



TUC submission to the City Growth
Commission

January 2014

Introduction

The Trades Union Congress (TUC) is the national trade union centre for Great Britain, established in 1868. We represent people at work and have 54 affiliated trade unions with over 6.2 million individual members. The TUC has been represented on the Governing Body of the International Labour Organisation since its creation in 1919. We are the British affiliate of the International Trade Union Confederation, which brings together 311 national trade union centres in 155 countries, with 175 million members worldwide.

What are the key benefits – for the economy, investment, innovation, productivity and public finances – of shifting to a multi-polar growth model, in which our cities are key players in the nation’s economy?

1) *City regions* have an important role to play in growth, however, there needs to be fundamental reform of the unsustainable economic model which led to the global financial crisis. Furthermore, city region led growth is likely to be hindered by the coalition government’s response to the crisis, principally cuts and austerity, which is exacerbating inequality. Inequality has returned to levels last seen in the mid 1990s.¹ Real wages have been falling since late 2009. This is the longest sustained fall in real wages since the 1870s.² Respect for workers’ rights and international labour standards, payment of a living wage, and strong employment relations, where workers have a voice in decision making and policy development should be central to any model of economic growth.

2) The TUC recognises that city regions are where most growth has occurred. To ensure sustainable and equitable growth, city region led growth needs to be part of a national growth strategy, where ‘national’ means growth across the UK, for the whole of the UK. The TUC is in agreement with Lord Heseltine’s recommendation in ‘*No Stone Unturned*’ of the need for a National Growth Strategy. Such a strategy should be developed in consultation with stakeholders in regions and cities, including trade unions as democratically elected representatives of the workforce. Strengthening employment relations should be one of several outcomes of a National Growth Strategy. With a vision at national level, planning and investment related to infrastructure, housing, transport, skills, industry, and transition to a low carbon economy, for example, will be more tactical and strategic. Implementation should be driven by a designated minister, and the Prime Minister should be held accountable for delivering strategic outcomes.

3) Devolved decision making through City Deals and the Localism Act 2011 could help maximise the comparative advantage of city regions. Trade unions, with their regional structures, should be able to formally input into the development of city region growth strategies. A city region approach enables better planning related to, for example, housing, transport, access to training and child care provision, as businesses also invest outside of cities. We would wish to see how city led growth avoids exacerbating inequality within regions. There is also a concern that cities could end up competing for resources and investment, creating inequality between cities across the country, which strengthens the case for a National Growth Strategy.

4) The TUC welcomes the recommendation for a Sectoral Economic Strategy and Industry Councils for each sector, in *No Stone Unturned*. Both a National Growth Strategy and Sectoral Economic Strategy, linked to city region growth strategies, are needed to ensure

¹ Living Standards, Poverty and Inequality in the UK:2013, IFS

² The Guardian (16 July 2013) <http://www.theguardian.com/business/2013/jul/16/uk-workers-wage-squeeze-longest-since-1870s>

equitable and sustainable growth. Trade unionists have a wealth of expertise and experience and can make important contributions to Industry Councils. In the longer-term this will have benefits for improved employment relations, innovation and productivity.

The government is currently piloting major changes to the skills funding regime in England. Through the Employer Ownership Pilot it is testing out the impact of offering employers the opportunity to bid for direct access to public investment of £350 million to design their own training solutions in partnership with other stakeholders, including unions and colleges. Round 2 of the pilot included a welcome emphasis on supporting a more strategic approach by encouraging funding bids from “industrial partnerships to take wider responsibility for skills development in a place or sector”. Most of the successful Industrial Partnership (IP) bids are due to be announced in February 2014 although a major IP covering the energy sector is already up and running.

