REBALANCING THE ECONOMY

NEW THINKING ON BRITAIN'S REGIONAL INEQUALITIES

Union

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NEW THINKING ON BRITAIN'S REGIONAL INEQUALITIES

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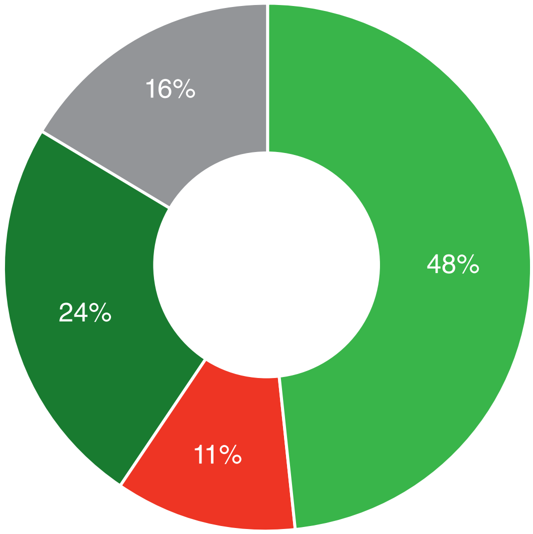
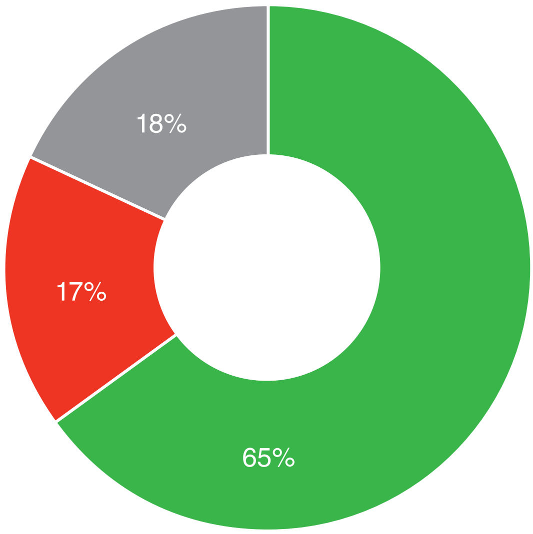
Thinking about Britain's economy, which of the following statements is closest to your opinion?

- Britain is more regionally divided in terms of its economy now than it was thirty years ago.
- Britain is less regionally divided in terms of its economy now than it was thirty years ago.
- Britain is no more nor less regionally divided in terms of its economy now than it was thirty years ago.
- Don't know.



A "balanced economy" is one which is not over-reliant on certain sectors or regions of the UK. Bearing in mind this definition of a "balanced economy", which of the following statements is closest to your opinion?

- The next government needs to give higher priority to rebalancing the economy.
- The economy is balanced enough and does not need to be a priority for the next government.
- Don't know.



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1 INTRODUCTION

TACKLING BRITAIN'S REGIONAL INEQUALITIES

Diana Johnson MP, Editor

In this coming General Election, the economy is taking centre-stage as the key concern of the British public. People want to know which party will put Britain firmly on the road to economic recovery and growth. This much is true of this coming election, just as it has been true of all previous ones. But perhaps unlike any previous election, we are also starting to see the public ask questions about what kind of economic recovery we need to see.

They are wising up to parties which promise headline GDP growth alone. They know that such figures, vitally important though they are, can disguise who is reaping the rewards of growth – skyrocketing pay packets at the top, coupled with stagnating wages, weaker workforce rights and a cost-of-living crisis at the bottom, have been the reality of the past five years under the Tories. They also conceal which sectors are leading in any recovery: if the usual suspects of the service and banking sector are the growth agents, as is happening under the Coalition, where does this leave the technically-minded, aspiring apprentices in our young workforce?

Regional inequality, I would argue, is intimately connected to all of these issues. The problems described above reflect themselves in a marked gulf between regions, which intensified in the 1980s and which show no sign of going away without Government intervention. We cannot hope to surmount these challenges, and build an economy that works for the many rather than the privileged few, unless we address this marked inequity between British regions. Survation polling commissioned for this pamphlet, outlined by Dan Whittle in his contribution, shows that the public have made this link. We should too: we have to talk about regional inequality.

This pamphlet – drawing on contributions from a variety of political figures, think tank specialists and trade unionists, and making use of polling commissioned by Unions 21 – thus seeks to get to grips with this important issue. Some contributors explore specific dimensions to the inequality between regions – whether it be in health, housing, skills, transport or the creative economy. Others seek to answer questions or appraise specific policies – such as the Coalition's success in rebalancing the economy, how we might deliver devolution to local Government or what lessons we can learn from Labour's record on regional regeneration. Taken together, they make five core arguments about the extent of regional inequality in the UK, and call for different policy solutions.

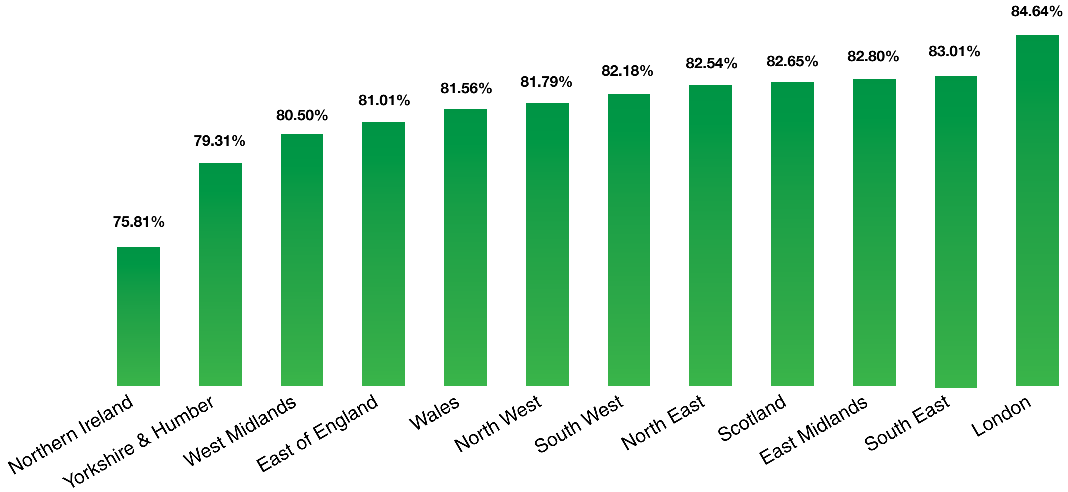
1: regional inequalities are re-asserting themselves.

The government have fundamentally failed in their promise to deliver the economic rebalancing necessary to ensure every region of the British Isles shares equally in the proceeds of growth.

As the Work Foundation's Ian Brinkley argues in his contribution there is no sign that the past five years have seen a rebalancing in favour of manufacturing or apprenticeships or more regionally-balanced growth. From 2010-2014,

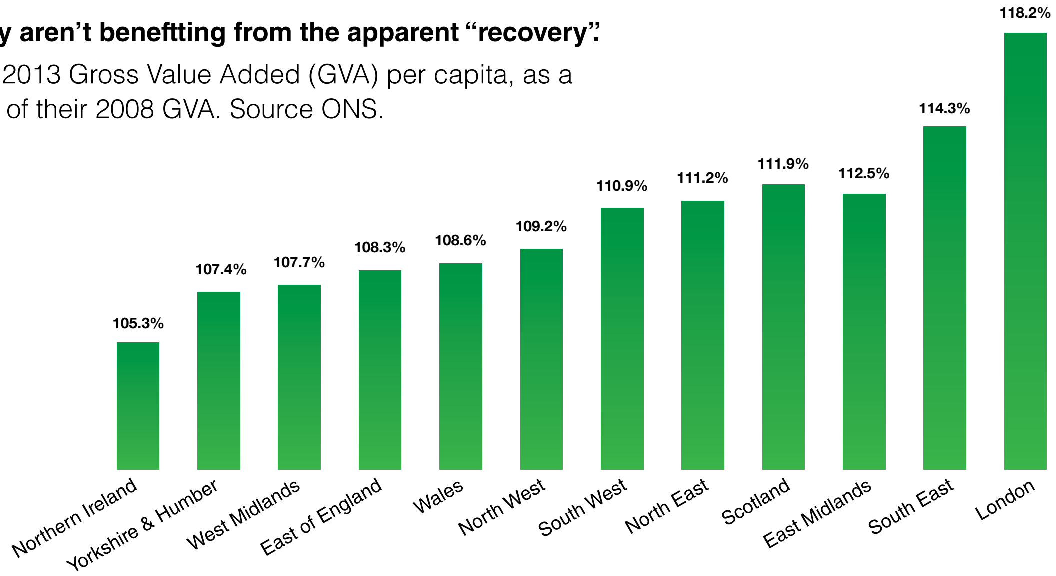
Some UK regions were hit harder by the recession:

UK regions 2011 GDP per capita, as a percentage of their 2007 GDP per capita. Source: Eurostat



…and many aren't beneftting from the apparent "recovery".

UK regions 2013 Gross Value Added (GVA) per capita, as a percentage of their 2008 GVA. Source ONS.



manufacturing output increased much more slowly than that for financial and business services. The 2014 Budget contained a full £10 billion worth of new commitments, but the bulk of this is paying for tax hand-outs which do nothing to address regional inequality – only a relatively paltry sum is going towards R & D and apprenticeships. "The overwhelming impression", he argues, "is a muted recovery with older historic patterns reasserting themselves."

Official statistics on GDP Per Capita and Gross Value Added (GVA), by UK region, paint an even starker picture. Eurostat figures show that GDP per capita fell across the UK from 2008-2011 as the recession kicked in. But this decline wasn't experienced equally between British regions (see above): GDP per capita declined relatively less in London and the South East than in Northern Ireland, Yorkshire & Humber or the West Midlands.

Trends since the crash have been no different, and some regions have lost out in the apparent "recovery." ONS Statistics on trends in Gross Value Added (GVA) per capita make for grim reading. Across the UK as a whole, GVA per capita declined only in 2008. It has risen every year since then. But again, this rise has been concentrated in some regions more than others (see above).

This picture is reinforced in my own chapter, which compares New Labour's and the Coalition's records in addressing this issue. Over the final five years of the last Labour Government, almost twice as much money was devoted towards investing in local growth and tackling regional divides – through Labour's old Regional Development Agencies (RDAs) – than has been spent in the past five years of the Coalition through their various local growth initiatives. Moreover, the Coalition's hasty decision to scrap the RDAs, before they had properly planned for the replacement infrastructure, led to a funding vacuum in 2012/13 and 2013/14, when only a miniscule sum was invested in regional growth.

There is a need for a future Labour Government to avoid the same mistakes. We must start with a genuine commitment to deliver devolution. As Prospect's Jane Lancastle highlights in her chapter, Welsh devolution has brought some benefits to the country. The above graph shows clearly that since the 2008 crash, Wales has recovered a larger percentage of its lost GVA than all but three UK regions. But the Coalition's localism agenda, designed to tap into this potential, is flawed. Their abolition of RDAs led to led to the loss of a crucial, regional form of governance, which would have offered a useful means of devolving transport and other spending – spending which cannot be delivered at a sub-regional level by the Local Enterprise Partnerships (LEPs) which the Coalition put in their place. Although they have offered much in their plans to devolve further powers to local authorities and city regions, they have since veered in a rather different direction: their talk of English Votes for English Laws (EVEL) will do nothing to give more historically-disadvantaged regions the local powers which London now has, but which they have for so long been denied. This gives a future Labour Government the opportunity to seize this agenda with both hands.

2: Britain is more regionally-divided than it was thirty years ago.

Secondly, on some measures, we highlight, regional inequalities are greater now than they have ever been. Britain has palpably failed to reverse the many of the gross inequities first created under Thatcher. As Alan Johnson MP highlights in his contribution on bridging the skills and employment gap between regions, the gulf in employment between southern regions of the UK and those further North (including the West Midlands), is higher than it was in the 1970s. Although there was some success in eradicating the unemployment gap between north and south by the mid-2000s), old regional inequities have since re-asserted themselves under the Coalition.

The results of Unions 21's polling, set out by Dan Whittle, reinforce this: no matter where voters come from or what political party they support, more agree with the statement that "Britain is more regionally-divided than it was thirty years ago" than disagree. This is particularly dramatic for Labour and UKIP supporters (57% of both agree with the statement) and northerners (53%). This makes for depressing reading, but it also shows that there is a way out of this quagmire: the regions have been economic powerhouses before, and they can be so again.

3: The need for re-balancing: investment in a high-skilled, technically-minded workforce.

Thirdly, and linked with this, it is clear that we need vitally to invest in manufacturing and technical skills, and achieve a true economic re-balancing away from an over-reliance on the service sector. Many regions of the North still need to re-discover their lost economic purpose. This lies at the heart of Britain's continued regional inequalities.

The solution, Alan Johnson MP, argues, lies in a localised skills strategy for the regions. This means greater investment in apprenticeships and technical skills in parts of the UK where they are most needed, coordinated by local business, schools and trade unions. For too long, Britain's centrally-led skills system has failed to equip young people with the skills necessary to meet the specific needs of regional labour markets. Duncan Exley, of the Equality Trust, concurs. In his contribution, he argues that one way to tackle inequalities across the regions is to develop a genuine industrial policy and up-skill our workforce. One way of doing this is to give our general workers greater responsibility to develop the managerial skills necessary to compete in the modern-day market: this means, amongst other things, employee representation on remuneration boards.

4: Tackling other regional inequalities – pay, culture, housing.

