget 2013. London: The Stationery Office.

⁴ HM Government (2010) Budget 2010. London: The Stationery Office, p.15.

⁵ HM Government (2013) Budget 2013. London: The Stationery Office.

⁶ Insight East (2010) Public Insight: Public expenditure and employment in the East of England

2.1.2 Changes to the welfare state

A key target for reducing public expenditure has been to reduce the level of financial support to individuals and families through tax credits and benefits. The Welfare Reform Act 2012⁷ has made substantial changes to a number of benefits, including changes to housing benefit which came into effect in 2013. Key changes are outlined below.

Welfare cap

The government is capping welfare spending in 2015, despite forecasts that millions of people face much higher rent charges and low wage rises. This cap will go on until 2018-19. This is flawed however. It is not in tune with what is going on in the wider economy when many jobs being created are in low paid sectors. Those people who need the support most will be severely impacted by this.

Universal Credit

The introduction of Universal Credit is likely to have significant impacts on individuals, families and communities. This is a single means-tested benefit which has replaced most previous separately means-tested benefits, including Job-Seekers Allowance, Employment and Support Allowance, Income Support, Housing Benefit, Working Tax Credit and Child Tax Credit. The new system has been designed to:

- ❑ Encourage people on benefits to start paid work or increase their hours by making sure work pays;
- ❑ Smooth the transition into and out of work;
- ❑ Simplify the system, making it easier for people to understand, and easier and cheaper to administer;
- ❑ Reduce the number of people who are in work but still living in poverty; and
- ❑ Reduce fraud and error.

In addition to Universal Credit is the ongoing Work Capability Assessments, which assess whether people claiming long term benefits and not currently participating in the labour market (mainly relating to those who are receiving Employment Support Allowance). This is having the effect of putting more claimants onto Job Seekers Allowance (JSA), although this policy has been controversial considering that the company administering the scheme, Atos, is working to meet targets, and that it is perceived that many moving onto JSA are not, in reality, in a position to do so.

Housing Benefit

The most widely reported change to housing benefit, as the most impactful change for many, is the removal of the spare bedroom subsidy, also referred to as the introduction of the under-occupancy penalty, or bedroom tax. This means that people living in social housing with more bedrooms than the state deems necessary are charged for any 'additional' bedrooms. For example, a single person with no dependents living in a two bedroom property will be charged for the second bedroom.

In many local areas, there does not exist available smaller units of one or two bed which households can be transferred into. Structural issues, in terms of the flexibility of housing stock to allow households to move to smaller properties, are trapping households in properties which they are now being charged additional fees for. This enhances a precarious financial situation for many.

⁷ HM Government (2012) Welfare Reform Act. London: The Stationery Office.

Implementation concerns

Transferring clients from the 'old' system to the 'new' has been problematic. There is anecdotal evidence from a range of sources, including food banks, that the process of transition is leaving people without necessary support for extended periods of time as their claims are processed. In particular, new claims for those previously on Disability Living Allowance transferring to Personal Independence Allowance (PIP) are experiencing delays and problems.

The impact of welfare reforms

When present welfare reforms have come into full effect they will take nearly £19bn a year out of the national economy. This is equivalent to around £470 a year for every adult of working age in the country.⁸ Britain's older industrial areas (several within the North West), a number of seaside towns and some London boroughs are hit hardest. Much of the south and east of England outside London escapes comparatively lightly. For instance, Blackpool, is hit worst of all – an estimated loss of more than £900 a year for every adult of working age in the town. In the top 20 worst affected places, areas from the North West include Blackpool, Knowsley, Liverpool, Burnley, Rochdale, and Blackburn with Darwen. Indeed 30% of the top 50 worst affected areas are in the North West. The three regions of northern England alone can expect to lose around £5.2bn a year in benefit income, and as a general rule the key effect of the welfare reforms will be to widen the gaps in prosperity between the most and least prosperous local economies across Britain.

CHANGES TO THE WELFARE STATE - IMPLICATIONS

The extensive changes and cuts to welfare support have huge impacts on individuals and families who need this safety net. These are people both in and out of work. The personal impacts of this can be significant and devastating for many. In particular the welfare cap being introduced next year will mean that people who need support most will not receive it, and this will have key consequences for driving down living standards for the most disadvantaged in society.

Housing benefit changes are argued to be targeting people who are most vulnerable to changes in their income, who have very limited finances and no way of finding additional sources of income if they are suddenly charged extra rent for a property they have been housed in. The bedroom tax is perceived as trapping people in poverty for housing choices which they did not make. Personal finances will be significantly affected, and the debt levels of those most vulnerable will increase dramatically.

For many, being transferred to the new system has left them without support for extended periods, unable to pay bills, heat their homes or feed themselves and their families properly. The deep cutting, personal costs of introducing this system are having impacts for many.

The impact will be to widen the gaps in prosperity between the most and least prosperous local economies across Britain. 30% of the top 50 worst affected areas (of cuts per head) are in the North West.

2.1.3 Governance shift: regional to sub-regional approach**The rise of Local Enterprise Partnerships**

One of the first actions the Coalition Government took in office was to abolish the Regional Development Agencies (RDAs) in 2010⁹, which was subsequently justified through the Localism Bill.^{10,11} It was considered at the time that the regional tier was ineffective at delivering local growth, that the agencies were too expensive to run and that they suffered from significant mission slip. They were also considered to stifle housing development.

⁸ Source: Sheffield Hallam University (2013) Hitting the Poorest Places Hardest: The local and regional impact of welfare reform

⁹ HM Government (2010) Budget 2010. London: The Stationery Office.

¹⁰ HM Government (2011) Localism Act. London: The Stationery Office.

¹¹ Department for Communities and Local Government (2011) A plain English guide to the Localism Act. London: Department for Communities and Local Government.

Local Enterprise Partnerships (LEPs) have been created to give local businesses greater control over local economic development issues, intended to enable more dynamic private sector growth within local economies. The Local Growth White Paper¹² introduced LEPs, with 39 LEPs now in operation, covering all of England. The development of private led partnerships such as LEPs links specifically to the government's over-arching priority of growth and jobs through stimulation of the commercial sector.

LEPs are voluntary arrangements at the sub-regional level between the private, public and social sectors. They are in place to set local growth objectives, reflecting the Coalition Government's key policy objectives. Initially receiving limited financial support, the Heseltine review¹³ has catalysed further funding support for LEPs. New Local Growth deals are being allocated based on LEPs' growth strategies. Their Strategic Growth Plans, which have recently been submitted, will outline their approaches towards growing and developing their local economies, and be used to leverage in public funding.

LEPs have taken time to 'bed into' their governing role over local economies. Their focus is primarily on business growth, which has led to concerns over the consideration given to other aspects of local economies, such as the role of achieving social mobility and equality.

The other key concern around LEPs is around democratic accountability. There needs to be a properly accountable decision making process (which includes trade union representation as of right), and the involvement of local authorities here is critical. There are currently many unanswered questions around governance and democratic legitimacy of these partnerships. How local government is supposed to fulfil its statutory responsibilities regarding those policy areas when decision-making has been delegated to business partners is decidedly unclear. This is also not just an issue for democracy, but for the LEP's economic efficacy. A standardised governance arrangement for LEPs securing a strong coordinating role for local government – as an established and democratically accountable body – therefore represents the most effectual and efficient means of providing a stronger framework for LEPs. A more central role for local government will also ensure that the benefits of all sectors and residents is accounted for, not just a select few.

Combined authorities as the democratic structures for economic development?

Combined authorities are statutory bodies which are being put into place to co-ordinate key economic development, regeneration and transport functions, mainly within city regions at present. A combined authority can be set up when two or more neighbouring local authorities, covering an area's economic footprint, want to collaborate more closely together, on a voluntary basis to improve economic outcomes. In many areas across the north of the country combined authorities are increasingly being seen as the most efficient way of taking strategic decisions on transport and economic development and managing regional investment while enabling more decisions to be taken locally instead of by Whitehall. Government and Labour in particular, as endorsed in the Adonis Review,¹⁴ are increasingly emphasising the role of combined authorities in driving economic development.

Within the North West there are already combined authorities for Liverpool City Region and Greater Manchester. Together they can work to provide legitimacy and scope in order to drive towards a programme of devolution and investment required to embed change. Existing combined authorities should begin the discussion of exploring how to develop an effective approach which links them together, using their combined scale to influence national policy. However, there is the question of what this means for other places without combined authorities and which do not necessarily have the close ties and history of combined governance structures to make this a reality – it is important that there is an appreciation of this within government policy, to ensure that there is not a widening of inequalities within the region between the two main city regions that have combined authorities and so are better placed to take advantage of any new devolution agreements, and other places which do not have those arrangements in place.

There is also the question of how combined authorities will work with LEPs. In Liverpool for instance, LEP strategy is being ratified and approved by the Combined Authority. This is important in filling the democratic gap outlined above as far as LEPs are concerned – however as this is only in

¹² HM Government (2010) Local Growth: realising every place's potential. London: The Stationery Office.

¹³ Heseltine, M. (2012) No Stone Unturned. Heseltine.

¹⁴ Adonis, A (2014) Mending The Fractured Economy: Smarter State, Better Jobs

places where combined authorities exist, and we do not know to what extent different combined authorities will actually work with and scrutinise the outputs of LEPs, this means that the democratic question of LEPs remains a very pertinent one. Then there is the issue of potential duplication. Both structures have remits for growth and economic development – therefore they are open to charges of duplication and, if not spelt out clearly, it can provide confusion as to who has the remit for different activities locally.

Devolution: the vehicle for progressive local economic development?

Despite the emergence of LEPs and combined authorities, they very much play to the tune of national government. A continuing constraint therefore on the capacity of local partners to make a difference is the highly centralised nature of the political system in England. England has one of the most centralised political systems in Europe, and this has contributed to wide ranging economic and social outcomes for regions across the country. The proportion of public spending that is controlled by central government in the UK is the highest of all the OECD countries in Europe.¹⁵

However there does now seem to be a growing consensus across political parties that greater devolution of powers and resources to cities and local government is needed to drive economic development and reduce regional inequalities in England. In particular the focus is on enabling greater local control over investment in infrastructure and skills. The review of economic growth commissioned from Lord Heseltine by the Prime Minister recommended devolving £49bn of central government funding to Local Economic Partnerships. The Coalition government have begun a process of devolving limited responsibilities and funding to cities and their surrounding areas through a programme of 'City Deals', and are putting plans in place to work with combined authorities, particularly in the North of England, to deliver further devolution of resources and powers. The growth review by Lord Adonis for the Labour party proposes making combined authorities (for both Cities and County Regions) the foundation for future devolution with £30bn being transferred from central to local government for skills, infrastructure and economic development. However it remains to be seen whether proposals from the current government or the opposition translate into a real commitment to the devolution of powers.

Proposals for devolution such as that put forward by Lord Adonis is certainly a (modest) step in the right direction. However the proposals are framed through the continued adherence to the constraints of neo-liberal orthodoxy, where growth is pursued with a lack of focus upon the wider challenges within economy and society, most notably inequalities. Simply devolving power to City Regions and combined authorities will not, on its own, address inequalities. There needs to be a greater focus at all levels upon place and people, and using devolution to secure a fairer share of the proceeds of growth and to deliver services and interventions that address need. How the devolved resources for skills, infrastructure, employment and business are used will have major implications for social and economic progress across the region. However, an important accompanying factor should be that devolution will never fully compensate for the severe loss of funding to local authorities.

GOVERNANCE SHIFT – KEY IMPLICATIONS

Local economic growth is increasingly being steered by the private sector, but the slow start to this transition has left many local areas without meaningful economic steer for some time. There are concerns that the focus on private sector growth which LEPS have adopted is too narrow.

It is important that LEPs take into account the fundamental relationship between people and the economy. Without a focus on social growth and cohesion, struggling communities are unlikely to reap the benefits of economic recovery. Now that LEPs are responsible for European priorities (including social inclusion) there is an opportunity for an approach which benefits the whole population to become more embedded. However the extent to which this is implemented remains to be seen.

Democratic accountability is also of central importance. This is where the involvement of trade unions and particularly local government to provide LEPs with legitimacy is critical, but governance arrangements which support this are infrequent. This leaves many unanswered questions about who is making the key decisions that affects the prosperity of many. Perhaps

¹⁵ Source: Inquiry into Health Equity in the North of England (2014), commissioned by Public Health England

Combined authorities can fill this gap, working with LEPs to ensure local priorities are aligned and that there is democratic accountability for economic development decisions being undertaken. However at present there are just two combined authorities within the North West and so this applies to a limited portion of the region; further there is not a full understanding of how LEPs and combined authorities are working/will work together.

Finally, devolution is increasingly high on the political agenda for both the Coalition Government and Labour, the latter who have endorsed combined authorities and plans to place these structures at the centre of devolutionary activity should they come into office. Current proposals are a step forward but fail to break the shackles of traditional 'growth' based orthodoxies – skills, investment and transport etc. These are undeniably important and as such should be central to devolution plans, but so should the focus on people and place through quality services, reducing inequalities and equality of opportunity for all. Done properly, then devolution can be an important tool for making stronger places, promoting fairness and addressing need effectively, however it remains to be seen how much it extends beyond rhetoric and how much it is tied to centralised conditions and policy. However it cannot be a substitute for the cuts to funding that local government has experienced.

2.1.4 The importance of European Union structural funds in the North West

In the absence of effective regional policy by government, EU structural funds are one of the main instruments of redistribution across and within regions, helping to provide access to opportunity for citizens across the social spectrum. Combining European Regional Development Fund (ERDF) and European Social Fund (ESF) programmes, this has totalled an extra £600m investment per year once match funding is included. It is therefore important, in the absence of an effective regional policy,¹⁶ in providing resource that encourages social and economic inclusion for many of the North West's more disadvantaged places. According to analysis by New Economy Manchester,¹⁷ net benefits of EU funding are wide ranging:

- ❑ North West GVA has been increased by at least £2.3bn per annum due to structural funding activity within the region;
- ❑ The creation of 56,800 additional jobs within the region;
- ❑ 127,200 people gaining a new qualification;
- ❑ The creation of 9,100 new businesses;
- ❑ 47,200 businesses being helped to become more productive; and
- ❑ Over 1,000 social enterprises receiving support.

Clearly therefore structural funding has added value through targeted investments, and this has helped the region during the economic downturn. Strikingly, within the North West this funding has accounted for 20%-25% of non-private sector investment on social/economic inclusion, highlighting its key importance. Importantly, structural funding has had its greatest impacts where local and sub-regional partners have been able to influence both design and delivery of projects.

Administering projects and funds effectively is also an important factor in the success of programmes, and this was previously through a combination of regional and local infrastructure. However much of this has now been stripped away and therefore there is now a problem around administering the funds effectively, largely because of the absence of sufficiently democratically-accountable regional institutions. It cannot be effectively administered centrally and neither can LEPs distribute funds. Although LEPs will shape investment priorities and commissioning they will not hold or be accountable for EU funds, however there is concern amongst LEPs for the future management of structural funding and how effective this will be.¹⁸ The lack of regional, accountable, transparent bodies may result in inefficient administration of funds and therefore

¹⁶ Discounting the competitive Regional Growth Fund, which has done little for rebalancing, and creates a system of winners and losers.

¹⁷ Source: New Economy Manchester (2012) Research to inform the North West's 2014-2020 EU funding strategy

¹⁸ Source: Spatial Economics Research Centre (2014) Local Institutions and Local Economic Growth: The State of the Local Enterprise Partnerships (LEPs) in England – A National Survey
<http://www.spatial-economics.ac.uk/textonly/SERC/publications/download/sercdp0150.pdf>

adversely affect the future impact of an important resource for the North West in addressing socio-economic issues.

This is highlighted by national decision making from the Department of Business Innovation and Skills (BIS) to cut £95m of European funding from Liverpool City Region's allocation for 2014-2020, which could further increase the gap between the city region and other parts of England.¹⁹ It shows how top down decision making, not based upon need or proper understanding of regional and local conditions, can have serious implications for places.

EUROPEAN FUNDING IN THE NORTH WEST – KEY IMPLICATIONS

As the evidence shows, European structural funds within the North West have been of high importance in supporting local economies and providing re-distributional benefits over an extended period of time. This has, to an extent helped to fill the void left by the lack of effective regional policy from government.

However there are considerable issues which may hinder the future effective use and distribution of EU funds across the region. The lack of accountable regional or local structures provides a problem as nationally, the decision making around fund allocations are not effective. This is shown by the recent decision to significantly cut Liverpool City Region's European funding allocation for the 2014-2020 programme. It shows a poor understanding of local need and of the uplift that structural funds have had for local economies and people's lives. The lack of effective structures to allocate the monies fairly and effectively will have significant implications for the regional economy.

2.1.5 A new era for services: localism and a change towards a smaller state

The major changes and cuts that were announced in the Comprehensive Spending Review (CSR) in 2010 were very much entwined with the Coalition's strategic themes around Localism and Open Public Services. A smaller state means more responsibility to deliver services being devolved to local communities and fewer people working within the public sector – the twin aims of localism and cutting the budget deficit are therefore entwined. Although localism reflects the traditional Conservative ideals of less state intervention, it is also a means to an end (i.e. cutting costs, shifting responsibilities to communities, residents and businesses, and indeed privatising a range of services).

The severe budgetary pressures faced by local authorities in particular, have been encouraging councils to fundamentally alter their service delivery operations. The decisions have varied across the country, depending on the strategic direction authorities have taken and the analysis of needs based assessments. Some authorities are externalising their services as much as possible, whilst others are bringing some services back in-house to gain maximum value; other services are being cut considerably. A trend is beginning to emerge however that because of the scale of spending cuts impacting public sector organisations, the need to save so much money results in traditional outsourcing methods not achieving the savings required, and that the profit margins of businesses are therefore being impacted. As a result more public bodies are bringing services back in-houses and redesigning them, through, for instance, greater collaboration with partners, to make the necessary savings.

Related to this is the raft of policy around localism and open public services. The Localism Act outlines the Community Right to Challenge which gives community groups and local authority employees in England the right to express an interest in taking over the running of a local authority service (principally neighbourhood services). The stated rationale for this is to make it easier for local groups with good ideas to put them forward and drive improvement in local services. The premise of this is not necessarily a bad thing, but practically is difficult as budget cuts impact on community groups, and could result in volunteers taking over the roles of redundant local authority employees. Furthermore, the practical effect of a community challenge is to trigger a competitive tendering process which may end with the service being run by a private contractor – leaving the community group high and dry. The stated policy intentions are perhaps somewhat at odds with

¹⁹ Source: Liverpool Echo (28th July 2014) <http://www.liverpoolecho.co.uk/news/merseyside-councils-lose-court-appeal-7521935>

other policy which promotes increased levels of competition in other public services, most clearly outlined in the Open Public Services White Paper 2011.²⁰ The White Paper was based on five key planks:

- ❑ increased choice;
- ❑ decentralisation to the lowest appropriate level;
- ❑ using a range of providers to stimulate innovation;
- ❑ fair access to services across all communities;
- ❑ increased levels of accountability.

This highlights the major change in services as part of public sector reform which councils and the wider public sector will need to respond to. A 2012 update report on the White Paper outlined the Localism Act²¹ as being important in empowering communities, but there is a notable tension with other elements of the language being used around competition. This language represents a fundamental shift in how the Government wants services to be delivered:

'Open networks in which diverse and innovative providers compete to provide the best and most efficient services for the public...Government at all levels become increasingly funders, regulators and commissioners, whose task it is to secure quality and guarantee fair access to all, instead of attempting to run the public services from a desk in city or county hall?'

'Introduce competition, choice and accountability so that public services can display the same innovation and entrepreneurial drive that characterise the best of the UK's economy and society.'

'Opening centrally commissioned services to diverse providers, paid in accordance with the services they provide and the results they achieve.'

Is this approach around externalising services going to work in providing maximum value for users? This is unlikely – it is public sector direct provision that will ensure that users are provided with the quality services they need and value for money, but this is not appreciated by Government.

SMALLER STATE – IMPLICATIONS

Competition for local service delivery is likely to drive down costs, but this could well have quality implications. The lowest cost provider is unlikely to be the best quality provider, but reducing costs is critical for local authorities. There are alternatives however. More public bodies are in-sourcing, which if done properly, results in better outcomes and increased efficiency.

The public sector is well experienced in understanding its local areas and contextual challenges, and aligning service delivery to meet local need. For many private sector organisations, a lack of community empathy and working only to meet contractual obligations could lead to a mismatch between local demand and delivery.

As the private sector is profit driven, companies will likely compete for services in the most profitable locations, likely leaving less viable service delivery in less profitable areas to suffer. This will serve to enhance and widen disparities between areas.

2.1.6 Public health reform

The National Health Service (NHS) is undergoing significant changes. The 'Healthy Lives, Healthy People' White Paper in 2010²² underlines the Coalition Government's desire for locally-led, innovative responses to health disparities across England. The Health and Social Care Act²³ provided more details as to how this is practically managed, introducing clinical commissioning groups and abolishing Strategic Health Authorities and Primary Care Trusts.

²⁰ Cabinet Office (2011) http://files.openpublicservices.cabinetoffice.gov.uk/HMG_OpenPublicServices_web.pdf

²¹ Source: http://files.openpublicservices.cabinetoffice.gov.uk/HMG_OpenPublicServices_web.pdf

²² HM Government (2010) Healthy Lives, Healthy People: Our strategy for Public Health in England. London: The Stationery Office.

²³ HM Government (2012) Health and Social Care Act. London: Stationery Office.

Leadership in local health issues is expected to come from private sector organisations and communities, reflecting the Government's devolution of responsibility for local areas to determine and steer their own service provision. Clinical commissioning groups are to manage this process and identify which organisations offer the greatest benefits for local health. Public health reform has paved the way for increased competition for local services, enabling private organisations to bid for health contracts.

There is explicit recognition in the new public health system that the public sector workforce represents staff from a wide range of employers²⁴. Public health reform and the privatisation of health services represent a reduction in healthcare staffing within the public sector. As service provision expands within the private sector, it is cut within the public sector. The rebalancing of public services to greater match local need therefore has significant implications for local economies where public health services are a key employer.

PUBLIC SECTOR HEALTH REFORM – IMPLICATIONS

Increasing competition for local health services, as in the drive for a smaller state (above), is likely to mean that more profitable services are taken over by competitive private sector organisations – less profitable services in some areas will suffer. This will enhance disparities between areas.

There have already been cases where accident and emergency units are being cut in areas considered to have low demand, with important consequences. To reduce costs further in public health delivery, it is likely that more services will be centralised and local services will close. This would lead to difficult situations for many in terms of accessing care.