The UKCES has lead responsibility for the EO pilot and in 2013 it published a refreshed vision document - *Employer Ownership of Skills: Building the Momentum* – setting out some longer-term aims. The TUC has welcomed references in the document stipulating that these new industrial partnerships should be “resonating with the social partnerships that we see in countries such as Germany”.³ The TUC has also welcomed the potential for closer integration of skills and industrial priorities through the development of these new partnerships. Quoted in the UKCES document, the TUC said: “Britain urgently needs a long-term industrial strategy for growth and a social partnership of employers and unions, working together to boost skills investment is the best guarantee of success”. It is also welcome that the UKCES has highlighted the importance of union involvement, saying that the industrial partnerships will “create the conditions for strong employer led partnerships of business, trade unions and sector bodies to step up and take full end to end responsibility for workforce development in their industry.”⁴

Developing a strategic social partnership approach on skills in the context of industrial/sectoral and regional/local priorities is a major challenge and the TUC believes that there is a need to develop a vision for how this will be achieved over the longer-term to meet these priorities, including the capacity of our major conurbations to achieve sustainable economic growth. There is an opportunity to build on the positive features of existing initiatives such as City Deals where these have been taken forward in close collaboration with trade unions. There is also a need to ensure that national industrial priorities are reflected in a strategic approach on skills at both a sectoral and geographical level and vice versa. In order to achieve this the EO Pilot and the small number of forthcoming industrial partnerships would need to be scaled up and underpinned by a social partnership of employers and trade unions covering all sectoral and spatial levels.

Whilst it is anticipated that some of the most effective Sector Skills Councils will play a leading role in supporting the first phase of industrial partnerships, due consideration needs to be given as to the necessary industrial/sectoral and regional/local infrastructure that would be required to deliver on this approach on skills across all sectors and regions, including city regions. The Labour Party Skills Taskforce (Husbands Review) is recommending “a hub-and-spoke model, where UKCES builds the capacity of sector bodies, which in turn work to improve training provision at local level. This relationship should work both ways, with local and sectoral practice and experience also informing national strategic decisions.”⁵

³ Employer Ownership of Skills: Building the Momentum (2013) UK Commission for Employment and Skills

⁴ Ibid

⁵ A revolution in apprenticeships: a something-for-something deal with employers. The Husbands Review of Vocational Education and Training, Labour’s Policy Review

5) We support a policy of universal access to free childcare and negotiation of flexible working patterns for parents and carers. Data from the ONS (April 2013) indicates that the full-time gender pay gap increased to 15.7 per cent in 2013 (up from 14.8 per cent the year before).⁶ Mean hourly full-time pay for men is £16.91 an hour, and £14.25 for women.⁷ This hourly pay gap of £2.66 adds up to £5,187 over the course of a year for a full-time worker. In addition, of the UK's five million women part-time workers, two in five now earn less than the living wage. In terms of labour market reforms, the provision of decent full-time and part-time jobs with equal pay (see page 1 & 5) is central to city region led and national growth. Growth strategies will also need to address other forms of discrimination in the workplace. In the year to September 2013, the unemployment rate for the black and the Pakistani/Bangladeshi communities was 12 per cent, compared to 6 per cent for white jobseekers.

6) Strong employment relations underpinning city region led growth as part of a national strategy is needed to tackle the pay gap between the public and private sectors, the falling wage share, increases in precarious work and to make progress towards payment of a living wage. In April, 2013, the median gross weekly pay for full-time employees in the public sector was £574, compared to the £490 in the private sector.⁸ The Labour Force Survey shows that in 2012 only 29.2 per cent of employees were covered by collective bargaining, and this is not even across the country. In the public sector 63.7 per cent of employees are covered by collective bargaining compared with only 16.0 per cent in the private sector⁹ (also see page 5)

Research indicates that in the last 30 years, there has been a shift from wages to profits in the UK economy, which partly explains why median wages have failed to keep pace with growth in GDP, although rising inequality of wages is more important in explaining this trend.¹⁰ Furthermore, the falling wage share has been driven by the expansion of industries with relatively low wage shares (particularly financial services), and the contraction of industries with higher wage shares.¹¹ Over the last 30 years, there has also been a rise in precarious work driven by individualised employment relations, owing to the decline of trade unions and collective bargaining, and increased outsourcing.¹²

Looking across countries, a higher wage share is correlated with higher economic growth.¹³ International evidence indicates that inclusive employment relations with high levels of social protection and collective bargaining coverage, such as that found in Scandinavian countries, result in greater wage equality across the workforce, higher job quality and greater opportunities for career and skills development. By comparison, countries like Britain with more market based systems with lower collective bargaining coverage tend to perform worse on these measures.¹⁴