Fourthly, however, many contributors highlight that important though manufacturing and the skills system is, there are many other dimensions to regional divide. Some of the most innovative chapters in this publication touch on aspects of regional inequality which have been relatively neglected in the past.

The most notable such inequality is in pay, which is closely linked to the question of what value the Government should place in the public sector workforce – a workforce which is often disproportionately represented in poorer regions; and which has often had to bear the brunt of cuts and wage freezes. As the Equality Trust's Duncan Exley notes, there are currently more wage inequities within regions as there are between them, but Jon Skewes of the Royal College of Midwives (RCM)and Rachael McIlroy, of the Royal College of Nursing (RCN), highlight the potential that ending national pay-setting might reverse this, and have serious implications for social mobility between the regions.

Both the RCN, and Prospect's Jane Lancastle, also emphasise the importance of the public sector in delivering growth and development to the regions. The Coalition like to peddle the myth that an over-mighty public sector "crowds out" the private sector in places like Wales and the North-East, but this couldn't be further from the truth: as IPPR research has highlighted, there is currently an excess supply of labour in the north – there are more people are chasing jobs than there are jobs to fill. There is ample room for both the public and the private sector in northern regions, and indeed both can be self-reinforcing partners in the drive to address regional inequities.

The contribution by Equity, the performers' and creative practitioners' union, also makes for interesting reading. It shows how the overwhelming majority of jobs in the creative economy are concentrated in London and the South-East, forcing talented musicians, performers, film producers and others to flood to the capital. You might think that central and local Government funding would thus go in the opposite direction, to help achieve a re-balancing. In fact, the reverse is true. Reversing this inequity means, as a start, re-balancing central and local Government funding. Only then can cities like Hull, which is preparing for its period as 2017 City of Culture, truly tap into the potential of the creative economy.

Clive Betts MP's contribution on housing carries on in the same vein: it highlights how there are marked differences in the demand for, and cost of, housing between the regions. It is not simply a case of housing under-supply across every region of the UK. The number of households in England is projected to grow much less in the North-East, North West and West Midlands than it is in the South. On the flip-side, the housing price/earnings ratio is much higher in southern than northern parts of the UK. These problems are two sides of the same coin.

Along these lines, it should be noted that the North East, according to figures from Empty Homes, has the highest proportion of empty homes than any region in the UK. The root cause of this, as of much dilapidated housing and neighbourhood deprivation, lies in low demand for housing relative to supply – the exact reverse of the problem in London, where rents are skyrocketing because of excessive demand. Some parts of Britain need more homes, but others need greater investment in regeneration, and a drive towards bringing economic opportunities into areas where housing is in low demand.

This diverse range of problems calls for a diverse range of solutions, all described above. But one all-encompassing way of addressing all of these issues would be to take up one of the recommendations of Duncan Exley of the Equality Trust: adopt a national target to reduce regional inequalities, and automatically assess the impact that individual policies will have in meeting this target. This would both help, gradually, to reduce inequalities in the various dimensions described above, and ensure that national policy, where appropriate, is tailored to take account of regional differences in needs.

5: The Regions' problems are Britain's problems – going beyond North versus South, London versus the rest.

Finally, all of the contributions in this publication, taken together, warn against over-simplifying regional inequality as that between North and South, or London versus the rest. There are a range of dimensions to regional inequality, and different parts of our country come out worse on different dimensions.

The chapters in this pamphlet, using different measures, each tell different stories. Although Alan Johnson MP's contribution finds a clear overall divide between North and South, there are some surprising trends within this. London had the highest proportion of young people Not in Education, Employment or Training (NEET) in the mid-2000s – remarkably, it has since reversed its position amongst the regions. As noted earlier, Duncan Exley of the Equality Trust warns against jumping to unjustified conclusions in relation to regional income inequality. But he does go on to say that the wealth inequality between north and south is considerable, and has to be dealt with.

This pamphlet does not seek to argue that all regional inequalities conform to a simplistic North/South narrative or to pit one region of the UK against another. We argue that only there are regional divides, and that they affect all parts of the UK. Tackling them will benefit everyone: the North's problems, Wales's problems and the South West's problems are not parochial, regional issues. They are manifestations of the cost-of-living crisis, the inequality in pay and the imbalanced economy. They are Britain's problems too. Only by tackling these issues together, as one nation, can a future Government bring growth and opportunity to every corner of the UK.

2 HAVE THE COALITION HELPED REBALANCE THE ECONOMY?

Ian Brinkley, Work Foundation

As we descend into the usual claim, counter claim, and counter-counter claim of a British General Election campaign, it is worth pausing briefly to take a more measured look at how far we have come in achieving the goal which all the political parties say they want to see: a balanced economic recovery. This is sometimes framed as meaning economic growth lead by investment and exports rather than consumption; a larger manufacturing sector and a smaller financial services sector as shares of the economy; and less reliance on growth and employment concentrated in the South East and London. This article – drawing from data on economic changes from 2010-2014 – will consider each of these issues in turn, before going on to assess whether the specific measures of the 2014 Autumn Statement help meet the rebalancing challenge.

The story of 2010–2014

Do we have a higher share of investment in the economy? The recent revision to the investment figures certainly makes them look better than they did before. The share of investment measured by gross fixed capital has gone up since 2010, and investment has grown faster than household consumption. The OBR is forecasting stronger business investment – but it has been doing so for some years now, and it has failed to materialise thus far. However, the share of investment in the economy in 2014 (17 per cent) is still well below where it was in 2008 (20.4 per cent) and appears to have grown much less strongly between 2010 and 2014 compared with the four years immediately before the crash of 2004-2008.

Have we had a rebalancing towards exports? The trade deficit has certainly shrunk, but this is as much to do with a smaller economy attracting fewer imports as much as expanding exports. Exports have grown faster than imports since 2010, although this has reversed in more recent figures. Export growth however has been fairly modest by historic standards - not surprising given the slump in Britain's major European markets. However, there is nothing so far to suggest a fundamental rebalancing has taken place, but the real test will come when demand from our major overseas markets picks up again.

The Chancellor certainly caught the popular attention with his memorable phrase in a speech referring to the "march of the makers." But between 2010 and 2014 the march has been rather muted, with manufacturing output increasing by just over 2 per cent between 2010 and 2014. This is less than the growth of overall gross value added, and much less than the growth of financial and business services by over 11 per cent (with real estate leading the charge). Those who thought that, post-crash, it would be desirable to have a larger manufacturing sector and a smaller financial services sector as a share of economic activity are likely to be disappointed.

Early in the Coalition the Prime Minister noted the over-dependence of the economy on South East England to generate new jobs and growth. More recently, both Prime Minister and Chancellor have set out their vision for creating a "Northern powerhouse". However, since 2010 London has continued to pull away, with total employment growing by 16 per cent between March 2010 and September 2014 compared with 4 per cent across the three English Northern regions.

The Autumn Statement puts more weight on the most recent data, which shows a more balanced recovery. However, this seems so far to be confined to the North West. Moreover, all economic recoveries to date have started in the South and moved towards the North. There is of course no simple North-South story, but overall it looks more like historical patterns reasserting themselves rather than the start of a more fundamental rebalancing between a Northern and Southern powerhouse.

So in summary, since 2010 we have seen some progress on rebalancing from consumption towards investment and from imports to exports, no progress on manufacturing, and not much on regional imbalances. More recent figures suggest some slippage on exports and some gains on regional employment. There is little to suggest that the UK's twin and related challenges of low productivity and low pay are being addressed beyond a reiteration of broad policy initiatives around innovation and skills. The overwhelming impression is a muted recovery with older historic patterns reasserting themselves.

The 2014 Autumn Statement

This Autumn Statement was mercifully rather shorter than previous ones, but it was no less opaque– indeed, some might argue that in some areas it has become less clear. What we have in Autumn Statement 2014 are a series of announcements often referring to different time periods – some referring to commitments already made; some to commitments in the future which may or may not be implemented. Most of the substantial sums in the Autumn Statement allocated to supporting science and innovation – or what is now being called the northern powerhouse – seem to have been made in previous statements. This is nothing new – it is a game played by all governments and it tends to intensify when times are difficult and a General Election is so close. Nonetheless, it is tempting to say that writing the Autumn statement in the future should be turned over to the Office for Budget Responsibility if only to impose some non-partisan order, transparency and balance on the selective statistics being used and the policies being announced so at least the public could make a more informed judgement.

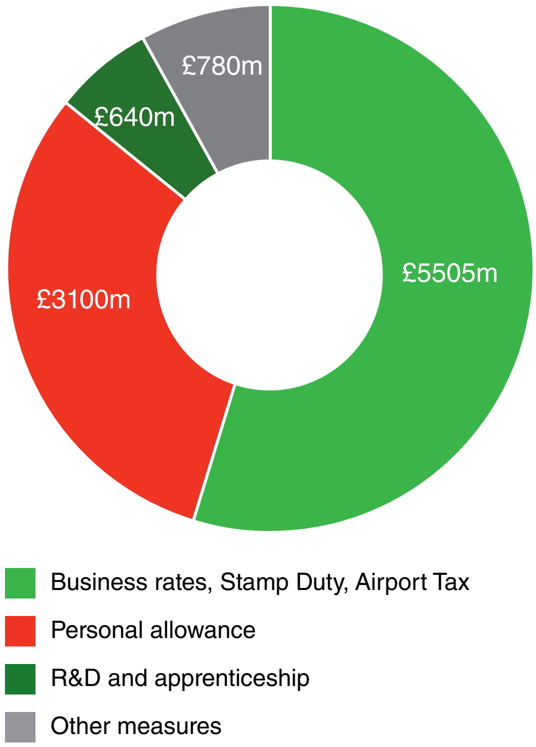
There is however at least one table in the Autumn Statement that is clear and I have clung to it as the best guide to how well the Statement meets the rebalancing challenge. It is table 2.1 on page 64 which sets out the tax and spend implications of the Autumn Statement's new policy decisions.

Looking at the net changes between 2014-2015 and 2019-2020 we find cuts in stamp duty will cost over £4 billion and another £1.1 billion is to be spent on cutting business rates. It is hard to see how either measure will do anything to support a more balanced recovery. We have another £390 million committed to reducing the airport duty on children, a measure that is poorly justified and hard to see as a priority for any government when child poverty is on the increase.

The increase in personal allowances will cost about £3.1 billion. This falls into the "well-intentioned, but not the best use of public money" category. Although the measure takes more people out of income tax, most of the cash will go to basic and higher rate tax-payers (indeed, the personal allowance for higher rate taxpayers to make sure they benefitted was increased) because there are far more of them and they pay more income tax, while people on low incomes typically pay more in national insurance than income tax. The money might have been better spent cutting national insurance or reducing cuts in welfare benefits most likely to impact on the low paid.

One candidate for the "well-intentioned but doubts about their effectiveness" category is the R&D tax credit extension. The net cost is small (£20 million) because the government has quietly limited some

Autumn Statement 2014:
New commitments 2014–2015 to 2019–2020, £millions



of the qualifying expenditures – and estimates are only available for 2014-2015 as the rate can be varied on an annual basis. It is unproven whether R&D tax credits work, and there is no sign that R&D as a share of GDP has improved since their introduction. A more significant sum (£460 million) has been set aside to pay for another employer subsidy – this time a cut in national insurance to encourage employers to take on more apprentices under 25. National insurance cuts have a history of being either wasteful or ineffectual – they tend to either subsidise existing activity; or employers do not find them a sufficient incentive, especially for relatively low-paid posts. Similarly, the employment allowance is to be extended to carers at a cost of £50 million: not a bad idea in itself, although such schemes are often associated with low net benefits or high displacement effects on people already in work. We also have a package of measures which between them cost £115 million: additional funding for the High Value Manufacturing Catapult, R&D innovation funding; support for postgraduates in higher education; and support for first time exporters. These may offer better long-term investments.

There are other measures where it is hard to judge their effectiveness. These include tax relief on social investments and peer-to-peer lenders (although both could be justified as increasing diversity in financial markets); a series of measures directed at supporting energy markets and household energy efficiency; and what the Autumn Statement calls "support for the community." By 2019-20, the energy-related measures will cost £585 million, whilst the community-related spending will cost just under £200 million.

The main categories are set out in the chart to the right which has selected roughly £10 billion worth of new commitments in the Autumn Statement, paid for by various efforts to increase tax compliance by the corporate sector and cut out tax loopholes. It is hard to see what half of these £10 billion measures contribute to rebalancing. The intention to increase the post-tax incomes of the low paid is very welcome, but it is questionable whether spending another £3 billion on increasing personal allowances is the best way of doing it. By comparison, the level of support for R&D, apprenticeships and exporters –even if we include the value of schemes that may not be very effective – is relatively modest. This was not a "balanced economy" Autumn Statement.

The Government can point to previous commitments such as the increase in investment allowances, support for innovation and science, plans on the infrastructure, and support for apprenticeships. A balanced assessment would of course have to look at all Coalition policies – including welfare, other spending cuts and reductions in corporation tax. All we can say, however, is that the evidence we have presented – analysing the new commitments of the Autumn Statement; and setting out changes of economic changes between 2010 and 2014 – does not strongly support a rebalancing story. The Coalition's ambitious target of a more fundamental rebalancing of the economy it is still very much a work-in-progress.

