Closing the Gap Conference

THE ALTERNATIVE ECONOMIC STRATEGY

Conference Workshop Reports and Evaluations

29th April 2016 • AJ Bell Stadium, Salford

Salford Unemployed and Community Resource Centre

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Hello and welcome to the Closing the Gap conference report that was held on 29th April 2016 at the A J Bell Stadium in Salford.

The title comes from the Salford Unemployed & Community Resource Centre’s project, funded mainly by the Big Lottery, which was aimed at ‘Closing the poverty gap’ and to try and protect the poor and vulnerable people of Salford by creating awareness of:

- credit unions
- debt management
- benefits information
- welfare advice
- campaign against loan sharks
- community learning
- ESOL courses
- Self esteem
- Health and wellbeing awareness

All targets we set out to achieve on the project have been met.

Government policy of austerity and benefit sanctions is leading to increased poverty, depression, mental health problems and suicide. So, we decided to organise a conference to look at the alternative to austerity. Austerity is a political choice by the current government, not an act of god or nature.

Our speakers John McDonnell MP, Shadow Chancellor and Rebecca Long-Bailey MP set the alternative economic strategy and alternative tone.

Seven workshops took place at the conference:

Workshop 1: An alternative National Insurance/Welfare benefits system
Chair: Kester Dean
Lead: Steve Higginson, Unite Liverpool Community branch Secretary

Workshop 2: Wages & employment regulations
Chair: Yunus Bakhsh, Employment Law Advocate
Lead: Paula Barker, Unison North West Convenor

Workshop 3: Impact of austerity on children & young people
Chair: Alison Page, CEO Salford CVS
Lead: Kathy Evans, Chief Executive Children England

Workshop 4: Austerity & mental health
Chair: Prof. Michael Lavalette
Lead: Dr Richard House, Debbie Porteous, Rich Moth & Guy Jamieson
Workshop 5: Utilities - public or private ownership?
Chair: Andy Birchall, Chorley Trades Council
Lead: Ian Hodson, National President BFAWU

Workshop 6: Local value commissioning
Chair: Cllr Paul Dennett
Lead: Steve North, Salford Unison branch secretary

Workshop 7: Credit Unions
Chair: Mark Brazendale, Salford Credit Union
Lead: Rebecca Long-Bailey MP

You will see that the conference and workshops make a serious attempt to create alternative policies and strategies in the interests of the majority of people, not just attack the terrible present system and policies.

The reports lay the basis for real alternative and organisation.

Finally the conference agreed unanimously that Rebecca Long Bailey Labour MP should be appointed as the first ever Shadow Minister for Credit Unions.

Alec McFadden
Centre Manager Salford UCRC & Conference Chair
Thank you very much for the opportunity to speak at the SUCRC Closing the Gap conference on an alternative economic strategy. I will outline the type of alternative economic strategies I would support as Chancellor of the Exchequer.

George Osborne presented his Budget to Parliament in March, but did not make changes to pensions tax relief. He would like to, but did not, cut the top rate of income tax. He is too scared about his future career prospects to risk it.

The Tories then announced that the “economy is smaller than we thought” and that as a result further spending cuts or tax rises might be needed to hit his own target for a surplus. What an astonishing about-turn from a chancellor who had, just a few months before, declared that we had arrived at the sunlit uplands. Osborne claimed at the time of the Autumn Statement his economic plan was producing “better results than expected”. Now he has to admit, shamefaced, that the results are worse than he expected. When George Osborne said the sun was shining, what did he do? He cut flood defences. He cut policing. He decimated local authority spending.

Business investment is falling. Exports are falling. The productivity gap between Britain and the rest of the G7 is the widest it has been for a generation. Without productivity growth, we cannot hope, over the long term, to improve living standards for most people. The truth is that we are failing to meet our potential. Failing to reach our potential means failing to meet the aspirations of our people.

It means a gender pay gap that is still wedged at 19 percent. It means seeing a 22 percent fall in earnings for the self-employed in just a few years. It means those wanting to grow their small businesses deprived of the loans they need by a failing banking system. It means another 100,000 people pushed into the insecurity of zero hours contracts. It means a whole generation of our young people for whom the security of home ownership is rapidly becoming an impossible dream.

And in defiance of the growing consensus in the economics profession he will continue to pursue spending cuts. At a time when the IMF and the OECD are insisting on the need for increased government investment, the Tories are planning for government investment spending to fall as a share of GDP.

He claims that a “cocktail of threats” elsewhere in the world means that now is the time to hunker down. He couldn’t be more wrong. Now is the time to break with the failed approach he has taken that has left this economy more exposed to shocks elsewhere in the world. George Osborne’s Budget should have been about safeguarding the economy, and equipping it for the future. Tory policies do neither.

Austerity is a political choice

Austerity makes little sense in economics terms; it is just not working. But it is a politically easy choice for the UK, since it works to the benefit of powerful vested interests. Maurice Obstfeld, currently chief economist at the International Monetary Fund, wrote a fascinating paper on this back in 2013. In it, he describes perfectly the logic driving Osborne’s cuts agenda. When countries have
very large financial systems, Obstfeld argues, they must have small governments. This is because large financial systems are prone to spectacular collapse, as we saw in 2008. When that happens, governments are expected to step in, arranging bailouts and propping up the economy.

So, government must be small today in case of a major financial crisis tomorrow. This is exactly what the Tories have aimed at since 2010. Cutting the state down to size, in case of further financial risks. Behind this is a limited, cramped vision of what this country could achieve. Instead of arguing for a financial sector that serves society. The Tories are arguing for a society that serves the financial sector. That is his political choice. His choice, and the choice of too many past governments, imposes a real cost.

The Bank of International Settlements has argued that these financial expansions have resulted in a serious misallocation of investment. When capital is misallocated, it means that whilst giant chain stores can always grow, the small, family-owned business looking to expand can't get the finance its needs. Capital is flowing the wrong way. We can see this today, after the crash.

Society’s resources have been diverted away from productive use, and into low-productivity investments. The underlying economy was weakened by excessive financial expansion, even if, during the boom years, this was disguised by comparatively rapid economic growth. We chased the illusory gains of financial expansion, and neglected real wealth creation. Our boom was bigger, but our bust was all the greater.

1) Labour’s alternative in outline

Labour’s alternative has to be nothing less than a radical break with the past. Rewriting the rules today means three things.

First, an absolute commitment to responsible financing by a future Labour government. The old rules meant relying too much on tax revenues from financial services, and too much on expensive funding schemes like PFI. We didn’t do enough to clamp down on tax avoiders. We should show how we could account for every penny in tax revenue raised, and every penny spent. There is nothing left wing about ever-increasing government debts, or borrowing to cover day-to-day expenses.

Borrowing today is money to be repaid tomorrow. With a greater and greater portion of our government debt now held by those in the rest of the world, government borrowing increasingly represents a net loss for those of us living here. The public, rightly, want a government that is responsible with its finances. We in the Labour Party have to show them how we will act as a responsible custodian. We shouldn’t be the Party that only thinks how to spend money. We are the Party that thinks about how to earn money. The clue is in our name. We are the party of labour – the party of the wealth creators, of technicians, designers, machinists, entrepreneurs – the party of workers and small businesses. We need to get back to the best of our own tradition.

I have worked with the Tax Justice Campaign now for over a decade. We need action now. That means strong legislation to tackle tax evasion and avoidance. The campaign, led by a broad coalition of UK and international organisations, has one simple goal. We are calling on all parties to commit to introducing a Tax Dodging Bill in the first 100 days of the next parliament to make tax fair and to raise funds, both in the UK and in developing countries, to fight poverty.
2) Entrepreneurial state and the reviews

Second, we need to use government’s capacities wisely.

Another Economic Advisory Council member, Marianna Mazzucato, has written brilliantly about the role an “entrepreneurial state” can play in establishing new industries and driving innovation.