Cutting back the public role in health also means that many healthcare professionals will need to find new roles in the private sector – this impacts upon terms and conditions and quality of available employment.

2.1.7 Changes within higher education

Higher education is a key contributor to economic growth both locally and nationally. Training students to effectively support future industry and growth is critical. A skilled workforce is essential for the economy to succeed. In addition, higher education employs a wide range of staff from a spectrum of different skills sets, from academic staff, to management and to property services. Universities are key employers in many local communities. For instance, a recent report showed that the University of Manchester helped create and support up to 21,000 jobs in the last financial year. More than 18,000 of these jobs were created in Manchester itself, which represents 6% of the job growth in the city. It has 40,000 students and 10,000 staff, meaning it is one of the biggest employers in the North West, generating significant spending power and impacting on the regional economy.²⁵

In 2010, the Browne Report²⁶ proposed critical changes to higher education. The most significant of these, for many, was the recommendation to remove a cap on charging for student fees. As a result, Universities since 2012 have been able to charge up to £9,000 a year for courses.

Whilst in the first year of this policy's implementation full-time student numbers fell, they rose again slightly in 2013-2014²⁷. Those who have been most affected by fee changes have been part-time and mature students. These have implications for equality and diversity, as these groups represent non-traditional students (i.e. not following the traditional educational trajectory of GCSEs, A-Levels, University). Access to education is therefore becoming more polarized between communities of varying affluence.

²⁴ Department of Health (2011) The New Public Health System: Summary. London: The Department of Health.

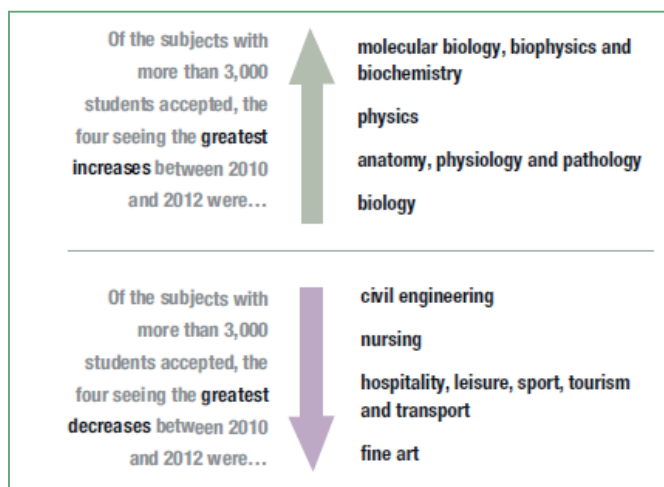
²⁵ University of Manchester (2014) Measuring the difference: the economic and social impact of the University of Manchester

²⁶ Browne, J. (2010) An Independent Review of Higher Education Funding and Student Finance. Available online at www.independent.gov.uk, last accessed 3 February 2014.

²⁷ HEFCE (2013) Higher Education in England. London: HEFCE.

Courses which are more popular amongst students are more financially sustainable than those which are in less demand. As Figure 1 (below) shows, there are subject-specific changes in course applicants which have occurred since introduction of fees.

Figure 1: How University applications have changed in key subject areas since introduction of the new charging structure²⁸.



These changes are important. Where funding for University places is sufficiently prohibitive, and course provision and support are not linked to industrial need, skills supply and demand may become mismatched. Those courses which are less attractive to prospective students may see student numbers drop to the point that courses are no longer financially viable, and these skills may become less developed nationally. Referring to Figure 1 above for instance, declining levels of trained civil engineers could have critical impacts on the future of the UK's economy, and shortage of nurses is already well publicised. The growth of the service sector also means that the demand for skills in hospitality and leisure is increasingly in demand, but course take up is falling.

If courses retract or close as a result of declining subscriptions two things are lost: the potential skills of a future workforce, and the training knowledge and expertise of the staff teaching these courses. Both are potentially damaging to local economies and the national economy in the short and long term.

CHANGES IN HIGHER EDUCATION – KEY IMPLICATIONS

The changes in higher education have made it significantly more difficult for people from less affluent backgrounds and non-traditional routes to access education. This will widen the gaps between communities, and significantly damage social mobility. It will also weaken our industries through a less competitive workforce and smaller skilled labour pool.

Higher education is a key employer in many areas, and institutions create multiplier effects throughout the economy. Changes in higher education (i.e. lower budgets and job losses) means that local economies will suffer.

2.2 Changes in economic policy

2.2.1 Previous Government policy: New Industry New Jobs

In 2009 the previous Government published 'New Industry, New Jobs'²⁹, setting out a strategic vision for Britain's future economic prosperity. The thrust of this policy document is that tailored support for key industries from government is central for the future prosperity of the country.

²⁸ HEFCE (2013) Higher Education in England. London: HEFCE.

²⁹ HM Government (9) New Industry, New Jobs. London: The Stationery Office.

Government intervention was centred on creating an innovative, competitive and productive economy. Strategic working towards industrial goals requires a joined-up approach across different governmental departments. This is something which the previous Government perceived as requiring managing at the national, regional and local levels to ensure effective delivery. A sectoral focus was therefore highlighted as having the greatest potential to unlock industrial potential in the UK.^{30,31}

2.2.2 The move towards industrial strategy by the Coalition Government

Under current policy, tax and access to finance are considered critical to making the UK an attractive place to do business in.³² The Coalition Government has introduced a wide range of tax incentives to support inward investment and export, whilst introducing measures to promote business lending. However, despite calls from employer networks such as the British Chambers of Commerce and Confederation of British Industry for an industrial strategy to be developed, this has been slow in coming.

Belatedly, a sector-based focus for industrial strategy is being developed. The Coalition Government is currently working towards defining a strategy which will offer a spectrum of support for different sectors,³³ such as advanced manufacturing, life sciences, professional/business services, ICT and energy and construction. These are all sectors where societal drivers indicate there is likely to be significant increasing domestic and global demand; where UK business has the potential knowledge and skills to exploit new market opportunities (i.e. the UK has a comparative advantage in global markets in virtually all these areas); and where a sector-based approach has a clear role.

However the exact nature of the industrial strategy and how this will provide specific support for industries is still unclear and confused, and perhaps most importantly, there is little evidence of a focus on how policy will contribute to spatially rebalancing the economy. Will there still be higher value activity focus, mainly clustered around the South East and London? This impacts upon business investment intentions, and therefore sustainable job creation across the regions.

2.3 Changing models for a changing economy

A 'rising tides lift all boats' approach to economic policy does not benefit all. Resources and money simply do not 'trickle down' to those at the bottom of the chain that need them most. Rather than 'top-down' approaches, sustainable economic growth for all needs to also invest from the 'bottom up', with an appreciation of the input of public services into a robust economic model.

Though the UK economy is now growing, disparities between affluent and deprived communities continue to expand. Despite the Coalition Government's emphasis on localism and the role of the city region in steering localities' economic fortunes, some localities are less able to take advantage of national incentives than others. Local approaches, then, must work to build on local level capacity to access the opportunities that national policy provides.

For example, the Coalition Government has offered incentives for new business start ups. However, accessing these opportunities demands prerequisites - such as having developed a product or formulated a business strategy. Developing these prerequisites, and the skills needed to deliver them are not the focus of national support – these need to be addressed at the local level.

Critically, there is a need to fully appreciate the role of public services and its direct and indirect impacts on economy and society. There are many local economic benefits created by our public services, not just in terms of the good work around the UK stimulating local procurement, employment opportunities and so forth, but looking at the 'un-priced' benefits to society and the environment. Any negation of these benefits is hugely important when considering scaling back public expenditure. These benefits illustrate why the Government should place greater value upon the public sector.

This paper considers the above issues and suggests a number of considerations towards a fairer, inclusive economy in the North West which values the role of public services.

³⁰ BERR and DIUS (2008) Manufacturing: New Challenges, New Opportunities, <http://www.berr.gov.uk/files/file47660.pdf>

³¹ DCMS (2008) Creative Britain – New Talents for the New Economy, http://www.culture.gov.uk/reference_library/publications/3572.aspx

³² HM Government (2011) The Plan for Growth. London: The Stationery Office.

³³ Department for Business Innovation and Skills (2012) Industrial Strategy: UK Sector Analysis. London: The Stationery Office.

3 THE NORTH WEST ECONOMY: A PROFILE

This section provides a regional profile of the North West economy. It provides an overview of trends over recent years, incorporating the economic recession and the 'austerity' period. It comments to what extent the changes in the economy, together with austerity measures, are impacting on the North West (and local divides), and whether they are contributing towards or against government economic policy objectives.

Key messages

Growing economy but rebalancing is failing: Britain's economy is growing, but the gap between the North West and the rest of the UK is expanding. Spatial rebalancing has also failed, as divides which were already stark across the country are being reinforced and entrenched by the cuts.

As a result economic and social polarisation is likely to be exacerbated in future. A complex patchwork of economic divides between places is likely to be a permanent feature in the future. Structural weaknesses in the North West economy are evident, including declining wages, lower value work, shortening paid working hours and significant regional variances.

The North West is important to the national economy, and therefore demands attention by national policymakers. The North West is a significant contributor to national economic output, and is therefore an important economy nationally. To support national growth, structural weaknesses in the region must be addressed.

London is most frequently the litmus test for economic measures and predictions, ignoring the significant distinction between the City and the rest of the country³⁴. A positive effect in the City does not necessarily reflect positive effects elsewhere, in different economies. Inherent differences in the way that the North West functions when compared to other regions mean that national policy is restricting, rather than promoting, development and growth in the North West. The 'rising tide' is lifting London and the South East, but indicators show that growth remains slower in the North West.

3.1 The North West's economic direction: sustainable and inclusive recovery?

The data below presents national, regional and sub-regional evidence which highlights key characteristics of the North West economy. There are a number of key points:

- ❑ National policy for supporting the private sector and cutting public spending takes a blanket approach to economic development across the UK. This neglects to consider the diversity of regional and sub-regional economies, and therefore the differential impacts that these policies will have for different local areas.
- ❑ Existing disparities between more successful and less successful economies are widening as a result of current national policy. The following subsections highlight how these policies are impacting within the North West, where there are disproportionate impacts.
- ❑ Growth is evident, but data suggests that this growth is often premised on low-paid, low value labour. This is unsustainable in the long term and will erode the competitiveness of the regional economy.
- ❑ Business confidence may be growing nationally and in the North West but there is a real concern over the quality of jobs being produced in the private sector, and therefore the sustainability of growth in the long term. Paid working hours are getting shorter, pay is decreasing and there are a high proportion of people earning below the minimum wage. It is a concern that these effects are particularly pronounced in the North West.

³⁴ Quinn, J. (2013) UK's economic growth masks north-south divide. Available online at www.telegraph.co.uk, last accessed 10 February 2014.

- The evident economic recovery then is not inclusive. Poor quality jobs for many are undermining economic inclusion, and limiting the future growth potential of the region. It is also evident within the North West that some sub-regions (and localities within these regions) already are lagging behind others; regional and intra regional inequalities will further undermine the potential for inclusive and sustainable growth, and the effects of this are being further compounded by ongoing austerity measures.

3.1.1 A slow-growing economy and the widening output gap

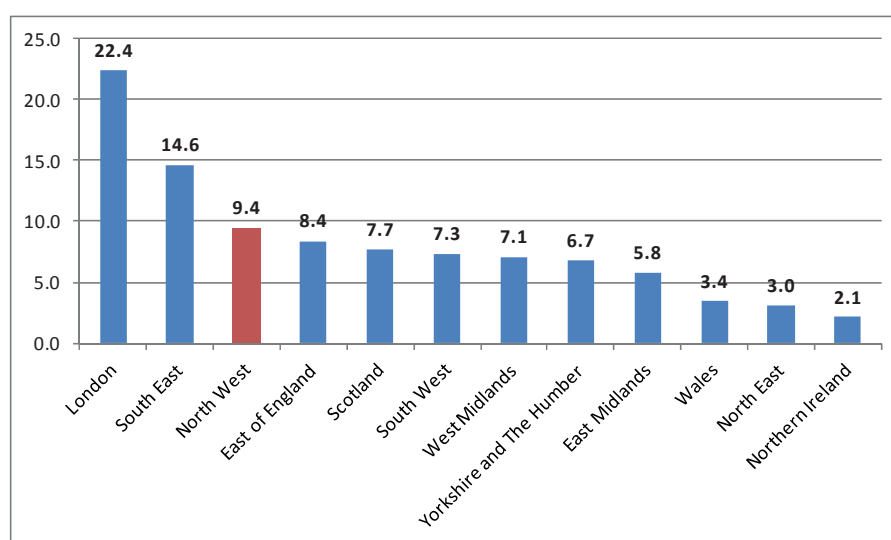
Figure 2 below, shows that the North West economy has the third largest share of Gross Value Added (GVA) nationally, after London and the South East. 9.4% of GVA nationally is a significant share – this shows that the North West economy is an important economy nationally. Big city economies in the North West are important in rebalancing the economy away from London, and so supporting these, together with the region's diverse network of second and third tier centres is vital.

Despite this, the distinction between the North West and London and the South East is significant – whilst the North West generates nearly a tenth of national economic output, London and the South East combined account for almost four times this share.

Figure 3 starkly illustrates the marked impact that recession has on the North West economy after the financial crash of 2007. An important observation however, is that during the peak of the recession, in 2009, growth in the North West did not fall into negative territory over a full year, unlike at the national level. Though national growth levels recovered more quickly than in the North West, in 2011 whilst national growth began to contract once more, North West growth continued. This highlights some resilient properties within the regional economy which need to be supported and strengthened by government.

Nevertheless year on year growth levels in the North West are now low compared with pre-recession levels, and this highlights the major challenges ahead for the region. Despite more recent promising data, the North West economy and its recovery are still fragile.

Figure 2: Share of Gross Value Added (GVA) by region, 2012 (%)³⁵



³⁵ Source: ONS Regional Accounts, December 2013

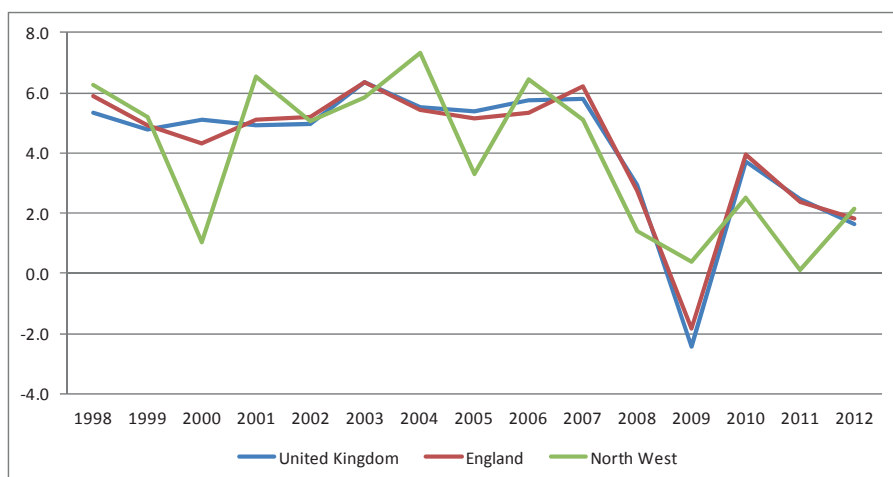
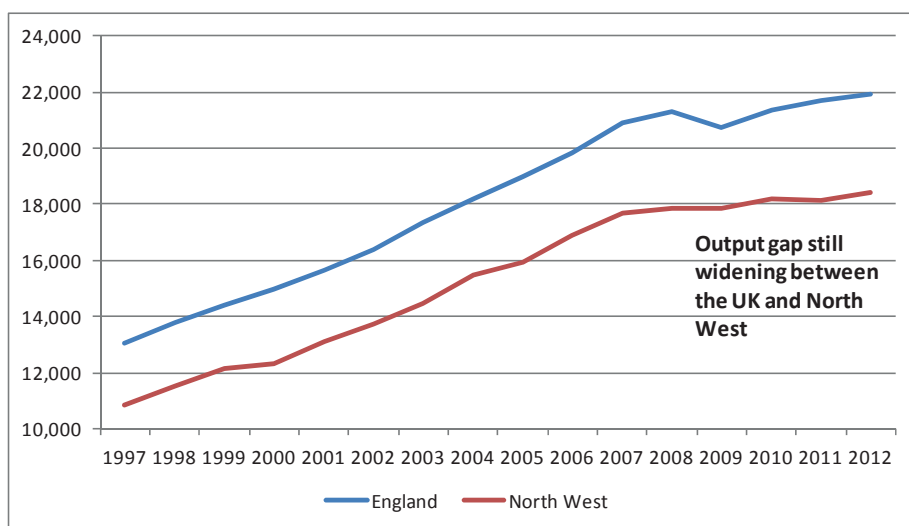
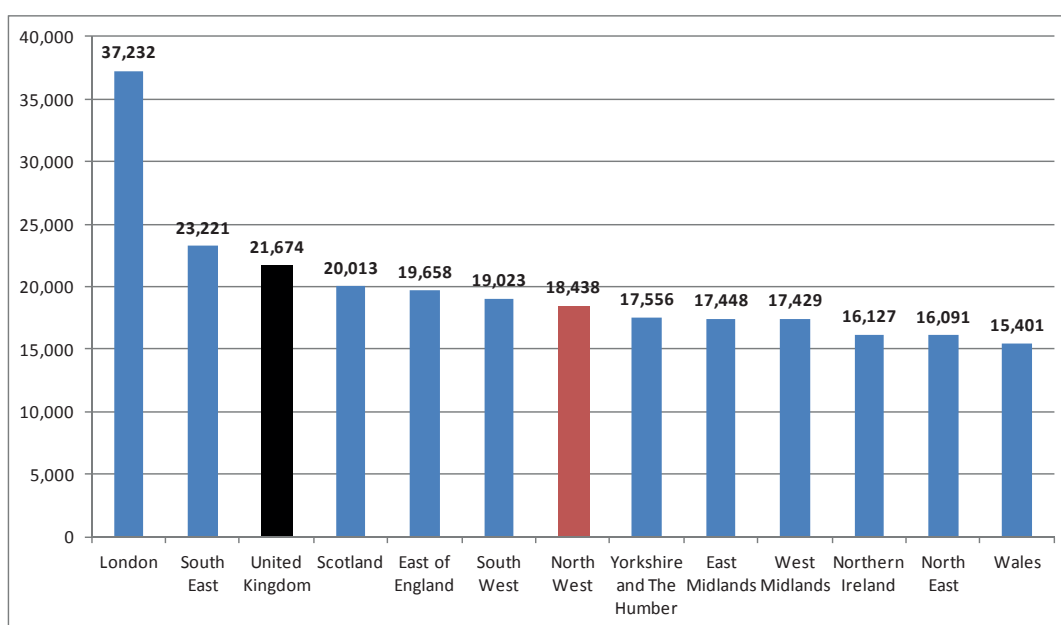
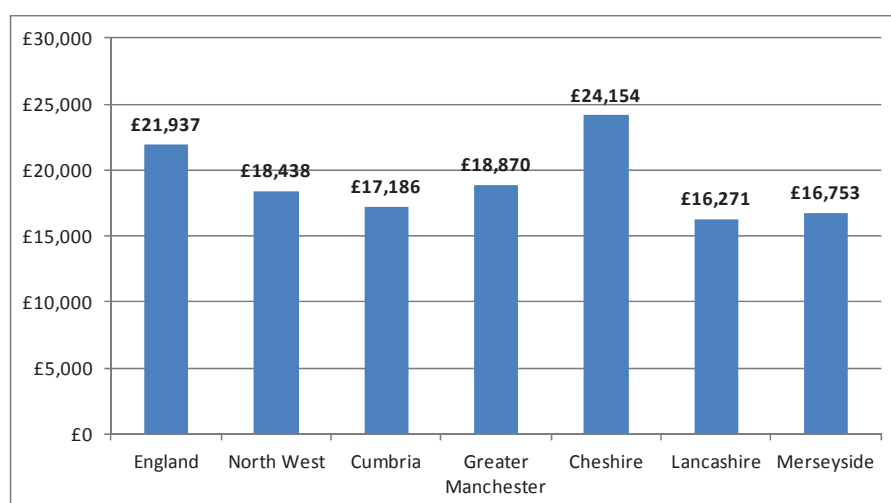
Figure 3: GVA year on year growth, 1998 to 2012**Figure 4: GVA per person in the North West and UK, 1997 to 2012 (£)³⁶****Figure 5: GVA per person across the UK's regions, 2012 (£)³⁷**³⁶ Source: ONS Regional Accounts, December 2013³⁷ Source: ONS Regional Accounts, December 2013

Figure 4 shows a revealing trend. Comparing GVA per person across England and in the North West over the past 15 years demonstrates the widening gap between the North West and the national trend. This highlights that lower paid activities still continue to be prevalent across the region, and so disparities between the North West and the national trend continue to widen.

The charts above show GVA per person in the North West, and in Figure 5, a comparison across the regions. GVA per person is an important measure because it tells us two things. Firstly it indicates how productive a region is – hence why Figure 5 shows London and the South East as the two highest achievers. Secondly it provides an indication of structural imbalance within an economy where there is a predominance of low value, low paid jobs. The North West, compared to other regions in the North, is therefore relatively productive, but not compared with the national levels and the southern regions. This indicates that certain areas/beneficiaries within the North West who benefit from high levels of productivity, but other areas which do not (see Figure 6 below), and where many residents are trapped in low value jobs. This means increasing disparities across and within the sub-regions of the North West.

Figure 6: GVA per person within the North West's sub-regions, 2012³⁸



Breaking down GVA per person between the North West's sub-regions, it is evident that disparities in income exist between different areas. Whilst as a whole, people in the North West have a lower GVA per person, in Cheshire residents have a much higher GVA per person than national levels, primarily due to out-commuting of skilled workers. The sub-regions which are faring worst are Lancashire, Merseyside and Cumbria – GVA per head is much lower in parts of these localities, and this is a strong indicator of economic and social inequality (in Cumbria's case, possibly indicating impacts of rural deprivation).

3.2 Business sentiment

Graphs and data can provide an overarching view of the economy, but it is an understanding of business sentiment that will provide a proper steer on what is going on in the wider private sector. There are a range of employer surveys undertaken by business infrastructure organisations such as local chambers of commerce. This provides a picture across the North West of improving business confidence but with still a number of under-lying concerns.

3.2.1 Consumer spending and sustainability

Consumer spending has exceeded expectations, with national growth now expected to be a little over 0.5%³⁹. This is driving GDP growth, but raises concerns about the sustainability of growth as it results in an imbalance between spending and trade and exporting. Indeed the cause of the economic crash was, to a large degree, based upon too much reliance on consumer spending.