3 BRIDGING THE GAP: A SKILLS STRATEGY FOR THE REGIONS

Alan Johnson MP

Context: The Regional Gap in Employment and Skills

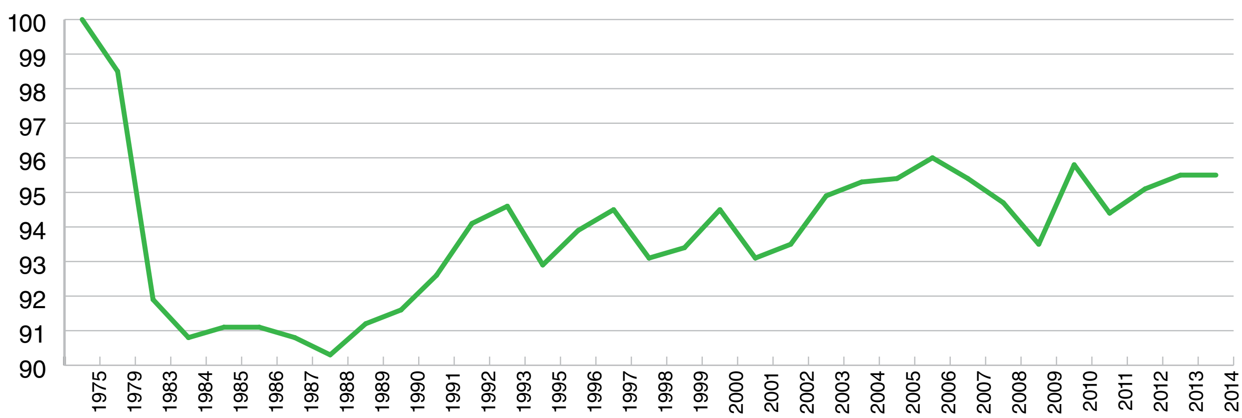
Britain's regions, and especially the North, still haven't recovered from abandonment under Thatcher. Numerous cities and communities across the UK – having lost their industries in the 1980s – have yet to fully rediscover their economic purpose. Our task is to harness the expertise of local educationalists and businesses across the regions to finally bridge this gap and up-skill the workforce in more economically deprived parts of the UK.

The above graph presents data on changes in employment levels between across the UK from the 1970s through to the present. They present a stark picture of dramatic changes in regional inequality in Britain. In the mid-1970s, there was a relatively small employment gap between British regions. This increased dramatically in the 1980s, as "the North" – including the West Midlands – bore the brunt of job losses under Thatcher. Though this gap has narrowed since, it hasn't dissipated: Britain's labour market still remains more regionally-divided than it was in the 1970s.

Other measures reinforce this argument. Whilst New Labour brought about dramatic positive changes in apprenticeships and the proportion of young people going to university, we are still faced with a stark regional divide in the employment and skills system. If we look at the skills set of the workforce in different regions, a clear regional divide emerges. As the above graph makes clear, it is London and the South which eat up the most qualified graduates, and have the least proportion of workers with no qualifications. Less qualified

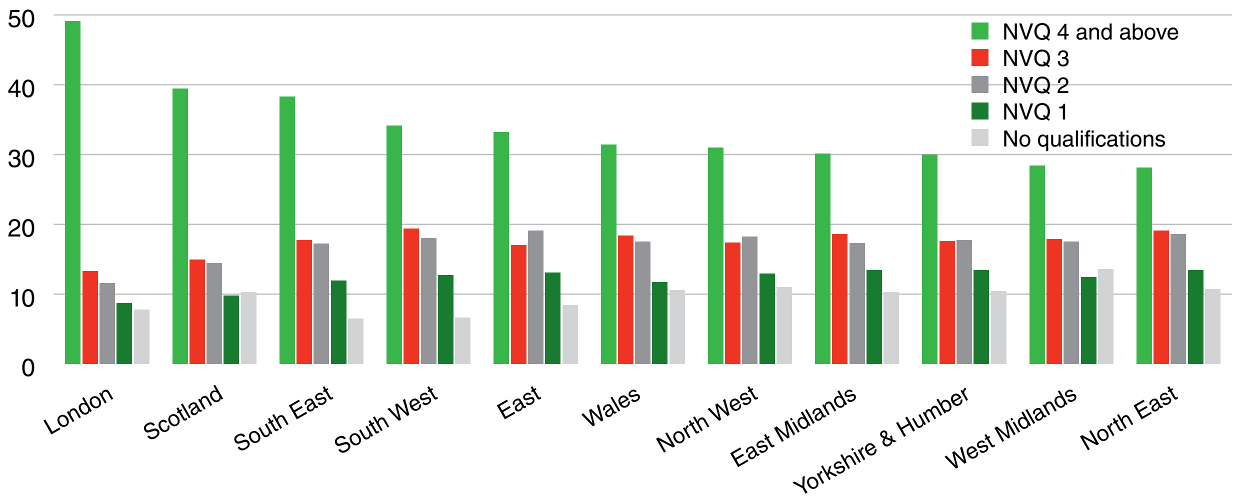
The north/south employment gap between regions

Proportion of working-age northern workforce in employment (inc. W Midlands), as a percentage of working-age southern workforce in employment, 1977–2014. Source ONS Labour Force Surveys



Qualifications by UK Region

Source: NOMIS official labour market statistics, Jan-Dec 2013.



workers are more concentrated in the north, midlands and Wales.

The reasons are twofold: on the one hand, our skills system has often failed to cater for the needs of northern employers – with our focus on University education at the expense of other more vocational skills; but, on the other hand, talented workers and graduates who are trained and educated by employers and institutions further north, like Hull, are all too often driven to migrate southwards, unable to find suitable employment more locally.

Figures on young people Not in Education, Employment or Training (NEETs) in England reinforce this picture: the regions with the largest proportion of NEETs are all outside the South (see right). To make matters worse, the regional gap in NEETs has intensified in the past six years. Those in already-disadvantaged regions have borne the brunt of the recession, and the recent increase in NEETs we have seen since the recession has been concentrated in the North.

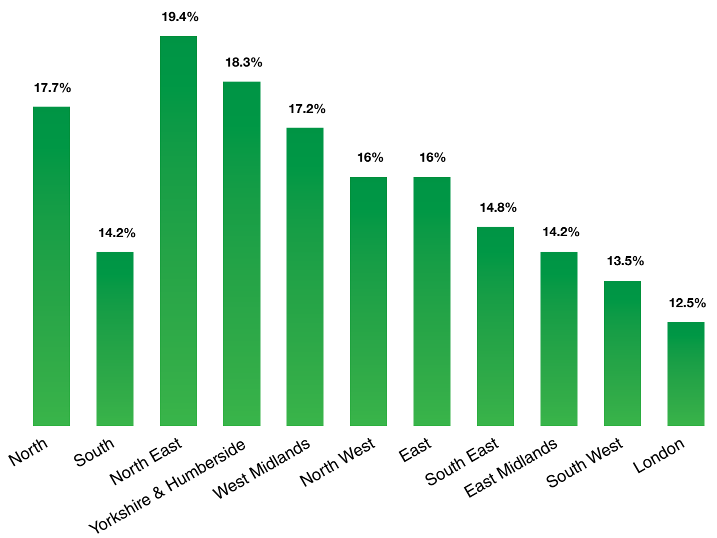
That said, this is much more complex than a simple "North/South" divide. There are pockets of disadvantage in every region of the UK which still remain to be addressed. Despite its reputation, London, in particular, has often run out of kilter with the rest of the South. Its employment rate is well below that of other southern regions. Its employment rate has run consistently below those of the south over the past decades. In the mid-2000s, it was London which had the highest proportion of NEETs of any region of the UK – it has seen a remarkable turnaround since this low point. The British city with the largest proportion of households where nobody works is now Nottingham, not Liverpool or Glasgow.

How we Bridge the Gap

It is clear that in every region of the UK, there is a sizeable local population longing for meaningful work, but who lack the skills, support and opportunities to tap into their full potential. Every region of the UK faces a task to up-skill the local workforce to equip them for the modern labour market. They need to tailor their strategy to meet the specific needs of local businesses, and exploit their areas' natural strengths. But across the North in particular, there is a clear need to finally plug

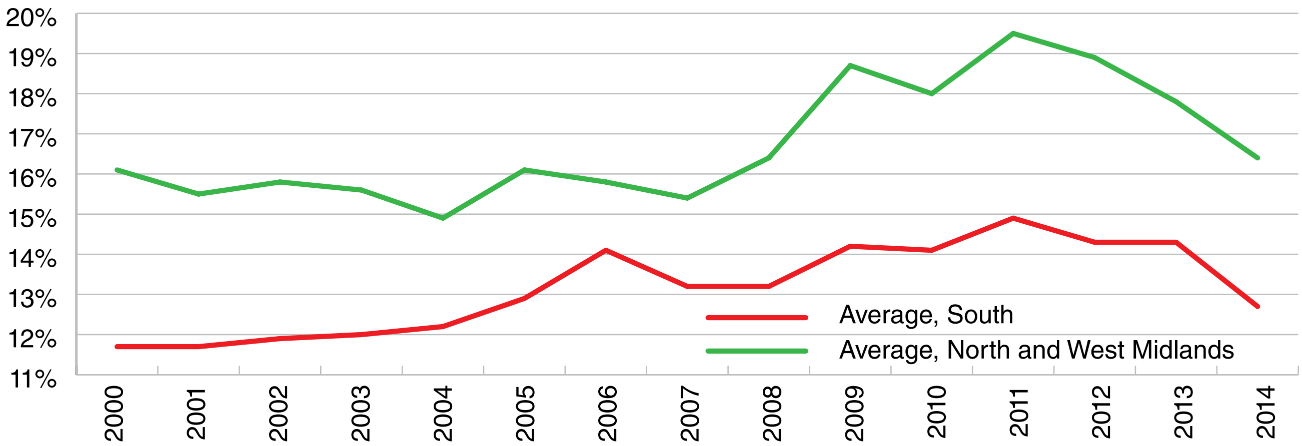
Percentage of 16–24 year-olds NEETS by region, Q3 2014

Source ONS Labour Force Survey.



Percentage of NEETS by region, year-by-year, Q2000 – Q3 2014

Source ONS Labour Force Survey



the gap still left by Thatcher, and reduce the employment gap with the south.

The Institute for Public Policy Research (IPPR) has identified capacity for some 1.1 million extra jobs – but projections suggest that, in the decade up to 2020, just 170-300,000 new jobs will be created in this region, mainly in the service, retail and distribution sectors as traditional manufacturing and the public sector decline. In Yorkshire & Humber in particular, there is a vast amount of untapped potential: not only do we have unemployed workers and young people who need up-skilling, but we have a stark problem with under-employment compared to other regions, as half of our workforce report being in temporary or part-time roles simply because they can't find permanent, full-time work. There are also fears that, with an ageing workforce, we will not be able to replace our highly-skilled workers with a new, equally-skilled cohort.

There are many things the Humber needs to do to meet this challenge, but three things in particular stand out as key elements of a skills strategy for the regions.

First, there needs to be more investment in workers' skills by employers themselves. As the GovernmentGovernment's 2012 Richard Review of apprenticeships made clear, businesses in other countries often play a much more prominent role in the skills system. Larger employers in Germany are legally-obliged to train apprentices, and the training is funded by firms themselves, through a business levy. In Britain, by contrast, we have considerably less employer investment in workers' skills compared to other countries and, consequently, just a quarter of the apprenticeships per head of our population than Germany.

Second, we need to reduce the mismatch between the way our local workforce is skilled, and the local needs of employers and natural potential of our regions. All too often, Britain's education and skills system – directed from the centre – has failed to address specific, local needs. In Humber, for example, there is a vital appetite both to provide education to the adult workforce, and to tap into the area's enormous potential in the renewable energy sector, but no programme presently in place to provide it. Again, this contrasts starkly with the situation in other countries, such as Germany, where local consortia of businesses, educationalists and trade unions collaborate to draw up training regimes and apprenticeship programmes for local workers.

Thirdly, and to tie all this together, there needs to be a strong local element to the skills system. Local bodies need to be devolved both the authority, and the funding, to compel businesses to invest in the skills of their workforce and to develop local educational programmes. In Humberside, the Local Enterprise Partnership (LEP) has been fighting for the GovernmentGovernment to devolve it the power and resources to do precisely this. As Scunthorpe's Nic Dakin MP highlighted in an independent report for the LEP, Humber, despite its difficulties, has the best of everything: across the area, businesses already exist which are well-equipped to play a leading role in a skills revolution. It is about bringing them together, through the LEP, to play a part in doing so.

4 WELSH DEVOLUTION

Jane Lancastle, Prospect Wales

It cannot be denied that despite devolution, the economy of Wales faces multiple challenges. Official statistics show that labour productivity, measured in terms of gross value added (GVA) per hour worked, is low compared with all other parts of the UK except for Northern Ireland. Investment in R&D as a percentage of GVA, at 1.17%, is little more than half the UK's 2.04% average. Wales also has a relatively low proportion of managers and senior officials in its workforce, but relatively high proportions of skilled trades and personal service occupations. The constituency of Dwyfor Merionnydd is one of only three in Britain where over half of employees earn below the living wage – the other two are in Birmingham and Bristol.

However, devolved Wales also performs well on a number of indicators. Data on the number of workforce jobs show that the largest percentage increases over the past year to March 2014 were in Wales and London. Office for National Statistics figures on Gross Value Added between regions from 2008-2013 also show that since the 2008 crash, Wales has recovered a larger percentage of its lost GVA than most regions. Only London, the South East and the West Midlands have out-performed us.

Joint collaboration between the devolved Welsh state and trade unions operating in Wales's sizeable public sector – which, as in Northern Ireland, employs a large proportion of this country's workforce – has made a huge difference. The public sector does not "crowd out" local business, but brings economic value to them A collaborative approach with public sector trade unions that doesn't seek to alienate the state can help tackle regional inequalities.