Britain has an extraordinary heritage of scientific research. We can and should be doing more to draw on this, and to improve the application of this research. Instead, real spending on research and development has fallen by £1bn under the Tory Government’s watch.  If we want to create the economy of the future, we cannot have a government that stands idly by. The state should be making the long-term, patient investments that are the foundations of long-term prosperity. That should be prosperity shared across the whole country. And it should be aligned to a functioning, twenty-first century industrial policy.

There’s a glimmer of what this might look like already, in the extraordinary turnaround of UK motor manufacturing. Prompt action by Government and the Secretary of State for Business in the aftermath of the crash stabilised the industry and laid the foundations for its recovery. Today, Britain’s car industry exports more than ever before. It is the most productive in Europe.

There are still problems here, of course. There is not a single domestically owned motor manufacturer. Its supply lines, like those across much of manufacturing, are hugely internationalised. But it is crucial example that effective government intervention, carefully applied, can produce results.

This is about more than a few policy changes. We need to take a close look at how the institutions charged with overseeing the economy function. So we’ve launched reviews, led by experts, of the major institutions of economic governance. In each case, we want to take a forensic approach to understanding how these core institutions can best deliver the prosperous, fair economy of the future. This isn’t about making the state bigger or smaller. It’s about making it smarter.

3) Socialism from below

Third, we need to unlock the potential of the wider economy.

The figures are clear. The potential of this economy is being held back by the weakness of the supply-side. Tory policies have held back demand. But it is on the supply-side that, it is now clear, we need the biggest shake-up. This is what the slump in productivity indicates. There is a growing coalition of economists, unions, and businesses who will support government investment in infrastructure. That is one part of the solution.

Another is in the provision of skills. Latest figures suggest that 22 percent of all jobs vacancies are going unfilled as a result of a lack of candidates with the right skills or experience. Here, too, government can intervene directly. But it must do so effectively. The present Chancellor’s solutions are inadequate. Ofsted was damning in its report on the many new apprenticeships being offered. The surge in numbers had led to a slump in quality.

We’re not just failing our young people if we fail to provide them with the skills they need. The entire economy suffers as a result. But government action alone is not enough. I’ve said before that our watchwords on the economy will be democracy and decentralisation.

We need a far more sophisticated argument about ownership that does not just fall into the caricature of either pure privatisation, or monolithic state control.
Government can clear the barriers that hold back entrepreneurship and innovation. This doesn’t just mean blind deregulation. It means taking on the vested interests that hold back aspiration. The potential is there. If we mobilise the potential of our small businesses, giving them the opportunity to match the productivity growth of small businesses across Europe, we can boost GDP by £140bn. We need to clear barriers to their financing, and think creatively about how to fund their expansion.

For instance, Britain has an extraordinarily concentrated banking sector that is not serving customers properly, particularly small businesses. We need a network of regional and local banks and Credit Unions in tune to the needs of their local businesses and communities. A Labour government should not be afraid of taking on the big monopolies where they are failing the rest of us. We are moving into a world in which more and more people are starting businesses, or becoming self-employed. We must welcome genuine entrepreneurship, and extend employment protection to the self-employed.

And we should be unafraid to support new models of business ownership and management, like worker-owned enterprises and co-operatives. Worker-owned and managed enterprises are typically more productive and are less likely to fail in a downturn than those in more conventional ownership. I’ve spoken before about creating a Right to Own for employees, giving them first refusal on taking over a company when it changes hands.

4) Fiscal Credibility Rule

I want now to return to my first point on sound finances. Sound finances are the foundations on which everything else is possible.

Following discussions with our Economic Advisory Council and expert advisors we have decided to recommend a Fiscal Credibility Rule, which will underpin Labour’s fiscal position. We believe that governments should not need to borrow to fund their day-to-day spending. And that is why we would commit to always eliminating the deficit on current spending in five years, as part of a strategy to target balance on current spending over a target five-year period. We want to ensure that the Government’s debt is set on a sustainable path, we will commit to ensuring that, at the end of every Parliament, Government debt as a proportion of trend GDP is lower than it was at the start.

It is essential for our future prosperity that we retain the ability to borrow for investing in capital projects, which over time will pay for themselves. We owe that, at least, to those whose homes are endangered by flooding, many of whom suffered so much this winter. But we also know that we are entering a period of great uncertainty for the world economy, which may put many existing economic structures under pressure.

So it is right that, if conventional monetary again becomes constrained by hitting a lower bound as it did after the global financial crisis, we understand when fiscal policy has to take some responsibility. And that is why we will reserve the right, for as long as monetary policy is unable to undertake its usual role due to the lower bound, to suspend our targets so that monetary and fiscal policy can work together.

Rather than an arbitrary cut off for GDP forecasts, we will suspend our rule in the circumstances when it is clear that fiscal policy needs to work together with monetary policy to get the economy moving again. Taken together, these principles will underlie everything we say about fiscal policy.

Jeremy and myself are interested in how Government earns money as much as how it spends money. We will be discussing policies democratically across the Labour Party for the next few years, as we have pledged throughout and since Jeremy’s election campaign.
But I promise that, from now on, any potential commitments we do make will be judged on how they fit into our Fiscal Credibility Rule. And to oversee all this we will make sure that the Office for Budget Responsibility is properly resourced and genuinely independent, reporting to Parliament.

**5) Most important fight for a generation**

Why have we been having this conversation now?

It is clear that regaining the public’s trust with the public finances must happen before the electorate will consider trusting Labour with the keys to Government again. There is no short cut to regaining fiscal credibility with the electorate.

We will take this rule through our party policy processes and on to Labour Party conference, where our overall economic strategy will be determined.

**6) Fairness and the future**

We have a huge potential in this country. But we have a Chancellor that is failing us.

Jeremy Corbyn was elected on a promise of “straight talking, honest politics”. We need a bit of straight talking, honest economics if we want to realise our potential. This means an end to the bluff and bluster.

We need an economy that is about fairness, and about the future. With that in mind, let me say four things.

First, as Jeremy Corbyn previously called for, to jump start investment across the country we need a National Investment Bank, with the capacity to deliver investment funding where it is urgently needed.

Second, new infrastructure is welcome. But needs to be backed by real government commitment. Our Fiscal Credibility Rule means that we can end the nonsensical situation in which George Osborne can make endless announcements on infrastructure projects, but then fail to find the means to finance them. If the funding isn’t available, it means vital new projects like Swansea’s Tidal Lagoon are delayed, and delayed again. Our Fiscal Credibility Rule will provide us with the means to finance vital infrastructure, whether it is high-speed broadband or new rail connections in the North.

Third, our housing crisis is a national disgrace. We need bold action to address it. House building has slumped to the lowest level since the 1920s. We are building around half the number of homes we need. We know new homes alone won’t solve the problem. We are failing the aspiration of our young people to own their own homes.

Our Fiscal Credibility Rule can provide us with the secure, credible foundations to unlock the financing necessary to deliver the new homes we so urgently need. We think a programme to build 100,000 new homes a year could begin to address the crisis.

Fourth, on fairness, year in, year out, Tory Budgets have leaned too hard on those least able to bear the burden. We will be a government and a Chancellor who does not just make noises about fairness, but who delivers. We will be looking closely at independent distributional analyses of this impact, to see that the poorest in society do not continue to bear the brunt. It will require boldness, and challenging some of the vested interests in our own party.

Labour will rewrite the rules to build a fairer, more prosperous economy.
I welcome this conference, not only to look at an alternative economic strategy but also looking to create alternative strategies in:

- An alternative National Insurance/Welfare benefits system
- Wages & employment regulations
- Impact of austerity on children & young people
- Austerity & mental health
- Utilities - public or private ownership?
- Local value commissioning
- Credit Unions

The leader of the Labour Party Jeremy Corbyn has opened up every Shadow Minister for consultation and discussion so I will pass on the official written report from the seven workshops to the appropriate Shadow Ministers.
Rebecca Long-Bailey MP - Speaker

Thank you Alec for organising the conference and John and all speakers, who attended.

