UNISON Labour Link

Submission to Labour Party Partnership into Power 2012

Prosperity and Work

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UNISON is the largest public services union in the UK with 1.4 million members. We represent more than 850,000 staff delivering local government services and 450,000 healthcare staff employed in the NHS and local government, and by private contractors, the voluntary sector and general practitioners. UNISON is the largest education union representing staff in early years and schools, as well as higher and further education.

Dealing with the deficit and the need for growth and jobs

The UK deserves the best public services and in order to pay for this UNISON believes that we need a thriving economy and modern taxation system that can achieve the high standards of public services and infrastructure that European and North American countries enjoy. High quality public services, including an NHS free at the point of delivery, an accessible education system and a welfare state that is there when you need it the most, need stable funding rather than the current devastating round of austerity measures and cuts to public spending. The Coalition Government's obsession with cutting the deficit has had the opposite effect, creating record levels of unemployment and greater levels of national debt, hard-working families are finding that history is repeating itself from the last time there was a Conservative Prime Minister.

The UK's current financial difficulties do not stem from the previous Labour administration's high levels of spending, which averaged at 40% of GDP between 1997 and 2010 – compared to average public spending of 43.5% of GDP when the Tories last ran the country between 1979 and 1997. Prior to the global economic crisis in 2008, the UK was 'mid-table' when compared to other advanced European economies in terms of its level of public spending as a share of national income. Even at the peak of the financial crisis, when in 2010 we were spending 46.8% of GDP on public spending, we were still spending less per year on public services than most European nations - including Germany. By the time of the next election in 2015, public spending in the UK will be almost at the same level as it was the last time the Conservatives were in power in 1996/97.

As the Coalition imposes its ideological programme of cuts on the country the link between a prosperous economy, which generates revenue for the government through appropriate levels of taxation, and government spending on high quality public services must not be forgotten. A prosperous economy and a fairer workplace can create a sustainable source of revenue that can contribute to improved living standards at both the individual and community level.

A successful campaign for the Labour Party in 2015 could see a Labour Government taking control of a stalled economy with a deficit larger than previously estimated and half implemented reforms of major public services. Any additional public spending required to put this alternative policy in practice should be found from making tax fair and tackling real waste. Significant sums could be raised without affecting the incomes of the majority if we made sure the financial sector and the super-rich paid a fairer share. Tackling tax evasion by individuals, companies and other organisations is essential – it is perverse that the current Government should be cutting funding for children's services at a time which Apple, one of the largest companies in the world, are only paying £10m on the £6bn they earned in the last financial year. The UK Government must also consider the tax reliefs it allows the richest earners to claim against their pension contributions. Finally, more must be done to ensure that the financial sector, who benefited so much from the state intervention which prevented the global economic downturn becoming wholesale global economic meltdown, make a fair contribution to the economy. A tax should be applied to the huge bonuses paid within the banking community and a financial transaction tax introduced to encourage more responsible trading.

UNISON rejects the notion that that the Labour Party should mimic Coalition spending plans. The share of national income devoted to public services is currently being cut back to the level of the 1990's from 26% to 20%. Further spending cuts will only reduce the quality and availability of public services that Labour spent 13 years in government reforming for the better. Instead implementing major reforms to tackle tax avoidance and evasion could generate between £35bn and £70bn extra for the Exchequer.

Tackling youth unemployment and the cost of living crisis

Coupled with the rise in unemployment from a faltering economy, austerity measures are also resulting in an unprecedented squeeze on living standards. Public service workers coming out of a two year pay freeze (three in local government) now face a government imposed one per cent pay cap, well below the rate of inflation. At the same time changes to tax credits will result in hundreds of thousands of parents who work part-time losing thousands of pound a year. As a union that represents people who are predominantly on low to middle incomes, and where many of those that we represent are women who work part time, we are acutely aware of the human scale of these measures.

This has a corresponding impact on the UK's prospects for growth because most spending cuts are a false economy – the redundancy costs and knock-on effects on employment, growth and tax revenue and consumer confidence will make the situation worse:

- on average every redundancy creates £29,400 in additional costs to the public sector as well as undermining morale and productivity
- most of the cost of employing a public service worker is recouped by the state through increased tax revenues and reduced benefit payments

- economic research shows that for every pound spent on local public services, 64 pence is re-spent in local economies, supporting jobs and businesses.

The answer to the cost of living crisis is not just lowering the "costs of housing, food, fuel and energy" which have been rising faster than wages – but also about raising wages in order to increase family budgets.

UNISON supports the introduction of a living wage; however the union is concerned that national commitments of support for the living wage are often without details of how it will be achieved. The Prosperity and Work consultation document simply states support for "promoting a living wage for the low paid". UNISON seeks clarification from the Labour Party about the extent of this proposal. For example, if public service workers are to be paid a living wage will it be mandatory across local government and will it extend to contracted services delivered by the private sector on behalf of public bodies? Should a living wage be implemented across the country, will it be achieved by raising the National Minimum Wage or will it be through a series of "top-ups" to the minimum wage based upon a regional basis?

UNISON wholeheartedly rejects the proposals within the Government's Beecroft Report for the introduction of regional pay in the public sector and other proposals on hiring and firing employees which will make public service workers fear for the safety of their job and do little to grow the economy.