The Benefits of Devolution and Collaboration.

Devolution for Wales provided unions with an important opportunity to have a closer relationship with decision-makers. It was a long time in the making, with routes traceable to Cymru Fydd's ('Young Wales') 1886 campaign in favour of Welsh home rule. In 1997 the Labour Government fulfilled its manifesto promise to hold a referendum, and elections took place to the new institution in May 1999. From that date, we saw political parties work together in coalition in the Assembly and now in a Welsh Government with increased powers. However devolution is a process, not an end point, and there is still much to do.

Since the inception of devolution, trade unions in Wales have welcomed the level of engagement and access that has been afforded to us.

Welsh Government was keen from the outset that a nation like Wales was able to work more collaboratively across the public sector to deliver better services more efficiently. Identification of areas of commonality and better cross-cutting working have been key themes. Informal reform has taken place in line with an expectation for local authorities to work together to deliver public services. In the health sector, the NHS is working collaboratively with local authority social services departments to enhance public access to services. To progress reform further, a 2011 compact for change between Welsh Government and local government signaled a joint commitment aimed at delivering improved and cost effective services across Wales.

An 'open invitation' for unions to meet with Ministers to discuss public sector workforce issues has been formalised through formation of a Workforce Partnership Council (WPC) with sector groupings covering education, health, local government and fire services along with the devolved Civil Service and Welsh Government-sponsored bodies. Each WPC sector group has a fully representative membership from the trade union side and can provide detailed and expert knowledge of the individual sectors across the public sector. The Wales TUC provides support in convening meetings, and the importance of partnership working in a 'Welsh Way' is acknowledged through equal commitment to the work of these groups. It is accepted that when disagreement takes place there is joint ownership of the problems and a commitment to seek to develop a solution jointly.

The WPC is a proactive body, so in addition to responding to emerging issues, trade unions are involved in the design of the public services in Wales. In Wales, we believe that strong social partnership can be our only effective response to the multiple challenges of reducing budgets and expectations for ever improving public services. Both sides are committed to sitting down and talking, no-one at the table is there for the wrong reasons or as a token gesture.

Going Further: the Welsh Government's plans for further collaboration.

The Welsh Government has ambitions to achieve more. Prospect has recently responded to a white paper proposal on 'Devolution, Democracy and Delivery' to include all public sector bodies under one Public Services Staff Commission. In our view, this will usefully build on the infrastructure provided by the Workforce Partnership Council which, in our view, should set the strategic direction for the new commission as well as providing advice on delivery. We have welcomed the proposal that the PSSC's remit should include a commitment to seek out best practice from Wales and internationally. It is important to note that the full value of the PSSC, and indeed any other new structure, will only be realised with visible support and leadership from Ministers, including a commitment to its independence – a commitment that has been sadly lacking in Westminster.

In common with the rest of the UK, the use of out-sourcing and zero-hour contracts is a hot topic for debate – the difference is that the infrastructure exists to debate these issues constructively and on the basis of evidence. The trade union position is clear and we continue to campaign for public services to be kept in the hands of our public. What may appear attractive in terms of potential to deliver savings or achieve greater efficiencies may have unintended costs and consequences which have an impact on the public sector as a whole. The Association of Public Service Excellence (APSE) report[1] 'Shared services and collaborative working in a Welsh Context: Applying theory to practice' found there is little support for models of local government specifically that 'hollow out' local councils. The WPC provides a strong united trade union voice in support of delivery of service quality, standards and accountability through public services provided by directly employed and democratically accountable public sector workers. As a trade union side, we encourage public sector employers in Wales to look to identify the benefits of a flexible workforce and embrace training and development opportunities that provide variety and diversity to improve employment opportunities across the public sector.

The First Minister's support of the WPC's success gives a clear and positive message that all public sector bodies are expected to engage in partnership with trade unions. This is manifested in support for the maintenance of facilities time on the grounds that it provides tangible benefits. Other Ministers, through their portfolios, similarly re-enforce the commitment to the partnership.

For example, in August 2013 the Minister for Communities and Tackling Poverty wrote to all public sector employers reminding them of the Welsh Government commitment to[2] 'establish trade union equality representatives across the public sector to ensure that organisations meet their statutory equality obligations and work towards creating the fairest and most diverse public sector workforce in the UK'. The Welsh Government has also provided resources to Wales TUC to promote and support a network of trade union equality representatives across the public sector under the auspices of the WPC and directed public sector employers to work with the Wales TUC to support the establishment of trade union equality representatives and for the employers to enable the representatives to carry out their role effectively. The Minister emphasised to employers the benefits that well-trained representatives make within the workplace by resolving issues quickly, avoid bullying, reducing sickness absence, improving staff morale and reducing staff turnover.

It is in all our interests to have a public sector that delivers well for the people of Wales. Unions are under no illusion that we will continue to experience difficult budgetary decisions. However doing nothing is not an option. We must play our part in planning for the future and developing the public service workforce of the future. Research[3] has shown that there is a firm correlation between employee engagement and high organisational productivity and performance across all sectors of the economy. In 2012 the Head of the Civil Service identified increasing engagement among public sector employees as a priority. Back in Wales, the Welsh Government is aiming for 'world class' public services now and in the future. Our social partnership arrangements give us a better chance than most of succeeding.

1 *Shared services and collaborative working in a Welsh context: Applying theory to practice*' has been published today by the Association for Public Service Excellence (APSE) in partnership with De Montfort University, 2012, www.apse.org.uk/apse/index.cfm/news/2012/shared-services-and-collaborative-working-in-a-welsh-context-applying-theory-to-practice/.

2 Welsh Government Programme for Government Chapter 8. Updated 2014. http://gov.wales/about/programmeforgov/?lang=en

3 RAYTON, B., DODGE, T. and D'ANALEZE, G. (2012). *Engage for Success: the evidence*. London: Engage for Success. Available at: http://www.engageforsuccess.org/about/why-does-it-matter/

5 DEVOLUTION TO REGIONS, NATIONS AND COUNCILS: NEW LABOUR'S RECORD VS. THE COALITION

Diana Johnson MP

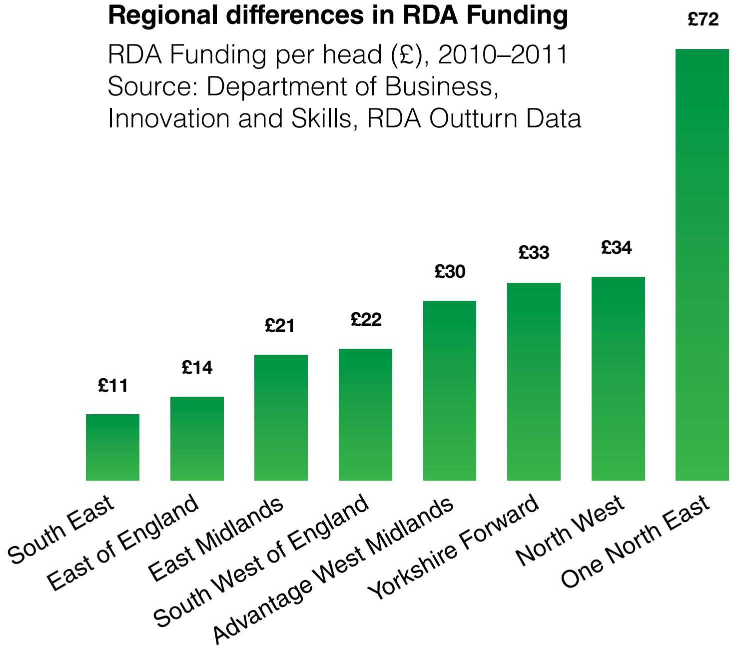
People forget that when Labour took office in 1997, Britain stood out as one of the most centralised countries in the world. In the 1970s and 1980s, as Margaret Thatcher set about abolishing the Greater London Authority and concentrating ever more power into central Government, other countries were moving in the opposite direction: strengthening and developing their own regional tiers of Government, and devolving more powers to localities. The Major Government fared little better. He established Government Offices for the Regions (GORs), based in each region, to manage funding locally, but these were still essentially Government-led institutions that didn't devolve any genuine local power or democracy to the regions. A patchwork of other funds had also been established to help fund regional growth, but there was no coordinated approach. Labour's challenge when entering office was to devolve genuine power, democracy and funding further to the regions through a coordinated effort. Its legacy needs to be seen in the context of the challenges we faced in 1997.

The last Labour Government set its sights squarely on devolving unprecedented powers to the regions and nations of the UK. In Scotland, Wales, Northern Ireland and London, this led to the successful establishment of local assemblies, and the devolution of powers to manage a vast array of funds.

The hope was that the same could be achieved for the English regions to complete the dramatic process of democratic devolution. In 1999, a start was made with the establishment of Regional Development Agencies for the eight English regions outside London, to operate alongside the GORs. In a dramatic change from the last Tory Government, both the RDAs and the GORs were made democratically-accountable to local businesses and local authorities in their respective regions, with the establishment of Regional Assemblies in each locality.

Regional differences in RDA Funding

RDA Funding per head (£), 2010–2011
Source: Department of Business, Innovation and Skills, RDA Outturn Data



Collectively, the RDAs had billions of pounds of funds at their disposal, generally to the tune of some £2.2 billion each year. Some have argued that by establishing these institutions in every English region, nothing was done to resolve the fundamental inequalities between region, but this is a weak criticism. Figures show (see right) that northern regions received considerably more funding per head than those in the south. The RDA brought about a genuine, progressive transfer of funds to the most disadvantaged regions of the country.

One some measures, New Labour did see some success in tackling regional inequalities. By 2005, unemployment in the three northern regions – which had sat well above the UK average previously – had just about reached the national average of 5%, although the gap intensified in subsequent years and is now higher than ever. From their inception through to 2007, official estimates credited Labour's RDAs specifically with creating or sustaining 270,000 jobs and starting 17,500 new businesses.

In subsequent years, greater powers were devolved to the RDAs, and the Regional Assemblies were granted stronger democratic oversight. They were given a role in advising ministers on housing priorities in 2006, and shortly afterwards were given a say in allocating transport spending. From 2007, Labour also established Government ministers for all the separate regions of the UK. But we failed to complete this revolution. The hope of giving the English regions the same democratic and political autonomy as the London Assembly crashed with the loss of the referendum on a North Eastern Regional Assembly, in 2004. This left Britain with a constitutional oddity which we are still struggling to resolve to this day: London, Scotland, Wales and Northern Ireland have local accountability and devolved power, but the English localities in-between do not.

When the Coalition took office in 2010, the whole concept of regional government in England went out of the window. They have focussed on devolving powers to more localised areas: Local authorities and city regions have been given the chance to take powers from central Government, and Local Enterprise Partnerships (LEPs), operating in smaller geographic areas were put in place of the RDAs. A whole stream of other funding pots and institutions, from Enterprise Zones through to devolved business rates, have also been put in place.

Ostensibly, the Coalition's aims in implementing these reforms were laudable: the borders of regional government never properly delineate the real geography of markets, which tend to operate at a more localised level, often larger than local authorities but considerably smaller than regions. City-regions and LEPs better represent this geography. In practice, however, the Coalition's decision to scrap RDAs offered a convenient smokescreen: it was a way of disguising a considerable cut in the amount of money allocated to tackling regional inequalities. The graph below, using figures compiled by the independent National Audit Office (NAO), paints a stark picture: over the past five years, the Coalition has spent less than half of the money on local growth that Labour spent in our last five years in office.

The transfer of funds from RDAs to LEPs was also very poorly-organised. The Coalition pulled the plug on RDAs before they had even begun to get the replacement infrastructure in place. The consequence was that from 2012/13 to 2013/14, there was a funding vacuum: businesses across the UK were deprived of considerable funds, as the old RDA funding dried up before any substantial new replacement funding streams had been established (see below). This coincided with a broader reduction in both central and local Government spending, and economic stagnation as Coalition cuts began to bite: in other words, businesses in the regions were being deprived of vital funds at the time that they needed them most.

This leaves us with three questions about what a future Labour Government will do. The first is what we should do with the infrastructure we inherit. It would be reckless to embark on a hasty dismantling of the LEPs – to do so would be to repeat the Coalition's irresponsible folly, and would risk a further dearth of funding. The Shadow Business Secretary, Chuka Umunna, has rightly said that Labour would not abolish the LEPs.

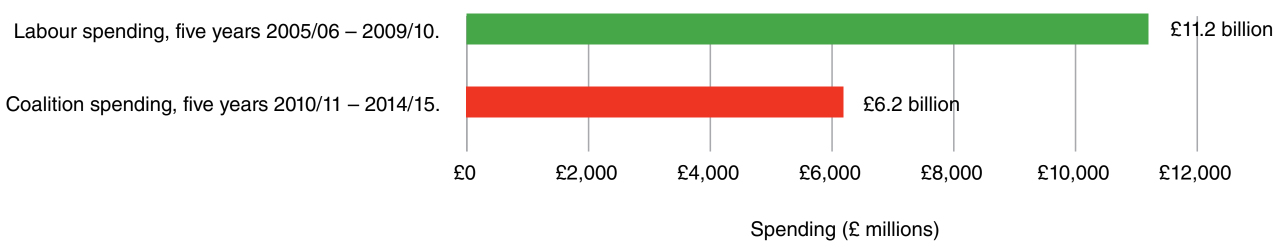
The second question is whether regional governance has any kind of future in the UK. With the scrapping of the RDAs, Britain has now returned to the situation before the New Labour era: once again, we are out of kilter with other countries in the world, lacking a regional tier of Governance. This is problematic because some powers, such as transport spending, need to be coordinated above the level of LEPs and local authorities, or even city regions. One good way of dealing with the marked regional divide in transport spending would be to devolve funding on local infrastructure spending to the regions, and away from Whitehall – but how can this be done with the abolition of the RDAs? This is a question that a future Labour Government would have to tackle if we are to fulfil our commitments to devolve billions of pounds of spending to the regions.