³⁸ Source: ONS, Regional Accounts, December 2013

³⁹ Bank of England (2013) Inflation Report November 2013. UK: Bank of England.

"The momentum in UK growth still sits with the UK consumer....this as a risk given the continual and persistent divergence between wages and prices⁴⁰"

As wages fall, in real terms, disposable income is falling significantly for many. Increasingly this will impact consumer spending, and as the public sector cuts continue to bite, the sustainability of consumer spending as a driver for growth is in question. In the North West, public sector job losses have a disproportionate impact on the economy compared with the wider UK.

3.2.2 Wages

In the North West, a major concern is that there is no clear direction in expectations regarding employment growth, particularly in the service sector. Where there is expected growth, employment opportunities are increasingly of low value. Businesses are not currently reporting significant rises in wage levels and this remains a major concern for the economic and social health of the region.

3.2.3 Public spending cuts have negatively affected businesses

National research has outlined that businesses feel that the public sector cuts have impacted upon their operations and turnover. The public sector is important for the private sector in terms both of providing necessary infrastructure and support for business, and also as a customer of goods and services. Recent research by ICAEW⁴¹ notes that over the last two years:

- ❑ 31% of businesses report their turnover has been negatively affected by UK public sector cuts. Small and Medium-sized Enterprises (SMEs) are more likely to have seen a greater proportion of their turnover reduced as the result of UK public sector cuts, compared to large companies.
- ❑ 72% of those negatively affected by the UK public sector cuts have looked for new customers outside of the UK public sector. 49% reduced permanent staff and 41% reduced contract or temporary staff.

Furthermore, over the next two years:

- ❑ 30% of businesses expect a negative impact on their turnover due to further UK public sector cuts. This highlights that despite an upturn in confidence, public sector spending cuts are still having an impact of fettering the success of the SME community in particular.

3.3 More people in work but large swathes of the population do not benefit

3.3.1 Employment levels rising but not all communities benefit

Trends over time in Job Seekers Allowance (JSA) rates in the North West broadly reflect rates across the UK since 2007 (Figure 7). The chart conforms to the wider picture of a stabilising labour market with JSA rates at the lowest levels since 2008. However, the rate in the North West has consistently been markedly higher than compared to the whole UK. This highlights again the nature of the regional economy, with many lower value jobs meaning 'churn' within the labour market as people spend limited time in low paid jobs before signing back on to JSA.

Evidence of economic and labour market upturns can be misleading, particularly when considering the levels of deprivation within the region and the large proportion of residents who are on the margins of the labour market. Table 1 illustrates this point. 8 of the 10 most deprived local authority areas in the country are within the North West. Many of the residents are therefore not enjoying benefits of growth, and have not been doing so even during the 'boom' years between 1998 and 2007. Deprivation remains acute and cuts to services and welfare reform are exacerbating these. This is also shown in Figure 8, showing the levels of Incapacity Benefit claimants since the beginning of century to now. The changes have been limited, with the recent drop of around 1% from 2007 to 2013 being as much about reclassification of benefits rather than meaningful policies

⁴⁰ Interview with Jeremy Cook, chief economist at currency brokers World First. BBC (2013) UK GDP growth driven by rise in consumer spending 27 November 2013. Available online at www.bbc.co.uk, last accessed 21 February 2014.

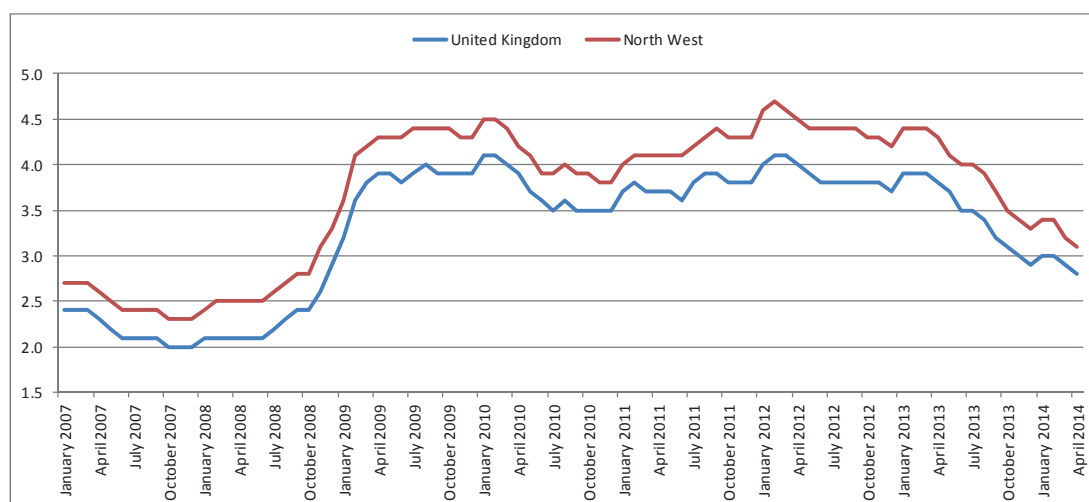
⁴¹ ICAEW (2013) The impact of public sector cuts on UK businesses. Policy Briefing, June 2013.

that had an impact. Another revealing trend is from 2000 to 2007 (i.e. the 'boom' years) where the level only fell by 1% again. This highlights that there are large tranches of the population who have not, and will not, be beneficiaries of an upturn, without targeted policy.

Additionally, though job vacancies are increasing nationally, it remains much harder to find work in the North West than elsewhere in the country⁴². This is related to the disproportionate impact of public sector job losses in the North West combined with the private sector not having met this gap in new employment. Employment opportunity is also distributed unevenly across the North West, reflecting differential reliance on specific industries. Quite simply, there are not enough new employment opportunities to go round across all areas.

A further factor to consider is rural deprivation. Rural communities are a common feature across much of the region, and rural deprivation is evident across places such as Cumbria. In Cumbria the true level of deprivation encountered by many rural residents has not been fully recognised or acted upon. Due to the dispersed nature of this population, traditional methods of defining disadvantage have not been relevant and simple 'one size fits all' solutions cannot be applied.⁴³ 40% of all people classed as income deprived in Cumbria live rurally, accounting for 10% of the rural population. This is higher than the regional (8.1%) and national (9.0%) average.

Figure 7: Job Seekers Allowance rates in the UK and North West, as a proportion of the working age population, January 2007 to April 2014⁴⁴



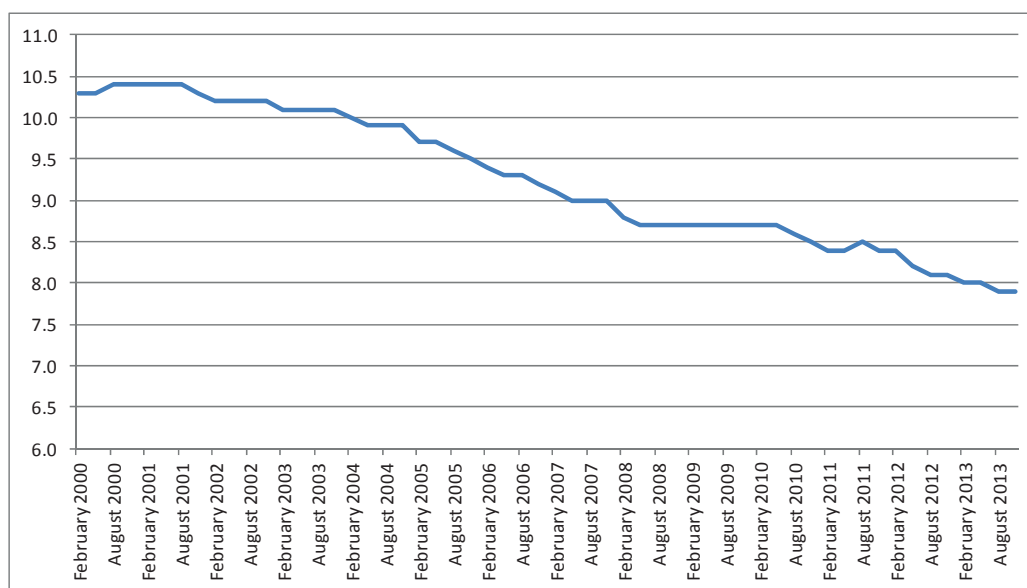
⁴² Inman, P. (2013) Job vacancies increase, but north-south divide continues, finds study. Available online at www.theguardian.com, last accessed 10 February 2014

⁴³ Action with Communities in Cumbria (2010) The Rural Share of Deprivation in Cumbria

⁴⁴ Source: ONS Claimant Count, April 2014

Table 1: Rank of Deprivation Concentration in England⁴⁵

Rank of Concentration	Local authority
1	Blackpool
2	Liverpool District
3	Knowsley District
4	Burnley District
5	Middlesbrough
6	City of Kingston upon Hull
7	Blackburn with Darwen
8	Manchester District
9	Salford District
10	Rochdale District

Figure 8: Incapacity Benefit and ESA Claimants, as a proportion of the working age population, February 2000 to November 2013⁴⁶

3.3.2 To what extent are new posts being created quality jobs?

Employment levels are rising and unemployment continues to fall both within the North West and nationally. This is clearly a welcome sign that the economy is recovering. But to what extent are those jobs being created quality jobs which provide security, advancement prospects, and an income that allows people to cover their costs and avoid in-work poverty.

In work poverty has, in recent years, received growing levels of attention from policy makers and commentators, primarily due to its close links with child poverty, which is high on the social policy agenda. It has been a key topic amongst all of the political parties in recent months mainly due to

⁴⁵ Department for Communities and Local Government (2011) English Indices of Deprivation 2010. UK: Department for Communities and Local Government.

⁴⁶ Source: ONS, DWP Benefit Figures, February 2014

the coverage of zero hour contracts, which is being increasingly implemented by employers in the UK, particularly those in the service sectors and for public sector contractors of services such as social care.

The cross party political consensus has been, for decades, that work is always the best route out of poverty. Indeed the key principle behind the welfare reform agenda and move towards Universal Credit is to 'make work pay'. But in reality work is not always the best pathway out of poverty; it can actually be the cause. For many, work does not provide economic independence but can actually lead to further stresses on themselves and their families, therefore traditional debates about poverty based around worklessness can be misleading and inaccurate.

So what causes in work poverty? There are a number of inter-related drivers but some of the key elements are outlined below:

- ❑ Low wages: wages are too low or people cannot secure enough work to have a decent standard of living;
- ❑ Lack of progression: there are a lack of opportunities for many who are low paid, meaning the reality is to be stuck in low value jobs with little stimulation, lacking pathways to progression, which is reinforced by limited training opportunities, lack of aspiration/confidence/bad experience of education may also be an issue.
- ❑ Contracting out being used as a means to reduce terms and conditions.

The tables and charts below aim to show the extent to which wages are being driven down and where in-work poverty is beginning to exact a greater hold on the regional population.

Table 2 illustrates that whilst employment in the North West may be rising, residents' weekly take-home pay, in common with other northern regions, is declining rapidly compared to the national average. This reflects a split in how residents' wages are being impacted nationally. In London, the East and South East, weekly wages have continually been comparably higher since 2007 when compared to other regions. North West residents have consistently taken home lower wages than their Southern counterparts.

Variance with the UK has been more pronounced in the North West than in other regions. Between 2010 and 2013, wage competitiveness in the region has declined significantly, whereas in the East, South East and London wages have increased significantly in relative terms. This reflects differences in the quality of employment available in the North West (and indeed other regions outside of the Greater South East), and the impacts which public sector cuts have had in the region as more people have been made redundant and forced to find lower paid work in the private sector.

Table 3 shows that the trend for new employment in the North West is for shorter hour contracts, and longer working weeks are reducing in the North West. These effects are more pronounced in the North West than in any other region of the UK other than Northern Ireland for those working between 10-34 hours. This is an important observation. More people have to find part time employment within the regional economy as full time jobs decrease – this results in higher levels of underemployment and in-work poverty.

In addition to the social consequences, it means that the underlying structure of the regional economy is increasingly based upon low value services, and it is not operating to its full capacity. Considering that the North West contributes a tenth of national economic output, the low levels of productivity will negatively affect both the UK and the region economically and socially.

Table 2: Regional variance with UK gross weekly residence based wages (£)⁴⁷

Region	Variance with UK in 2007 (UK=£457.60)	Variance with UK in 2010 (UK=£498.50)	Variance with UK in 2013 (UK=£517.50)
North East	-£56.6	-£55.1	-£45.2
North West	-£23.9	-£27.5	-£34.3
Yorkshire and the Humber	-£32.0	-£36.0	-£38.4
East Midlands	-£27.6	-£28.7	-£34.1
West Midlands	-£26.5	-£29.3	-£34.5
South West	-£25.0	-£30.2	-£32.4
East	£22.3	£24.8	£25.2
South East	£44.7	£49.3	£42.2
London	£98.3	£107.9	£95.8
Northern Ireland	-£57.1	-£60.9	-£54.9
Scotland	-£16.7	-£11.9	-£9.5
Wales	-£42.8	-£42.3	-£40.6

Table 3: Percentage changes in hours worked between the year up to September 2007 and year up to September 2013

Region	Working under 10 hours: change from Sep 2007-Sep 2013	Working 10-34 hours: change from Sep 2007-Sep 2013	Working 35-44 hours: change from Sep 2007-Sep 2013	Working over 35 hours: change from Sep 2007-Sep 2013
Wales	0.2%	2.9%	-1.2%	-1.2%
Scotland	0.5%	2.2%	-0.6%	-0.6%
Northern Ireland	0.2%	4.6%	-1.1%	-1.1%
North East	0.4%	3.4%	-3.2%	-3.2%
North West	0.0%	3.6%	-2.2%	-2.2%
Yorkshire and The Humber	0.1%	2.1%	-1.7%	-1.7%
West Midlands	0.7%	2.2%	-0.4%	-0.4%
East Midlands	0.0%	3.1%	-0.6%	-0.6%
South West	-0.1%	2.2%	-0.3%	-0.3%
East	-0.2%	1.4%	-0.5%	-0.5%
London	0.0%	2.6%	-3.1%	-3.1%
South East	0.0%	1.8%	-1.4%	-1.4%
United Kingdom	0.1%	2.4%	-1.4%	-1.4%

⁴⁷ Source: ONS, Annual Survey of Hours and Earnings, Residence based analysis, 2013

Low wage growth and falling wages, when viewed in context of the changing inflation rate over time, means that the cost of living is rising, whilst people have less money to spend (Figure 9). The cost of living is important both for individuals and for economic recovery. The commonly referred to 'cost of living' crisis may render current economic recovery unsustainable. If growth only benefits some, and prices are consistently higher than static or falling wages, then quality of life for many is affected and this impacts the economy through less consumer spend.

Figure 9 shows an improving trend in inflation over the past 18 months (now under 2%) and this is a positive sign for the economy. But lower wages are offsetting these gains – between December 2013 and February 2014 for instance wage growth was only 1.6% when excluding bonuses, and this means in effect that people's spending power is still limited.⁴⁸

Figure 9: Consumer Price Index (CPI) inflation rate, 2004 to April 2014⁴⁹



Figure 10 below shows how year on year wage growth has fallen nationally across both the private and public sectors, since 2007. The effects have been pronounced in the public sector, where falling wages and freezes have impacted on employees of all areas of the sector. The private sector has also been significantly affected, with pay levels currently static, and falling from a significant peak at the beginning of 2007. This highlights the continuing 'squeeze' of employees from all sectors, and is reflected in the North West.

Labour market statistics provide further evidence of a squeeze in wages, most notably in the public sector. In September to October 2013, compared to the same period in 2012, public sector pay fell nationally by 5%, compared with a rise of 1.1% in the private sector.⁵⁰ This is unprecedented:

'This is the first time a negative growth rate has been recorded since comparable records began in 2001.'

⁴⁸ ONS Inflation Report, April 2014

⁴⁹ Source: ONS Inflation Statistics

⁵⁰ Office for National Statistics (2013) Labour Market Statistics, October. London: Office for National Statistics.

Figure 10: Public sector and private sector year on year wage growth (UK), January 2007 to November 2013, using 3 month averages^{51, 52}

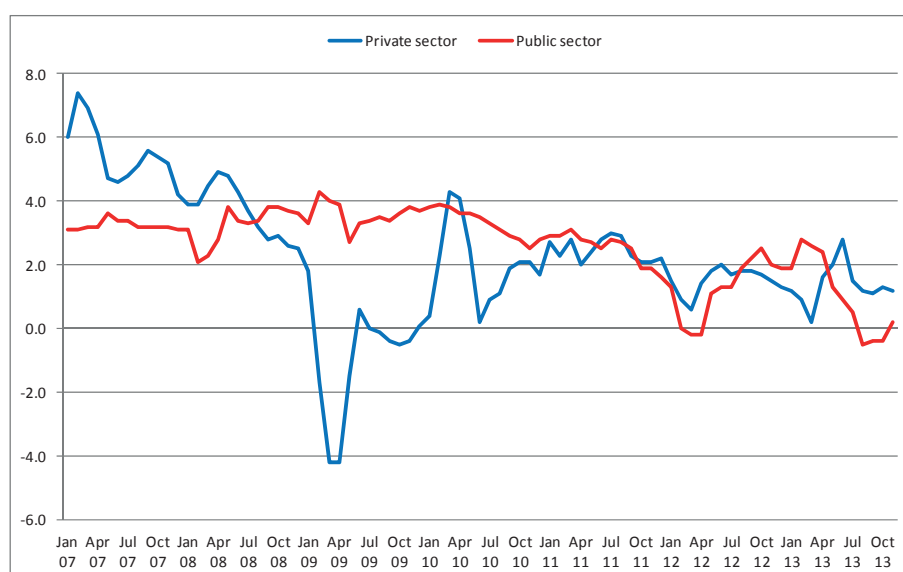
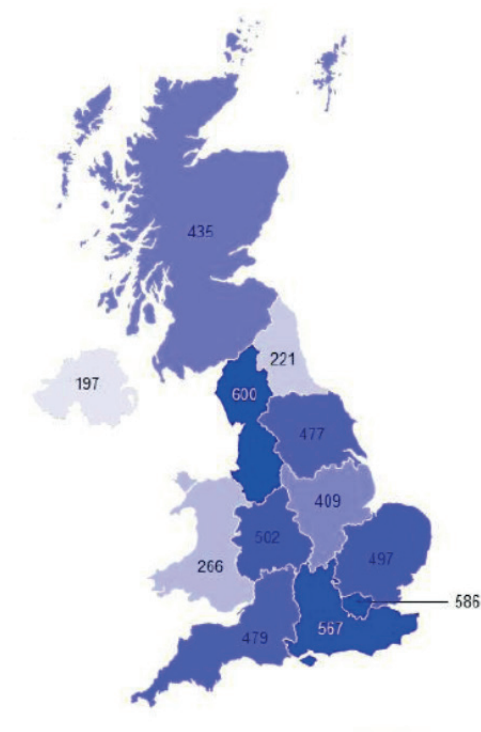


Figure 11 and Table 3 below, show the actual number of workers earning below the living wage, and the proportion of these out of the whole, per region. These provide revealing messages about the structure of the labour market within the region, and the disparities that emerge from it. The North West has 600,000 employees earning below the living wage – the highest across all of the regions - though in relative terms this is in parity with the majority of other regions.

This, together with the other wage based data above, is clearly a key issue for the regional economy, with far-reaching impacts in communities and local economies. A high concentration of part time, low wage employment is leading to a regional economy with a disproportionate level of underemployment. This is impacting on productivity and performance of the economy, and is leading to social issues where many residents are struggling significantly to pay bills, rent and mortgages – in effect leading to in-work poverty.

⁵¹ Source: ONS, Labour Market Statistics, January 2013

⁵² The three month average figures are the changes in the average seasonally adjusted values for the three months ending with the relevant month compared with

Figure 11: Regional map showing the number of earners below the Living Wage (000's)⁵³**Table 4: Number and proportion of working age residents in employment earning below the Living Wage, by region, based on 2012 earnings data⁵⁴**

Region	Number below the Living Wage (000's)	% below the Living Wage
Northern Ireland	197	26%
Wales	266	25%
East Midlands	409	24%
Yorkshire and Humber	477	24%
West Midlands	502	23%
North East	221	23%
South West	479	23%
North West	600	23%
East	497	22%
Scotland	435	20%
South East	567	18%
London	586	17%
United Kingdom	5,237	21%

⁵³ Source: Markit (2013) Living Wage Research for KPMG
 18<http://www.kpmg.com/UK/en/IssuesAndInsights/ArticlesPublications/Documents/PDF/Latest%20News/living-wage-research-october-201713-1.pdf>

⁵⁴ Source: Markit (2013) Living Wage Research for KPMG

3.4 The changes in public sector employment

The North West depends to a significant extent on the public sector for employment in public administration, defence, education, health and social work⁵⁵. It has a large presence of government departments, many of which face severe budget constraints. 29.1% of total jobs are within the public sector, the third highest proportion across the English regions (after the North East and Yorkshire and Humber).⁵⁶

In 2012, employment levels of government workers in the North West stood at:

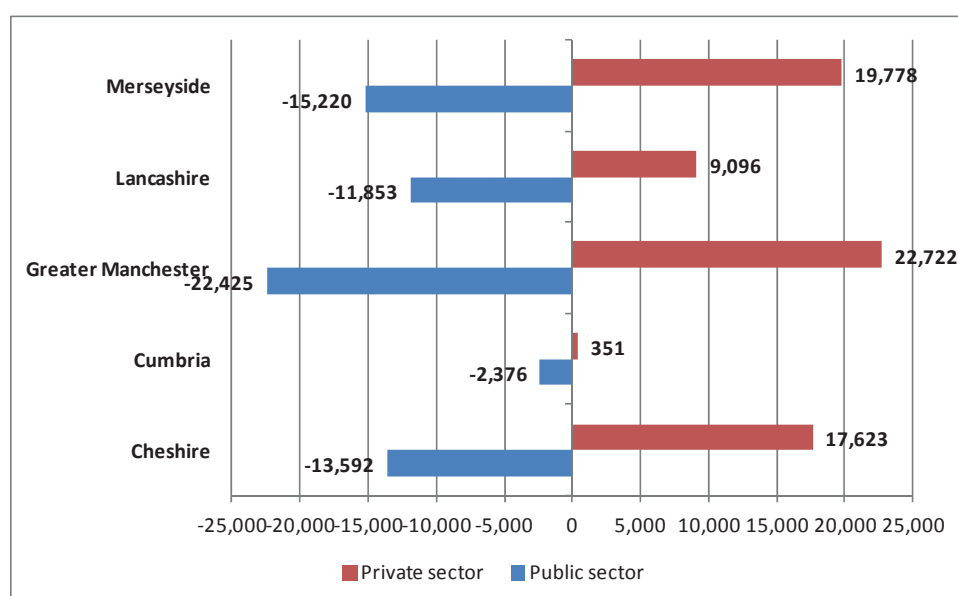
- ❑ 61,620 in the civil service;
- ❑ 295,000 local government employees;
- ❑ 216,000 NHS employees; and
- ❑ 130,000 teaching staff (including part time workers)⁵⁷.