The conference was about discussing how we can develop an economic alternative. I am pleased the workshops developed our ideas for an alternative but before that we first had to understand where we were.

So let me take you on a historical mystery tour

In 1930, just after the Wall Street crash, John Maynard Keynes wrote an essay called “Economic Possibilities for Our Grandchildren” where he imagined that a combination of technological advance and rising wealth could leave enough for everybody.

Investing in industry and the state would create wealth and opportunity and through technological advancement we would have more leisure time.

Technology was there to advance our quality of life, not just to line the pockets of the extremely wealthy and this did start to happen.

In the 40’s, 50’s, 60’s and 70’s we saw the creation of the welfare state, NHS, National insurance, investment in municipal places such as leisure centres and libraries. We saw the rebirth of industry here in Salford and beyond, highly unionised workplaces where wages were high. Inequality was at an all-time low and times were good for a short while.

Then, Neoliberalism happened and from 1980 onwards here in Salford we learnt very quickly how neoliberalist capitalism works.

We were a first class experiment in the de-industrialisation of a city where unions were crushed and jobs were outsourced overseas to cheap labour markets. We saw our local wealth sucked up to the top. We were told that it was all-ok, despite the fact that there were no jobs here in Salford the wealth that was being sucked up, it would eventually trickle down. Well….it didn’t and we are still waiting.

I argue that Neo- liberalism played a major role in a variety of recent crises:

- the financial meltdown of 2007-8,
- the offshoring of wealth and power, of which the Panama Papers offered just a peek,
- the destruction of the NHS
- the dismantling of education,
- child poverty levels where over a third of children in Salford are living in extreme poverty, a third!
- living standards at an all-time low with many people in Salford living in damp unsafe conditions.
- Lower than average Life expectancies here in Salford lower even than the Gaza strip in some areas
- Foodbanks
- loneliness,
• global warming
• the rise of UKIP and blaming everyone under the sun but the Tory Government for our financial predicament such as immigrants, the disabled, those out of work, so called benefit scroungers!

But as George Monbiot recently stated "we respond to these crises as if they emerge in isolation, apparently unaware that they have all been either catalysed or exacerbated by the same coherent philosophy”

The term neoliberalism was coined at a meeting in Paris in 1938. Two men came to define the ideology, Ludwig von Mises and Friedrich Hayek and who saw social democracy and collectivism, such as Britain’s welfare state, as totalitarian.

They instead promoted the principle of individualism and Hayek wrote a book, that Margaret Thatcher waved around like a bible in the 1980’S, called the Road to Serfdom. The Individual was key, it was all about ‘me me me’ as my mum says.

Markets were to be left free and unfettered, taxes were to be low, everything had a price and public services were to be non-existent, the state was essentially only there to keep law and order. In terms of wealth and wealth creation, money would be sucked up to the asset rich at the top but apparently it would balance out in some sort of natural order although that order was never explained in any detail and as we know today it was not true.

It speaks volumes that in 1947, Hayek founded the first organisation that would spread the doctrine of neoliberalism – the Mont Pelerin Society – and it was supported financially by millionaires.

In 1980 Margaret Thatcher and Ronald Reagan became poster men and women of the ideology and the rest is history:

• massive tax cuts for the rich,
• the crushing of trade unions,
• the destruction of society
• deregulation,
• privatisation,
• outsourcing and competition in public services.
• Neoliberalist influence on the rest of the world through the IMF, the World Bank, the Maastricht treaty and the World Trade Organisation.

Thatcher advocated freedom of choice, freedom for the individual to pull themselves up by their bootstraps as she put it and exploit the majority. She sold the dream, work hard and climb the greasy pole, we could all be yuppies, however she forgot to tell us that those at the bottom wouldn’t even be allowed anywhere near the pole at all, they would be kept away from it through the use of force if necessary.

"Freedom from trade unions and collective bargaining meant the freedom to suppress wages. Freedom from regulation meant the freedom to poison rivers, endanger workers, charge iniquitous rates of interest and design exotic financial instruments.

Freedom from tax meant freedom from the distribution of wealth that lifts people out of poverty.”

I recommend everyone to read a book called the Shock Doctrine by Naomi Klien. When I read it, it was as if a light went on. Most thinking people with half a brain cell could see that neoliberalism is
not a credible economic theory - far from it, it was a theory dressed up to make those at the top asset rich whilst those at the bottom suffered, and those in the middle simply clung on for dear life.

It was ludicrous, so in order to convince us that dismantling public services and the like was good for us, Naomi Klein explained that neoliberal theorists advocated the clever use of crises to impose unpopular policies while people were distracted:

- For example, Hurricane Katrina, which Friedman, a neoliberalist economist described as “an opportunity to radically reform the educational system” in New Orleans.

- The financial crash of 2008, which was caused by a casino banking system, built on a system of de regulation and greed right at the heart of neoliberalism.

Post crisis we saw the Conservative government use the crisis as an excuse to further complete the neoliberalist dream Thatcher had begun years before - and they called this clever master plan austerity.

The conservatives cut taxes, privatised and outsourced public services, destroyed the benefits system, deregulated finance and now they are even looking at looking at rewriting our human rights.

The gap between those at the top and those at the bottom reaches levels that would rival the Victorian ERA and no matter how hard we work, even if we went to Oxbridge and got a 1st class degree we will never become the 1% that owns 50% of the world’s wealth. Austerity was never a credible way to rebuild the economy, as John has said time and time again before, it was a political choice.

So far there’s been no rebalancing of the UK economy. Exports haven’t risen and the government has failed to deliver its promised “march of the makers”. GDP per head is only now approaching where it was before the recession started and household debt is spiralling out of control - we only have to look at the number of payday lenders on the streets of Salford.

Leading economists the world over are coming out in their droves to confirm that austerity is not credible so this is not just socialist idealism on my part, Austerity and neoliberalism simply cannot function as an ideology.

So, as John McDonnell has said however we cannot turn the clock back to 1997 or even 1945 we must now rewrite the rules of how our economy operates. We need to raise living standards and develop alternatives to austerity that empower local communities and create a diverse, balanced and resilient local economy.

There are many future challenges for the economic vision we develop, these challenges are the greatest for communities like Salford and other northern towns and cities previously stripped of their industry and economic purpose.

- We need to build an economy that works for ordinary people and their communities
- An economy that works for the North and decentralises political and economic power but in a sensible and pragmatic way.

Not create a wild west of competing devolved regions all stripped bare of government resources and indeed devoid of any overarching national industrial strategy which, given the Government current trajectory, is what I fear we will see.
All areas of the UK can be productive and contribute toward the national economy, but we need to enable and expand revenue generation at a local level and I would like to see local authorities and communities being empowered to do so.

Look at local finance for example; here in Salford we have a crisis in financial inclusion. People just can’t access banks anymore, they either can’t get to one or they are barred from joining, in some cases just for not having enough forms of ID.

Overall, the number of bank and building society branches in Salford has fallen from 30 in 2004 to 26 in 2014 and now many people no longer have access to banking. Seven Council wards now have no banks located within them at all and some of these areas fall within the 10% most deprived areas in the country. This results in many people resorting to pay day lenders and loan sharks who charge exorbitant interest rates and force borrowers to become trapped in a cycle of debt difficult to emerge from. This is not only catastrophic for the borrowers in question but it is also a drain on the local economy.

Research carried out by the University of Salford in 2008 estimated that over £3m [per year] was leaving Salford in the form of interest payments to non-Salford companies such as pay day lenders and home credit companies. That is money that should be spent within the local economy.

Greater Manchester is currently negotiating its devolved powers with central government. This is a prime opportunity for our area but it also poses significant challenges. Low-income families are at the forefront of these challenges, unemployment is still a scourge that affects many and across the UK household incomes are declining.