Finally, where does this leave local democracy in England? Devolution in Scotland, Wales, Northern Ireland and London were some of New Labour's great success stories. The Coalition could not repeal them because genuine, substantive democracy had been passed over to local areas. Because of the failure to deliver regional assemblies, the RDAs were a half-finished job: they were not nearly as democratically-accountable to local communities and, consequently, were much easier to dismantle.

England needs its own form of devolution to address the constitutional challenge we are currently faced with. But with the abolition of RDAs and the failure of the North East regional assembly, this needs to take a different form than was envisaged under New Labour. Following the referendum on Scottish Independence, the Conservatives have shifted the focus on English Votes for English Laws (EVEL): their solution to the English question is to give English MPs sole power over decisions which only affect English voters. But EVEL would do nothing to resolve regional inequalities within England. It fails to tackle the root reason why English voters want to see a constitutional settlement for this country, which lies in the marked regional divides between London and the rest.

This gives Labour the opportunity to champion a different kind of devolution, which will fundamentally settle the constitutional challenge: devolution must now take place at the level of English Local Authorities or city-regions, and not large regions. Labour's promise of an English Devolution Act, transferring £30 billion worth of funding over five years to English local government, offers the best way of giving English voters in the regions the same powers to invest in local infrastructure, jobs and businesses as that which is already enjoyed by those in London, Scotland, Wales and Northern Ireland.

Labour vs. Tory spending on local growth
Source: National Audit Office, 2013



The gap in regional growth funding under the Coalition
Source: National Audit Office, 2013

6 A PROGRAMME TO REDUCE BOTH OVERALL AND INTER-REGIONAL INEQUALITY

Duncan Exley, Executive Director, Equality Trust.

There are indisputably significant inequalities between regions, which are felt keenly by individuals. Median pay in London, at £27,999, is 27% higher than the UK average, while that in Wales, at £20,021, is 10% below average. Of the highest-paid 10% of workers in the UK, nearly a third live in London. The wealth differences are even wider: median household wealth in the South East (£309,700) is 42% higher than the GB average, while that in the North East (£142,700) is 35% lower than average – i.e. the average household in the South East has more than double the wealth of their counterparts in the North East; mainly, but not entirely, driven by property wealth.

Differences in wealth are reflected by differences in health between regions. A man in the South East can expect to live two and a half years longer than his compatriot in the North West.

But the effect of differences in income and wealth is diluted by living costs. For example, although London has higher average incomes, it also has higher housing costs. The median weekly income of Londoners may be 9% higher than the English average, but it is only 0.5% higher when housing expenses are taken into account (expenses which are higher for everyone in London, including those on the National Minimum Wage, which is no higher than elsewhere).

And these differences between regions are dwarfed by the differences within regions. Someone paid at the 90th percentile in London gets eight times the pay of a Londoner at the 10th percentile, and even in the relatively equal North-East the ratio is one to six.[1] Although the wealth gap between regions is large (the South East average household wealth being just over twice that in the North East), the wealth gap between upper-quartile households and lower-quartile households within the North East is approximately nine to one[2]. To give an extreme example, someone working for the Minimum Wage would have to work for 342 years to earn the same amount as a FTSE 100 Chief Executive gets in a year[3], even if they do live in the same town.

Just as the economic differences are wider within regions than between them, so is the human cost. While the differences in average life expectancies between regions are (for men) 2.6 years, the difference between life expectancy between two local authorities in the same region is almost twice as large.[4] A man in Tower Hamlets can expect to die five years before the average man in Kensington and Chelsea, and to be in poor health a full fourteen years before his fellow Londoner[5]. The trends for women are similar.
The consequences of this inequality are not limited to life expectancy. The UK has one of the worst levels of income inequality in the developed

1 ONS: *Annual Study of Hours & Earnings*, 2014
2 ONS: *Wealth in Great Britain*: Wave, 2014
3 Equality Trust: *342 years for National Minimum Wage worker to earn pay of FTSE 100 CEO* http://www.equalitytrust.org.uk/news/342-years-national-minimum-wage-worker-earn-pay-ftse-100-ceo
4 ONS: *Life Expectancy at Birth and at Age 65 by Local Areas in the United Kingdom, 2006-08 to 2010-12*, 2014
5 ONS: *Healthy Life Expectancy at birth for Upper Tier Local Authorities: England, 2010-12*, 2014

world[6]; and people who live in more unequal countries are more likely to suffer from mental illnesses and addictions, we are more likely to be obese, our children are more likely to die in infancy, we are more likely to be violent, and our life chances are more likely to be determined by our birth.[7] Outside of developing countries, if you come from an average background and you want to become a policymaker or a judge or to manage a company, there is nowhere on the planet you are less likely to achieve that goal than here in the UK.[8]

We should not fall into the trap of assuming that proposals to narrow economic gaps between regions will necessarily narrow the gaps within the regions or within the country as a whole: a policy which give an economic boost to – for example – Wales may result in gains for the richest that do not also accrue to Welsh people on low or middle incomes; indeed, people on low and middle incomes may be worse off if the policy drives up living costs. There is also the danger that opponents of proposals which would benefit less-affluent regions could mobilise less-affluent people in London and the South East who think they will bear the cost. This suggests that if those who propose or decide policy are serious about reducing inequality – and/or improving the living standards of the majority – they should apply a test: will the net effect of this policy be to increase or decrease inequality, within as well as between regions?

But there are some areas in which policy has the potential to reduce inequality both within regions and between them[9]:

6 Data from Luxembourg Income Study (http://www.lisdatacenter.org/)

7 For sources see equalitytrust.org.uk/about-inequality/effects

8 Corak, *Inequality from generation to generation, the United States in comparison*, 2012

9 Policy proposals in this article are explained in more detail in The Equality Trust's *A Fairer, Stronger Economy: Anticipating the General Election 2015* (equalitytrust.org.uk/resources/our-publications/fairer-stronger-economy-anticipating-general-election-2015)

An industrial policy with objectives not only to create jobs, but also to create well-paid, skilled jobs with progression potential, in all regions, is an obvious starting point. As Will Hutton points out, what industrial policy the UK has was "too little too late", and often constituted "de facto an industrial policy promoting the growth of the City of London"[10]. The UK has, for a developed economy, an unusually large service sector, polarised between very-high and very-low paid jobs, in which the very-high-paid are concentrated geographically. The shock of the financial crisis, as well as the slow cancer of inequality, show that the UK needs to build strength in other sectors.

Such an industrial policy would require other policy interventions to be fully effective. Norman Pickavance[11] makes a strong case that high-value industries not only need their leaders to be innovative and committed, but that the wider workforce also have these attributes, and that there is a collaborative culture. Such a culture could be facilitated by employees joining company boards, and a Workplace Commission to promote effective management (as advocated by the CIPD[12], but with additional terms of reference that include promoting practices such as whole-workforce bonus schemes; practices already in place at some leading UK companies).

The long-overdue re-evaluation of both business rates and council tax would also reduce both overall inequality and inter-regional inequality. At present, outdated valuations means that wealthy people, disproportionately in London and the South East, get a large increase in unearned wealth which is not recognised in the tax system. Effectively, the South East and London, and the wealthy, are getting their council tax and rates subsidised by everyone else.

10 Hutton; *How Good We Can Be*; 2015; Little Brown.

11 Pickavance; "*The Reconnected Leader; An Executive's Guide to Creating Responsible, Purposeful and Valuable Organizations*", 2014, Kogan Page.

12 *CIPD manifesto for work: A policy programme to champion better work and working lives*, 2014

Adopting a target that the net effect of overall policies will be to reduce inequality between regions an in the UK as a whole, subjecting specific policies to this test, and putting in place effective initiatives to achieve this target, would have benefits for all of us, in all regions, employers and employees.

Most obviously, individuals would benefit from a better material standard of living as well as the improved health and educational performance, reduced crime and imprisonment, and improved social mobility that can be expected as a result of reduced inequality.

The economy would be bolstered, because the social benefits listed above have associated cost savings, and also from lower social security costs and more economic stability. The UK would become more productive[13].

Individual businesses would gain from a more engaged workforce, more prosperous consumers and from greater trust: The Forum of Private Business recently said "*we are facing a crisis of trust in big business*"[14], and the British Social Attitudes survey showed that those who agreed with the statement "*Management will always try to get the better of employees if it gets the chance*" outnumbered those who disagreed by three-to-one[15].

And democracy would be strengthened by the increased participation and voting associated with decreased inequality[16]. The Scottish independence referendum campaign amply illustrated how perceptions of inequality fuelled disenchantment with national politicians and business leaders to the extent that their input into the debate was frequently counterproductive.

The UK does require measures to be taken to reduce economic inequality between the regions, but it must do this in a way that reduces overall economic inequality, otherwise there may be no benefit for most people in any region, and insufficient public support; whereas a programme to reduce both overall and inter-regional inequality can expect wider support and wider benefits.

13 data at equalitytrust.org.uk/about-inequality/effects

14 FPB, *British public calls on next government to take action on big business ethics*, (fpb.org/press/february-2015/british-public-calls-next-government-take-action-big-business-ethics, accessed 27Feb2015)

15 British Social Attitudes 30.

16 data at equalitytrust.org.uk/about-inequality/effects

7 THE NHS – PROBABLY THE LARGEST LOCAL EMPLOYER – NEEDS TO SEE ITS STAFF VALUED

Jon Skewes, Director of Policy, Employment Relations and Communications, Royal College of Midwives;
and
Rachael McIlroy, Senior Research Lead, Employment Relations Department, Royal College of Nursing.

The recent pay dispute in the NHS in England and in Northern Ireland has focused public attention on the value of staff, and how it contributes to health outcomes. Members of all health unions were part of the campaign for fair pay, whether they took industrial action to secure it or not. The characteristics of the settlements reached, and how, were determined by politics. The public would have supported a different outcome.

In Scotland, in the run-up to the referendum on independence, the Scottish Government simply – and rightly – accepted the award of the UK Pay Review Body (PRB), which said that a 1% increase (limited to that by political decision) was affordable. Scotland remains solid behind this method of pay uplift determination, which has underpinned good employment relations for many years.

In Wales, unions were able to reach a negotiated settlement with the Welsh Health Minister for the second year of what would otherwise have been pay cuts.

In England, where Jeremy Hunt had imposed a two-year regime that undermined the pay structure and gave unconsolidated lump sums only to longer-serving staff, the response from health unions was united and strong.

A campaign of industrial action by ten unions, political lobbying and public support for NHS workers finally brought the Secretary of State to the negotiating table. A deal was negotiated for the second year and – crucially – the future of the PRB was secured. Unions such as the RCM took industrial action for the first time in their 133-year history; and public support measured through opinion polls registered over 80% approval for those on strike.

The position in Northern Ireland is still to be resolved at the time of writing but negotiations are planned.

So four different routes to the same problem of valuing public sector workers who so often form the backbone of local and regional economies. They also, needless to say, provide vital and valued services to their communities.

Austerity has been the only game in town – led by belief that the economy can only improve through reduction of wages and public spending to restore competitiveness, achieved by cutting budgets, debts and deficits.

The NHS, as the rest of the public sector, has been targeted with pay freezes since 2010 as part of the UK austerity drive. While NHS workers have lost around 15% in the value of their pay in real terms since 2010 and face no prospect any time soon of any kind of catch, this is unfortunately just one chapter in the emerging story of pay in the

NHS. Some of the other chapters provide an account of political pressure to dismantle the whole infrastructure of pay and to undermine national pay determination. This pressure has far reaching implications not only for the professional and economic status of the over one million staff who work in the NHS, but also for the local economies in which they work.

To understand the attacks on NHS pay, we have to start with a brief description of how pay is determined. All staff, except doctors and consultants, are employed on Agenda for Change contracts, which is a nationally agreed UK-wide package of pay, terms and conditions. NHS pay rates are included in the Agenda for Change agreement, but annual changes to these rates are made by the four UK governments following recommendations from the independent NHS Pay Review Body. In theory, this system provides a fair and transparent pay structure based on the principle of equal pay for work of equal value. It is a UK-wide system designed to prevent unnecessary and harmful competition for staff. Annual pay uplifts are recommended by the independent review body based on evidence from unions, governments and employers.

However, since 2010, NHS staff have faced the threat from both the Westminster government and a small, but influential, group of employers to dismantle the national agreement. The Coalition Government was barely two years old before the Chancellor declared that public sector pay should mimic the private sector and be more reflective of local economic conditions. In turn, the Department of Health for England agreed that there was a prima facie case for regional pay in the NHS. Encouragingly, the Pay Review Body ruled that the Agenda for Change was flexible enough to respond to local labour market pressures, forcing the Government to back off – at least for now.

All of this was happening at a time when a group of Trusts was hatching a plan to break away from the Agenda for Change agreement, reduce terms and conditions and move to local contracts. With growing support from local politicians, press, patients and service users, the unions in these trusts organised, campaigned and threatened industrial action. And in national response to this pressure, revisions to Agenda for Change were consulted on by the NHS trade unions and agreed in England and then Wales. The trade unions judged that agreement to limited changes to Agenda for Change were worth doing if it meant that national pay could be upheld.