⁶ Annual Survey of Hours and Earnings (2013) Provisional Results (2013) Office for National Statistics

⁷ Ibid

⁸ Ibid

⁹ Trade Union Membership 2012: Statistical Bulletin (2013) Department for Business, Innovation and Skills

¹⁰ Where have all the wages gone? (2012) Touchstone, TUC

¹¹ Ibid

¹² The Response of unions to the rise in precarious work in Britain (2013) The Economic and Labour Relations Review.

¹³ Ibid

¹⁴ Duncan Gallie, *Employment Regimes and the Quality of Work* (2007) cited in Unions, Collective Bargaining and Employment Relations Project Research Bulletin Number 2 (2011), TUC

What does the international evidence show about the role of cities in driving growth and catalysing innovation and what are the key success factors that we can learn from?

(see above)

What is the relationship between public services reform and economic growth at city level? How can more effective demand management through public services reconfiguration and integration help to drive social and economic productivity and enable our cities to become financially sustainable?

7) Public service reforms are required to ensure that quality services meet the needs of local populations and the changing demography. The TUC supports public service reforms, where services are designed through engagement with users, staff and trade unions and ensure cost effectiveness; are free at the point of use, needs-based and delivered as a public good, not for profit; services should be democratically accountable and value collaboration over competition and marketisation.

8) Underlying the Government's vision of public services, set out in the Open Public Services White Paper, are the assumptions that public sector service delivery is inefficient and a drain on public finances, and the market is more efficient. The TUC rejects the Government's approach to public service reform and questions its ability to support equitable growth and promote equality more widely (see below).

9) A strong public sector is required to deliver the necessary skills and training needed to help businesses grow, and to help maintain a healthy workforce. A survey of public service workers by the Association of Public Service Excellence (APSE) indicated that 92 per cent of respondents think that pressure on services has increased as a result of the recession; and 70 per cent felt that public services were becoming more important to the public during the recession. Services such as support for businesses, and providing skills and training were seen as increasingly important.¹⁵ Greater value needs to be placed on the role of the public sector in recovery from the recession. Education and training, housing, transport, health and social care, and youth services, for example, need to be perceived holistically to ensure that integrated service delivery can help address some of the root causes of deprivation in city regions.

10) Towards a Future for Public Employment sets out some of the benefits that direct public employment can bring including: providing leverage over local economies; shaping the places where we live and work; managing costs and transactions; sustaining democratic networks and accountability; and realising the potential of the local workforce.¹⁶ According to APSE, direct public employment can help ensure regulation of the local labour market and of local employment practices. ASPE stress the "...value of direct public employment, and encourages those involved in it to set a high benchmark and challenge other sectors and providers to meet this mark".¹⁷ The public sector has played a lead role in the reform of pay and conditions and in promoting equality. This includes tackling pay discrimination, providing access to high quality jobs for women, offering flexible working patterns, providing decent pensions, and establishing duties on public bodies to report on progress towards equalities.¹⁸

¹⁵ Quoted in Speaking up for Public Services (2009) TouchStone, TUC

¹⁶ Towards a future for public employment (2007) Association for Public Service Excellence (APSE)

¹⁷ Ibid

¹⁸ Public sector pay and procurement in the UK (2012) University of Manchester

11) The public sector is often the largest employer in local areas and makes a significant contribution to the local economy. For example, research by APSE found that 96 per cent of staff employed by Swindon Commercial Services lived in the local authority area, mainly in disadvantaged wards, and for roughly every pound – 53p was re-spent by employees in the local economy.¹⁹

12) Through direct employment *and* public procurement, the public sector acts as a driver of economic growth through local multipliers of public spending, helping to support the private sector. APSE's research also shows that for every £1 invested in public services through direct employment and procurement of supplies and services – a further 64p is generated in the local economy.²⁰

13) Through procurement and supply chain management, the public sector can use its leverage to help deliver fair pay, decent conditions and respect for workers' rights. When drawing up contracts, commissioners at city and local authority level can work with trade unions to ensure contracts will deliver decent jobs, and unions have an important role to play in holding employers to account.