Changes in public sector employment across the North West have been significant. Figure 12 shows that overall between 2010 and 2012 over 65,000 public sector jobs were lost across the region, with the highest levels across Greater Manchester, Merseyside and Cheshire. Over the same time period, 69,500 private sector jobs were created, meaning a net growth of just 4,000. Over 2013, as highlighted earlier, private sector employment did further increase, however the data goes to show how public spending cuts have had a key role in acting as a drag upon recovery in the region, negating many of the gains that have been made in terms of private sector employment figures.

Figure 13 below shows the extent to which local government employment in the North West has been affected since the austerity drive began. From a peak of 307,000 in 2009, this fell to under 254,000 by Quarter 3 2013, a loss of nearly 50,000 jobs in total over the four year period. With the next round of spending cuts being implemented from this year, more jobs will be affected over the coming years.

Despite the scale of the cuts in the North West, the region still has the largest employment level in local government, as shown in Figure 14. The impact of the local government employees therefore on the wider economy, through spending, is considerable. However, another consideration here is that the high proportion of employees reflects high needs and demands for public services across the region.

Figure 12: Private sector job growth and falling public sector employment across the North West's sub-regions, between 2010 and 2012⁵⁸

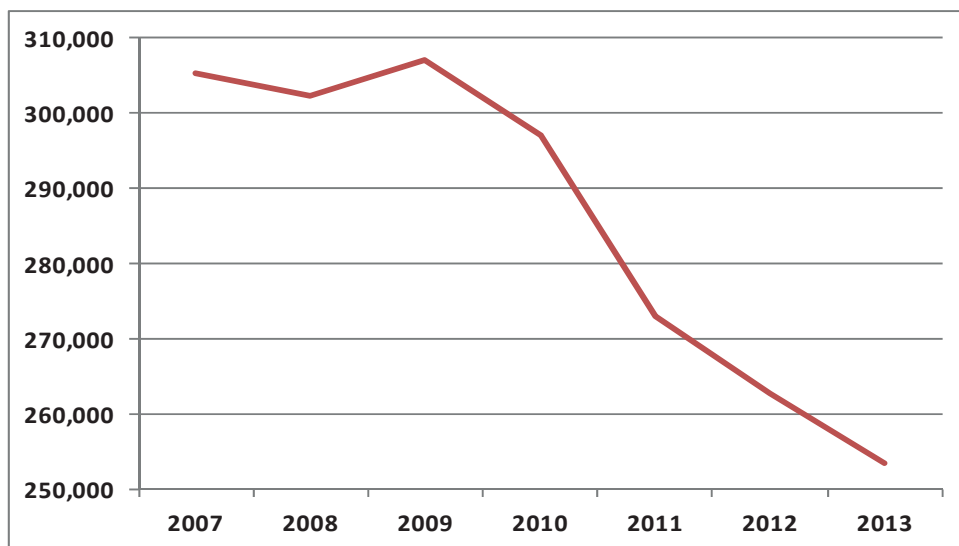
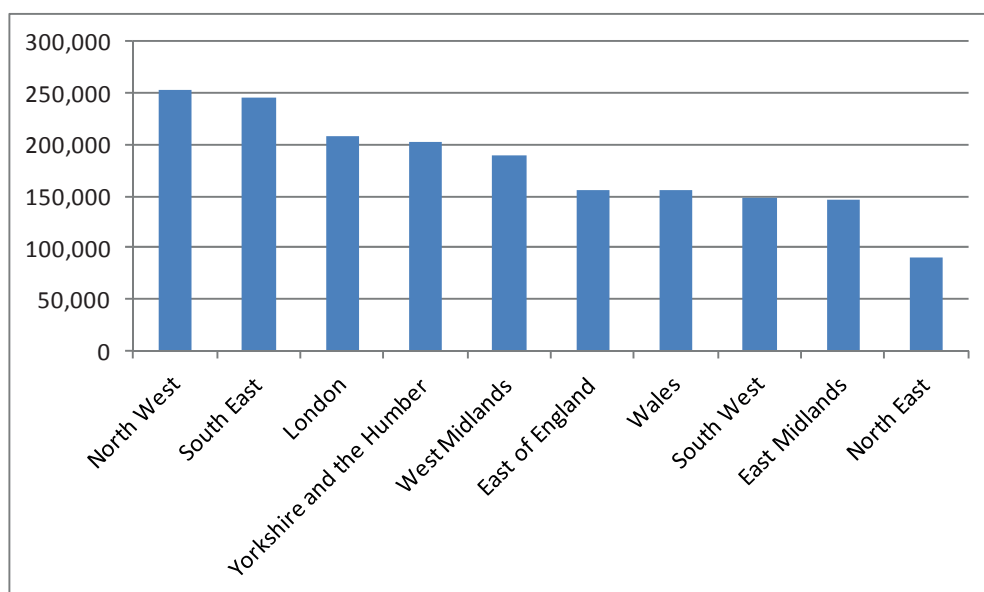


⁵⁵ New Economy and InclusionNW (2012) Making the transition beyond the public sector: Are we doing enough to support the transition to private sector jobs? North West: The North West Learning Provider Network.

⁵⁶ ONS, Business Register and Employment Survey, 2012

⁵⁷ New Economy and InclusionNW (2012) Making the transition beyond the public sector: Are we doing enough to support the transition to private sector jobs? North West: The North West Learning Provider Network.

⁵⁸ Source: ONS, Business Register and Employment Survey, 2012

Figure 13: Local government employment in the North West, 2007 to 2013 (000's)⁵⁹**Figure 14: Local government employees across each region, 2013⁶⁰**

⁵⁹ Source: Local Government Association, 2014

⁶⁰ Source: Local Government Association, 2014

4 THE CHALLENGES FACING PUBLIC SERVICES IN THE NORTH WEST

The section above outlines the key economic challenges facing the North West, and how government policy and austerity has worked against creating a balanced, sustainable recovery that is inclusive across all communities. The following section, based primarily upon interviews with UNISON NW leads, outlines the impacts of austerity measures across some key public service sectors that UNISON covers, addressing how they are being affected by cuts, how service provision is being affected, and how the sector contributes to direct and indirect economic health and success. This includes:

- Local government;
- Health;
- Higher Education; and
- Care.

4.1 Local government

4.1.1 Finances continue to be squeezed

Local government is central to the life of local places. Councils are a key element in a network of local relationships and collaborations which support people, communities and business. Services such as education, roads, parks and social services all create a context in which public, social and commercial life can take place. They are of the utmost importance in the success of a local economy, being ideally placed as 'place stewards'. The oversight they have over a range of local economic inputs including labour and capital through local public spend, is central to creating strong and prosperous places.

However the important and central economic and social roles of local government are being continually eroded by austerity measures. Cuts to local government have resulted in a situation where North West local authorities are finding it increasingly difficult to resource basic services. A cut in formula and targeted grant funding, a low tax base (council tax and business rates), set against greater social and demographic pressures, together with deprivation across many areas of the North West, creates a situation in which local government is even further restricted in providing support to the most vulnerable communities – for instance Manchester, Liverpool, and Knowsley are three districts in the top five most deprived in the country. Local authorities in the North West therefore have to run harder just to stand still.

A stark example of how the cuts are impacting on local government finances comes from a report from the Joseph Rowntree Foundation which shows the distribution of the cuts between different types of area and local authority.⁶¹ The financial impacts are most severe for more urban and deprived local authority areas and less so for more affluent and rural areas. The local authority experiencing the largest fall in income is Liverpool (11.3% of its cash spending power), compared with Richmond upon Thames (0.6%). The other most worse off areas are also northern, urban conurbations, such as Manchester, Knowsley, Blackburn with Darwen, all within the North West. By contrast, other local authority areas which are not as heavily impacted by grant changes include affluent places such as Wokingham, Poole, Windsor and Maidenhead, Cheshire East, and Havering. The inclusion of Cheshire East illustrates the stark inequalities that exist not just between regions, but also within the North West.

4.1.2 An increasing inability to deliver quality services

The continued squeeze upon local government has meant that many local authorities in the North West are pessimistic about their ability to deliver anything apart from the most basic of statutory services in future. Despite central government edicts towards making savings through initiatives such as sharing back-office costs and other efficiency savings, this is increasingly unlikely to fill the funding gap. The situation is now reaching a critical point. With the vast majority of cuts so far being 'internalised' (efficiencies and staffing etc), the 'sponge has now been squeezed dry'. Increasingly across the North West for instance, statutory services such as Adult and Social Care is

⁶¹ Joseph Rowntree Foundation (2012) Serving deprived communities in a recession
<http://www.jrf.org.uk/sites/files/jrf/communities-recession-services-full.pdf>

being affected, with care packages across a number of local authorities becoming more basic. There is now no choice but for hard pressed councils to pass the cuts into the quality of service delivery.

"80% of the cuts have not been made. We are now entering 3-4 years of real pain"

This has direct and indirect effects. For instance many of the local authorities across the region have cut back on youth services. Although they do not have a 'visible' outcome, there are a range of indirect consequences such as impacts upon education, anti-social behaviour and crime levels as a whole. It increases the burden upon other areas of an already stretched public sector, such as the police.

4.1.3 Impact upon democracy and accountability

All of the above is also having a serious impact upon local democracy and accountability. The lack of scrutiny and poor local debates about alternatives has important ramifications. It affects the legitimacy of local government. This is an important point. Local government is a democratic body, not a mere service deliverer or contracting out body. The central aspect underpinning local government is democratic participation. As council budgets shrink and there is an increasing failure to meet needs, then the legitimacy of local government falls away.

*"We move from pooling responsibility through the machinery of a democratic state to dividing it between individuals, groups, localities and organisations in the private and voluntary sectors. It is not clear how the rights of individuals will be protected, essential services guaranteed, or those who are poor, powerless and marginalised defended against those who are better off."*⁶²

4.2 Health

4.2.1 A major contributor to the local economy

The Health Service is a particularly large employer the North West, being the largest employer in many areas. In the North West there are over 246,000 people working within the health sector, which constitutes 8.2% of total employment in the region. In some areas the proportion of people working within the sector is particularly high – 13.6% in Blackburn with Darwen, 13.4% in Blackpool, 13% on the Wirral, and 11.7% in Knowsley. Between Manchester and Liverpool 61,000 employees are within the health sector, which constitutes over a fifth of the total employment in the sector across the North West. The sector is important to the economy, and not just in terms of employment. With its procurement spend, health, like with local government, is important for fostering and maintaining local supply chains across the region.

4.2.2 Increasingly difficult to sustain quality services

There have been significant cost improvement savings across the North West which have resulted in significant losses to the economy and the loss of many jobs across the sector. The most acute cuts are yet to come. 2014-15 is being perceived as the most difficult year so far in terms of impact on the staff and service. For example, at Central Manchester NHS Foundation Trust there will be £35m in spending cuts this year, and £25m next year. This scale of cuts is being replicated in many places across the region. This means that the delivery of services at current levels will not be sustainable. At the same time there is the privatisation of NHS England's Primary Care Services, resulting in the potential loss of up to 2,000 jobs. This will also have a negative impact on the delivery of important care services.

Increasingly commissioners are being forced to prioritise limited funds. This is leading to demands for different and cheaper provision of services. There is a real risk to the commissioning process with the potential for services currently being commissioned being withdrawn. Further, the Clinical Commissioning Groups (CCGs), relatively new bodies, are being impacted by the new proposed funding arrangements which mean that the North West CCGs will be hit particularly hard. These factors all combine to erode the previously robust health framework in the region. Health related organisations face uncertainty in terms of both employment and the capacity and capability to deliver quality services. This is leading to increasing risks within the community, and is worse for deprived and rural areas where people have to travel further for services.

⁶² Source: new economics foundation (2011) Cutting It: The Big Society and the New Austerity

4.2.3 Privatisation a major threat to the future of integrated health care

Like in other public services, the health sector has experienced an increase in privatisation. Since April 2013 the pace and scope of privatisation in the health service has rapidly expanded. More health related contracts are going to 'for profit' private organisations. The private sector can now bid for a much wider range of health services. Private firms are now winning financially lucrative contracts providing diagnostic services. Diagnostic services are a very important income stream for NHS organisations. Income from these services helps to cross-subsidise more costly services such as ITU, complex surgery and treating chronic health conditions. Losing these contracts will put these essential services at risk and will impact on the stability of NHS organisations' income. This will have major consequences for communities. The further loss of income can lead to employers reducing staff terms and conditions of employment in a desperate attempt to make savings. The fear is that due to privatisation, the NHS merely becomes a 'brand' name for a myriad of private sector contractors who can run services. There is no doubt that if privatisation continues at this pace the NHS will change considerably for the worse over the next five years.

It is increasingly perceived that there is a need for a Scottish-type integrated of health and care services. Here there is a clear pathway from hospital to community services. However the infrastructure is not in place in England for this. The more services are privatised, the less collaboration is possible and the harder it becomes to integrate services across new contractual boundaries.

4.2.4 The importance of delivering strong public health services

Public health will be increasingly important in delivering an effective overall policy on health. However the monies that were previously within the NHS are not ring-fenced and there is the potential for local authorities to use some of this for other services. The concern is that some of the public health services that have transferred to local authorities are being put out to tender, and it is difficult for the NHS to win the contracts as it cannot compete on price. This has knock on effects for public health priorities such as drugs/alcohol services together which can have an adverse impact on local communities, for example with an increase in crime. Throughout all of the changes it is important to maintain the fundamental principles for health and care: Patient need and the quality of care must be at the heart of health and care provision. There must be a proper, integrated strategy for health care that outlines how the system can change progressively during a period of challenges, and remain free at the point of use.

4.3 Higher education

4.3.1 A significant contribution to the regional economy

The economic impacts of the higher education (HE) sector are significant across the region, with 13 HE organisations in the North West. In addition to the direct and indirect employment it brings, there are significant levels of un-measured impacts through research and design, incubation and other contributions to stimulating levels of entrepreneurship across the region.

An example of the impact of higher education comes from Greater Manchester. Greater Manchester's universities – The University of Bolton, The University of Manchester, The University of Salford, Manchester Metropolitan University, Royal Northern College of Music, and University Campus Oldham (part of the University of Huddersfield) – constitute a major economic sector in their own right. The universities directly employ around 20,000 staff, generate a combined income of over £1.4 billion per year and an expenditure of £2.5 billion, and have plans to spend over £1 billion on their campuses and estates over the next few years. Perhaps the most important impact of the universities, however, comes from the talented individuals (both through employment and the 100,000 students each year) they attract to Manchester and their contribution to the knowledge economy which in turn, links to developing international markets. It is key therefore in reducing the trade deficit of the UK, with the North West being a key driver for this. In terms of 'knowledge transfer' and collaboration with businesses, in 2009/10, £32 million of collaborative research linking public funding and business was carried out by Greater Manchester universities, whilst a further £58 million of contract research was undertaken with organisations including SMEs and larger businesses.

The overarching narrative here is that universities are increasingly important in a progressive, modern economy. The institutions across the North West will be increasingly important in sustaining economic recovery, and also providing a range of jobs, from high paid to lower paid roles. They have an impact across the whole employment spectrum.

4.3.2 Erosion of terms and conditions

There has been a shift towards privatisation in the North West, with a concern being that the focus of education is on clients and customers, not on education itself. Outsourcing support services is increasing, which has pay and implications for terms and conditions. Increasingly catering and security functions for instances are being outsourced. It may be that a dual or two tier workplace is developing across the North West in universities.

There are also existing threats on terms and conditions such as pay protection, sick pay, redundancies. However there have not yet been mass redundancies in parallel with the rest of the public sector. Despite this there have been pay freezes across the North West.

The main area of concern in terms of employment is librarians and technicians, as there is a lack of understanding about the roles of different workers as part of education structures. Librarians for instance tend to be the first to pick up social issues in education but they have no time to do this anymore, and high quality librarian staff are being under-utilised.

A key message emerging from higher education is that the sector needs to be increasingly valued in terms of economic development. There needs to be further consideration about the wider range of employees working within higher education, who support the functioning of institutions, such as support staff on lower wages. Despite some commitments to ensure that zero hour contracts are reduced and that staff are paid a decent wage, there is perceived to be much more to do to ensure that people are treated fairly across the spectrum through their terms and conditions, and to ensure that there is an appreciation of the role that they play. Higher education institutions play a major role, particularly within Manchester and Liverpool, and therefore there is a responsibility to ensure that their economic and social impact across all occupational groups is maximised.

4.4 The care sector

4.4.1 Not perceived as an important component of the economy

The care sector is increasingly relying upon smaller pots of money which is having major impacts on people's employment and on the care of some of society's most vulnerable people. It is a sector that is being disproportionately impacted as Government does not perceive it as being a central component of the workforce. Many who are employed within care are experiencing 'in work poverty', where their wages are too low to maintain a decent standard of living. Zero hour contracts are common.

The personalisation agenda has impacted significantly on employment. There is a lack of clear thought of how personalisation is impacting on the people who deliver that service, with the whole process not being thought through properly. This links to the lack of outcomes based commissioning models, which means that jobs are based upon specific slots of time to address the needs of individual people, and they are paid for this only. It results in travel time not being paid for, and this has further impacts on eroding wages, time pressures and perhaps most importantly, leads to a marked impact on the experiences of service users. Anecdotal evidence from across the region suggests that the wellbeing and stress levels of workers within the sector are being impacted significantly and that this increasingly means further strains on quality of care.

Linked directly to the above is that the propensity of zero hour contracts is resulting in a critical lack of capacity for training workers. Therefore the key concern is that this will result in a shortfall of skills as people are not able to maintain them.

4.4.2 Care sector needs appropriate support to tackle some of society's biggest challenges

Overall there is a disconnect between national policy - which in theory, supports the role of care – and the reality on the ground. Carers are not provided with the care and respect they need, and this results in impacts on the end user. As the age profile of the country changes, carers will become even more important and policy at both national and local levels is not reflecting this challenge adequately at present. It requires a long term view across all political parties that the care sector is not just a service, but an investment. Investing in people's working conditions will, in time, show the commitment that the sector needs, and help to provide a more productive workforce that is critical to addressing some of the biggest challenges that society faces.

5 IMPACT OF THE CUTS AND MITIGATION - CASE STUDIES

The following section is framed around local authority case studies. These have been developed through interviews with local UNISON staff and desk research in seven North West local authorities. This section drills down into the detail of public spending cuts and the impacts that it has had in individual local authorities. It also assesses where local government has worked innovatively to protect jobs and terms and conditions of its staff, and where it is engaging in activities to deliver public services differently and advancing approaches to deliver economic and social gain within their localities. Some of the good practice is reflected in the key strategic messages, together with examples from elsewhere.

This section provides a description of cuts within individual local authorities and outlines the impacts of these. It is important to note that this is not intended as criticism of the local authorities, rather highlighting the difficult circumstances that they find themselves in as a result of central government edicts.

5.1 Overview of the case studies

There are many similarities between the case studies. Across the North West, the cuts have had significant impacts – a large number of public sector workers have lost their jobs, services have been scaled back and other services have been lost entirely. In terms of public sector workers, methods of redeployment within local authorities vary from one local authority to the next, but with all recognising that moving people around in-house is an important means of limiting job loss.

Lack of coherent vision or voice for local government

Across the case studies, there is a concern that the value of the public sector as more than a service delivery body is being overlooked by national government. To negotiate new ways of working and to limit the impacts of the cuts on service delivery, a coherent voice for local government is needed. Local government is not simply about service delivery, it provides vital social and economic roles in local economies. The cuts which the public sector expects will strip away services, but also wider supportive networks and functions which create the conditions for social and economic growth.

5.1.1 Significant impacts across all areas

Managing job losses

So far, across several of the case study areas, many of the job losses have been managed through voluntary redundancy. However, further savings are still needed and many applying for voluntary redundancy are now being refused it, for various reasons. It is increasingly likely that compulsory redundancies will be used to make the savings required for most local authorities.

The impacts of uncertainty and unmanageable workloads for remaining staff are significant in terms both of personal wellbeing and on the services they are able to provide. Many public sector workers are strained to a tipping point. Mental and physical health issues are rising at the same time as services to support these individuals are dwindling.

All services affected

All case studies have shown that many local authorities in the North West may soon be in a position only to meet statutory requirements. Many services have been affected by cuts so far – both 'frontline' staff and 'back room' support has been eroded to the point that services are often only available to those with the most urgent and acute needs, and workloads for remaining staff are becoming unmanageable.

Adult and children's social care and mental health services have experienced some of the most significant impacts as a result of the cuts. Care homes and day centres are closing on a large scale, and adult care services are now very limited. Across all of the case studies, there are concerns that vast numbers of adults and children are now not receiving necessary support and that in the medium to long term this will have devastating impacts on individuals, communities and local economies. This is also likely to see a higher number of people presented later on as critical cases within other parts of the public sector system (e.g. NHS), having a greater overall cost to the public sector.

Private sector growth and privatisation of services

There is significant scepticism that private sector growth in localities is 'filling the gap' created by a retreating public sector. What has been perceived is an increase in low quality jobs with low wages, poor terms and conditions and no stability for workers. This is reflected in the quality of services which these work teams can deliver. Particularly in care, primary focus on outputs (tasks completed, time spent) and limited focus on outcomes is resulting in poor impacts for service users.

The UNISON Ethical Care Charter is important for improving the employment conditions of workers in care, and the resulting services which can be delivered. This will ensure that workers are paid a decent wage, and are able to carry out their caring role with a focus on patient outcomes. A number of local authorities have signed up to this.

5.1.2 Some opportunities for innovation, stifled by limited resources

Redeployment pools, with a focus on competencies and transferable skills, are proving a useful tool to manage job losses within local authorities. This is allowing for a degree of flexibility following voluntary redundancy to enable staff to move around within the public sector. However, it has its limitations - there is consensus that there is a risk of people being left on redeployment lists without hope of moving into new roles without additional training – which there is limited money for.

The Living Wage campaign has been received differently in different areas. Generally speaking, local authorities would like to pay their staff a living wage, but this has wide-reaching implications. For example, where services are being delivered by external organisations it is difficult to enforce. For some, adoption of the living wage has been accompanied by reductions in terms, conditions and enhancements to pay for this. This means that overall income for some may actually fall.