While these immediate threats to the national agreement were averted, trade unions are under no illusion that our fight has been won. There is a clear political wish to pull apart the Agenda for Change agreement and undermine national pay. Whether this manifests itself in attempts to make costs savings in the paybill, through failure to support for the Agenda for Change infrastructure, or outsourcing NHS services – the end result is the same.

The NHS trade unions have made clear that local or regional approaches to NHS pay would reduce workers' spending power and thus destabilise local economies. This would only lead to even wider inequalities between different parts of the UK. Moreover, lowering pay would be an attack on a predominantly female workforce, both in the NHS and wider public sector. In the NHS, women account for around 80% of staff covered by Agenda for Change.

Supporters of local or regional pay in the public sector say that it should be more like the private sector by setting pay in line with local labour markets. Yet other large multi-site private companies generally use national pay structures with higher rates for London and the south east of England or other hot spots. Agenda for Change unions also ask why the NHS should emulate the private sector, where gender inequality and the gap between lowest and highest incomes is much, much higher? The Agenda for Change structure ensures that NHS staff are paid and developed in a transparent, equitable and efficient manner. Regional pay would just lead to damaging competition for staff between NHS trusts and organisations, and unequal pay problems.

If NHS wage levels fell in the poorer regions and nations of the UK, it would make it difficult to attract senior and specialist staff, leading to competition on pay rates and volatile staffing levels. National bargaining brings economies of scale to NHS pay, avoiding the need for local or regional pay negotiations. At a time of squeezed budgets in the NHS, surely the last thing we need is uncertainty and risk. National pay determination provides the government with the ability to control the pay envelope. It seems perverse that it would want to give this up.

8 TOWARDS A FAIR ECONOMY: STAMPING OUT IN-WORK POVERTY

John Hannett, General Secretary, USDAW.

A recent report from Oxfam illustrated the stark reality of today's world economy. The report found that the share of the world's wealth owned by the best-off 1% has increased from 44% in 2009 to 48% in 2014, while the least well-off 80% currently own just 5.5%.

Here in the UK, there is a growing sense of unease over the distribution of wealth; almost two-thirds of those surveyed in a recent YouGov poll agreed that the gap between the rich and poor is bad for society. Under the Tory-led coalition, we have seen that gulf widening, with tax cuts for the highest earners alongside benefit cuts for low-paid workers and their families, as well as a raft of employment law changes that have severely undermined job security.

The Government is quick to point out that inflation is at its lowest for years, which on the face of it sounds like great news for household spending power and living standards. However, this does not reflect the reality for low-paid workers. They have lost a huge amount of ground in the real value of their income over the past five years, due to sluggish earnings growth and previous sharp rises in the costs of everyday essentials. For example, the average household's electricity and gas bills have increased by £260 since 2010, according to the House of Commons' latest figures.

It is important to remember that, while elements of the media like to use divisive language about "strivers and scroungers", a significant proportion of benefits are paid to people who are working on low pay, such as housing benefit and tax credits. These benefits have been cut, frozen, or made harder to access, and that has had a major impact on family incomes. The shocking truth is that, of the 3.5 million children living in poverty in the UK, two-thirds are in working households.

Representing workers in shops, factories, call centres and distribution depots across the UK, Usdaw is at the front line of this cost of living crisis. We knew anecdotally that our members were struggling, but we wanted to get a fuller picture of the extent of this. At the end of 2014, we carried out a Ccost of Lliving survey amongst our members, which is still ongoing. The results so far are alarming, to say the least. In the past five years, more than half of those surveyed have missed meals in order to pay their bills, and one in five do so regularly. Four out of five have struggled to pay their gas and electricity bills, and 43% have missed or been late with their rent or mortgage payments.

Perhaps the most worrying aspect of this is that the respondents to our survey are employed, mainly in unionised companies and earning above the National Minimum Wage, and yet many of them are struggling to afford the absolute basics of food, shelter and warmth. There are many thousands of workers, especially those on zero hours or agency contracts, who are in a far worse position than this.

It is clear that there is a pressing need for action. But what form should that action take? Tackling low pay is the obvious starting point. When it introduced the National Minimum Wage in 1999, the Labour Government made a huge step forward in the fight against exploitation of vulnerable workers. It is vital that the Minimum Wage continues to increase at a rate which makes a real difference to low paid workers' standard of living. It also needs to be enforced more effectively, to protect the estimated 250,000 people who are being paid less than the legal minimum.

In recent years, the Living Wage campaign has gained a great deal of momentum, and the number of Living Wage Employers has now reached more than 1,000. However, around 5 million workers in the UK are earning less than the Living Wage, so it is clear that government policy needs to encourage more businesses to become Living Wage Employers. There are huge potential benefits, not just to workers and to the economy, but to employers themselves. Research has shown that Living Wage employers have seen significant increases in employee retention, reductions in absence levels and increased productivity.

Trade unions have had a difficult task in negotiating pay during the recession and its aftermath, but the "Uunion premium" is still not to be underestimated. In the private sector, median pay rates are 33.5% higher in unionised companies. This highlights the importance of promoting strong and effective collective bargaining structures.

In many cases, unions can build on existing agreements, but there are still employers who refuse to recognise a union, and in such cases we have to seek enforcement through the statutory recognition process. Unfortunately, that process is full of hurdles for unions to overcome. We have to achieve 10% membership before we can even hold a recognition ballot, and a 40% vote of the entire workforce in favour of union recognition. In larger companies, this can be virtually unattainable. A much more reasonable procedure needs to be implemented, to give trade unions better access to workplaces, in order to negotiate on behalf of low-paid workers.

While pay rates are of vital importance, ultimately it is the money that people actually take home in their pockets that really counts. For this reason, the tax and benefit system needs a root and branch review, to ensure that work pays, and that there is a genuine welfare safety net for the lowest paid workers. This must also go hand in hand with a more rigorous tax enforcement regime to make sure that those at the top of the wealth chain are paying their fair share.

Childcare is another issue that we simply cannot ignore. Usdaw members tell us that full-time childcare is prohibitively expensive for them. Many have to juggle their work commitments to completely avoid using paid childcare, in such a way that their earning potential is severely hampered, and that they spend virtually no time all together as a family. Many people, especially women, have been frozen out of the workforce entirely by the cost of childcare. If we are to support working families and promote full participation in the economy, then making good quality childcare available at a reasonable cost needs to be a key priority.

The casualisation of employment, through the exploitative use of zero-hours, short-hours and agency contracts, and the growth of bogus self-employment, needs to be dealt with. Contracts should reflect the hours that people actually work. Bogus self-employment should be addressed by creating a single status of 'worker' with the same set of rights for all. Agency workers' rights to equal pay and conditions should be protected more stringently by law. It is not the existence of agency workers that threatens to undermine terms and conditions, but the opportunities available for unscrupulous employers to exploit those workers.

The UK needs a sustainable, wage-led recovery, with genuine opportunities for people to work their way out of poverty. This means a long-term focus on improving job prospects for the unemployed, particularly for young people. It also means increasing the opportunities for people in low paid employment to develop.

Skills in sectors like retail are often overlooked and even dismissed as not being "real" skills. Not only is this attitude unfair, it is extremely short-sighted. The retail sector employs around 2.8 million people in the UK, and as noted by BIS in its 2013 report, "the sector needs a supply of highly skilled and qualified people given the increasingly sophisticated systems to manage supply chains, logistics, internet shopping, in-store operations, and marketing." There needs to be far more value placed on, and investment in, vocational qualifications and apprenticeships across all sectors.

The extent of in-work poverty in the UK, the fourth richest country in the world, is truly a national disgrace. Usdaw's research gives a snapshot of the struggle faced by millions of families to pay for everyday essentials. The effects of the economic crisis continue to reverberate for low paid workers, and as things stand, they will do so for many years to come. The benefits of whatever recovery is taking place are not being shared equally. It is vital that the Government and employers recognise this, and take urgent action to redress it.

9 THE HOUSING DIVIDE BETWEEN REGIONS

Clive Betts MP

We have a housing crisis in the UK. The previous Labour government did not build enough homes. The present government is building even fewer.

In 2010, I questioned Grant Shapps, then Housing Minister, about this government's housing strategy.

"So do we take it that success for this government…will be building more homes per year than were being built prior to the recession and that failure will be building less?"

He replied:

"Yes. Building more homes is the gold standard upon which we shall be judged."

Any independent observer would be justified in concluding that this government hasn't even entered the race, let alone got a medal. David Cameron has presided over the lowest level of housebuilding since the 1920s.

Such an observer might also conclude that the government's overall strategy had been to try, as far as possible, to maintain house prices and minimise negative equity following the global economic crisis. On that measure – the elephant in the room – the government might claim it has been successful, but it has come at a very high price with:

- homelessness increasing from the record low achieved by 2010.
- the number of families with children living in temporary accommodation persistently rising after having been halved between 2004 and 2010. Proportionately, there are now twenty times as many London households in temporary accommodation compared to the rest of the UK. Further, last year, there was a near-30% increase in the number of households placed in accommodation away from their home area.
- low income families in inner-London being displaced as the benefit cap bites.
- the lowest-ever proportion of working families who can afford to buy. It would now take the average family 22 years to save the requisite deposit. Taken together, it is little surprise that owner-occupation is on a downward trend.
- a significant increase in private renting – now 9m households – fuelled by buy-to-let, with rents rising significantly more than incomes producing high, excessive yields for landlords and distorting the market.

Further, it is clear that the government's much-vaunted New Homes Bonus has done little, if anything, to encourage new house-building. It has simply redistributed local government resources from northern, urban, poorer areas to southern, rural, wealthier areas and a few London boroughs.

Similarly, the latest figures show that, far from delivering a one-for-one outcome as the government claimed it would, receipts from Right-to-Buy have resulted in one new home for every five sold.

Any successful UK housing strategy has got to assume that we need to build 200,000-250,000 new homes every year, probably for the next 20 or 30 years, to meet household formation and replacement. This level of delivery is quite achievable; it was what was being done throughout earlier decades, but well above the 140,000 completions achieved in 2013[1].

Meanwhile, there has also been a change in production. In 2007, there were more than 5,000 firms building between one and 10 houses a year. Now, there are fewer than 3,000 such firms. We have seen a collapse in the small- and medium-sized builder market and increasing dominance of the big house-builders, focused on their profit-and-loss accounts rather than on needs-driven development across England.

However, this gap between households and housing supply is by no means evenly distributed. Between 2011 and 2021, the number of households in England is projected to grow by some 10% across the country on 2011 levels, but this disguises a considerable divergence between regions and districts.[2] For much of the NE, NW and NW Midlands, the projected increase is less than 0.5%pa – in a small number of areas, there may continue to be a real reduction in households – compared to annual growth probably three times larger in London, SE and the SE Midlands.

But, it is not only household formation which demonstrates such divergence. There has been a growing affordability gap, both in total – but, more importantly – at local and regional level. In 1997, everywhere in the UK – with a very small number of area exceptions at 6-8 times – had lower quartile house prices at less than 6 times lower quartile average earnings.

1 https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building

2 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/190229/Stats_Release_2011FINALDRAFTv3.pdf

By 2013, for nearly the whole of southern England (below a line from Worcester to Norwich) had a ratio of 8-10 times, with a significant proportion of that area – including most of London – having a more than 10 times ratio. Only parts of the NE, NW and the North Midlands had a house price/earnings ratio at less than 6 times.[3]

The all-party CLG Select Committee, which I chair, has recently published a report on the National Planning Policy Framework (NPPF). It was noticeable that our conclusions and recommendations had wide support when the issue was debated later. To build the number of new homes we require, we also need a planning system that commands public support, nationally and locally.

In 2011, we were insistent that, within the proposed National Planning Policy Framework (NPPF), sustainable development required consideration of environmental and social issues as well as economic ones. We said that the presumption that any planning application should be agreed unless it could be proved that 'the adverse effects significantly and demonstrably outweigh the benefits' was just unacceptable, and ran counter to the very notion of sustainable development.

We were convinced that the priority for development must be 'brownfield first', with shop and office developments concentrated on existing town and district centres, not on new green-field or out-of-centre sites. This would help ensure that deprived neighbourhoods, particularly concentrated in the north, got priority for redevelopment.

In our December 2014 report[4], we concluded that, in principle and intention, the reform of the NPPF was correct but not every aspect worked as expected. Leaving aside the massive shortfall in housing development, we also concluded that

3 https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/321014/Chart_575.pdf

4 http://www.publications.parliament.uk/pa/cm201415/cmselect/cmcomloc/190/190.pdf

developers were taking advantage of loopholes in the framework to launch 'speculative' planning applications leading to unwanted developments.

A future Government, in sum, needs to take account of all of these issues. It needs to appreciate the differences which exist between regions in terms of the demand for, and price and quality of, new housing. It needs, in light of these differences, to give genuine meaning to the term "sustainable development" – that means working on our existing brownfield land, particularly in dilapidated northern areas. And it needs to steer a course towards a more equitable housing and development policy between regions, re-thinking the New Homes Bonus, which has sapped resources away from northern areas.

10 RAIL INEQUALITY: WHY THE NORTH GETS A RAW DEAL

Mick Whelan, General Secretary, ASLEF.

The age-old divide between the North and South of the UK has been a fraught issue since the industrial revolution with the notion that the south extracted the profits generated by the northern engine rooms. Perhaps this is an oversimplification of the reasons behind the chasm. Nonetheless, the articles in this pamphlet demonstrate that the disparities between the North and South of England have not gone away. They continue to be a challenging question for policymakers in the 21st century, as London and the South East act as a magnetic pull on social and economic forces across the country, for good or for ill.