Unions are also using their leverage to win better pay and conditions for workers in supply chains. PCS and the CWU secured recognition agreements with non-union employment agencies by pressuring government departments and public bodies. Collective pressure from Unison members working in local government, state schools and hospitals helped gain recognition and improved conditions for workers employed by catering and cleaning contractors.

Supply chain management strategies have also been used in the private sector. An agreement was signed between the TUC, London Organising Committee of the Olympic and Paralympic Games (LOCOG) and the (public) Olympic Delivery Authority (ODA) - acknowledging that workers and trade unions are key partners in delivering a successful 2012 Games. The agreement included respect at work, a commitment to equality, diversity and inclusion, health, safety and welfare, learning and skills, legacy and sustainability. A commitment that the London Living Wage would be an important consideration in procurement was also included.²¹ Agreements covering construction and volunteers were signed, in addition. Regular meetings between LOCOG, the ODA, TUC and unions took place and this joint approach contributed to the Games being delivered on time and on budget, with an absence of any major industrial issues during construction and Games time, and with a safety record superior to the industry average. In London, where the London Living Wage provided a floor, and where each contractor had to commit to a dispute resolution process, there were relatively few instances of workers moving from one contractor to another, a problem which has affected previous Games. The provision of a community and trades union learning centre, run by the TUC, with the support of the ODA was a practical demonstration of the shared commitment to benefit the workforce and local community. Other examples of supply chain management include, in 2010, Unite reached an agreement with Asda that all agency workers would be paid the same rate of pay as permanent workers in all meat and poultry firms which supplied the retailer. Unite reported that some 6,000 workers gained a pay rise as a result of the agreement.²²

14) A number of local authorities are showing that innovation and entrepreneurship can play a role in delivering high quality public services. In Tayside, a local authority contracting organisation (Tayside Contracts) has enabled the sharing of services across boundaries

¹⁹ Creating Resilient Local Economies: Exploring the Economic Footprint of Public Services (2008) APSE

²⁰ Ibid

²¹ Principles of Cooperation between London 2012 and the TUC (2008) TUC

²² Unite bargaining guide to the Agency Workers Regulations 2010 (2011) Unite the Union

resulting in over £14.5m in surpluses being returned to three Tayside local authorities since 1996. Shire Services, providing cleaning and catering services, generate an annual turnover of £10.2m across Shropshire and £3m in external contracts outside the county. And transformation of the local authority in West Lindsey into an 'Entrepreneurial Council' has delivered savings of over £2m since 2009/10 and sustained frontline services.²³ Local authorities, can therefore play an important role in supporting city region led growth through their service delivery models.

15) The current model of public sector reform favours privatisation and outsourcing of public services. This approach is leading to fragmented, rather than integrated provision, and has negative implications for quality and the workforce. Evidence shows that when employees move from the public to the private sector this can result in diminished pay, conditions and rights, and precarious working arrangements.²⁴ Case studies from EU research show that companies responded to liberalisation and privatisation by cutting costs, mainly through cost-saving technology, reorganisation (concentration and outsourcing) and the reduction of labour costs through staff cuts, lower wages and increased workloads.²⁵ In the longer term, this not only affects the living standards and opportunities of workers and their families, but can affect the local multiplier effect in communities, cities and regions.

This research also showed that outsourcing is contributing to the fragmentation of employment relations, "...the reduction of production costs has been reached at the cost of workers, many of whom have experienced liberalisation and privatisation primarily as a worsening of employment and working conditions. This has been achieved by far-reaching fragmentation of labour standards."²⁶ Reforms that weaken employment relations and collective bargaining, and reduce workers' pay and conditions are not best suited to promote social and economic productivity.