- How can we have a local economy that functions on any level when workers’ wages are not rising with inflation and household consumption is very low? It means business in Salford stagnates and in turn our communities suffer too.
- We need an economy that understands and recognises the power of our local economy and the power we have as consumer’s innovators and manufacturers. If we are to see growth driven from below then communities need financial institutions to deliver this. Money needs to be recycled into our communities wherever possible.
- We need institutions that sustain a competitive local economy, which provides more financial control to our local area rather than to the world’s largest banks and the financial elite.
- We need institutions that invest in our business ideas and make us a manufacturing force to be reckoned with once again, to invest in new forms of business structures that are worker led, or co-operatives as well as the traditional business structures. New financial institutions like the nascent ‘Bank of Salford’ project could be the answer and they could also re write the rules on local lending including mortgages and loans.
- The sale of household goods such as washing machines at low interest rates would keep consumers away from extortionate hire purchase companies who prey on poor communities and charge a poverty premium for low credit scores.

Financial institutions are just one area to examine on our journey today. We can make the case for locally led growth where a diverse range of small and medium sized enterprises’ serve needs of the national economy without leaving behind the local community.

Ultimately we need an economy that serves Salford not a Salford that serves the economy; an economy that shares the spoils of wealth justly, an economy that where if you work hard you do get on, an economy that will provide your children with the education and skills to succeed, an economy that provides access for everyone to the basic living essentials of life such as healthcare,
food, housing, heating electricity and water and an economy that will look after you when you are old, sick or ill. A fairer more prosperous economy and one that works.

We know austerity doesn't work, now is the time to write the introduction to a new economic era.
Workshop 1: An alternative National Insurance/Welfare benefits system
Chair: Kester Dean
Workshop lead: Steve Higginson, Unite Liverpool Community branch secretary

Our starting point was the historical fact that the original narrative concerning National Insurance/Welfare Benefits, was automatically tied into a world of work whereby the paradigmatic politically self-conscious working class of the UK was a male breadwinner working in a car factory, steel/ship-yard or in the mining industry. Over the next twenty-five years or so, it will more likely be a single mother working as a carer, teacher or nurse.

Step one – immediately upon taking office – steps that don’t require legislation or could be simply remedied by Regulations

- Instruct Jobcentre staff to end conditionality and concentrate on supporting people into work instead.
- Suspend the Work Capability Assessment.
- Terminate contracts with all private providers: currently Atos, Capita, Maximus and the vast range of providers of the Work Programme and similar schemes, without compensation.
- Terminate rollout of Universal Credit and PIP.
- End bedroom tax.
- End age discrimination in benefits system and minimum wage by terminating reductions for under 25s.
- Make “living wage” a universal living wage.
- A political commitment to full employment achieved with decent jobs.
- The end of work conscription – keep volunteering voluntary.

Step two – in months following taking office – steps that require legislative change and consultation prior to drafting

- Assess feasibility of citizens’ income scheme – i.e. replacing the maze of current benefits with a single non-means tested basic income payment.
- Assess how the desirability of such a scheme could be positively and productively communicated – i.e. citizens’ are entitled to the essentials of life, and a guaranteed basic income would push up pay and conditions.
- Factors to consider when assessing citizens’ income include the costs savings regarding health damage of current system, stripping away bureaucracy and ending bonanza of payments to private sector, as well as releasing potential for human creativity, innovation and education – up skilling work-force.
- Instigate system of rent controls and migration of private rented accommodation to the public sector to bring down the cost of housing to ensure citizens’ income covers housing costs. Short-term measures include ending restrictions on support for mortgage interest, and ensuring harmonisation of local housing allowance with actual rent levels.

Step three – for Trade Union movement representation for unemployed workers.

This report back includes and incorporates to Workers Charter.
Working class communities have been experiencing poverty as far back as the industrial revolution and further. The Trade Union movement was created by those working class communities to challenge the poverty they were living in. They fought for better wages, shorter working hours and holidays. They also fought for public services to provide better housing, health and education for all.

In 2008/9 we saw the financial crash caused by the greed for more and more profit by the world banks and financial institutions. Since the 2010 Election and the formation of the Conservative and Lib Dem Coalition Government and the introduction of their austerity measures, working class communities have experienced the most savage and concerted attack on their standards of living in living memory.

They have used every tool available to them, including:

- Freezing or cutting workers’ wages
- Mass redundancies in the public sector
- Cutting or privatising much needed public services such as Children’s and Adult Services
- Privatisation programmes in the NHS
- Slashing benefits across the board
- Employment Tribunal Fees. The workshop viewed the fees as a barrier that were set by the coalition movement that denied workers from poorer background access to justice. Since the introduction of the fees, complaints by workers for unpaid wages and unfair dismissal are on the rise but complaints to the Employment Tribunal is falling. They recommended that the fee system should be abolished.
- That more and more employers and small companies who specialise in the care sector are closing their business without paying the workers what is entitled to them; redundancy, notice, wages and holiday and then go on to establish their business under a different name in different areas. This is because workers lack the means to make those employers insolvent due to the costs associated with such action. The delegates recommended that the insolvency services should empower to take such action and disqualify directors and owners of business from continuing to ruin workers lives.

Several types of government policy approaches to boost household income were considered:

1. Basic/Citizens Income: Raise tax revenues and distribute through universal minimum income
2. In-work benefits: Top-up wages to ensure adequate household income E.g. tax credits
3. Statutory Minimum wage: Increase legal minimum hourly rate that employers have to pay. E.g. National Minimum / Living Wage
4. Voluntary Living Wage: Encourage employers to pay higher wages voluntarily. I.e. Living wage Foundation rate
5. Public sector as model employer / commissioner: Set a good example through paying good wages to directly employed staff and through requiring good wages in commissioning practices
6. Improved Productivity: Invest in skills and infrastructure in effort to improve labour productivity and then wages

There is a growing body of evidence to show that the growing imbalance in the distribution of output was a significant contributory factor in the 2008 Crash and the subsequent prolonged and increasingly intractable crisis. The evidence is growing that reversing the downward trend of the past 30 years and securing a higher wage share is a necessary condition for sustainable recovery.

A further closing of the gap would require a more active industrial strategy aimed at rebalancing the economy towards sectors that can support higher-waged employment.

A new social contract with labour is needed

- Since the early 1980s, the share of output going to the bottom half of the workforce (‘the lower half wage share’) has been falling sharply in the UK.
- Around one third of this fall can be attributed to a fall in the share of output going to wages and about two-thirds to a rise in the dispersion of earnings.
- This trend can be accounted for both by changes in the structure of the UK economy (with a shift away from sectors with a higher wage share to those where the profit share is proportionally higher) and by changes in the rate at which pay has risen across different parts of the earnings distribution (with those in the top decile seeing their pay rise far more quickly than those with lower earnings).
- Similar trends have occurred in a number of rich nations, though not all and mostly not on the same scale as the UK.
- This trend has been driven by a mix of factors, but most significantly, the financialisation of the economy (a process encouraged by the de-regulation of finance) and the weakening bargaining power of labour.
- While this process of upward redistribution was in part a considered political strategy aimed at boosting innovation, investment and growth, it has in fact been associated with a weaker economic performance on each of these factors.
- This process was a significant contributory factor in the 2008 Crash.

Rebalancing the economy towards a higher overall and ‘lower half wage share’, a reduced dependence on low pay and a smaller pay gap would lead to stronger growth and less economic turbulence. While stemming and reversing the trends of the last 30 years will be far from easy, and will have to be secured gradually over time, the evidence is that doing so is a necessary step for achieving sustained economic health.

Achieving this rebalancing requires, above all, a new social contract with labour, one underpinned by a new set of governing rules between the state, the workforce and business. In the UK, the current contract has broken down. Growth no longer automatically delivers improved living standards, while a large and growing proportion of the workforce is being denied secure work and decent pay.

**The need for a Living Wage**

Evidence suggests that a minimum standard of living is becoming even less affordable over time. Because poorer households earn less money, proportionally more of their income is spent on essential goods such as housing and utility bills where as in wealthier households the proportion of salary spent on essential goods and less vital goods such as electronic goods and holidays abroad is more balanced.
While the cost of less vital goods have, overall, decreased over time, the cost of essentials have seen large price increases. For example, food prices since 2006 have increased by 40%, housing by 15% and energy by 73%. This means that low-earning households are impacted to a greater extent by inflation than those living in higher income households.