There is also evidence of progressive procurement, where the local authority has been putting into place procurement processes which centre on local economic and social gain as key priorities and weighting criteria within contracts. This is becoming increasingly important as monies spent on more traditional regeneration programmes have dried up. Additionally there are forums that have been put into place to help shape and influence what local government and partners are doing and ensuring fairness is a prevailing determinant – for example the Preston Social Forum and Liverpool's Fairness Commission.

For all innovation however, as with the living wage campaign, the sheer lack of money is stifling any significant changes. Movements towards shared services may be saving money, but do not represent a particularly new way of tackling challenges or improving services. Indeed, some more innovative approaches such as co-operative councils are considered by some commentators to be used to support privatisation of services, rather than improving working within the public sector.

5.2 Cumbria

5.2.1 Context to the locality

With a population of just under 500,000 Cumbria is the second least densely populated county in England. It covers a particularly large geographic footprint, covering close to half of the area of the North West. It is predominantly rural, bounded to the north by the Scottish borders, Northumberland and County Durham to the east, to the south by Lancashire, and North Yorkshire to the South East. It has only a few main towns, which include Carlisle, Barrow-in-Furness, and to a lesser extent, Kendal on the edge of the Lake District.

Figure 15: Area covered by Cumbria County Council (red line)



5.2.2 Area profile

Cumbria County Council is the local authority for the non-metropolitan county of Cumbria, employing approximately 7,200 staff. Up to now the council has cut £80m from its budget, and is required to make another £88m savings up to 2016/17, with £24.4m coming in this financial year (2014/15). By the time the programme of cuts is complete, the council's budget will have decreased by a quarter.

The savings are likely to be through a mix of changes in how services are delivered, together with job losses. Up to now 800 staff have left the council, and this figure is set to increase significantly.

Like many other councils, Cumbria will undertake its annual budget setting programme running alongside a more strategic overview of how it is going to operate in such a pared down climate – this requires a rethink on what the council can do and how it can do it.

5.2.3 Impact of the cuts

Impacts multiplied because of geography

Cumbria's geography is different to the rest of the region, in that the area is much larger than other areas and it is characterised by a rural economy with only a few large employers, such as Sellafield, and BAE Systems located at the shipyard in Barrow-in-Furness.

- ❑ Firstly, with only a relatively small private sector, this means that rebalancing the local economy is particularly difficult, if the public sector becomes smaller.
- ❑ Secondly, it means that accessibility to new employment is much tougher than in other areas across the region, due to the large distances involved and travel time between one town and the next for instance. This makes it particularly difficult to recruit local people.

- Thirdly, the effect of a less developed private sector and the rural nature of the county, means that the area is experiencing increased out migration of young people to find opportunity elsewhere, and increasing numbers of older people migrating into Cumbria to settle. This reinforces the development of a lower growth economy, which is exacerbated by the effects of public spending cuts. The private sector will not be able to pick up the slack in terms of employment.
- Fourthly, Cumbria is experiencing a rise of rural and fuel poverty due to a combination of higher living costs and austerity measures. The main towns of the county are located on its perimeter, but the rest of the area is an expanse of countryside and smaller towns and villages. Fuel poverty in Cumbria is particularly common in rural areas of Eden, the rural areas of north Carlisle reaching to the Scottish border, South Lakeland, as well as urban areas within Barrow. The council has previously spent significant resource in local community projects and infrastructure but much of the money for this activity has now dried up, making many rural areas more isolated.

Public transport options becoming increasingly restricted

This directly links into the wider point above about geography. Previously there were subsidised bus routes across Cumbria which was important for both social and economic reasons, and they provided a real lifeline to communities. This has now been scaled back, although other community transport schemes are still being supported however, such as Rural Wheels.

There has been a campaign by community groups across the county to help in the running of the service, but at present the cutbacks have led to a situation where, without a car, it is increasingly difficult to get around a large county. This particularly affects people living in rural areas, as costs increase if they have to drive. It has knock on effects on businesses, as due to lack of transport options combined with distances involved, it is more difficult to successfully recruit. There are also other potential implications, as reducing people's ability to move around means they become more isolated and can become dependent on other sources, such as social services, particularly older people (of whom there are many within these rural communities) and those who do not drive or own a car.

Issues for healthcare

Beyond the county council, there have been issues within the health sector which highlight the financial difficulties that NHS Trusts are facing. North Cumbria University Hospitals NHS Trust, along with 18 other Trusts nationwide, has recently been referred to ministers after the Audit Commission raised concerns about its financial health. It is another sign of the growing financial problems being seen in the health service, which may be down in large part to being forced to cut staffing levels. This means that the Trust will face further scrutiny from authorities and be put into special measures.

Impact on staff morale

The impact on staff morale has been significant. The council, like many across the country, have been forced into cutting staffing levels, but requiring the same levels of output. This is unsustainable in the medium to long term and can affect the quality of some services.

5.2.4 Adapting to a new era

The council is trying to be proactive and develop new ways of working which will help it adapt. Examples of activities are outlined below:

- Procurement functions are being centralised so there is a full understanding of how departments are spending and on what. This will reduce fragmentation and provide the foundation for a more joined up system;
- Working with UNISON to address issues around poverty will help the rural poor within Cumbria. This has included for instance, working proactively to promote the role of credit unions, referring people to them and advertising their services;
- Paying all of the staff at the council at least the Living Wage. Although the council is not yet signed up to the Living Wage Foundation, this commitment will make a difference in helping people with their living costs;

- Developing an apprenticeship programme within the council: there is a significant drive nationwide to ensure that businesses of all sizes are investing in apprenticeships. The council is leading by example and developing its own apprenticeships, helping young people across the county develop the portfolio of skills and experience they need in the labour market. Cumbria County Council has successfully supported many apprentices of which 98% have gained employment or have progressed onto an advanced apprenticeship.⁶³

Key messages from Cumbria

- The geography of Cumbria has meant that the impacts of public spending cuts have impacted upon many isolated and rural communities particularly harshly. The county has a relatively less developed private sector dispersed across a large area, and accessibility to new employment is much tougher than in other areas across the region. This makes it particularly difficult, given the context of cuts to public transport subsidies, meaning accessibility to jobs is even more challenging.
- Cuts to public transport subsidies will also affect rural communities who rely on public transport as a lifeline. This could have knock-on effects of increasing dependency and require further public sector resources.
- The cutbacks in local community projects will affect the vitality of rural areas and further increase the risk of rural poverty embedding itself in parts of the county.
- The cuts have impacted staff morale across the council, as, in common with many areas, although staff numbers have fallen there is still increasing demand and an expectation that outputs from staff will remain the same as before. This could affect the quality of future service provision.
- The council have been proactive in adapting to change. For instance through work around centralising procurement functions, paying staff at least the Living Wage, a strong apprenticeships programme within the council, and working with UNISON to address issues around the rural poor.

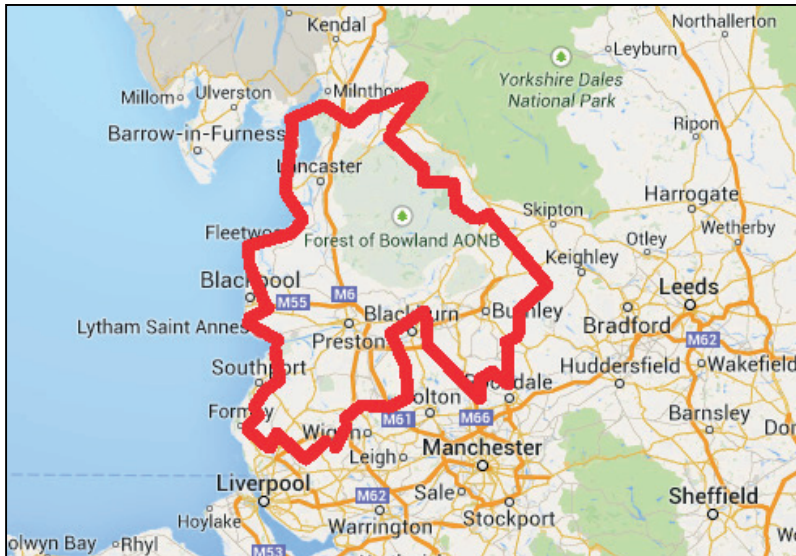
⁶³ Source: Cumbria County Council (2014) <http://www.cumbria.gov.uk/jobsandcareers/apprenticeships/>

5.3 Lancashire

5.3.1 Context to the locality

Lancashire covers a large geographic area, reaching from Greater Manchester and Merseyside to the south, bordering Yorkshire to the east and the Lake District to the north, with a total population of over 1.1 million. Localities within this area are diverse, including urban areas of Preston, Blackpool and Lancaster and more rural areas outside of the main centres.

Figure 16: Area covered by Lancashire County Council (red line)



5.3.2 Area profile

Lancashire County Council is the local authority for the non-metropolitan county of Lancashire. It employs 40,000 staff. The Council has to deliver £300 million savings by April 2017. £75 million of this savings is to come from reductions in employee costs over this period. So far, approximately £25 million has been saved through staffing costs. This means that £50 million more needs to be saved over the next two years.

The job losses predicted by Lancashire County Council are 2,500 full time equivalent (FTE) staff. However, this figure is calculated based on average wages of £30,000 per annum, which doesn't reflect large portions of the workforce. In reality, more job losses may be needed to meet the required savings.

A critical factor in Lancashire's ability to plan for future cuts is understanding where the priority areas for protection and savings are. This has not yet been decided, and as such local public sector workers are in a state of uncertainty.

5.3.3 Impact of the cuts

Job losses

Lancashire set out in their section 188 documentation that no employee will be made compulsorily redundant before 31 March 2016. This has given public sector staff some degree of stability for a two-year period.

Lancashire is therefore approaching public sector staffing reductions primarily through voluntary redundancy (VR). By 2012/2013, 1,700 public sector jobs had already been cut (primarily through VR). However, this initial period of successful VR has waned. In 2013/2014, 1,273 voluntary redundancies were sought, with only 275 approved (21.6% success rate). If subsequent financial periods follow this low rate, it is highly unlikely that sufficient savings will be made through voluntary redundancy alone.

It may be the case that in 2016, if sufficient VR has not been secured, vast numbers of public sector staff will be made redundant to meet the required savings.

Service delivery

Adult and children's services have been negatively affected by the cuts in a number of ways. Over time, the 'bandings' have changed for where support is given. Only 'critical' cases now receive care as the eligibility for funding has been massively reduced.

There is movement away from home care, and as such a 6-week 'rehabilitation' package which is now given to promote independent living and reduce ongoing demand on the public sector. Public sector care homes are now prioritised for the highest need only.

Day centres for elderly people and people with learning disabilities have been closed or their hours significantly cut. This is taking away important opportunities for social interaction outside of the home for many, as well as respite for carers.

Many children's residential homes have been closed as part of a very long restructuring phase. At present, only the most challenging cases are being taken within the county. Keeping children in existing home environments is being prioritised, and other children are being re-homed outside of the county.

Travel

Lancashire offers a Travelcare service, which supports people accessing services such as day care and taking children to specialist schools. Whilst there is still a service offered this has been impacted by reduced funding.

Travel is a concern across the county. The area's large geographical reach means that many communities rely on public transport, which has been impacted by the cuts. Many services have now been reduced or lost, meaning that many people's travel has been significantly limited. This is preventing people from getting 'out and about' to visit friends or family, to access shops and services and cutting off rural communities. This has implications for people's health and wellbeing.

5.3.4 Adapting to a new era**Coping with uncertainty**

As Lancashire County Council has not yet identified priorities for cuts, it is difficult for staff and service providers to plan ahead. Whilst protection from involuntary redundancy for two years is helpful, more information is needed for staff to plan ahead – both in terms of service delivery and in terms of their own jobs. Without this information, staff are in limbo waiting to be able to act.

There are efforts within the council and UNISON to encourage remaining staff to be proactive in terms of re-skilling, training and linking up with other agencies. However, the 2 year period of protection may be dissuading people from acting quickly. UNISON is supporting the use of an 'opportunities list' to facilitate redeployment within the council.

Key messages from Lancashire

- Voluntary redundancy is unlikely to meet the demand for staff cost savings across the public sector Lancashire. As time progresses, the pool of individuals seeking VR will reduce. Coupled with the very high numbers of job cuts required, involuntary redundancy may be inevitable.
- Adult services have been significantly impacted by the cuts in Lancashire. Only those at the highest level of risk now receive support, meaning that people in need must progress until their situations are critical before they can access help.
- In-home care has been replaced, to a large extent, by a 6-week programme aimed to reduce dependence on services. For most, this will mean that support is time-limited as resources are prioritised only to those with the highest need.
- Children's homes in the county are also now only accepting the children in the highest need category, with the local authority prioritising keeping children in their existing homes. Whilst this promotes keeping families together, for those children who cannot stay at home but are not in the highest category, it may mean moving very far away from their existing support networks.

- Travel, both in terms of public transport and Travelcare provision, has been significantly reduced through cuts and reductions to services. This is limiting residents' routes to access support and services. It may also reduce the ability of residents to access training and employment, if they do not have access to private cars and rely on public transport.

5.4 Liverpool

5.4.1 Context

Liverpool is a city and metropolitan borough of Merseyside. It has a population of 466,415 (2012 estimates). Since 2012, Liverpool has a directly elected mayor. The mayor's key pledges to the city are:

- ❑ 12 new schools;
- ❑ 5,000 new homes;
- ❑ Attracting inward investment and jobs; and
- ❑ A cleaner, greener city.

Figure 17: Area covered by Liverpool City Council (red line)



5.4.2 Area profile

Nationally, Liverpool is the second most affected authority regarding the cuts, behind Hackney. This is within the context of a city which faces significant deprivation concerns. Between 2010 and 2012 public sector employment fell by 5,400 in Liverpool, according to the Centre for Cities.⁶⁴

Deep cuts have continued in Liverpool, and in 2014 a further £156million savings have been announced. Of these, £42million will be cut from adult care, £16million will be cut from Sure Start centres (up to 72% of existing funding) and library funding will be halved.

Libraries, Sure Start centres and leisure centres will be closed, and 6,500 jobs will be lost from the public sector. It is likely that all discretionary services will be lost as the cuts continue, and there is an inherent risk for statutory services' survival.

5.4.3 Impact of the cuts

Impacts on the community of changes to adult care and children's services

These cuts will result in more people having nowhere to turn to in the community, and much more stretched services. With regards to children's services, this can have important implications for engaging families and impacts on community networks. Centres such as Sure Start are important local community assets, and as with many places across the country, the closure of such centres impacts on early years experiences and family support, together with reducing community networks.

⁶⁴ Source: Centre for Cities (2014) Cities Outlook http://www.centreforcities.org/assets/files/2014/Cities_Outlook_2014.pdf

Significant gender equality issues

Cuts to public sector jobs disproportionately impact women, as women make up the majority of the public sector work force. As the public sector is scaled back, this is likely to increase unemployment amongst women. Even if the private sector were to 'fill the gap' left by the public sector, private sector roles more typically recruit men – creating an employment gender imbalance.

Cuts in Liverpool to domestic abuse services, sexual violence services, mental health care, childcare and service for BAMER women (black, asian, minority ethnic and refugee women) mean that the impact of the cuts in terms of services disproportionately impact women. These services offer critical lifelines to those who use them, which will be lost for many. That these cuts have a deleterious effect on the section of the community already most at risk from exclusion will fundamentally undermine future prosperity for many.

Adult education

The number of course places which colleges can offer for adult education has been significantly cut as a result of reduced funding. Staff numbers have had to be cut, so courses have been scaled back. As Liverpool has some of the most deprived wards of the country, adult learning has offered an important means for individuals to train in order to access employment opportunities. Cutting this reduces social mobility and will prevent individuals from accessing work in the local economy. It may also mean that local businesses struggle to find appropriately qualified local staff.

Youth centres at risk

Youth centres across Liverpool are likely to close as £123,000 savings are to be made through cutting funding for six sites. The council is hoping that organisations from with the private or social sectors will take over management of these sites, but this is uncertain. Whilst there has been some initial interest in four of six sites, not all of this is with the intention of keeping the premises as children's or youth services.

5.4.4 Mitigation and innovation – adapting in a new era***Liverpool Fairness Commission***

The Liverpool Fairness Commission was established by Liverpool City Council with support and funding from The University of Liverpool. It is an independent body to look at practical ways of improving the lives of people living in the city against a background of economic recession and massive spending constraints facing the public sector. To date, the commission has examined the issues and evidence surrounding the social and economic inequalities that Liverpool experiences; providing examples of good practice and developing a set of recommendations to help inform and shape public, private and voluntary sector strategies in order to achieve greater fairness.

The commission's report, *Come Together*, sets out a series of recommendations to tackle disadvantage and equality, promote employment and prosperity and open up opportunities for every Liverpool citizen. So far, the most impactful recommendation has been around adopting the Living Wage across Liverpool. This is in direct support of driving growth in Liverpool which supports a fairer city. Parental employment is identified as the best route out of income poverty, and it is important for this employment to pay wages which can support families.

Living Wage

Since 2012, Liverpool City Council has implemented the Living Wage for its employees, raising the pay level for around 600 staff. The funding for this has come out of existing resources, and taken into account when calculating how savings are needed to be made across the council over the coming years.

The city is conscious that Living Wage adoption should not come at the cost of terms and conditions for workers. An example of this thinking is in renegotiation of contracts for social care, aiming to both improve wage levels and terms and conditions for workers.

The living wage is also being encouraged through commissioning and procurement practices by the council. Liverpool city council has included criteria such as payment of the living wage as a basic requirement for any organisation and its suppliers that are bidding to run a council service, in order to tackle inequalities within communities across the city.

Whilst the Living Wage has been adopted by Liverpool City Council, the Fairness Commission promotes extending the Living Wage to the private sector.

Delivering more, and more suitable, homes

Liverpool's mayor pledged to deliver 5,000 new homes in the city. The city needs new homes to reduce pressure in the housing market and to increase the provision of affordable homes.

In December 2013, the mayor's residential update identified that 959 new homes have been completed, with 2,604 either on site or awaiting start. A further 2,844 new homes under the Housing Delivery Plan either have, or are seeking, planning permission, with a further 1,272 from the private sector.

An additional target of 1,000 empty homes being brought back into use has almost been met, with 948 now occupied again. A further 961 homes have been identified to be brought back into use.

Key messages from Liverpool

- Liverpool has some of the most deprived wards in the country, and yet has faced the most significant cuts nationally (outside of London). The supporting role which the public sector plays for deprived communities is crucial, and this important mechanism is being rapidly stripped out of Liverpool, undermining future economic sustainability.
- Adult care cuts mean more people having nowhere to turn to in the community, and much more stretched services.
- Children's Centres such as Sure Start are important local community assets, and as with many places across the country, the closure of such centres impacts on early years experiences and family support, together with reducing community networks.
- Gender inequality in Liverpool has been greatly exacerbated by the impacts to service provision which have resulted from the cuts. Issues of exclusion are likely to be significantly increased as further cuts take place and necessary services are cut. This will limit large sections of the community from being able to access support and opportunities to contribute to economic growth.
- Adult education and youth services have already been impacted by the cuts, and this is likely to continue. Losing these services removes important structures for young people and families to develop themselves both socially and educationally, limiting the future workforce from accessing skills development which is necessary for the economy to sustain. The abolition of the Education Maintenance Allowance in 2010 signalled an end to supporting the poorer and poorest students to get a better start in life. This has impacted on the life chances of 16-18 year olds across the country, including in Liverpool.⁶⁵
- The Liverpool Fairness Commission is driving important changes across the city, most notably adoption of the living wage through the council (and through its procurement procedures). It is evident from this that the commission's recommendations are being taken into serious deliberation through the local authority, and should result in a fairer city in which residents are able to access opportunities needed both for their own personal lives and to contribute successfully to the local economy.
- Liverpool is progressing along its pledge of creating 5,000 new homes in Liverpool. Building new homes is critical for the future economy of Liverpool, so that living in the city is affordable for all and so that people have suitable homes to live in.

⁶⁵ Source: UNISON (2014) *Securing the future of our public services: A UNISON manifesto*

5.5 Manchester

5.5.1 Context

Since the Coalition Government came into power, Manchester, with a population of over 514,000, has remained in the top 6 local authority areas for cuts in public resource. Within the North West, it is considered to be the area with the most socio-economic and health needs (alongside Liverpool).

Figure 18: Area covered by Manchester City Council (red line)



5.5.2 Area profile

From 2010 to 2014, Manchester City Council had to make £170 million savings, equating to 4,000 jobs. The council is currently waiting to hear details of the local government settlement, expected in late 2014, to identify the amount of savings intended for the next financial year, but it is expected that many more jobs may be lost in the next few years.

5.5.3 Impact of the cuts

Frontline protection

Whilst the local authority has had to make budget savings through staff losses, the Council's strategy has been to try where possible to protect frontline service delivery. Some services have been closed entirely and others dramatically cut, but for those remaining the Council has tried to focus upon management reductions rather than cutting frontline line jobs.

Voluntary severance (VS) and Voluntary Early Retirement (VER) schemes have been introduced though some staff have had their applications under these schemes turned down. Staff in positions that are difficult to recruit to - for example Supported Accommodation staff in Learning Disability – have typically had their VS or VER applications refused.

Limited opportunities for training

Due to the budget cuts, there is little money available to invest in staff training. This may restrict staff in developing within their current positions. It may also limit individuals' ability to engage with redeployment within the local authority where staff are required to 'step up' to different roles in order to retain employment.

Strained public sector workforce

Incidence of ill health is considered to be rising within the public sector workforce in Manchester, indicating that the stress and uncertainty is damaging the health of workers. Proactive measures to plan for future employment change may limit these impacts.

Promoting independence and self-reliance

This relates to providing targeted intensive support. It is recognised that to reduce demand on the public sector, individuals and communities are being encouraged to develop independence from public services. This relates to providing support upfront to enable people to develop sustainable coping mechanisms, independent of services.

Efforts to streamline contact with local services, such as for troubled families, seek to reduce the future volume of the need for interventions with individuals. The aim is to ensure that service users have 'one key contact' who links together their service needs and has a holistic understanding of individuals' situations (rather than separate aspects). This is explained further in section 6.1.5 (Community Budgets).

5.5.4 Mitigation and innovation – adapting in a new era***Mpeople***

To avoid compulsory redundancies, Manchester City Council with trade unions has developed 'Mpeople', a skills-based redeployment system. This is a proactive system that encourages all staff to record their skills, rather than the details of their existing roles, to expand their potential for redeployment across the council. This is a competency assessment based on the Council's values of 'people, pride and place'.