16) A number of councils are bringing services back in-house. For example, Oldham Metropolitan Borough Council brought its waste collection services in-house following a record of poor performance by private sector contractors. Among other improvements, the services were re-designed to focus on the council's vision of 'voice and choice' involving people in the way services are delivered, with waste services increasingly seen as 'mechanisms of engaging with service users and tailoring services, particularly collection schedules'. Islington Council brought back building cleaning services in-house. As part of this process it drew on academic research which showed the benefits of paying a decent wage. Through examining costs, the authority found that by eliminating doubled up management costs, and streamlining management, it could pay staff a better wage, improve services and generate efficiency savings. The result was savings in excess of £100k for 2011-12, and cleaning staff were given a contract and guaranteed the London Living Wage and local authority terms and conditions. Redcar and Cleveland Council found that partnership with private contractors had failed to deliver an effective customer relations service. Insourcing enabled cost savings, greater flexibility and integration with other services, such as libraries, to provide a more innovative and responsive service that met people's needs. This resulted in 95 per cent customer satisfaction rating and a 22 per cent improvement in resolution of problems within 24 hours at ward level.²⁷

17) The prevailing approach to demand management, under current public sector reforms, appears to be through offering users a 'choice' of providers in a public services market. This

²³ Municipal Entrepreneurship (2012) ASPE

²⁴ Outsourcing and the fragmentation of employment relations: the challenges ahead (2012) ACAS

²⁵ Privatisation of public services and the impact on quality, employment and productivity, PIQUE 2009

²⁶ Ibid

²⁷ Insourcing update: The value of returning local authority services in-house in an era of budget constraints (2011) APSE

is despite evidence indicating that users stress the importance of accessing the right school or hospital, for example, and do not equate choice with greater diversity of provider.²⁸ As mentioned, current reforms will result in fragmented services with competing providers. The TUC's vision for public services, in contrast, emphasises designing services through engagement with users, staff and unions, and delivery through an integrated and collaborative approach, with strong employment relations.

18) Clearly from the public service multiplier effect, the public and private sectors are closely interrelated, therefore, city region led growth and growth more widely, is likely to be hindered by the Government's response to the recession (mainly cuts and austerity), including cuts to public sector jobs, the three-year public sector pay freeze and two-year pay cap. Furthermore, the Chancellor recently announced a further £17bn cuts in 2014, £20bn in 2015, and over £25bn over 2016-17²⁹ these too are likely to have a negative impact on the public sector's multiplier effect in city regions, as well as on services and workers. In a survey of 2,000 public services managers, 59 per cent said that there was no room to make further efficiency savings without impacting on jobs and services.³⁰ Job losses will impact more heavily on women, who make up 64 per cent of the public sector workforce, with predictions that around twice as many women than men will lose their jobs.³¹ Women are also being hardest hit by cuts to services and also changes in benefits and tax credits.³² Growth strategies need to take into account the unequal impacts of cuts and austerity on women and vulnerable groups.

The TUC does not support the case for swingeing cuts to public services, and contends that investment in public services, housing and infrastructure can help recovery from the recession. Cuts and austerity measures are being implemented in the context of estimated losses to the Treasury of £25bn each year - through tax avoidance and evasion. As part of a reformed economic system that delivers social and economic justice, we need a more progressive tax system, and stronger national and international regulations to stop tax avoidance and evasion.

19) The move towards Combined Authorities presents an opportunity to review and develop policies focussed on economic development and transport. Based on the evidence above, it is recommended that policies promoting direct public employment and based on the public services framework set out by the TUC be pursued – to support city region led growth. However, the Localism Act 2011, sections 15-20 allows the transfer of any public function from other bodies, or ministers, to 'permitted bodies'.³³ The TUC is concerned that this could lead to further privatisation and outsourcing of public services, negatively impacting on service quality, employment relations, workers' pay and conditions and therefore on city region led growth.

²⁸ For the Public Good – How the Public Want their Services to Change (2012) Fabian Society

²⁹ New Year Economy Speech by the Chancellor of the Exchequer

<https://www.gov.uk/government/speeches/new-year-economy-speech-by-the-chancellor-of-the-exchequer>

³⁰ Quoted in Speaking up for Public Services (2009) Touchstone, TUC

³¹ The Impact of Austerity on Women (2012) Fawcett Society

³² Ibid

³³ Localism Act 2011 <http://www.legislation.gov.uk/ukpga/2011/20/notes>

How can growth in other English cities complement London's economic success, and what should be the interrelationship between devolution, growth and reform strategies in London and in our other major cities?