A key beneficiary of accelerating and cascading the Living Wage would be the national economy and notably the Treasury. The Resolution Foundation in their report on the Living Wage, states the biggest beneficiary of a universal implementation of the Living Wage (across all organisations and businesses) would be HM Treasury, as not only would income from tax receipts and national insurance contributions increase, but spending on tax credits and in-work benefit payments, which are currently paid to the low-paid, would fall. The Resolution Foundation suggests a gross saving for the exchequer of £3.6 billion; with the Living Wage Commission in their report suggesting £4.2 billion.

A key beneficiary of accelerating and cascading the Living Wage would be workers themselves. The Resolution Foundation estimates that 5 million people in the UK would see wages rise as a result of universal adoption of the Living Wage. This would see the gross earnings of the workforce rise by £6.5 billion, an average of around £850 per household. Being paid a Living Wage also tends to make workers happier, as they do not have to think about domestic financial concerns whilst at work.

An alternative strategy is needed that is

- Aimed at raising the earnings floor for those currently in work
- Aimed at capping excessive rewards at the top
- Aimed at increasing the extent of collective bargaining and workplace participation
- With a new central commitment to policies that create full employment
- Together with longer term measures aimed at reversing the recent trends towards a low pay economy.

Rebalancing the economy in this way requires a mix of short-, medium- and longer-term measures. These would aim first to raise wages in the bottom half of the distribution and narrow the pay gap among the existing workforce. A second group of longer term and more fundamental measures would then aim to alter the structure of the workforce by reducing the economy's dependence on low-paid sectors.

Achieving these goals would require a much more active role for government (national and global) aimed at creating a more equal distribution of wages before taxes and benefits – essentially aimed at the root causes of rising inequality rather than concentrating on tackling the symptoms through redistribution.

One of the important lessons of the last 30 years is that it was a mistake to allow the question of ‘factor distribution’ to be ignored by the policy-making machinery in the United Kingdom. That question needs to play a much bigger role in strategic economic planning, by, for example, the adoption of clear national targets for the wage share and pay gap. Achieving these targets and thus securing a more sustainable balance in the distribution of national income between wages and profits could also be used as an additional measure of economic success.

A new focus on ‘pre-distribution’ aimed at reducing the weight borne by the tax and benefit system through ‘redistribution’ would need to reform the current labour market model which offers one of the weakest systems of workforce protection among the OECD nations. This is because institutional structures in the labour market – from the role of unions and collective bargaining to corporate
governance and the power of public contracts – are critical to achieving a narrowing of the pay gap.

Over the last 35 years there has been a substantial shift from wages to profits in the UK economy and that this shift has a role to play in explaining why median wages have failed to keep pace with growth in GDP over the last 30 years (although rising inequality of wages is even more important in explaining this trend). In sectoral terms, the falling wage share has been largely driven by expansion of industries with relatively low wage shares (particularly financial services) and contraction of industries with relatively high wage shares. At the same time, increased profitability in the financial sector accounts for the whole of the upward trend in the profit share over the last three decades.

There is no evidence that the falling wage share and increased profit share have contributed to increased investment or innovation in the UK; in fact, looking across countries, a higher wage share seems to be correlated with higher economic growth.

This suggests that if the UK wage share were to return to the levels seen in the 1950s and 1960s – rising from its current level of 55 per cent to around 60 per cent – the economic effects would be beneficial; lower inequality and higher growth.

However, what kinds of policies might be able to increase the wage share in the UK?

Rebalancing the UK economy so that the financial sector plays a less exaggerated role would be one possibility. Alternatively, policy-makers could focus on raising wage levels across all industries, through a range of policies including raising skills levels and reforming wage bargaining.

Public sector pay and pensions are already seen as potential sacrificial lambs; the pace of public sector reform is to be increased, which to many on the receiving end is merely a euphemism for more outsourcing to the private sector and ever greater budget cuts and job losses for what remains.
OVERARCHING POLICIES

1. Use the UN Convention on the Rights of the Child (UNCRC) including equal protection and support for refugee children as a basis for creating a coherent vision and range of policies for all children, as our collective responsibility as a society.

2. No child, young person (or their parents) should be expected to take on debt to meet their [child’s] needs and rights – e.g. debt for study, expensive school uniforms, health or SEND needs.

3. Ban profit making from any/all services that support children & families if they are in receipt of public money.

4. Respect & support family life, relationships & nurturing child development – including: No ‘forcing’ of parents back to work, but offering supportive options.

5. Basic income for all people [especially relevant to investing in caring relationships].

6. Ensure REAL Living wage for ALL work in all sectors of the economy [public/private & voluntary].

7. Recognize that both Housing & Environmental Sustainability are priorities for today’s children and young people.

MORE SPECIFIC POLICIES

1. Fully reviewed education policy and curriculum across early years / primary/secondary/tertiary – to put child development at heart – including learning through play; self-directed learning; valuing diverse talents and interests equally.

2. Reverse/ end Academisation – return ALL schools to local democratic control, especially important for DEVOLUTION.

3. Ensure no private profit is made from state education. Scrap tuition fees.

4. Children’s centres in EVERY community – on the Sure Start model integrating health visitors, primary care, parent support, employment/housing etc.


8. INVEST in partnership between public services and the community / voluntary sector.
**Workshop 4:** Austerity & mental health  
**Chair:** Professor Michael Lavalette  
**Workshop leads:** Dr. Richard House, Debbie Porteous, Guy Jamieson & Rich Moth

**BACKGROUND:** In common with the rest of the conference, our Austerity and Mental Health session referenced the multiple noxious impacts of neo-liberalism and austerity, Thatcher’s wish to destroy the collectivist society and the public-service ethos, and the capture of heart and soul through aridly utilitarian economics. Based on session feedback, the themes we identified for reversing this approach and ‘bridging the gap’ echoed and overlapped with those made throughout the other workshops. A core theme was the need for a *whole-person model*, with a change in ‘locus of control’ from imposed, top-down policy-making towards decision-making which responds to, and is crucially led from, a grassroots, user/client level. This has an added resonance in the area of mental health, as it is true on an individual therapeutic level as well as at the service/community development level. By developing services that respond to *user-led* issues and perspectives, the persistent ‘health divide’ and ‘Inverse Care Law’ would be addressed, bridging the gap whilst reintroducing values that have been sidelined or excluded in an alienating, ‘audit-culture’ system that imposes disciplinary goals, targets, values and methods.

**Important themes include**

- Users’ and workers’/psy professionals’ *shared* interest
- More and better services
- Responsiveness to every campaign/issue as it arises
- ‘Big isn’t always better!’
- Reconnecting to *heart and soul* in policy-making, privileging humanity, strength and kindness
- Direct action strategies in lead up to 2020, putting important issues on the agenda, building networks, infrastructures and alliances of resistance paving the way for sound services in 2020, saving services, and discovering ‘skills that were dormant’ in both service users and psy workers
- Community participation, and valuing user/client experience
- The central importance of *quality human relationships* in all policy-making
- Naming and shaming current, wilfully ‘*sadistic policies*’, and reversing the austerity cuts and the changes towards privatised services
- Recognition that other key policy areas impact directly on mental health – e.g. housing, welfare, education, work...

**Policy Requirements**

1) Much as Labour’s economic policy will rightly improve transport and communication infrastructures like the railway and internet, we also need to prioritise a *publicly funded human development infrastructure* that will allow communities to support each issue as and where it arises, reaching ‘across the gap’ into lost values and wasted human resources.