Transport, and particularly rail, is an instructive prism through which to view the imbalance in regional investment between the north and the south (although it should be remembered that 70% of all rail journeys in the UK start or finish in London). Capital spending on rail is one area which has emerged relatively unscathed from government austerity with major upgrade work continuing on the Bedford to Brighton Thameslink line, substantial rail infrastructure enhancements such as the electrification of the Great Western and Midland Main lines as well as the construction of Crossrail and planned High Speed Two.

My union welcomes all investment in rail, not least because demand for rail travel has remained constant during the current recession with growth of more than 5% a year – this growth is based on economic and social factors such as growing mobility rather than the fact the industry is privatised, as some like to claim. The existing rail network is therefore operating at near full capacity, and neither new motorways nor domestic air travel are sustainable options to meet the mobility requirements of a British population expected to grow by 10 million by 2033.

However, there is a persistent concern that too much investment is focused on London and the South East. The Passenger Transport Executive Group points out that “the regions of the North and the Midlands attracted little more than £12 of rail infrastructure investment per head of population, compared to over £226 in London and the South East.” This is an incredibly unjust and unsustainable position – not least because, by way of practical illustration, over 40% of peak services in and out of Leeds and Manchester are standing room only.

The Northern Rail franchise is the largest passenger rail operation in the UK and covers a range of commuter, rural and long distance services from Cheshire to Northumberland; and from Nottinghamshire to Cumbria. Demand for rail travel on Northern has gone up by 33% since 2004, while it is estimated that seventy percent of all jobs in the north of England are located within walking distance of a train station.

Professional services firm KPMG has estimated that overcrowding on Northern services could have already lost Leeds and Manchester around 20,000 new jobs by 2013/14, worth £500m in Gross Value Added. Fair and accessible passenger rail services in the north are therefore vital to the region’s future economic growth

Northern is also the most heavily-subsidised rail franchise in the country and received government subsidy of more than £700 million in 2013 according to figures from the Office of the Rail Regulator. This didn't stop operators Serco and Abellio taking profits of £36 million in the same year.

ASLEF strongly opposes this system whereby Abellio and Serco can extract profits from public subsidy. My trade union has believed for 20 years that best way to run rail services in the north is in public ownership.

So you would expect that with Chancellor George Osborne's talk of a 'northern powerhouse' and modest upgrade to existing infrastructure which he calls 'HS3', the government would be committed to investing in rail services in the north. Unfortunately they are not. The government's plans for both Northern Rail and the other major northern rail franchise Transpennine Express outlined last year are cuts to investment, jobs and services with higher ticket prices for passengers.

The government want to remove the guards from trains, reduce booking office opening times and reduce staff in stations. The removal of staff is enormous safety issue for passengers while the loss of good quality railway jobs in the North is also a great cause of concern.

One additional dimension to this is that the government plans to devolve the management of the two franchises to Rail North, a consortium of 33 northern local authorities once both contracts have been privatised. Rail North has agreed to the government's plans as a group although there is some uncertainty about whether this reflects the individual views of the local authorities involved.

ASLEF supports the principle of rail devolution, and takes the view that local democratic structures should be able to determine the specification and provision of rail services. We don't support the devolution of privatisation.

Northern Rail desperately needs new rolling stock and more frequent services are needed on already busy services. Northern's Pacer trains are loathed by passengers and train drivers. Described as 'cattle trucks' and 'buses on wheels,' the trains came into service in the mid-1980s and have a lifespan only 20 years. The government have offered passengers new trains only in return for much higher fares.

An impediment is that, as a result of many factors since privatisation, there is such a shortage of new trains or rolling stock in the UK that the North may be forced to use 30 year old reconditioned London underground stock previously used on the Metropolitan line. An alternative to the hated Pacers is, of course, welcome – but what sort of the message does it send when the North is getting London's cast offs?

Regrettably the outlook is not much better going forward in the next rail industry funding cycle between 2015 and 2020, where the North and the Midlands are expected to receive little more than a quarter of the investment per head as Scotland or London and the South East.

The invitations to tender for the Northern and Transpennine franchises are due to be published in March 2015, with the contracts to be awarded before the end of this year. This makes it highly likely that an incoming Labour government will have a decision to make on whether or not to continue with the tendering process of both contracts. Labour has committed to legislating to 'allow public sector rail operations' and to conducting a 'review of rail franchising.' The Party couldn't conceivably continue to tender contracts while holding a review of the very system it is questioning.

That's why ASLEF is calling on Labour to cancel the retendering of the Northern and Transpennine Express franchises. It's wrong for private companies to take nearly £40 million a year profit from public subsidy which could otherwise be re-invested. These operations cover the constituencies of nearly half the shadow cabinet. Seven years of cuts to jobs, services and staff is not an inspiring vision for rail in north from Labour.

Rather it should be publicly owned railways from Labour in the North. Staff on trains and in stations. New trains and services. Cuts to ticket prices as a result of reinvesting profits. Labour shouldn't just reduce inequality in rail. It should offer to make publicly-owned Northern Rail the best rail service in the country.

11 REGIONAL INEQUALITIES IN THE CREATIVE INDUSTRIES

Christine Payne, General Secretary of Equity

Creative workers living outside of London, the South East and select metropolitan centres may find it hard to believe that their industry is outperforming much of the rest of the UK economy.

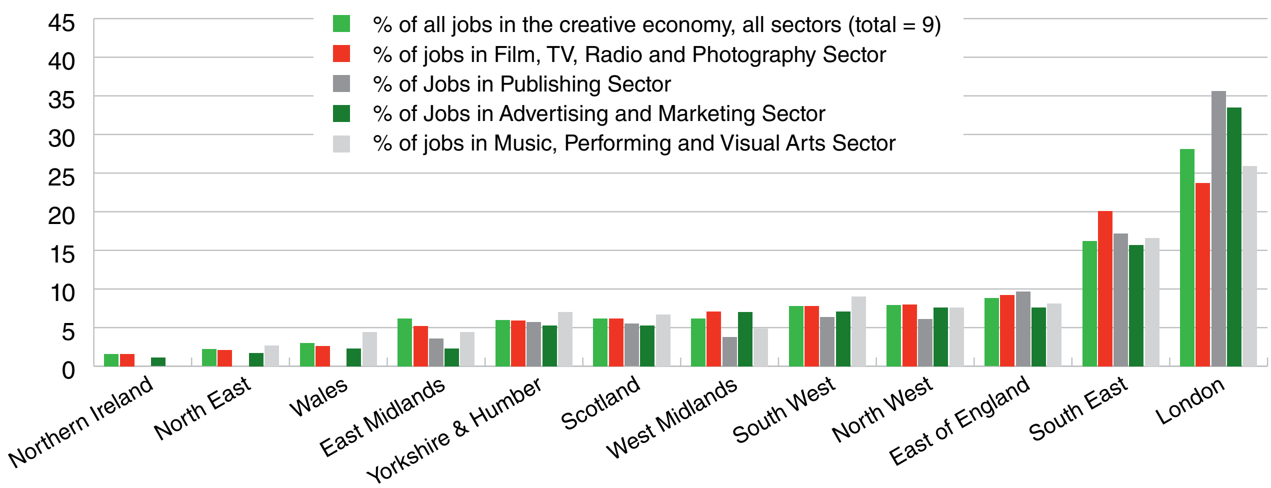
Figures released by the Department for Culture, Media and Sport (DCMS) at the start of this year estimate that the creative industries are now worth around £77bn, or 5% of UK GDP. Employment in music, visual and performing arts currently stands at around a quarter of a million people, and between 2011 and 2013 jobs growth in these subsectors topped 14%.

Sadly this surge in jobs and growth is not equally felt around the country. If we want to ensure the whole economy, in every region, benefits from the this thriving sector, we need to address three deep inequities: the concentration of creative industry employment in certain regions; skewed funding for creative projects by the Arts Council for England (ACE) and others; and under-investment in the industry by local councils, particularly the poorest ones with the greatest untapped potential. We will consider each in turn.

The Regional Concentration of Jobs in the Creative Economy

For some time, employment in film and television production has been heavily concentrated in London and the South East. As a result, performers in the UK's nations and regions often struggle to find enough employment to sustain a career in the entertainment industry, and many are forced to move to London in order to access

The unequal distribution of creative economy jobs by region
Source: ONS Labour Force Survey, 2013.



opportunities. ONS figures show that that a massive 52% of all jobs in the film, TV and photography sector are based in London and the South East. Jobs in other sectors of the creative economy are more equallydistributed by region, but not by much: the consistent picture is of an overwhelming divide between regions for all sectors of the creative economy.

The relocation of the BBC to Salford and the rise in productions coming out of Cardiff's drama village at Roath Lock - as well as the BBC's commitment to sourcing 17% of drama output from the UK's nations and regions by 2016 - are all welcome developments. However, for performers and creative workers living in the east of the UK and in Birmingham, our second largest city, opportunities are few and there are real fears that these areas could lose (if they haven't already lost) a critical mass of skills and talent.

From a policy perspective, it would make sense to cluster our creative industries around centres dotted around the country, rather than just in specific regions. The hub and spoke model pursued by bodies such as Creative England aims to build capacity in cities such as Bristol (the hub) and to then encourage growth in the surrounding regions (the spokes).

For example, according to Creative England, Channel 4's Shameless alone generated around £15 million of inward investment into the Greater Manchester economy and established Manchester as a filming location. An average crew on Shameless involved around 70 people, 90% of which were from the North West region, where the majority of the production budget was also spent.

But what happens if you don't have a hub? Notwithstanding welcome moves by the BBC in 2014 to base its centre for recruitment and talent development in Birmingham, the huge reduction in television and radio production outside this "hub", in the wider Midlands area, inhibits the ability of the creative industries to drive growth and create jobs, particularly for performers.

A well-funded BBC unencumbered from the kind of constraints imposed on it by the last licence fee settlement in 2010 (which resulted in a 20% cut to its budgets) is an important component in addressing the regional imbalance in opportunities in the media. At Equity we've also been campaigning to encourage regional production in the UK's nations, building on the success of series such as the HBO series Game of Thrones in Northern Ireland. We've also called for amendments to the Ofcom definition of a regional production so that the use of local onscreen talent can count towards the qualifying criteria.

Funding from Arts Council for England (ACE), the Lottery Fund and the Department for Culture Media and Sport (DCMS)

In the live arts, the proportion of funding allocated to London by ACE has been frequently criticised in the last 12 months. At Equity's 2014 Annual Representative Conference, a motion was passed which highlighted the findings of the independently- produced *Rebalancing our Cultural Capital (ROCC) report.*

ROCC's report revealed a strong bias towards London in public funding of the arts. Of some £320 million of taxpayers' money distributed to the arts in 2012/13, ACE effectively gave the London population some £20 of funding per head, against £3.60 php in the rest of England. There is no sign that these skewed allocations are going to change any time soon. ACE's National Portfolio investments for 2015-2018 promise only a modest increase in the funds made available to arts organisations outside London – up from 51% in the period 2002-2015 to 53% of 2015-2018 spending. There is scant chance that by the time Hull celebrates its status as City of Culture in 2017, much will have been done to address the considerable divide in ACE allocations to the regions.

However, this inequity extents far further than just ACE funding, with a whole range of arts funding pots drastically skewed in their allocations towards London. Also in 2012/13, DCMS distributed £450m of public funds to major 'national' cultural institutions – London got £49 php, against £1 php in the rest of the country. ROCC's report also suggested that the £3.5 billion of National Lottery funding distributed in the entire 18 years of the fund to date has also disproportionately benefitted London, which has enjoyed £165 php, set against £47 php in the rest of England. The report goes on to argue that "funds from the National Lottery – derived disproportionately from the less well off in society – carry a different ethical mandate for the Arts Council. This suggests there is a need for, at least, geographically proportionate distribution related to size of population."

A multitude of voices – from the Culture, Media and Sport Select Committee; to Harriet Harman, Labour's Shadow Secretary of State for Culture, Media and Sport – have spoken of the need to rebalance arts funding for the English regions and have called on Arts Council England to address this issue urgently. However, in the absence of any political party committing to restoring arts funding to a sustainable level, it is difficult to see how this goal can be achieved without impacting on organisations in London which are important and significant employers of performers, technicians and many other creative workers.

Local Authority Funding Cuts

Commitments to rebalance Arts Council funding across the country also do not address the crisis that is happening at local authority level. Only around 15% of theatres in the UK are currently subsidised by the national Arts Councils. Up until the cuts brought about by the Government's austerity programme, most of the others received some form of support from their local councils – either on its own, or on top of their ACE funding.

Freedom of Information Requests to local authorities made by former Shadow Culture Minister Helen Goodman revealed that it is the poorest people, in the most cash-strapped councils, who have borne the brunt of arts funding cuts. The most deprived of England's local authority areas have faced an average funding cut of 18%, which has translated to a disproportionate cut of 22% to arts, libraries and heritage budgets. By the middle of 2014 the second-poorest 25% of councils, which have faced an average resource loss of 10%, had implemented a 19% cut to their culture budgets.

This situation is not limited to the English regions. Alongside Westminster City Council and Somerset County Council, Cardiff Council will no longer fund any cultural output post 2015, and in Northern Ireland the Executive will be cutting its funding to the Department of Culture, Arts & Leisure – the smallest department – by 10% in 2015/16. This could lead to 500 job losses. Equity believes that local authorities should have a statutory duty to fund local arts and culture and that every major town should have a funded theatre company. Moreover, annual local authority funding for the arts should increase in real terms.