Mpeople has served as a best practice example across the wider public sector nationally, as an effective means to moving staff around, within the council, to avoid compulsory redundancies. So far, through this approach, Manchester has managed to keep job losses voluntary.

Public-public partnership approach

Manchester City Council has created efficiency savings through 'public-public partnerships'. For instance, Manchester City Council fleet management (e.g. maintenance) is now being managed by the Greater Manchester Police. Public-public partnerships represent joining up with other public sector institutions to share resources, in a way which has already happened across different local authorities.

The benefit of public-public partnerships is that staff are retained within the public sector, creating savings through different working arrangements. The approach is one of area-based assets, and thinking about the ways in which different bodies across the public sector can share and develop more effective services.

Manchester Minimum Wage

The Manchester Minimum Wage (MMW) has been agreed from April, for all council staff. This is separate from the national Living Wage campaign, but raises the lowest paid hourly rate to national living wage levels. The MMW is only agreed for a fixed period over the financial year. This impacts 1,200 staff in the council, and will cost just under £1 million to fund.

The MMW has limitations; as yet, the council does not consider it realistic to expect its providers to pay at the same level. This means that the programme's impacts are limited to direct employees of the local authority.

Progressive procurement

Over a number of years now, Manchester City Council has been very proactive in developing sustainability principles in its procurement policy. It has also sought to ensure that its procurement spending reaps maximum local economic, social and economic benefit for the city's communities.

Key messages from Manchester

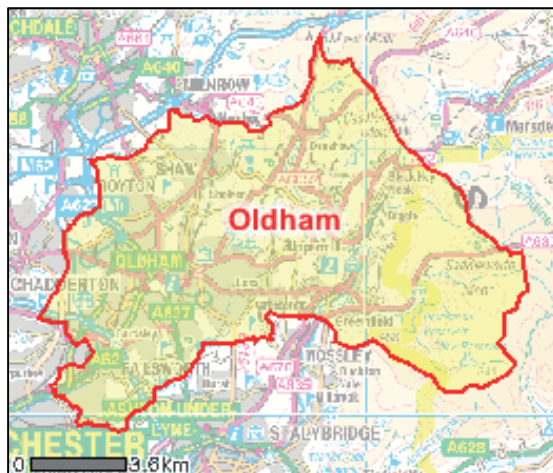
- So far, 'frontline' jobs in services that have survived in Manchester City Council have been protected. This is with the intention of limiting the impact of services for individuals and communities. However, with significant reductions in non-frontline staff, there are still significant service delivery implications.
- Whilst services have been redesigned to promote independence for individuals, this may be, in effect, a long term reduction in services. There may be benefits for some service users, for example Troubled Families users, but for others with less priority the comparative reduced contact time with support services may be a future concern.
- The M-people approach to redeployment is used as an example of national best practice, having kept job losses voluntary so far. However, in terms of people identifying their competencies for movement around the council, there is limited or no training available to support this due to lack of resource. There is also a risk that as cuts deepen and further savings have to be made, opportunities to 'reshuffle the deck' will be lost and compulsory redundancies will be necessary.
- The Manchester Minimum Wage represents a good settlement for Manchester City Council staff and the local economy. It has raised the pay for its lowest paid employees to the same level as the national Living Wage (though subject to an annual review). This will have even greater local economic benefit if it is extended into procurement supply chains.
- Manchester's procurement policy is very proactive and progressive. It has for some time now been centred on the principle that procurement spending reaps maximum local economic, social and economic benefit for the city's communities.

5.6 Oldham

5.6.1 Context

Oldham is a large town with a population of over 100,000. It is in the north of Greater Manchester, and covers a large area including urban and rural localities.

Figure 19: Area covered by Oldham Council (red line)



5.6.2 Area profile

Including the budget savings for 2015/16, a total of £202m will have been cut from the council's budget since 2010.

5.6.3 Impact of the cuts

Service cuts and movement to separate trading arms

All services have been cut, and the council is currently focussing on better ways of working. Some services have been closed, others scaled back and some have gone to two separate trading companies which Oldham Council set up – Oldham Care and Support (established by the council to deliver adult social care provision) and Oldham Care and Support at Home (entering into new business in domiciliary care). Oldham also established a partnership venture with Mouchel called Unity which provides functions including payroll, some HR and planning

The council is now beyond 'trimming' – department structures have shrunk and senior management has been cut. Duplicated services have merged. Any further cuts now represent loss of service, skills, knowledge and experience within the council. Adaptability of services is being lost, and a fall in service performance is inevitable.

Private sector growth risking service quality and workers' terms and conditions

Whilst jobs in the private sector may have grown, there are significant concerns over the quality of these jobs, and repercussions on quality for the services provided. For example, within the care sector personal budgets mean that individuals are able to directly hire home care providers. These tend to be self-employed people who have no contract, no terms and conditions and no legal employment protection.

Even where a private company has been set up by the council – Oldham Care and Support for instance - the terms and conditions of these contracts are less favourable than when staff were employed by the council. The risk is that staff's own working conditions force a focus on outputs rather than outcomes, and that as a result, care is increasingly being stripped out of the caring profession.

For organisations to be on the council's approved list they have to pay their staff the living wage and 80% of the workforce has to be on permanent contracts. This is clearly a positive development that can help the local economy and employees. However, there is a risk that this can result in a cut of other terms and conditions. Where enhancements have gone down, the overall income for many workers has actually fallen.

Significant health concerns

There are concerns for example within the mental health social work team, as case loads are very high. Preventative treatment has been cut back and cases escalate and are dealt with when acute and costs of intervention can then be higher though may be passed on to the health or criminal justice budgets.

This has serious implications for individuals and communities, whose circumstances will deteriorate to critical points. In addition, it represents higher costs to the public sector overall as cases will present when they have progressed to the greatest level of service need, rather than being addressed at earlier points.

There has also been an increase in stress and sickness in the workforce, as a consequence of not being able to achieve targets and turn over an unmanageable workload. The mental health of the workforce and the population is suffering, and there is no longer the support for individuals as mental health services have been cut.

5.6.4 Mitigation and innovation – adapting in a new era***Co-operative Council***

Oldham Council is a founding member of the Co-operative Councils Network - collaboration between local authorities who are committed to finding better ways of working for, and with, local people for the benefit of their local community.

For Oldham, being a co-operative council “is about everybody doing their bit and everybody benefitting”. Part of this is paying staff the living wage, and part is involving residents in co-producing services and decision making. However, there are concerns that as part of the co-operative approach, increasingly public services may be privatised.

The co-operative council approach is seen by some as an overarching theme which is not reflected in changes being experienced by staff. The values which the co-operative movement follows are subjective, and as such are difficult to prove or disprove work towards. The vision is clear, but broad, and is likened more to the concept of ‘the big society’ than a co-operative. This is not by any means an implied criticism of Oldham Council, rather perceived uncertainties of the wider co-operative approach.

For some public sector workers, the co-operative council is considered a threat to the sector, as it is seen as a justification for moving services out of the public sector.

Increase in service delivery start ups

A number of former managers who took voluntary redundancy have started up their own businesses, with a solid understanding of where public services have shortfalls. This has increased competition for services with the council. This may serve to reduce costs to the council if services are increasingly outsourced, but could also represent further privatisation of the public sector – for skills and resources previously in-house. As service delivery agents compete over price, the quality of services may be affected and projects will take longer to deliver than they would if retained within the public sector.

Key messages from Oldham

- All services have been cut in Oldham, and the public sector is now operating predominantly to deliver statutory duties. As with councils across the country, as further staff leave the public sector, the decline of service quality is a major possibility.
- There has been an increase in privatisation of public services, through both the two new trading arms of Oldham council and through new businesses being formed by former staff to deliver services. There are significant implications for both cost and quality of this approach. Additionally, the terms and conditions of staff in the private sector are not as favourable, than when employed to do the same job in the public sector.
- Significant health concerns are impacting both the public and the workforce, with only limited services to support mental health issues in particular. This has significant implications for both individual wellbeing and demand on other public services.

- The Co-operative movement of which Oldham is a founding member, in theory, has been well received – but there is a perceived fracture between the movement's aims and the ways it has been implemented by the public sector. In particular, there are concerns by some that it could exclude public sector workers as key actors within a co-operative.

5.7 Preston

5.7.1 Context to the locality

Preston City Council is a district council, working alongside Lancashire County Council as part of a two-tier local government system. Preston was granted city status in 2002 and has a population of 114,000.

Figure 20: Area covered by Preston City Council (red line)



5.7.2 Area profile

In the first round of budget cuts, 10% of staff within Preston City Council lost their jobs. However, only 20% of these were compulsory, with the remaining being voluntary redundancy. So far, terms and conditions for staff have been protected, and as such staff morale is perceived as positive.

However, more redundancies are due in this financial year and beyond, and it is less likely that these will be met primarily through voluntary redundancy. UNISON's preferred method of voluntary redundancy in Preston is an across the board call out, not department by department. It is considered that older, more skilled staff will be more likely to accept voluntary redundancy, but that these are the staff the council will wish to retain.

5.7.3 Impact of the cuts

Closure of pre-employment programmes

Previous to the first round of cuts, Preston had a number of programmes in place which operated proactively in getting people into work. These focussed on the long-term unemployed. However, these have now been cut. Other services are at risk of imminent closure in the next round of cuts, including Citizen Zones – which currently go out into estates to help deliver skills training to local residents, to improve their employability.

Key services closed

Two of the services which have been significantly impacted in Preston are housing advice and debt centres. In addition, there are proposals to cut Citizens' Advice Bureaus. The closure of key services is stripping away individuals' access to support, in already difficult times. This is making the impacts of changes to welfare that much more difficult to cope with. Without access to support and advice, individuals and families will struggle to cope with personal and financial situations, undermining health, well-being and economic prosperity.

Access to services reduced

Access to all services is now more difficult, as centres have closed and access has been centralised to the town hall. The town hall itself now has reduced opening hours, meaning that weekend and evening access is now restricted. Access to services is now predominantly online, which is a significant barrier to people without access to the internet, or who are less computer literate.

Cultural impacts

Staff within museums have been lost, and special projects closed. The arts and cultural side of public sector service provision in Preston has been hit hard as a 'non-statutory' service area. In terms of arts and culture and sports development, the loss of jobs in this sector represents important skills being lost from Preston. There is a risk that the Guild Hall in Preston will transfer to the private sector if the public sector is unable to support it any longer.

5.7.4 Mitigation and innovation – adapting in a new era

Living Wage procurement

Preston was the second city to become a 'Living Wage City', which means a local authority which subscribes to the Living Wage campaign and pays all staff the living wage. Since 2009, the council has implemented a policy of paying its own staff and contracted staff the living wage. In 2011, this was extended to some of its procurement processes.

The recent redevelopment of Preston's cenotaph was the first project through which procurement processes were used to secure a living wage for those employed by the contractor. Preston City Council secured £835,600 from the Heritage Lottery Fund (HLF) to renovate the cenotaph, and used commissioning and procurement processes designed to ensure that all workers on the project received a living wage. This is a practical example which shows that councils can transmit the living wage to contractors.

Shared services

10% of staff were lost in the last round of cuts, with a similar proportion expected in the next round. To mitigate against depreciation of services, Preston now share housing services with Lancaster. There will become a point however at which sharing services cannot 'plug the gap' when staff are lost.

Flexible working arrangements

A previous initiative to reduce electricity bills across Preston City Council, 'Green Fridays', highlighted that existing staff are more flexible to different working arrangements than previously thought. The initiative meant that the council closed the majority of public buildings on Fridays, and required staff to work around this – primarily from home where they were able. It became apparent that some staff were willing to reduce their working week by one day as a result, and it has since translated into more staff choosing to do this. As staff voluntarily chose to work fewer hours, money is saved in the council and the pressure for budget cuts is reduced to an extent.

Social forum

Preston Social Forum has been set up to focus on issues of equality and fairness around Preston. The group, still within its early stages, has been set up with the aim to promote the 'Fairness Agenda', through a community led approach seeking improvements in Preston. A key part of this is bringing the voluntary and community sector and trade unions together with the public sector and the private sector, to share knowledge and expertise in working towards shared objectives. This is about collaboration and how best partners across the city can work together and innovatively to deliver real benefits for communities in the face of the current economic climate. The City Council regards the social forum as a promising route to sustaining a successful Preston for all.

Key messages from Preston

- Non-statutory services in Preston have been significantly impacted by budget cuts, meaning that many support services have now closed. Important advisory services, which offered support for a range of personal and financial issues, have gone. This has significant implications for individuals and communities who are struggling.
- Remaining services are now less accessible for residents in Preston. Centralising services to the town hall, and reducing town hall opening hours, limits opportunities for individuals to access support. Whilst some services can be accessed online, this form of contact is limited to those who have access to the internet and are computer literate – this may exclude sections of the community from being able to access services.

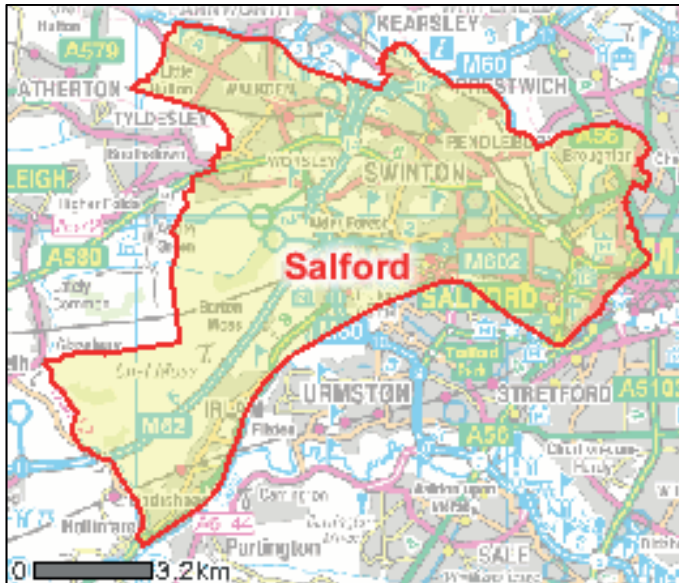
- Beyond immediate impacts of reduced services and reduced accessibility to services, there are significant cultural implications of the cuts in Preston. There are a number of important cultural facilities, including the Guild Hall, which have suffered significant staff reductions and whose continuance is under threat. Reducing cultural facilities across the city has implications for social interaction and development for communities.
- Living wage procurement in Preston has been demonstrated to be practicable and effective, through delivery of the cenotaph redevelopment project. This is an excellent example of the use of living wage as a means to ensuring fair pay for those delivering public services, realising local economic benefits from project work.
- Preston Social Forum offers a meaningful route to opening up cross-sector discussions to create a fairer Preston, which supports all sections of the community. This may be fruitful in mitigating some of the impacts of reduced service delivery across the population.

5.8 Salford

5.8.1 Context

The City of Salford is a city and metropolitan borough of Greater Manchester, England. The total population of the area is 234,000. Salford has had an elected mayor since 2012. Key priorities which the mayor outlines are a Salford which supports those in need and quality jobs with decent wages, which is reflected in the city's adoption of the living wage.

Figure 21: Area covered by Salford Council (red line)



5.8.2 Area profile

Salford has experienced major cuts. Up to 2014, £100 million has been cut from Salford Council's budget. £70 million of cuts are to come in the next three years - £25 million of which are within the current financial year.

The £25 million this year represents 300 jobs, which will be sought from voluntary redundancy and early retirement in the first instance, though compulsory redundancy may be unavoidable. Children's and adult services will be significantly cut, as will regeneration, customer services and administration and environment, community safety and leisure. In addition, other services will cut, including the Salford Discretionary Support Scheme, which provides financial aid to the neediest people, respite care, children's homes and road maintenance.

Some public services are expected to disappear altogether as a result of further cuts. Some will be provided by the council working in partnership with other organisations. Others will be provided by partner organisations on their own.

5.8.3 Impact of the cuts

All services affected

Every aspect of the council has been impacted by the cuts. Whilst cuts started in the 'back room', these have extended in the last two years to the 'front line' - the current financial year will see extensive cuts to front line services. By the end of 2014, the council is likely to only be operating to fulfil statutory requirements.

Adult and children's services will suffer disproportionately and consequently there are issues around access to care for those who need it. As with many places, support is now only available to the highest level categorisation of need (critical and substantial). This is likely to mean that the same levels of cases come through, but at points when the needs and service demands of individuals are even higher.

Salford has so far prioritised welfare advice and debt advice services, and youth services to a lesser extent. A number of these services could be lost in time, with the council currently in consultation with the community and staff to determine what will be cut.

5.8.4 Mitigation and innovation – adapting in a new era

Living Wage

Salford is the first council in Greater Manchester to adopt a living wage for all of its employees. This meant that 1,200 of its lowest paid staff received an immediate pay boost. The ambition is for a fully inclusive Charter for the public, third and private sectors which would tackle poverty and boost spending power across the city. It also increases morale of staff and therefore enhances productivity of the workforce. Importantly Salford is looking at extending the Living Wage concept to encourage other public sector organisations, the third sector and progressive private sector business leaders to follow its lead. As such it is in negotiations with several of them. Further, the council wants to use the Employment Charter to lift local pay levels in commissioned services and amongst contractors in Salford. It is being perceived by the council as a key mechanism to reduce the overall levels of poverty across the city.

However, this can bring financial implications. For example, the money to fund the living wage has had to be found within the council budget. Additionally, applying the living wage through procurement may result in third parties reducing terms and conditions and enhancements for their staff – therefore there need to be mechanisms in place to monitor that.

In-sourcing

In-sourcing is something that the council is looking to develop further. It has maintained environmental services in-house, and as a result has saved £4 million on refuse. This has enabled the council to offset other cuts, and use this money to deliver pay rises for workers in this service. Retaining services in-house and bringing services back in house has the potential both to save money for local authorities and to help protect against some job losses, whilst retaining quality control over services in a more direct way than is possible through privatisation.

UNISON Ethical Care Charter

Currently, Salford is considering signing UNISON's Ethical Care Charter. This charter is designed to ensure care sector employees (employed both directly by councils and indirectly by councils through procurement) have sustainable pay, training and good terms and conditions.

These are necessary in order to provide higher quality social care. This is about recognising the value created by care service providers for individuals and communities, and that the highest levels of care are only possible when staff work in good conditions.

Key messages from Salford

- Cuts are of a scale that all services will be affected. As the cuts deepen, it is inevitable that non-statutory duties will be lost and statutory duties will be under threat. It is important that the consultation methods being used allow staff and the public to make informed decisions about their response to proposed cuts in services.
- Adoption of the Living Wage in Salford has been a positive development, and the efforts to implement this further across the private sector are important – whether this be through commissioning and/or influencing through existing partnerships. There are possible financial implications of this though, as the money to fund the living wage has had to be found within the existing stretched council budget
- Retention of services in house has made important savings for Salford Council. Keeping services within the public sector, as opposed to privatisation, can lead to both staff retention (and retention of terms and conditions) as well as saving money and ensuring quality control. This opens up possibilities for moving other services back into the council.
- UNISON's Ethical Care Charter has important implications for the quality of service provided in social care. It is important that staff are paid a decent salary, with secure terms, in order that they are able to perform well. Care provision is undermined by zero hours contracts

and very low wages, which has significant implications for the outcomes of service provision – staff are stretched and services are deteriorating. Salford signing up to the Ethical Care Charter would underline the council's commitment to good working conditions and high quality care provision.

6 KEY MESSAGES

The following section outlines a range of key messages for UNISON North West. These are designed to influence both national government and local partners within the region, with UNISON NW taking a lead role in promoting these messages. This includes a mix between wider strategic and practical messages. They are split into three different themes which reflect the evidence collated for this report:

- ❑ Appreciating the value of public services and local government;
- ❑ Protecting and developing the public sector workforce;
- ❑ Maximising the potential of the regional economy.

Importantly the messages are predicated around fairness. This is a word which has been used in many policy forums by the Coalition Government but which has had a loose meaning that has been lost in rhetoric. Here it is about fairness for public sector workers, for communities and places across the region that have been disproportionately adversely impacted by government policy.

6.1 Appreciate the value of public services and local government

6.1.1 Re-affirm the value of public services

- ❑ A broad theme which cross-cuts across all of the messages.
- ❑ Re-affirm within policy why the public sector is so important for the wider economy.
- ❑ Develop a broader view of public activity that encompasses:
 - **Social and cultural value** (contributing to social cohesion, social relationships, cultural identity, and individual and community health and wellbeing);
 - **Political value** (stimulating and supporting democratic dialogue, active public participation and citizen engagement);
 - **Environmental value** (stewardship of local land resource, and leadership in the sustainable use of resources, energy, waste and recycling);
 - **Economic value** (local economic benefit of direct employment and local supply chains)
- ❑ Any negation of these benefits is hugely important when considering scaling back local government and other public services.

This overarching theme is about appreciation of the value of public services. This has been lost and confused in recent years in the midst of policy focus on austerity and lack of understanding of why the public sector is so important for the economy. This message transcends throughout the other messages below. National government needs to consider a broader view that embraces the wider social, political and environmental impacts of public services, including:

- ❑ Social and cultural value (contributing to social cohesion, social relationships, cultural identity, and individual and community health and wellbeing);
- ❑ Political value (stimulating and supporting democratic dialogue, active public participation and citizen engagement);
- ❑ Environmental value (stewardship of local land resource, and leadership in the sustainable use of resources, energy, waste and recycling);
- ❑ Economic value (local economic benefit of direct employment and local supply chains).

There are many local economic benefits created by our public services, not just in terms of the good work around the UK stimulating local procurement, employment opportunities and so forth, but looking at the 'un-priced' benefits to society and the environment. Any negation of these benefits is hugely important when considering scaling back local government and other public services. These

benefits illustrate why the Government should place greater value upon public services. Such an attitude will also ensure local public bodies are able to continue and build important place stewardship functions (particularly with regards to local government), and provide important support and partnership working with the private and social sectors which is needed for places to prosper (for instance Local Enterprise Partnerships, of which the local authorities are a key driving force and coordinator). Recognition of public value is therefore central to developing relations between central and local government.