20) This depends how we define 'success'. Growth in London has mainly been dependent on the financial sector, as opposed to being based on a diversified economic base. Furthermore, there are around 572,000 low-paid workers in London. Cities in the south of England tend to have the highest levels of wage inequality and employment polarisation.³⁴ In addition, cities with high levels of labour market inequality usually have knowledge-based economies, and they tend to be near London. According to the New Economics Foundation, Britain's economic landscape has become more and more uneven. "...the spread between the UK's poorest and richest region is now much larger than elsewhere in Europe. Inner London is the richest space in the EU, but the Welsh valleys are poorer than Slovakia. London as a whole is the most unequal city in the OECD."³⁵ A different model of growth is required as mentioned at the outset of this submission.

What needs to change between Whitehall and our cities to make multi-polar growth a reality? What does the Centre need to do to enable this and what economic and revenue levers do cities require?

21) Whitehall should undertake spatially sensitive policy making – where stakeholders in city regions, including trade unions, are consulted, and there also needs to be adequate funding available for policy implementation.

22) Joined up government is essential. Whitehall needs to ensure policies across departments work together to support, not undermine, city region led growth.

23) Economic levers need to be developed with a national vision of growth in mind. Whitehall needs to ensure that funding strategies are developed after full and meaningful consultation with key stakeholders (see below), and that these are based on strategies that contribute to equitable city region and national growth.

What are the practical, organisational, cultural and systemic barriers that stand in the way of a fundamental shift in economic power to our cities and how can these be overcome?

24) The TUC welcomes the idea of devolution of powers and decision making to cities and local authorities through Combined Authorities and City Deals. Mechanisms to ensure inclusive decision making, transparency and accountability are central to ensuring these and future changes are effective in delivering growth. The TUC has several concerns relating to current related reforms. Local Enterprise Partnerships (LEPs) have played a key role in developing the content of City Deals, however, in LEPs there is a narrow focus on partnerships between business representatives and local authority leaders – to the near exclusion of trade unions and other important stakeholders.

In some cases, the TUC and trade unions are having some influence in these changes. For example, representatives from the TUC's Yorkshire and Humber region have seats on the LEP skills for growth partnerships in Leeds and Sheffield City regions and TUC Unionlearn attends the meetings of the partnerships. The TUC is represented on the Tees Valley employment, learning and skills group developing the skills action plan. In the North West, the regional TUC is involved in the Employment and Skills Board in Liverpool City region,

³⁴ Wage inequality and employment polarisation in British cities (2013) Joseph Rowntree Foundation

³⁵ Why we need a new macroeconomic strategy (2013) New Economics Foundation

and it also has involvement on the Child Poverty and Life Chances Commission, financial inclusion group and apprenticeship hub, as well as inputting into the strategy forming part of the national proposal to the European Social Fund.

There is a need to ensure that business representatives on LEP boards are genuinely representative of a range of businesses. Employers federations, such as The Manufacturers' Organisation (EEF), also have an important role to play in planning for national and regional growth. How they engage with LEPs and at national level needs to be made clear and systematic.

For LEPs to have credibility and legitimacy as part of devolved decision making structures, key stakeholders need to be systematically engaged.

25) At least two government departments including BIS and DWP oversee the work of LEPs. This involves four ministers and individual LEP advisors with links to their departments – creating confusion about lines of accountability. There needs to be greater clarity in this area, including who is setting standards for governance and financial accountability and who is checking that these are being met. Furthermore, there needs to be greater clarity in the relationship between LEPs and Combined Authorities and their role in the design and delivery of City Deals in future.

26) The dissolution of the Regional Development Agencies by this Government is seen as a regrettable decision. As a result, there is no direct democratic oversight and regional coordination of the work and plans of LEPs. How is, for example, investment into Enterprise Zones coordinated across the region? If RDAs are not to be revived, then a structure or system which can fulfil this role needs to be established to support a balanced approach to growth.