2) *General Practice Counsellor* (emphasising *relational* approaches) practising from inside the Primary Care Centre as part of the primary care team; so meeting the complex mix of psychological and social needs that clients/patients present in primary care, and supporting development of a *whole-person approach* amongst medical staff. Thus, having a General Practice counsellor (and not merely CBT) in every GP surgery, as was starting to happen before the dreaded dawn of IAPT in the mid-2000s;
3) Counselling and other support services as designed by service users and providers, including unconditional welfare support, for survivors of sexual abuse and other childhood traumas, with particular attention to responsive services for people involved in the criminal justice system, prison service, drug, alcohol and other forms of survival/self harm.

4) Mental health services for children – emergency review of urgent needs and provision, plus review and action on causes – e.g. the schooling system (over-testing), family life, demands of work, internet safety etc.

5) A fully trained Community Psychologist-cum-advocate in every community in the country;

6) All Sure Start centres that have closed to be re-opened;

7) All government policy to be audited for 'quality of life' and mental well-being impacts;

8) The Minister of Mental Health to have at least one Critical Psychologist and one survivor organisation survivor as close policy advisers

9) Redefining 'work’ – a person does not have to be in the labour market to fulfil their potential as a human being, to contribute to society or be a valid citizen. Care-work must be actively valued and supported – e.g. parenting, elderly care to be supported through other policy areas such as taxation and welfare. An end to state coercion that imposes a two-worker family model

10) Keep mental health services in the public sector. End all austerity cuts to mental health services immediately

11) End short-term contract culture in mental health support, for well-paid, supported and skilled staff on long-term contracts to enable relationship-based practice

12) Democratic community mental health services – recognising the skills and capacities of service users but with support from staff as appropriate

13) An end to out-of-area placements

14) An end to current welfare reforms and ‘active’ labour market approaches. Abolish the ‘Work Capability Assessment. An end to psycho-compulsion (coercion and sanctions related to welfare reform), abolishing the Health and Work Programme, and ceasing the co-location of mental health and employment support

15) Funding for services that are based on social approaches to addressing mental distress (e.g. Soteria, user-led crisis houses, Open Dialogue, hearing voices approaches, etc.)

16) Service users as ‘experts by experience’ should be at the centre of shaping and delivering service provision. Promote user-controlled and user-led service development, but with support and provision from 'experts by profession' (i.e. psychologists, counsellors, nurses, social workers, etc.) where valued and welcomed by service users. Participatory policy development with service user and mental health workers at the centre.

17) Public mental health a key priority: address the crisis in mental health at work by reducing working hours and work intensification, ending zero-hours and precarious contracts, and enabling full trade union and workers’ rights – explicitly privileging quality of life as a key policy indicator and driver

18) Action to address all forms of institutionalised discrimination related to gender,
race, sexuality etc. within the mental health system. Recognition of the impact of discrimination as a cause of mental distress in the wider society, and action to counter this

19) **An end to a pre-occupation in services with the negative risk** posed by service users – and an end to coercive interventions such as Community Treatment Orders

20) **Abolish the bedroom tax immediately**, and offer state compensation for all families who have been forced to move against their will because of it.

**NOTE**

1. Note that this is a much-shortened version of a much longer report of this workshop, together with a specially written **MENTAL HEALTH MANIFESTO**. Please contact richardahouse@hotmail.com and/or debbieporteous@blueyonder.co.uk for more information
Public services belong to all of us. We use them every day, we pay for them with our taxes, some of us work for them, and all of us want a say in how they are run. At a time when government policy is pushing outsourcing and privatisation, this report is a call to put people at the heart of public services, by promoting public ownership. The policy of privatisation and outsourcing that has been promoted for over 30 years is under challenge. Increasingly, it seems to be in conflict with an evidence-based approach to public services that gives us what we need as citizens and as consumers.

From East Coast rail to the NHS, from the water supply to local authority waste services, via Jamie Oliver’s school dinners, there are inspiring case studies which show what successful public ownership can do for all of us. Public services are better in public hands; better quality, lower cost, more accountable and shared by us all. Public ownership is understood in a broad sense. It can include democratically controlled and accountable cooperatives, mutuals and social enterprises where safeguards are in place to protect the public interest.

Public ownership would be prioritised as the default option that is looked at first, before contracting out (supported by 60% of the public). Local and national government would always explore best practice public ownership, before turning to private companies.

- There would always be a realistic, thorough in-house bid from the public sector whenever public service – local or national - is put out to tender (supported by 80% of the public).
- Organisations with a social purpose – the public sector and genuine cooperatives, mutuals, charities and social enterprises – would be prioritised in the tendering process (supported by 57% of the public).
- The public would be consulted and its views thoroughly considered before any service is privatized or outsourced (supported by 79% of the public).
- The public would be properly consulted about the services they receive through public service contracts.
- The public would have ‘right to recall’ private companies who are doing a bad job (supported by 88% of the public).
- Private companies running public services would be transparent about their performance and financial data - as in the public sector (supported by 88% of the public).
- Private companies running public services would be subject to Freedom Of Information legislation - as in the public sector (48% of the public mistakenly believe this is already the case).

People should be at the heart of public services. ‘Opening up’ our public services to outsourcing companies has been an error. In a world, which is becoming increasingly responsive to meeting people’s needs and desires, often more decentralised and flexible, private sector contracts are failing us.
The policy of privatisation and outsourcing is not an evidence-based policy. A mixed economy works best if the private sector gets on with the entrepreneurial job of producing goods and services that people want to buy, while the public sector takes care of the basic services that we all need.

The attempted creation of artificial markets in natural monopolies has not worked. Meaningful competition, choice and user voice is largely absent in the tendering process. For public service users to get a look-in, we need a rethink. The contracting process needs to be rethought and legislation introduced to defend the interests of public service users. However, we need to go further than that. Public ownership offers a real, practical, successful alternative that has strong public support. It’s an alternative we should be investigating because it enables us to achieve better results in terms of quality, cost, accountability and ethos. Public ownership is being proved successful repeatedly, in the UK, in the rest of Europe, in the US. The public sector is clearly better placed to deliver accountable services, and this can involve imaginative new ways of involving service users and staff in making improvements.

Procurement policy should therefore prioritise public ownership as the first port of call, the default option. Local authorities and national government should be required by law to show that they have thoroughly explored the public ownership option before contracting out a service.

The government need to promote the public ownership option, because it works best for us, the people who use public services. This doesn’t mean that government cannot choose to tender out a service where appropriate. It does mean that they should be able to explain how their decision meets the needs of service users, why they chose a third party to deliver the service, and what public ownership best practice options they looked at first. The days of handing over taxpayers’ money to private companies who aren’t serving us are coming to an end. The myth of private sector efficiency is not borne out by the evidence. Public service users expect much more - they expect public ownership.
The public sector spends around £240bn a year buying goods and services, with local government procurement in England alone totalling some £45bn. The process of undertaking this spend (procurement) can enable a double dividend if undertaken in a way that recognises and values the local benefits.

In recent years, social clauses have begun to be embedded in procurement language. Local government has realised that procurement can and should bring wider benefits to communities beyond the provision of a service. Indeed these benefits can include direct spend in areas of deprivation, the creation of jobs and apprenticeships, the development and sustainability of small business and social enterprise, and environmental mitigation.

Despite fiscal austerity and downward pressure on tender pricing, government policies (such as the Duty of Best value and the Public Services (Social Value) Act permit councils to procure goods and services according to criteria other than simply the lowest price. The Social Value Act (2012) actually requires councils to consider social value in managing procurement.

However, if procurement is to be used to best effect there needs to be a greater understanding and influence over local supply chains. For example, targeting procurement spend in deprived areas can deliver growth benefits as it can lead to a multiplication of spend in that community.

What questions should a body ask before commissioning?

1. Why do we want to commission a service?
   Is it to deliver for anyone else, the public or ourselves? Affordability: Are we looking for cheaper labour, poorer terms of employment?

2. What is it we actually want to commission?

3. Who should we involve in the process? Should we involve the people to whom it affects? Who are the stakeholders?

4. We need to ask if commissioned services will use local trainees and apprentices appropriately

However, the commissioning body will also need to take into account the extent to which local suppliers may seek to import labour from outside the area. Some councils are alive to this and have developed more sophisticated procurement through the use of checklists identifying social benefits. In recent years some councils have also begun to use social clauses in contracts linked to paying the living wage and to local recruitment and apprenticeship schemes.