6.1.2 Develop a premise for a new settlement on the role and value of local government

- ❑ There needs to be a shift in the thinking of the value of local government, and a narrative developed which illustrates why it is so important – particularly in the North West, where local government has been disproportionately impacted by the cuts.
- ❑ There are number of core messages that need to be communicated and developed as part of a new discussion:
 - Local government is a central component in developing local solutions for the problems places face.
 - Local government is the key body which provides the development of local networks for partners to grow.
 - This important network role of local government is being overlooked by the Coalition Government.
 - Local authorities are fundamental for democratic legitimacy - they are not just service providers. They are central for place-based leadership, governance and accountability, and therefore critical to engagement with the wider population.
 - Local government therefore is critical to raising levels of democratic participation. If local government had more statutory rights, powers and responsibilities to deliver local solutions, then this will enhance its legitimacy and work to reinvigorate participation.
- ❑ This all highlights the central importance of local government in developing strong places.
- ❑ There is an argument for a new settlement, based on these principles, to create and maintain a new, and more appropriate, balance of power, responsibility and resource between the central and local.

Local government is central to the prosperity of local places. Councils are a critical element in networks of local relationships and collaborations which support people, communities and business. Services such as education, roads, parks and social services all create a context in which public, social and commercial life can take place.

Local government has been the most affected cohort of the public sector in terms of budget cuts and resulting job losses. This is having a negative impact on some of the most vulnerable groups in society due to the increased inability to deliver quality public services, and upon the local economy in many places as deep cuts to the workforce result in weakening of multiplier effects. Therefore there is an urgent need for a new discussion on the role of local government in the region (and beyond), before further irreversible impacts are experienced, based upon a number of factors outlined below.

- ❑ **Local government is a central component in delivering 'place-based solutions'.** Local government is the key body which provides the development of local networks for partners to grow. It provides a 'glue' for social values and sense of community. In times of pressure on public spending, we must pay more, not less, attention to local networks and look to see how they can be strengthened. In hard times, there is a need for them to be closer and well connected. Public services, private endeavour, people and communities must rally round. Strong networks in a place, supported by local government, can improve synergy and come up with innovative and new ideas.

- ❑ This important network and place stewardship role of local government is being overlooked by the Coalition Government and if current trends continue, previously strong bonds which bind our society and economies together will merely unravel further. The Government must realise that broken and weakened networks are difficult to fix, that we are undermining our future economic and social prospects. They must acknowledge that local government has a central and crucial role to play. The capacity of local government as a key networker, relationship builder and provider of inputs into commercial and social life is significantly denuded if trends stay as they are.
- ❑ Local government is fundamental for democratic legitimacy – local authorities are not just service providers. They are central for place-based leadership, governance and accountability, and therefore critical to engagement with the wider population. Councils do a great deal of public engagement, more than other parts of the public sector. A strong democracy requires two important elements; popular participation at the local level; and popular participation at the national level. The two are interconnected. If popular participation at the grass roots continues to decline, then the national body politic will not be immune from the consequences.
- ❑ Local government therefore is critical to raising levels of democratic participation. If local government had more statutory rights, powers and responsibilities to deliver place based solutions, then this will enhance its legitimacy and work to reinvigorate democratic participation. Community Budgets, for example (detailed in 6.1.5), have shown how local government can take a lead, working with other local partners and agencies, to deliver a wider range of positive outcomes for vulnerable people. But this needs extending to provide the scale of change necessary within localities.

The above highlights the central importance of local government in developing strong places. There is an argument therefore for a new settlement, based on these principles, to create and maintain a new, and more appropriate, balance of power, responsibility and resource between the central and local. Certainly, within the UK, the level of centralisation deviates from the European norms. Indeed the UK is an 'outlier' in terms of its attitude towards local government.

6.1.3 Develop a 'Fair Deal' for the North West

- ❑ The cuts in the North West are impacting on public sector employees and citizens disproportionately, due to the acute deprivation in many areas of the region. In addition, future funding gaps will be centred on the poorest areas.
- ❑ There is therefore a requirement to communicate the urgent need for a fairer settlement for the North West, particularly in terms of local government finance.
- ❑ There needs to be an alternative that shows an appreciation that some localities need more support. This means a change in current funding formulas which are based primarily on the size of the population of a place.
- ❑ This is very much a shift towards more needs-based approaches using a range of indicators around socio-economic deprivation and health outcomes, which respond to changing need over time. This is a necessity.
- ❑ If targeted properly, this will achieve economic and social growth and contribute to spatially rebalancing the economy, particularly in the North West which has suffered disproportionately.

This flows directly from the previous message. The level of cuts in the North West has been disproportionate to other areas in the UK. The loss of local government jobs is highlighted in 6.1.2 above, but the wider cuts in spending on the local population is particularly marked across large swathes of the region. Indeed most of the region is experiencing cuts per head of £100 or more – on such a scale, this is only matched in the North East. Those worst affected areas – Wirral, Liverpool, Knowsley, Halton, St Helens, Manchester, Oldham, Rochdale, Salford, Blackburn with Darwen and Blackpool – have some of the most acute deprivation in the country and yet are

experiencing cuts per head of anything in the region of £200 or more. There is therefore an imbalance in the way cuts are impacting on the North West compared to other places.

It is those most deprived areas which have previously been reliant on grant funding formulas, which have been most impacted by the cuts. Nationally, the Local Government Association (LGA) has modelled funding for councils and calculates that by 2019-20 there could be a shortfall between demand for services and the ability of councils to fund them, of around £16.5 billion per year. This is predicted to impact most upon the councils in the poorest areas, with the 50 most deprived councils in England (many of which are in this region) facing potential funding gaps of up to 48%.

There is therefore a requirement to communicate the urgent need for a fairer settlement for the North West, particularly in terms of local government finance. This is about stepping away from a wholesale uniform approach to public spending cuts and future resource allocation, to one that recognises differentiated needs; and limits, as far as possible, the impact of reductions in spending on the most vulnerable in society and on those places heavily dependent on the public sector.

- ❑ There needs to be an alternative that shows an appreciation that some localities need more support. This means a change in current funding formulas which are based primarily on the size of the population of a place. This is very much a shift towards more needs-based approaches using a range of indicators around socio-economic deprivation and health outcomes, which respond to changing need over time. This is a necessity. Under the current Barnett Formula, devised in 1979, the population-focused approach has meant that local government in England is losing out on around £4bn per year. Scotland and Wales do not subscribe to this and as a result spending per head is significantly higher.
- ❑ If targeted properly, this could achieve economic and social growth and contribute to spatially rebalancing the economy, particularly in the North West which has suffered disproportionately. Spatially rebalancing the economy was after all one of the Government's stated objectives in the Local Growth White Paper in 2010. Ideally, there would be a review within a new formula around the impacts of re-distributional impacts.

This is not without its challenges. The current system reflects the centralised organisation of tax and public spending in the UK. But change is required; change that reflects fairness and the social and economic challenges the North West faces. There are organisations which are currently developing alternative formulas (Local Government Association, for example) and UNISON NW should champion such work.

There is one cautionary note, however. Although the change in funding formulas is needed, any changes in formulas need to anticipate costs involved. This is a practical consideration but one which would need to be thought through carefully, particularly in an environment of fiscal consolidation.

6.1.4 Build a case for devolution of resource and policy powers

- ❑ This is not necessarily about localism but about having greater financial independence in local government – having the freedom to distribute resource rather than being dictated to from the centre.
- ❑ This means providing more effective mechanisms for local government to access finance e.g. using local government pension schemes for spend on housing through regional pooling, determining local rates of tax (for instance councils having more flexibility and choice about council tax levels), and ensuring that other sources such as the Public Works Loan Board are not so expensive. There could also be exploration of the feasibility of giving local authorities in England a share of income tax revenues to invest in services.
- ❑ There also needs to be the development of a fiscal system which ensures that returns on investments in local initiatives (such as Community Budgets) are captured by the localities in which investment takes place. Most savings currently are funnelled back to Whitehall.
- ❑ Finally, government needs to ensure a fair way to distribute business rate benefits.

Accompanying the changes in how local resources are distributed, as outlined in 6.1.3, there needs to be further devolution of resources and policy powers. Now is the time to consider how to forge strong, mutually beneficial partnerships between local government and Whitehall, particularly as devolution is high on the political agenda. A progressive relationship can only benefit both parties, and most importantly, citizens and businesses. People relate with the areas in which they live and want those making the decisions that affect them to understand their locality, their specific concerns about their area, and to have local accountability for their actions. Top down decision making processes cannot do this. This is not necessarily about localism but about having greater financial independence in local government – having the freedom to distribute resource rather than being dictated to from the centre.

The emergence of City Deals, Growth Deals and other powers for core cities and city regions is a starting point in this process, but by going further and providing individual local authorities with a framework of statutory powers and agreements between themselves and the centre, local actors will have the freedom – and the responsibility that comes with it – to help shape the future of their localities. This means providing more effective mechanisms for local government to access finance such as providing advice to councils, using local government pension schemes (worth £148 billion nationally) for spend on local initiatives (for example through regional pooling), determining local rates of tax (for instance councils having more flexibility and choice about council tax levels), and ensuring that other sources such as the Public Works Loan Board are not so expensive. There should also be exploration of the feasibility of giving local authorities in England a share of income tax revenues to invest in services. Additionally, UNISON has proposed that there should be “additional (council tax) bands on higher value properties” to boost local tax revenues through a more progressive local tax regime.⁶⁶

Overall it is important that devolution is based around addressing need and does not reinforce inequalities. As stated in UNISON’s Public Services Manifesto:

“...devolution alone will not compensate for the loss of funding to local authorities or ensure fairness... There should be core service standards to ensure that devolution to councils does not reinforce the 'postcode lottery’”⁶⁷

There also needs to be the development of a fiscal system which ensures that returns on investments in local initiatives are captured by the localities in which investment takes place. Most savings currently are funnelled back to Whitehall, rather than providing cost savings to local government. For example, local partners in Manchester’s Troubled Families Unit contribute 67% of the investment for better services, but only 20 per cent of the benefits stay local with the rest accruing to Whitehall. Unless a system is set up in which local partners can recoup the costs of their investment, it cannot afford to make the up-front outlay.

Finally, government needs to ensure a fair way to distribute business rate benefits. There needs to be a way in which local share of business rates can be increased, as an incentive to councils and to fund quality public services, but where places which have economic weaknesses can still benefit from the system. The system needs to be accompanied by redistribution for those places economically disadvantaged. It is uncertain whether the current system of ‘top ups’ for those areas which are not as prosperous, will work in the long term. There are potentially lessons from abroad to be utilised here. In Sweden for instance, although localities can raise their own taxes, high importance is also placed of equality across the country. This is achieved partly through central government grants and partly through transfer of municipal local income tax.

⁶⁶ Source: UNISON (2014) *Securing the future of our public services: A UNISON manifesto*, p.16

⁶⁷ Source: UNISON (2014) *ibid*

6.1.5 Develop and extend innovative solutions which bring public sector agencies together

- ❑ There needs to be consideration of different ways of delivering some public services to provide the outcomes that people need.
- ❑ Community budgeting is an initiative which brings local service providers together from across several local authority areas to discuss how services can be better delivered and coordinated in their area.
- ❑ Community budgets have been found to be largely successful so far. The results from the pilot areas and the reports into the future viability of community budgeting suggest that devolving more power to local authorities to make place-based decisions can result in more efficient services, reduce duplication and increase partnership working in a productive way.
- ❑ Overall, such approaches should enable better communication between local organisations and give providers a better understanding of how their service fits alongside other local services.

At a time where resources across public bodies are being consistently stretched, there needs to be consideration as to how different ways of delivering public services can still deliver the outcomes that people need. As public agencies pool resources, share ideas and delivery, this could result in more effective delivery. Community Budgets are a good example of this. Community budgeting is an initiative which brings local service providers together from across several local authority areas to discuss how services can be better delivered and coordinated in their area. The programme aims to make services more joined-up and targeted.

Community budgets have been found to be largely successful so far. The results from the pilot areas and the reports into the future viability of community budgeting suggest that devolving more power to local authorities to make place-based decisions can result in more efficient services, reduce duplication and increase partnership working in a productive way. The primary focus of community budgeting is on making service delivery more cost-efficient but there is also some evidence that the programme is producing better outcomes for people. An example is provided below from Greater Manchester.

Greater Manchester Community Budget Pilot

The community budgets are a key part of the Combined Authority's three to five year programme to transform public services to improve quality of life, reduce unemployment and grow the local economy. There are five thematic areas to community budgeting in Greater Manchester:

- 1) Helping 'troubled families' to move out of dependency
- 2) Improving 'early years' provision
- 3) Transforming justice and reducing re-offending
- 4) Integrating health and social care
- 5) Promoting inclusive work and skills

Underpinning the delivery of whole scale reform within these areas are cross-cutting themes developing new investment models, delivery models, workforce skills and cultures of working. A further work stream is taking a whole-place view of Greater Manchester; identifying demands on public services across the whole geographic area and informing the most appropriate level for service design and delivery.

Addressing five core areas of public policy should result in the outcomes of each strand complementing the others. For example, developing a well sequenced approach to work and skills, which is integrated with all other public services, should facilitate probation services to support ex-offenders into work, help troubled families secure quality employment, and have a positive impact on public health as more people enter better quality employment.

Lessons learnt

Greater Manchester, being a combined authority, already had a governance structure in place which brought together representatives from each of the local authorities as well as leaders from different public services. This meant that collective objectives were already agreed and the 'buy-in' already existed which greatly facilitated the negotiation over the new delivery models. The team for delivering community budgeting is composed of people seconded from different partner organisations which meant that partners had joint ownership and control of the community budgeting programme from the outset.

Collating an evidence base of the ongoing impact of the different community budgeting interventions continues to be a challenge but this was found to be very important for building partners' confidence that community budgeting is worth investing in. To encourage partners to commit to the new delivery models, Greater Manchester are focusing on partners committing resources, such as staff time, rather than funding since this combines resources and creates a focus on making savings through shared investment.

Overall, community budgeting should enable better communication between local organisations and give providers a better understanding of how their service fits alongside other local services. Consequently, local services should become more effective at meeting the range of needs of the local population. What initiatives such as this require to succeed though is longer term funding and extension, not merely being 'one-off' projects. They also need more local flexibility, with local government in particular being able to design local programmes to fit need, and work with other partners such as health and police to effectively deliver. Local government also needs to lead such programmes to ensure that they are democratically transparent and have strong governance controls.

In addition, the community budgeting programme aims to create a cultural and organisational change and this cannot happen quickly. While some projects have produced immediate results, others, such as pooling local budgets and assets, and integrating health and social care services will take a long-time to develop. Cultural shift from organisations such as the NHS and DWP and their lines of demarcation between central and localised approaches could be a barrier to development.

Community Budgets are only one example of collaboration between public agencies, but are a good illustration of how the public sector can collaborate more effectively to produce better social and economic outcomes for the citizens.

6.2 Protect and develop the public sector workforce

6.2.1 Promote the sustainability of the workforce

- ❑ Despite uncertainties around the workforce, there are practical measures that public bodies can take.
- ❑ One of these is through developing effective redeployment policies, which go beyond basic statutory requirements.
- ❑ There are examples of 'skills-based' redeployment systems in operation which can be used as a bulwark against the threat of large scale redundancies, which need to be promoted across the whole public sector, in which UNISON NW and other partners can take a lead.
- ❑ In another sense it can be used to develop a blueprint of change in the relationship between a public employer, and its employees. It shows a commitment to the development of the workforce.
- ❑ Despite some drawbacks the development of proactive approaches to redeployment are important in the face of negative headwinds, and mitigates change as much as possible.

The uncertainties affecting much of the public sector workforce have been a constant over the past few years and this will continue to be the case until 2018, under the plans of the Coalition Government. However, there are practical measures that public bodies can take, such as those outlined in the case studies in this report.

One of these is through developing effective redeployment policies, which go beyond basic statutory requirements. Of course, UNISON NW will be working to avoid job losses wherever it can but there needs to be consideration of what to do in such circumstances to minimise impacts.

There are examples of 'skills-based' redeployment systems in operation which can be used as a bulwark against the threat of large scale redundancies, which need to be promoted across the whole public sector, in which UNISON NW and other partners can take a lead. This includes a number of features:

- ❑ Staff could identify and register their skills and competencies on a system which will help them become ready for other roles across the organisation in advance of further cuts and minimise the number of compulsory redundancies.
- ❑ Vacancies and new roles would only be open to existing staff unless it requires new competencies. It avoids protracted delays in movement of staff across an organisation, which cannot be afforded in the new climate, and finds the best alignment of people's skills with business need.
- ❑ Such a scheme should also provide advice and guidance about the external market place and growth sectors, and what skills are required for those who will no longer be employed by the public body.
- ❑ Importantly these schemes must have strong union involvement and buy in from the outset, and through monitoring and evaluation. It is very important that they are open and transparent.

This is a much more proactive approach to redeployment in the face of negative headwinds, and mitigates change as much as possible.

In another sense it can be used to develop a blueprint of change in the relationship between a public employer, and its employees. It shows a commitment to the development of the workforce, promotes a workforce that can work flexibly, whilst equally working to maintain and improve the delivery of services wherever possible. Such dual approaches to the maintenance of both the workforce and services, is vital for well functioning places and institutions. This has been used in Manchester, for example, and has been perceived as a success, with the scheme being identified as national best practice.

However this type of approach is not without its drawbacks. In Manchester, though the scheme has worked well, it could be threatened by major future spending cuts. Proactive skills based schemes can only go so far. It is also important that such schemes are not perceived as 'skills audits' across a public organisation.

6.2.2 Up-skill employees

- ❑ The proactive redeployment approach as advocated above needs to be accompanied by training of the workforce.
- ❑ Pathways need to be identified for employees who are at risk of redundancy, and this means developing policies for up-skilling.
- ❑ Skills programmes are required to narrow the gap between skills needed for job opportunities and skill sets of people in redeployment pools. Such programmes would provide skills development together with increasing the confidence of people who are in redeployment pools.
- ❑ A combination of carefully thought through redeployment programmes, understanding the skill sets of employees, and then providing the training to up-skill, is important to maintaining morale, confidence, and ensuring that the skills are in place to continue to deliver quality services.

This links directly to the previous point (6.2.1) on developing proactive, skills-based redeployment policies. The proactive redeployment approach as advocated above needs to be accompanied by training of the workforce. Pathways need to be identified for employees who are at risk of redundancy, and this means developing policies for up-skilling. Skills programmes are needed to narrow the gap between skills needed for job opportunities and skill sets of people in redeployment pools. Such programmes would provide skills development together with increasing the confidence of people who are in redeployment pools. Employees could have found themselves in similar situations several times over a number of years, and this can result in uncertainties and draining of confidence. All of this can therefore also affect service quality and so raising people's confidence is important.

The end result of such activity is to further increase the flow of redeployment across departments. This can also be enhanced by more open advertising across redeployment pools in the first instance (rather than within individual departments), which will enable people to step up to new opportunities. Where training is required to up-skill members of staff to undertake alternative roles, this should be promoted and implemented by a combination of in-house and external providers, as necessary.

A combination of carefully thought through redeployment programmes, understanding the skill sets of employees, and then providing the training to up-skill where necessary, is important to maintaining morale, confidence, and ensuring that the skills are in place to continue to deliver quality services. In the current environment it is too important to let the skills of public sector employees disappear, and moves to protect workers are critical to the future sustainability of society and the economy.

6.2.3 Promote 'Employment Charters' across the region built upon employee rights

Component 1: The Living Wage

- ❑ Promoting a Living Wage for public sector employees: There are already examples of this within the North West, which could be promoted further. For example, Salford is an accredited Living Wage employer, becoming the first council in Greater Manchester to adopt a Living Wage for all of its employees, as is Preston.
- ❑ Encouraging a Living Wage through the supply chain: the most important element of embedding the Living Wage is through commissioning and embedding it within the local supply chain. This is critical because adoption through public sector institutions can only have so much impact.
- ❑ There are some existing examples of where Living Wage stipulations are implemented into procurement policy, notably in Preston.

Component 2: Working to reduce the number of people on zero hour contracts

- ❑ Taking zero hour contracts out of commissioning is critical. Social care is particularly affected by zero hour contracts.
- ❑ The situation, a symptom of current commissioning arrangements, requires urgent attention and there are steps that commissioners can do to make a difference:
 - Shaping local markets through commissioning;
 - Develop the workforce.
- ❑ There also needs to be a continuation of wider campaigns of aimed at all employers to reduce the usage of zero hours contracts. This could include:
 - Guides to employers about zero hours contracts;
 - Lobbying to increase resource for acting on abuse of zero hours contracts;
 - Working with other trade unions, public sector bodies and private sector representatives to inform and influence businesses across the region.

All public sector employees deserve to earn a wage which maintains a decent standard of living, but a combination of pay freezes and price rises in recent years has led to increasing numbers of people experiencing in-work poverty. This is not something which has been limited to the public sector. The service sector is increasingly focused around employers who require high levels of flexibility, and results in more people who are earning below a Living Wage.

Linked directly to the Living Wage issue is the increasing number of people on zero hour contracts. The largest numbers of people on such contracts are working in the health sector or administration, with the majority in the public and third sectors (estimated by the Chartered Institute of Personnel and Development (CIPD) at a quarter and a third of the respective totals). In particular, carers are badly affected by a combination of low wages and zero hour contracts. According to the Office for National Statistics there are currently 1.4 million contracts with no guaranteed number of hours, with the CIPD estimated more than a million people in total are on such contracts. Importantly the significant numbers of people on zero hours contracts calls into question the official employment statistics, where people are counted as employed when actually they are receiving insufficient hours and pay.

As data in this report shows, the North West has the highest number of people who are earning less than the Living Wage, and this is likely to correlate with high numbers of employees on zero hour contracts. Indeed as the data shows, in the North West the number of people working fewer hours has increased markedly in recent years compared to most other regions. Therefore there is an urgent need to address this. An Employment Charter is suggested below, with two components based around the concept of a living wage and reducing zero hours contracts, which UNISON NW and partners could promote to a wide range of public bodies across the region, showcasing what progressive employers can do.

Component 1: The Living Wage

Promoting a Living Wage for public sector employees: there are already examples of this within the North West, which could be promoted further. For example, Salford is an accredited Living Wage employer, becoming the first council in Greater Manchester to adopt a Living Wage for all of its employees. This meant that 1,200 of its lowest paid staff received an immediate pay boost. The ambition is for a fully inclusive Charter for the public, third and private sectors which would tackle poverty and boost spending power across the city. It also increases morale of staff and therefore enhances productivity of the workforce.

As part of this Charter there needs to be, as in places such as Salford and Preston, influencing of private and third sector organisations to explore the feasibility of them adopting this. There are already many non-public employers who have adopted the Living Wage. KPMG, PwC, Aviva, Nationwide Building Society, are some well known names. Locally, there will already be a host of employers who contribute to the social regeneration agenda through providing jobs and work experience, and therefore there could be traction in engaging with such businesses around this issue.