This is not utopian thinking. Despite what politicians often think, investing in the arts and culture is popular with voters. A survey by Ipsos Mori, commissioned by industry bodies, Equity, The Stage newspaper and the National Campaign for the Arts found that 63% of residents in the UK want to see their local council budgeting at least 50p per person every week on arts, museums and heritage. The '50p for Culture' campaign, which emerged from this research, encourages residents in England to find out how much their council plans to spend on culture this year and will then urge them to contact local politicians calling for sustained or increased support.

Furthermore, local authority spending on the arts and culture is in most cases a comparatively small amount of expenditure yet the benefits it brings to people's lives are immense. Investment in cultural activities can drive regeneration, community cohesion, tourism revenues and employment and have made Manchester, Liverpool and Newcastle the vibrant centres they are today. Let's try to keep them that way.

12 LESSONS FROM CHINA AND GERMANY

Tim Page, Senior policy officer,Manufacturing, industrial, transport and economic policy, TUC

Nearly six and a half years after the collapse of Lehman Brothers, how should we think about the British economy? Economic growth has returned, yet real wages have suffered years of stagnation. Employment is high, but job quality is poor. The idea that the next generation will enjoy greater prosperity than their parents has hit the buffers. London and the South East – despite their own very real pockets of poverty – seem to be increasingly disconnected from the rest of the UK.

If we think too much about these questions, we could become despondent, but in some policy areas we have made progress in recent years and there are plenty of ideas around to take us further. The one silver lining from the economic crash was the rediscovery of industrial policy. The TUC had long been a believer in the role of government shaping the industries of the future. In a UK based on free market orthodoxy, ours was a lonely voice, but we were only trying to highlight what has always worked and continues to do so in competitor countries. Markets can be dynamic and innovative when capitalism works at its best, but governments have an interest in which industries, creating which jobs, in which parts of the country, are able to thrive.

This idea is not based on a romantic notion of an industrial past; it is a hard headed assessment of the needs of the UK and the wider world. If China and wider Asia are the growing global markets, it matters whether or not we have industries and companies that can compete there. If manufacturing is export rich and research intensive, the dangers of deindustrialisation are obvious to see. If new industries are not developing quality jobs, especially for those young people who do not go to university, the problems that will create in the coming years are easy to predict. As the earth's temperature continues to rise, the need for sustainable industrial growth to avoid damaging climate change becomes greater. These are social, political and economic problems. To the extent that the market solves them, the market should be embraced. But with the neo-liberal model becoming increasingly short term and delivering more and more inequality, governments have a role to play in correcting these imbalances.

So what does the UK need to 'relearn'? In 2011, the TUC published a report entitled 'German Lessons'. This considered Europe's powerhouse economy, with its strong manufacturing tradition. Germany knows that the first rule of maintaining that tradition is to have a world class apprenticeship system. In Germany, employers recognise the importance of skilling their workforce. Germany also has the 'mittelstand', its network of medium sized companies that are considered to be the backbone of the economy. The biggest German companies – Volkswagen, Siemens, BMW, Porsche, Bosch, Mercedes Benz – are world renowned, but many thousands of German companies are smaller, not particularly well-known exporters that, taken together, create enormous wealth.

From a trade union perspective, it is important to recognise that Germany is a social market economy. There is a strong role for trade unions and a positive approach to industrial relations. In all large companies in Germany, works council representatives (who are usually trade union members) have seats on works councils and supervisory boards. German managers and trade unionists are comfortable recognising their conflicts and differences, because they are keenly aware of their strong common interests.

Germany also has strong regions. Whilst capital cities tend to dominate national economies across Europe, 12 of the 28 economically largest cities in Europe are so-called 'second tier' cities – and half of them are in Germany. Part of this is due to post-war geopolitics, but Germany is unusual in that it has a relatively balanced urban system in which six cities are of economic importance while the growth of its capital has been historically restrained. For this to work, national strategies need to support high performance cities beyond the capital. Cities are required to operate in wider circles – sub regional, national, European and beyond.

In 2013, the TUC looked at a very different country. China has developed at a startling pace since the economic reforms of Deng Xiaoping in 1978. 'The Way of the Dragon' looked at China's place in the world economy, while also considering East Asian countries including Singapore, South Korea and Hong Kong.

China retains the ambition of full employment. Its recent history was characterised by the so-called 'iron rice bowl' and as it has started to embrace the law of the market, the concept of a job for life has been under scrutiny. China has responded by making employment a central feature of its economic policy. It seeks industries that move the country up the value chain and create quality jobs.

The author Martin Jacques describes China as a 'civilisation-state', adding: "China is of continental size, consisting of what are, in many respects, semi-autonomous provinces of nation-state proportions... It is estimated that six of China's provinces will each have an annual GDP greater than that of countries like Russia, Canada and Spain by 2020. Not surprisingly, the numerous provinces are extremely diverse in character. The disparity between their per-capita incomes is vast, the structure of their economies varies greatly – for example, in their openness to the outside world and the importance of industry – their cultures are distinct and the nature of their governance is more varied than one might expect... China's provinces are far more diverse than Europe's nation states, even when Eastern Europe and the Balkans are included."[1]

Do Germany and China have anything to teach the UK? First, it must be stated that the TUC has real concerns about human and democratic rights in China and we naturally support the role of free trade unions in every country. Within that caveat, the TUC believes that the UK should commit to full employment. We celebrate the fact that, unlike in past recessions, the economic downturn did not result in large scale unemployment, but this was only achieved by the creation of too many poor quality jobs, too many zero hours contracts and too many companies paying below the living wage. We reject the argument that this is the inevitable result of globalisation. Through measures such as high quality vocational training, the creative use of procurement at national and local government level, proper enforcement of minimum standards and enlightened management – which often works creatively with modern trade unions – we see no reason why young people, especially non graduates, should expect low value, low skill futures. We do not underestimate the scale of the challenge – the mass industries that previously provided good jobs for what sociologists used to call the 'skilled working class' have either downsized or disappeared – but we fully believe this challenge can be met.

China's economic development is guided by a Five Year Plan. This sounds a little too Maoist for most people's tastes, yet in October 2012, the British Government was recommended to

1 'When China Rules the World', Martin Jacques, 2009.

"produce an overarching and long term National Growth Strategy and its vision for wealth creation, with concrete commitments against which it can be held to account". That isn't a million miles away from a Five Year Plan for the UK. The author of that recommendation was Lord Heseltine, the former Conservative Deputy Prime Minister[2].

The UK needs a new model of capitalism. Central to that model must be the role and potential of working people. A German quality apprenticeship system could transform the life of people at work. A German style co-determination system, where the experience and opinions of workers help the company to develop long-term, sustainable industries, could help to build the industries of tomorrow. There is an important role for government, steering our industrial strategy. Interviewed for 'German Lessons', Siegfried Balduin, IG Metall's co-ordinator for Germany's aerospace industry, told the TUC: "We haven't followed the radical ways of neo-liberal thinking, which says the market knows what's going on and what's best for the future. That was never the majority here in Germany. The political majority."

Finally, if the UK is to rebalance its economy, not just away from financial services and towards more manufacturing, but also achieving a greater equilibrium between the South East and the rest of the country, the devolving of political power must be reconsidered. As Siegried also told us: "In the last 20 years, it's a start-up philosophy. The founder initiatives, building up technology parks, I think you find it everywhere in Germany. It's not a centralised strategy, it's not the federal government, it's the local and regional idea to build up small silicon valleys and to look at what is strategically interesting… "

The UK debate on geographical rebalancing is beginning and the TUC will contribute to that debate. What is clear is that we need smart, active government, building an industrial policy seeking key export sectors and high quality, full employment. Some say it can't be done. The TUC begs to differ.

2 'No Stone Unturned in Pursuit of Growth', Lord Heseltine, October 2012.

APPENDIX

Polling Research by Survation

Sample size: 1046
Fieldwork date: 23rd February 2015
Method: GB adults interviewed online

Executive Summary

- 48% think that Britain is more divided in terms of its economy than it was thirty years ago, compared to 35% who think it is less divided or about the same.
- Almost two-thirds (65%) say the next government needs to give higher priority to rebalancing the economy.
- A majority of people across all voter groups and regions agree that the next government needs to give higher priority to rebalancing the economy.

Q1. Thinking about Britain's economy, which of the following statements is closest to your opinion?

	All	CON	LAB	UKIP
Britain is more regionally divided in terms of its economy now than it was thirty years ago	48%	39%	57%	57%
Britain is less regionally divided in terms of its economy now than it was thirty years ago	11%	19%	11%	8%
Britain is no more nor less regionally divided in terms of its economy now than it was thirty years ago	24%	36%	17%	26%
Don't know	16%	7%	15%	10%

	London	Midlands	North	South
Britain is more regionally divided in terms of its economy now than it was thirty years ago	47%	49%	53%	42%
Britain is less regionally divided in terms of its economy now than it was thirty years ago	8%	9%	12%	13%
Britain is no more nor less regionally divided in terms of its economy now than it was thirty years ago	34%	28%	16%	26%
Don't know	12%	14%	19%	19%

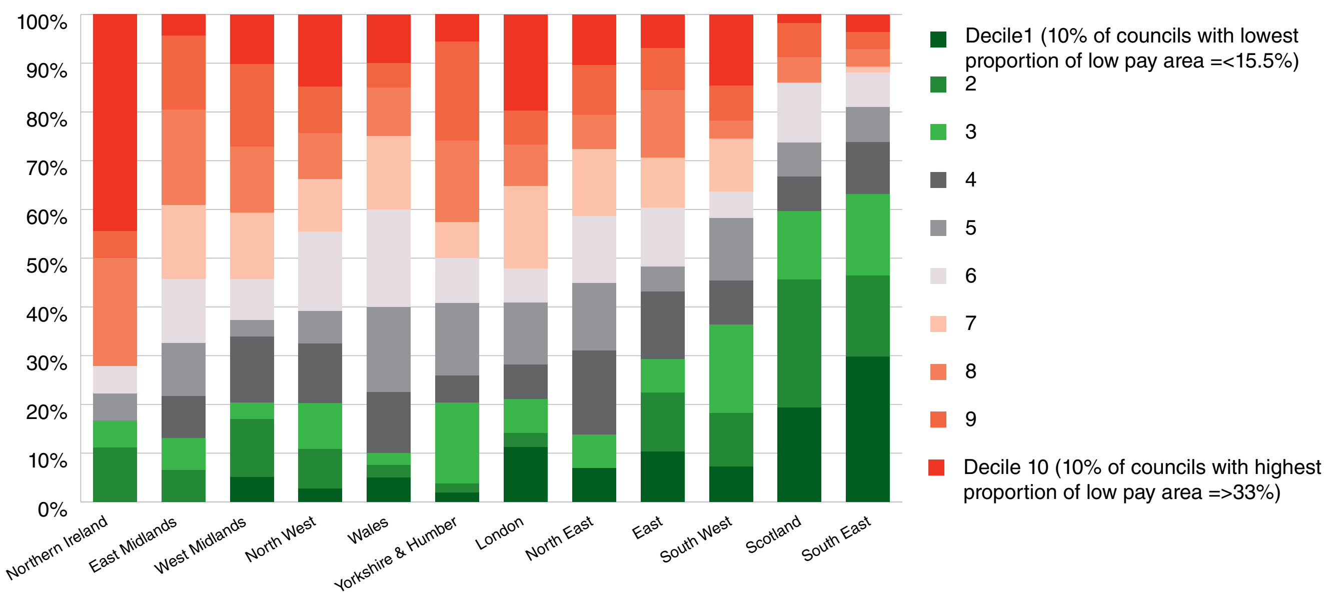
Q2. A "balanced economy" is one which is not over-reliant on certain sectors or regions of the UK. Bearing in mind this definition of a "balanced economy", which of the following statements is closest to your opinion?

	All	CON	LAB	UKIP
The next government needs to give higher priority to rebalancing the economy	65%	58%	74%	76%
The economy is balanced enough and does not need to be a priority for the next government	17%	32%	13%	15%
Don't know	18%	11%	14%	9%

	London	Midlands	North	South
The next government needs to give higher priority to rebalancing the economy	55%	72%	67%	62%
The economy is balanced enough and does not need to be a priority for the next government	27%	15%	13%	20%
Don't know	18%	14%	20%	18%

Low pay and regions

Percentage of each constituency's employed population earning below living wage, broken down by employment decile and region. Source: HoC Library analysis of ONS's Annual Survey of Hours and Earnings (ASHE)., 2014.



Explanation:

The above graph ranks each UK constituency according to the proportion of its employed population earning below the living wage. Constituencies are then put into ten deciles according to their position on the rank. The best-performing constituencies, with the lowest proportion of their employed population earning below living wage (less than 15.5%), are in decile 1. The worst, with more than 33% of their employed population earning below the living wage, are in decile 10. Each UK region is then ranked according to the proportion of its constituencies in the highest five deciles (five shades of blue).

It is sourced from House of Commons Library analysis, which is itself based on the ONS's Annual Survey of Hours and Earnings (ASHE). It shows there is a marked regional divide. At one end of the extreme, in Northern Ireland, 45% of constituencies are in the lowest-paid decile, whilst a quarter of the South East's constituencies are in the highest-paid.

Interestingly, it also shows that although at least some constituencies in every region are in each of the five lowest-paid deciles, the same is not the case for those in the highest-paid deciles: two regions – Northern Ireland and the East Midlands – have no constituencies in the highest-paid decile.

REBALANCING THE ECONOMY

NEW THINKING ON BRITAIN'S REGIONAL INEQUALITIES

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