There is clearly potential to use the power of procurement to encourage more employers to pay a living wage to their staff. The case for a more progressive approach to procurement, including the wider use of wage clauses, is gaining ground.
Procurement can support the development of voluntary and community sector organisations, particularly in the buying of services that are public facing, such as adult social care and services targeted at individuals living in poverty (e.g. debt advice services).

Similar principles of capacity building and developmental activity in relation to procurement also apply to the small business sector and small- to medium-sized enterprises (SMEs). According to the National Association for Voluntary & Community Action, the new procurement rules allow for certain contracts, mainly in the social and health sectors, to be “reserved”, so that competition is restricted only to local not-for-profit organisations.

Potential bidders can also become involved in the planning and pre-procurement process, providing it does not result in any unfair advantage.

Procurement can be used as the means through which public authorities indirectly influence the behaviour of suppliers, particularly in terms of their practices around recruitment and their own procurement policies. Councils can also influence the behaviour of suppliers by making them aware of the challenges facing their locality, such as worklessness and skills shortages.

In-work poverty (with 1m workers paid the National Minimum Wage and some 5m workers paid below the Living wage) is an increasing issue for local communities, especially those that are already struggling with welfare cuts. There has been a disproportionate growth in low paid work in disadvantaged areas. Many of the poorest areas have also experienced large public sector job losses, with new private sector work often available only on a part-time basis and on lower pay rates.

If low paid jobs serviced by those with basic skills do not pay a living wage and/or have poor terms and conditions, then employment will make less of a difference for people and communities. There is a need for major employers with local organisations to improve access to skills training and higher quality and better-paid jobs.

**What should a good commissioning contract contain?**

1. What added value: (a) Training apprentices (2) Widening employment opportunities (3) Social value – Green environmental issues
2. Local opportunities for people
3. Robust monitoring opportunities
4. Flexibility to make service contracts stay relevant i.e. PFI issues
5. Relevance to changing population/ethnic diversity
6. Spread of services from top to bottom. Fair employment practices

The local public sector could develop principles of good employment practice to be applied for local government / NHS, contracting authorities and suppliers, as highlighted for instance by the Cabinet Office guide on good employment principles. This could, as already mentioned, mean higher weighting within procurement assessments around ensuring that employees are paid a living wage, although many councils struggle to pay both in-house and contracted staff the living wage.
Some areas are now witnessing the emergence of a two-tier workforce, driven by the growth in low skill, low wage employment (and in many areas of stronger growth by skills under-utilisation). A failure to invest in high-end goods and services will lead to a worsening of skills utilisation, persistent under-employment and continued job insecurity. This path could further encourage the development of a two-tier workforce, with secure and well-remunerated employment at the top and more insecure, low-paid work at the bottom. It could also widen the divide in labour standards between the public, private and voluntary sectors.

Temporary and agency work is becoming a major concern in local areas, especially casual (mainly work which is mostly in insecure and sometimes on zero hours contracts). Although not all temporary or agency work is per se bad work, there is a worry that a failure to raise local labour standards will generate a ‘race to the bottom’ in local pay and conditions, with a detrimental effects not only on productivity but also on local growth and social cohesion. Some Councils, like Corby, Salford and Islington, are taking steps to tackle this problem by forming alliances with local employers and employment agencies in order to set higher standards.

**Salford’s Employment Charter**

The Salford City Mayor’s Charter for Employment Standards is designed to help raise employment standards for employees and businesses across the city.

The Charter contains a suite of pledges, grouped in three categories:

- **Putting Salford first:** creating training and employment opportunities for Salford people, particularly those facing greatest disadvantage
- **Buying in Salford:** looking to purchase Salford goods and services at every practicable opportunity
- **Setting the standard:** promoting the adoption of the best possible working practices and conditions, such as working towards the introduction of a living wage, a commitment to eradicating the illegal practice of blacklisting and opposing the use of zero hour contracts

There are a number of benefits for business, including: entitlement to use the Charter Supporter or Charter Mark recognition on websites and company literature; and the logo appearing on the Council’s website so that prospective employees, commissioners and customers can easily see who supports the Salford City Mayor’s Charter. Employers working in the city are encouraged to voluntarily sign up to the charter. The city council and its partners support businesses interested in achieving this Charter Mark and offers assistance with local recruitment and selection, training and workforce development needs, access to the local supply chain and other business support services.
The Credit Union workshop centred around four separate areas:
• The background of Salford Credit Union
• Barriers to Salford Credit Union achieving growth
• Current Plans
• What is needed to move the Credit Union forward?

The background of Salford Credit Union

A Credit Union is a Community Bank. Credit Unions are not for profit co-operatives run by and for its members. Salford Credit Union is not funded and its main source of income is from the interest received on any loans granted and from occasional grant funding.

Credit Unions recruit members from a ‘Common Bond’. This is the agreed area that members can be recruited from so not to trade in areas that other Credit Unions operate. Salford’s ‘Common Bond’ is that anyone living or working in Salford or is a member of Unite or Unison in the North West is eligible to join.

Our Current membership consists of 3,800 adult members and approx. 500 junior members. There are 230,000 people living and working in Salford that could benefit from the products and services that we offer.

What do we offer?
• We offer no fee accounts for salaries and benefit payments.
• Credit Union Loans at lower interest rates than many alternatives such as Payday lenders, Loan Sharks, Brighthouse and Perfect Homes.

Credit Union loans save our members between £1m & £2m each year in interest payments. Members also continue to save while repaying loans with 10% of the weekly/monthly payment being held in the main savings account. Credit Unions help to build wealth not debt.

The main office of Salford Credit Union is on Salford Precinct in the old Broadwalk library building now known as Brotherton House. We also have nine local service points of which seven have been opened in the last two and a half years. We also operate savings clubs in local schools.

Currently we have £2.4m in member’s savings accounts and we have almost £1m currently lent to our members. This means that we have around £1.4m available to lend to our members which if lent will save Salford people much more in interest charges.

Salford Credit Union has;
• Lent £15m in the past 10 years
• Granted 1,500 loans last year to our members
• Achieved over 1,500 new members in the past 3 years

In 2012 we recruited a new stronger driven Board of Directors and a New Management Team. Both the Directors and Management are committed to growth ensuring that Salford has a successful Credit Union available to all our residents and employees.
Barriers to Salford Credit Union achieving growth

There are many barriers that we have faced and continue to face such as;

The perception of Credit Unions – Credit Unions are still seen as the poor man’s bank whereas this couldn’t be further from the truth. Without members saving with us we wouldn’t have any money to lend and we have many members who have chosen to save with us and this ethical choice helps to build the available pot of money that we have available. We also find that many of our employed members with good incomes have got into difficulty with Banks, incurring high levels of charges and having to turn to Pay day lenders to ensure Standing Orders and Direct Debits are met and many chose to open an account with us to avoid these situations.

In Ireland 70% of the population have a Credit Union account and it is seen as the norm there. Credit Unions are also commonplace in the U.S.A.

Brand Awareness – Not enough people are aware of Credit Unions and what they do. Having worked in financial services myself, 20 years with Natwest and 6 as a mortgage broker, I too hadn’t heard of them until the day I received the call in 2012 asking if I would be prepared to help. If I had not heard of them with a financial services background, then it is no surprise to me that our residents and employees are not aware of them.

Finance – Keeping pace with Information Technology has proved to be very expensive and we have been unable to expand as quickly as we would like. The ever-changing nature of technology often means we are always playing catch up.

Marketing – The costs to produce literature and then distribute it is also very expensive. Along with this we have limited skills within the team to design and produce flyers/leaflets for distribution.