Encouraging a Living Wage through the supply chain: the most important element of embedding the Living Wage, is through commissioning and embedding it within the local supply chain. This is critical because adoption through public sector institutions can only have so much impact. Using procurement and commissioning processes could potentially be the most effective way of securing a more wholesale adoption of Living Wage. There is still uncertainty around this, in terms of the practical and legal components, and this would require more research (although some public bodies are now implementing this). There is research being undertaken on this issue (for example current work by CLES for Manchester City Council), but there are a range of principles which could ensure that the Living Wage could be promoted properly through procurement and commissioning:

- ❑ For all service contracts a consideration of social value could be carried out pre-procurement and this may be an opportunity to consider whether the Living Wage is a relevant and proportionate matter for the contract under consideration.
- ❑ Importantly it needs to be applied to contractors, and is not something that should give private providers a cost advantage.
- ❑ The Living Wage should not be introduced at the expense of other terms and conditions.
- ❑ The public body would need to ensure transparency about the fact that it has a Living Wage performance condition.

There are some existing examples of where Living Wage stipulations are implemented into procurement policy. Within the North West, Preston is highlighted within the case study section, and there are others further afield. For instance the London Borough of Islington has been particularly proactive in addressing this issue. They are currently carrying out the following:

- ❑ Getting confirmation that directly employed staff are paid over the Living Wage;
- ❑ Reviewing Islington's procurement policy to ensure Living Wage is paid on new contracts;
- ❑ Reviewing Islington's current contracts to establish which ones fit the Living Wage criteria;
- ❑ Having discussions with current contractors to include a variation to contract to meet Living Wage requirements and set a timetable for implementation; and
- ❑ Monitoring of contracts to check that they continue to pay the Living Wage.

Up to now, Islington has analysed around £67 million pounds worth of contracts where Living Wage is applicable and about 50% of these they believe to be compliant. For the rest the council is asking departmental commissioning officers to talk to contractors where the contracts do not meet the Living Wage criteria.

Challenges to the approach: there are some key challenges to this approach which need to be considered:

- ❑ **Meeting costs:** in some cases there will be significant costs for contractors to bring their pay in line with Living Wage. For example, it is expected that in adult social care, where lots of workers (e.g. carers), are paid a basic wage, contractors will have to find a substantial amount of money to make up the difference.
- ❑ **Monitoring:** there needs to be the development of effective monitoring compliance systems where appropriate, to ensure that contractors are paying the Living Wage. This could be challenging to implement. If the Living Wage is being implemented by businesses, could this also affect terms and conditions elsewhere, and how could this be monitored?
- ❑ **Importance of collective pay bargaining:** although the Living Wage is an important development, it will never be a full substitute for collective bargaining processes. Collective bargaining does provide more flexibility and this is an important factor that should not be overlooked. Indeed via procurement processes, collective bargaining should be promoted in order that employees across the public sector's supply chain are afforded the best possible pay and conditions, and inequalities are reduced.⁶⁸

⁶⁸ Source: Hendy, J. and Ewing, K.D. (2013) Reconstruction after the crisis: a manifesto for collective bargaining

Component 2: Working to reduce the number of people on zero hour contracts

Taking zero hour contracts out of commissioning is critical. Social care is particularly affected by zero hour contracts. 300,000 of the 583,000 people estimated to be on such contracts by ONS are working within the sector (although both these figures may be underestimates according to recent research), whether through direct employment by the public sector or through private/third sector providers via public contracts. This includes 60% of domiciliary care workers. The situation, a symptom of current commissioning arrangements, requires urgent attention and there are steps that commissioners can do to make a difference, as outlined by the Resolution Foundation.⁶⁹

- ❑ **Shaping local markets through commissioning:** this includes moving away from a process of contract by contract conditions to begin to shape local markets, and ensuring that provider activity is concentrated within a single patch. This provides guaranteed hours within an area and means providers can offer their staff higher numbers of hours. If providers are spread thinly then fixed-hours contracts are more expensive as jobs are highly dispersed – this is often the case within social care at present.
- ❑ **Develop the workforce:** this is about improving the required standards of training in housing and social care, to fund this so it is not left to workers to pay for their own essential training.

This type of activity is not without its challenges. It would need some funding, for example. For instance, Southwark and Islington Council's estimate that moving all their social care providers off zero hours contracts would cost anything from £500,000 to £4m. But it is an urgent issue within social care in order to provide workers with better certainty and provide better quality services.

The above is mainly centred on social care, and of course people on zero hours contracts constitute a wide variety of industries (although social care is the largest and one in which local public providers can have direct significant influence). There also needs to be a continuation of wider campaigns aimed at all employers to reduce the usage of zero hours contracts. This would include:

- ❑ Guides to employers about zero hours contracts and the effects that it has, including:
 - Zero hours contracts are set at a level significantly below the regular hours worked;
 - They have the effect of weakening the employee; and
 - The employee then becomes vulnerable to having their hours, and with them their wages, cut one week to the next without any recourse.
- ❑ Lobbying to increase resource for acting on abuse of zero hours contracts.
- ❑ Working with other trade unions, public sector bodies and private sector representatives (e.g. Chambers of Commerce) to inform and influence businesses across the region.

6.2.4 North West councils to adopt the UNISON Ethical Care Charter and Kingsmill Review recommendations

- ❑ The Kingsmill Review and UNISON Ethical Care Charter highlight a range of important actions required to ensure the care sector's workforce is professionalised and that quality care is available to all.
- ❑ North West local authorities need to be encouraged to adopt the recommendations of the Kingsmill Review and the UNISON Ethical Care Charter. The Charter has already been signed up to by a range of councils across the country, including Wirral in the North West.

⁶⁹ Resolution Foundation (2014) Zeroing In: Balanced protection and flexibility in the reform of zero hours contracts
http://www.resolutionfoundation.org/media/media/downloads/Zeroing_In_1.pdf

This recommendation links directly to the above Employment Charter, although is focused upon the care sector in particular. The recently published Kingsmill Review⁷⁰ into working conditions in the care sector provides a number of key recommendations, including:

- ❑ Introducing a licence to practice for Care managers;
- ❑ Enforcing the National Minimum Wage;
- ❑ Banning Zero Hours contracts within the care sector;
- ❑ Ending 15 minute care slots and introducing Care Charters;
- ❑ Improving training standards and progression;
- ❑ Improving oversight and regulation of working conditions.

The objective of all of this is to achieve the professionalization of care work, through long term changes which improves the status of care workers, creates opportunities for pay and progression, and ultimately raises standards across the sector.

This chimes closely with UNISON's Ethical Care Charter,⁷¹ where the over-riding objective is to provide a minimum baseline for the safety, quality and dignity of care by ensuring employment conditions which help provide a more stable workforce through sustainable pay, conditions and training levels, and so provide quality service provision. This is aimed at getting councils to use the Charter as a benchmark, rather than driving down pay and conditions.

North West councils should be encouraged to adopt both the Kingsmill recommendations and the UNISON Ethical Care Charter. A number of councils across the country have already done so (including for instance, Wirral in the North West) and this needs to be extended right across the region.

6.2.5 Promote in-sourcing across all public organisations

- ❑ Despite the drive for increased outsourcing, there is limited evidence that private sector delivery improves services. There is a relatively simple alternative to this, which is bringing more services back in-house. More local authorities are beginning to do this, and are often evidencing the very financial and efficiency savings that it is widely believed privatisation will bring.
- ❑ Research has shown that there are an increasing number of councils who are now in-sourcing to get maximum value from decreasing resources.
- ❑ In-sourcing helps in providing greater flexibility, increased efficiency, and reducing costs and time associated with contract monitoring. Importantly, it is regarded as a means of delivering efficiency savings, therefore aligning with central government objectives.
- ❑ It can protect both local government jobs and make council services more efficient in the long run, providing the quality services that communities and residents demand, whilst providing the accountability and democratic value that local government is there to deliver.

As part of the austerity drive, increasing levels of privatisation of local government services is a growing trend, conforming to the principles of competition eschewed by the Open Public Services White Paper and other government rhetoric. However, despite the drive for increased outsourcing, there is no evidence that private sector delivery improves services. There is a relatively simple alternative to this, which is bringing more services back in-house. More local authorities are beginning to do this, and are often evidencing the very financial and efficiency savings that it is widely believed privatisation will bring. For instance within the North West:

⁷⁰ The Kingsmill Review (2014) Taking Care: An independent report into working conditions in the care sector http://www.yourbritain.org.uk/uploads/editor/files/The_Kingsmill_Review_-_Taking_Care_-_Final_2.pdf

⁷¹ UNISON Ethical Care Charter

<http://www.UNISON.org.uk/upload/sharepoint/Research%20Material/Final%20Ethical%20Care%20Charter%20PDF.pdf>

- ❑ In Salford bringing environmental waste services in-house has saved the council £4m.
- ❑ Cumbria County Council have used in-sourcing in HR, Accounts, Highways and Economic Development (previously outsourced) to save £1.5m per year, and are using it for business process re-engineering to improve services, with more local processes and delivery in place to be responsive to local need⁷².

Research by APSE⁷³ has shown that there are an increasing number of councils who are now in-sourcing to get maximum value from decreasing resources; 57% of local authorities surveyed had either brought back a service in-house, were in the process of in-sourcing, or were considering doing so. Although the majority of services here are environmental and housing/building based, the lessons are outlined in the research for other critical frontline services. Respondents commented that in-sourcing helps in providing greater flexibility, increased efficiency, and reducing costs and time associated with contract monitoring. Importantly, it is regarded as a means of delivering efficiency savings, therefore aligning with central government objectives. The research evidences that councils which have brought back services in-house are delivering higher quality services and often providing significant cost savings. The main benefits include:

- ❑ Improving efficiency and reducing costs;
- ❑ Ability to integrate a range of services;
- ❑ Enhancing flexibility and minimising risk;
- ❑ Regaining control and reducing cost and time spent managing contracts;
- ❑ Boosting local engagement and accountability;
- ❑ Higher levels of staff motivation and improved service delivery; and
- ❑ Maintaining expertise and capacity.

There are a number of lessons to take forward which should be applied and promoted across the region. Having early involvement of staff and trade unions is central in returning services in-house. It has provided the opportunity to redevelop capacity and reshape expertise, and can help in new smarter working to reduce levels of waste and develop and design more efficient services. Importantly, these are based around user needs and this is where engagement with communities has been important at all levels, also ensuring that the council's reputation is enhanced.

Clearly, this is a perfectly viable alternative to mass outsourcing. It can protect both local government jobs and make council services more efficient in the long run, providing the quality services that communities and residents demand, whilst providing the accountability and democratic value that local government is there to deliver.

⁷² APSE (2011) The value of returning local authority services in-house in an era of budget constraints: <http://www.UNISON.org.uk/acrobat/20122.pdf>

⁷³ APSE (2011) Ibid

6.3 Maximise the potential of the regional economy

6.3.1 Understand and extend the economic footprint of public services

- ❑ There are important economic impacts of public sector employees through their re-spend within a place, and also through the impacts upon the local economy through progressive procurement mechanisms.
- ❑ The earnings of the local public sector workforce, together with re-spend by suppliers and their employees, is particularly important for local economies. Evidence such as that outlined below is important to communicate to regional public bodies and central government, highlighting the wider important economic contribution of the public sector and how spending cuts are diminishing its critical role in economic development.
- ❑ Public sector bodies need to procure in ways in which maximum benefit can be extracted from the process for local people, local economy and communities. There are a number of considerations to developing more progressive procurement practice, outlined below.
- ❑ A more progressive outlook will ensure that during times of economic and social stress and austerity, public money can be used to help address key issues such as unemployment and deprivation.
- ❑ Where outsourcing happens the model needs to change, and therefore it is vital trade unions are involved in order to influence the procurement process and ensure that the best outcomes emerge for both the local economy and employees.

This message relates to both the important economic impacts of public sector employees through their re-spend within a place, but also through the impacts upon the local economy through progressive procurement mechanisms. Procurement is touched upon within some of the other messages, but a more specific 'guide' to progressive procurement is outlined below. Of course, UNISON NW and its members will be most interested in keeping as many services in-house as is possible (as highlighted in 6.2.5), however the reality is that in some cases outsourcing will happen. Where this does happen the model needs to change, and therefore it is vital trade unions are involved in order to influence the procurement process and ensure that the best outcomes emerge for both the local economy and employees. It also highlights the important role of the public sector in influencing and impacting on the local economy, and there are a number of organisations who understand this, such as Preston and Manchester City Councils, outlined in the case studies and who have adopted progressive procurement principles.

Highlight the importance of public spend for the local economy

The earnings of the local government workforce, together with re-spend by suppliers and their employees, is particularly important for local economies, and this is a central message that needs to be filtered across all public sector bodies in the region.

Previous research from CLES⁷⁴ suggests that local government workers are the most likely of any group to live and work in the same area, and that public spending has other significant impacts on local economies through supplier and employee re-spend. More low earners than high earners live in the same area and therefore will spend more of their income there (for instance in West Lothian, the economic multiplier of the Neighbourhood Environment Team and Land Services is 71 pence for every £1 invested). Other primary research undertaken with Swindon Council's Commercial Services examined the contribution the in-house service makes to Swindon's economy. The department was spending £66 million per annum, with 49% of this going on suppliers and 36% on employees; 96% of employees had a Swindon postcode and 32% of suppliers had local addresses, so it was important to measure re-spend in the local economy. The research found that the money contractors and suppliers spend on local staff and their own supplies generated a further 30.8 pence, with directly employed staff spending on average 52.5 pence in the local community. This meant that for every £1 Swindon Commercial Services spent, £1.64 found its way into the local economy.

⁷⁴ Source: CLES (2009): Economic Footprint of West Lothian Operational Services & CLES & APSE: More Bang for the public buck

This shows that the earnings of the local government workforce, together with local re-spend by suppliers and their employees from public procurement, is particularly important for local economies; disproportionate cuts are impacting severely where there have been high levels of council employment and through less procurement spend. In particular, evidence such as this is important to communicate to public bodies and central government, highlighting the wider important economic contribution of the public sector.

Promoting progressive procurement

When public resources are tight, questions around how and where we spend money is of paramount importance. Local authorities need to procure in ways in which maximum benefit can be extracted from the process for local people, the local economy and communities. There are a number of considerations to developing more progressive procurement practice, which UNISON NW and partners could promote across public organisations. These are outlined below and are in addition to actions highlighted in 6.2.3 around terms and conditions for employees within contracts. It is important to note however that in-house provision should be the default position wherever possible and any commissioning process should consider an in-house bid.

- ❑ **Procurement as key to effective place leadership role** - public sector leaders need to see procurement as a key part of their place and community leadership role, which can lead to a host of wider economic, social, and environmental benefits.
- ❑ **Procurement is central to corporate policy** - procurement as a function needs to be corporate, cross departmental and embedded in strategy and policy within core priorities of every procurement decision.
- ❑ **Adopt a common strategic approach** – commissioning and procurement needs to be affected by a set of common criteria which officers ask themselves when designing and procuring services. For progression, these questions need to consider, for example, at each stage of the cycle: co-production; economic and social benefit and clauses; and the amount of the decision which is assigned to sustainability or social value criteria. This needs to be informed by an overarching statement of intent or sustainable procurement strategy.
- ❑ **Understand spend** – if local authorities are to aspire to progressive procurement practice they must understand their spend, where it goes, what impact it has on the local economy, and what the practice of their supply chain is when it comes to local economic, social and environmental outcomes.
- ❑ **Understand the local market** – in order to progress procurement it is important that local authorities understand who their local business base are, what types of products and services they can potentially provide, what their skills and capacity are, and what support they need to engage and tender for opportunities.
- ❑ **Engage in a constant dialogue with suppliers** – the end of a tender exercise does not mean the end of the procurement process. Through supplier networks and contract and category management, authorities can influence the behaviour of suppliers so that they consider employment for difficult to reach groups, apprenticeships for young people, and the local economic impact of their supply choices.
- ❑ **Monitor impact** – to aid continuous improvement and continuous intelligence gathering, authorities should look to monitor the contribution which suppliers make to wider corporate priorities through a set of common indicators. Indicators could include: proportion of suppliers employees which live in the local authority boundary; number of apprenticeships offered, and types of corporate social responsibility activity delivered throughout the term of the contract.

A more progressive outlook will ensure that during times of economic and social stress and austerity, public money can be used to help address key issues such as unemployment and deprivation. In light of cuts to funding streams, it is now one of the most important tools to shaping strong places.

6.3.2 Develop a more effective economic plan for the future

- ❑ **Economic recovery is imbalanced and is failing many communities across the North West** that were not even connected to economic opportunity during the 'boom years' prior to recession. A complex patchwork of economic divides between places is likely to be reinforced and become a permanent feature in the future.

A more effective economic plan would help the North West focused around investment. This could include:

- ❑ **A more focused and spatially balanced industrial and investment strategy** needs to be developed in order to maximise the economic potential of the North West, so it can fully input into the UK's economic development.
- ❑ **The development of a regional investment bank** with allocation of funds directed to increasing economic capacity. This would be wedded to an effective industrial strategy, investing in opportunities for development and stimulating local supply chains and in the development of infrastructure projects.
- ❑ **Enable flexible local employment models to replace the Work Programme.** The Work Programme is not connecting people, especially those furthest from the labour market, to employment opportunities, or to support within their communities.
- ❑ **A plan to build appropriate levels of housing:** the lack of new home development is holding back the economy. There needs to be a coordinated programme of house building across the region, to create more jobs and provide homes for people, that is needed to connect them to economic opportunity and create new jobs.
- ❑ The North West in particular has higher volumes of Brownfield land (previously developed land). In order to release these sites, the public sector could work with housing associations to support the land remediation for market and social housing development.
- ❑ **Investing in transport:** there are also several transport challenges across the region, such as road congestion and managing travel demand, together with connecting rural areas and other isolated places with economic opportunity and public services.

The current economic model is not working

Over the last decade and more, the model of economic growth has been predicated upon accumulation of debt, driven by a disproportionately large financial sector, which has had the effect of driving down labour costs, and made it more difficult to attract external investment. This model of growth was successful in the richer areas of the country, in particular the South East, East and London (although of course this has not been uniform in these regions either). Across other regions of the UK, including the North West, this has led to lower income levels and major concentrations of income based deprivation. Accompanying this has been the long term steady decline of industry, in which much of the north of England did at one time have a strong competitive advantage.

Market failures through lack of private investment led to a wide range of public sector investment across the North West, in the form of a plethora of regeneration programmes. Many of these did not lead to long term sustainable change within local economies which are still struggling with the legacy of industrial restructuring. Instead there remains a situation where the North West, like with other northern regions, has 'found itself on the wrong side of a divide that privileged the accumulation of financial assets ahead of the creation of sustainable work'.⁷⁵ It is not helped by a still strongly centralised political and economic model which limits the levers available to places to develop local solutions to localised problems.

⁷⁵ New Economics Foundation (2013) Towards a Welsh industrial strategy <http://www.neweconomics.org/publications/entry/towards-a-welsh-industrial-strategy>

The data in this report shows that economic recovery is imbalanced and is failing many communities across the North West, that were not even connected to economic opportunity during the 'boom years' prior to recession. A complex patchwork of economic divides between places is likely to be reinforced and become a permanent feature in the future.

Austerity will continue to have a significant impact on the rest of the economy, as it is estimated for every £1 of public spending that is cut, £1.60 of private sector activity may also be lost.⁷⁶ In an economy such as the North West where public spending continues to be reined back, the impacts are significant. Therefore there is an argument that the recovery has been weaker with austerity than without it. Then there are the impacts of low wages and poor terms and conditions prevalent in the region, as shown by the data. Cumulatively, all of this raises serious doubts about the long term sustainability of recovery, and the need for a more effective plan that will help the North West.

Moving towards an effective economic plan that will help the North West

- ❑ **A more focused and spatially balanced industrial and investment strategy needs to be developed in order to maximise the economic potential of the North West**, so it can fully input into the UK's economic development. Further development of an industrial strategy (which at present is piecemeal) would mean a more clear focus; and a sound strategic vision, critical for rebalancing the economy effectively. Where is the economy competitive and how is this balanced across the regions? The second point is critical. If we are serious about rebalancing our economy from services and influence of the capital and South East alone, and geographically spreading prosperity and wealth across the country, then a more effective, strategically focused industrial strategy is a must. The North West, with the largest economy outside the South East, needs to be central to this.
- ❑ **The development of a regional investment bank with allocation of funds directed to increasing economic capacity.** This would be wedded to an effective industrial strategy, investing in opportunities for development and stimulating local supply chains and infrastructure projects. Initially publicly funded by Government (through, for example, borrowing/levy on commercial banks or other measures), this would work to leverage in private capital. This could be part of a wider national investment bank which works to help spatially rebalance the economy and provide the development of more employment opportunities for people across the social spectrum. This could help stimulate economic development across the North West.
- ❑ **Enable flexible local employment models to replace the Work Programme:** This relates to current labour market policy, which is driven by the 'top down' Work Programme, aimed at getting people back into work. However the Work Programme is not connecting people, especially those furthest from the labour market, to employment opportunities, or to support within their communities. As such, a more strategic and locally-driven employment programme will be vital to help unemployed people engage with and contribute to their communities, get into work, and improve their health and wellbeing. This could include the option to discard the current payment-by-results model where this is not delivering locally prioritised outcomes.
- ❑ **A plan to build appropriate levels of housing:** the lack of new homes development is holding back the economy. There are also many people on waiting lists for social housing. There needs to be a coordinated programme of house building across the region, to create more jobs and provide homes for people, that is needed to connect them to economic opportunity. The North West in particular has higher volumes of Brownfield land (previously developed land). Due to its industrial heritage, these sites are less attractive and financially viable for development, though their location and scale often lend themselves particularly well to new housing development. In order to release these sites, the public sector could work with housing associations to support the land remediation for market and social housing development. Developing new housing in these already well-networked areas can provide not just necessary housing, but also local jobs in the construction and associated industries.

⁷⁶ Eichengreen, B (2012) Gauging the multiplier, lessons from history <http://www.voxeu.org/article/gauging-multiplier-lessons-history>

- **Investing in transport:** there are also several transport challenges across the region, such as road congestion and managing travel demand, together with connecting rural areas and other isolated localities with economic opportunity and public services. Bus routes for many 'less profitable' places for instance are being cut, together with specialist transport services for vulnerable groups. A regional transport system needs to promote equality. UNISON has highlighted that women and vulnerable groups are hit hardest by cuts to bus services and called for a moratorium on further cuts.⁷⁷

⁷⁷ Source: UNISON (2014) *Securing the future of our public services: A UNISON manifesto*, p.33