Loan Availability – Credit Unions generally ask members to save for 13 weeks before a loan can be applied for. This is so members can establish some affordability and an ability to save beforehand. Salford Credit Unions Board of Directors reduced this to 6 weeks for our members, however this is still a barrier as our competitors are able to produce same day solutions. On a small precinct like Salford there are nine other outlets offering a same day service. We have not been able to offer a same day service due to our technology, and the fact that a same day service is a high-risk service, given the new member has no savings or repayment history with us.

Current Plans

We will be introducing a whole number of upgrades in 2016, which will allow us to;

1) Offer a new range of separate savings accounts including;
   - Christmas club account
   - Holiday fund account
   - Saving for a Car
   - Saving for a special event, birthday, wedding, anniversary etc

2) Give new members the opportunity to be able to become a member online via our website and have their identification and proof of address electronically verified.

3) Able members to apply online for a loan and where possible be fully approved and be able to electronically sign for the loan which will speed up the process for receiving agreed funds.
4) Launch of a new online account for junior members, which will include a prepaid debit card with, discounts and rewards.

All of the above will be available by July 2016.

5) We will be also launching a ‘Jam Jar’ facility which will enable members to ‘ring-fence’ funds to ensure priority bills such as Rent payments, Council tax and Utility bills are all paid.

This will be available by 1st October 2016.

**What is needed to move the Credit Union Forward?**

We looked at ways to achieve growth quicker and we came up with the following suggestions that the Credit Union and its partners should work towards. There are;

- Pressing local authorities to appoint a cabinet member to credit unions to every local authority council cabinet
- Pressing national Government to appoint a Cabinet Minister for Credit Unions
- Asking the Cabinet Minister to work with the five separate Credit Union trade bodies to formulate a CU brand and deliver a growth strategy for all CU’s.
- Credit Union’s to be heavily focussed in the Salford anti-poverty strategy with practical solutions to be found.
- Gain financial commitment from local government to invest in Credit Unions.
- Credit Union to find a solution to providing a same day loans service.
- Credit Union to explore new markets such as the Salford Pound and Bit Coin etc
Councillor Paul Dennett – Closing speech

It was my pleasure to address the Closing the Gap conference. The blurb on the leaflet caught my eye, particularly the sentence ‘Austerity is a political choice of the government which has brought poverty, low wages, debt and the recession.’

I think this point is particularly important, as for a long time both Labour and the Conservatives have been attached to the same principles of economic management. Both believed in deregulating the financial sector – it was Gordon Brown, as a Labour Prime Minister, who privatized the Bank of England in 1997. Both believed in introducing private, market forces into our public services.

The Tories started the privatization of the NHS, but it was Labour that further broke up the national planning structures of the organisation and introduced private interests into particular services with PFI schemes.

And both believed that market structures were the most effective way to deliver treatments and services. Both, when it came to the credit crunch, proposed budget tightening and cuts in response to recession. What we have here is one of the greatest ideological doctrines of our age - the doctrine of ‘TINA’ – or, There Is No Alternative.

By this analysis, strategic state planning failed at some point in the mid-to-late 20th Century. The idea that planning based on need was a more effective method than the market was roundly ridiculed.

It was often claimed that nationalised industries displayed waste and inefficiency – they were ineffective at ‘delivering the goods’. But the ‘efficient’, streamlined market forces which replaced that planned infrastructure have had unpredicted long-term effects.

The post-war period saw the longest and most sustained economic boom in all recorded history. It saw the most rapid and significant development of technological capacity and improvement in living standards in human history. And it saw the most extensive social mobility ever witnessed.

Our own march of progress has seen the destruction of British industry, massive increases in the disparity of wealth, a chronic decline in employee productivity, the creation of long-term structural unemployment and a deadly over-reliance on finance.

All of these problems could be ignored whilst times were good, whilst growth was strong, and declining real incomes could be supplemented by cheap credit. But as soon as recession hit, this new economic model showed itself incapable of sharing out the burden of the recession fairly. It is the poor who have been hit the hardest by our crisis since 2008.

Benefit sanctions and cuts to tax credits directly attacked the poorest in society. The number of Salford households affected by the government’s reduced overall benefit cap from Autumn 2016 is expected to be 400-600, likely to be families with 3 or more children, not working or in part time work. Changes to the Atos Work Capability Assessments saw many thousands thrown off incapacity benefit – often with terrible results.

Salford’s benefit sanctions task force is launching a final report into the impact of benefit sanctions in the city on 23rd May. The report highlights how vulnerable residents many of whom have learning
disabilities and mental health issues are falling foul of a harsh conditionality regime; almost “set up to fail”.

Our conference organisers from the Salford Unemployed Community Resource Centre deal first-hand with many of these cases – and I’m sure they don’t need to be told about the huge number of unfair work assessments and sanctions used to deprive people of welfare income. But even without direct cuts to welfare, those at the bottom have been hit disproportionately.

Inflation on the pound has hit poor families hardest – with inflation rates of 4.3% between 2008-2010 – whilst only rising by 2.7% for the richest fifth of households. The increase in prices has been reflected in the explosion of food-banks, which have emerged across the length and breadth of the country. Trussell Trust Foodbanks estimate that at least 4.7 million people live in food poverty in the UK. In Salford, Foodbank use is on the up driven by issues including delays in benefit payments.

A perfect storm of sky-high prices and shortage of new builds has led to rocketing rents. Increasingly, decent housing for people is becoming more difficult to find as social housing providers face a barrage of changes... changes such as the application of the Local Housing Allowance cap which undermines the ability of under 35’s to access social housing. Salford is a city with many chronic health and social problems, which mean we have been disproportionately hit by both the recession and the cuts, which have been imposed. We have crime rates well above the national average.

Rates of chronic cardiovascular and respiratory conditions are also above average. In certain areas we have very high claimant rates on Disability allowance as a proportion of the population. We are, in short, a high need area – with long-term problems associated with deprivation, which ultimately has its root in the destruction of our local industry, and the employment that provided.

As a socialist, I have always been a believer in a needs based budget – that those with enough should help shoulder the burdens of those without. I believe this not only as some ethical statement – I also believe it is a fairer approximation of our relative social roles.

There are many in our society who contribute an awful lot, but whose positions are under-valued by the jobs market. Street cleaners, factory workers, and shop assistants – all of these people help create the wealth of this world and all should have their efforts recognised. But conversely, there are some whose positions are over-valued.

The bubble in wages for the boardroom and banking is indicative of a market, which has lost its way – it can no longer be trusted to provide rewards fairly and based on relative contribution. Which is where we get on to the question of alternatives.

John McDonnell in the Shadow Chancellor’s office has been buried in some fascinating work since taking up his role. He put together a fantastic shadow cabinet team, including leading global economists such as Thomas Piketty, Joseph Stiglitz, and Mariana Mazzucato. This team have been engaged in the exciting process of breaking open the debate on the economy, and taking the reputation of economic management off the Tories.

As a party, we are now standing on a radically different economic program from the traditional conception of increased marketization, privatization and cuts. Labour now stands for strategic state planning – co-ordinated investment to develop neglected regions of the country, and shrunken areas of the economy.
Work was always seen as the main route out of poverty, but the rise in insecure and low paid work - including zero hour contracts - means that this is now not true. Building up our industrial base, manufacturing and warehousing is the best way for us to develop a high-skilled, high-wage economy. Skilled trades which can give a lifetime of satisfaction, as skills are refined and knowledge is acquired and decreasing our dependence upon finance will be key – creating a more balanced economy, which plays to the strengths of the different regions of the country.

In some cases, the reintroduction of social ownership will also be key. Both the railway system and the Royal Mail are ineffective as private entities – they could do better with centralized management.

As the old saying goes ‘We want bread, but we want Roses too.’

The point of economics should be to maximise everyone’s potential, to allow everyone in society the opportunity and freedom to develop into the person they want to be. Money is just one small part of this equation. We also need dignity, security and respect. Our current chaotic model cannot provide these values. All too often, as a system it knows the price of everything but the value of nothing. A new economic model is needed now more than ever – both as a better way of doing things, and a fairer and more humane social model.