Youth unemployment has hit record levels and risks the creation of another generation who become dependent on the welfare state. The Coalition Government has scrapped the Connexions service delivered by local authorities which provided support and hope for many young people and the Labour Party in 2015 should restore the guarantee of face to face careers advice for young people.

We welcome the focus in the Prosperity and Work consultation on apprenticeships; however seek assurances that fair wage levels for apprenticeships and those young people in work will not continue to be ignored. There should be a requirement for internships to be paid to end the abuse of unpaid labour and further education fees should be abolished for those over 24 years-old who are seeking re-training.

Austerity will lead to a lost decade and should be ditched in favour of a policy that prioritises jobs. This should involve calling a halt to cuts that damage public services and needlessly put those that deliver them out of work. The government's pay policy should be reversed and tax and benefit changes that reduce the incomes of those on low to middle incomes shelved. This isn't about being bigger spenders, but about being wiser spenders – boosting consumer confidence and investing for the long term. Reversing decline and having an economy that works for ordinary people. Any additional public spending required to put this alternative policy in practice should be found from making tax fair and tackling real waste, such as the £3bn that could be saved in user fees and interest charges every year if PFI schemes were replaced with conventional public procurement.

Ensuring that the UK can pay its way and reforming the banks/helping our small businesses

Trade unions have a vital role in the success of an economy and are currently experiencing an unprecedented attack on employee and trade union rights. Trade unions can help raise the quality of life and lower the cost of living through collective bargaining and the Labour Party should pledge to reverse any reforms implemented by the Coalition Government which weaken this arrangement. Co-decision making in the workplace collective bargaining requirements for whole sectors would require firms to compete on their quality as a prospective employer rather than their ability to cut costs.

Since the financial crisis in 2008, lending by banks has declined as banks attempt to rebuild their balance sheets. Because of the unavailability of loans at attractive rates companies are unwilling to borrow and invest and, as a result, business investment remains some 14 per cent below its 2007 peak. Whilst the banks are being pressured into raising their reserves to be better able to deal with financial difficulties similar to those that caused the 2008 global financial crash they are also being pressured by the Government to lend more to small and medium businesses. A shortage of capital investment will not, however, be corrected by making banks more financially stable. Unstable financing for SME's has been a recurring problem in the United Kingdom, having also been identified by the Committee on Finance and Industry following the depression caused by the 1929 stock market crash. The Committee on Finance and Industry recommended the creation of a state backed institution to finance small businesses and UNISON would support such a move in the current economic climate. A state investment bank, similar to those that exist in Germany or across the Nordic countries, would complement a modern industrial policy and could target credit to where it is needed as an aid to boosting growth and delivering investment in the skills and infrastructure our economy needs for the future. Such a bank could borrow cheaply from the credit markets and extend loans to strategic, high growth SMEs and public infrastructure investments at lower rates than commercial banks. By borrowing to invest in assets that provide services that are sold, therefore generating revenue, it is those revenues, not taxes, which service the debt. This reduces the burden on future taxpayers by ensuring that any such investment, such as high-speed rail or tidal power electricity generation, has a return. Evidence from countries with such a state investment bank demonstrates they are able to target credit to where it is needed as an aid to boosting growth.

A British Investment Bank should be run by an independent board at arm's length from the government, with all stakeholders represented (including trade unions) with an explicit remit to generate long-term return based upon British investment in British businesses in strategic industrial sectors. This would avoid the problems of the Private Finance Initiative model of capital investment, whereby the state secured private investment to fund capital projects that were then leased back to the state at additional cost. Procurement policies for such projects would benefit domestic supply chains in small and medium businesses and social benefits would also be returned via investment in national infrastructure, lowering unemployment and therefore lowering the cost of the welfare state.

UNISON supports the proposals for a British Investment Bank, similar to those that exist in Germany or across the Nordic countries, which we believe would complement a modern industrial policy, stimulate growth in the economy by investment rather than austerity and therefore increase tax revenue to pay for improved public services.

Role of the Private Sector in Public Services

The long term involvement of the private sector in the delivery of public sector assets has not brought about the claimed benefits of transferring risk from the public to the private sector nor has it delivered long-term value for money, which is crucial. The high costs of the Private Finance Initiative (PFI), which typically escalates over time and the poor quality of services it provides, are having a knock-on effect on huge areas of the government's policy and on its efforts to contain costs and improve the quality of public services.

UNISON believes that the time has come to end private finance initiatives as a way of financing public sector assets, and return to more conventional models of procurement, which are less expensive, more flexible, and can be better managed to accommodate changing public service needs over time. Our view is backed by a growing body of evidence which indicate that private finance is inherently more expensive than government borrowing; projects tend to be slow, are hugely complex, and are prone to escalations both in scale and cost, and lock the public sector into protracted and inflexible contracts of typically 30 years.

Last year, the Health Secretary, Andrew Lansley MP, warned that the rising costs of paying for hospitals under PFI is bringing the NHS to the "brink of financial collapse" and putting patient care at risk. He said that 22 health trusts were struggling financially to cope with the high costs of PFI. And in February 2012, Mr Lansley has admitted that seven health trusts which run 21 PFI hospitals between them will have to be bailed out at a cost of £1.5m each because they are struggling to meet high PFI payments, and as such are at "severe risk" of failing patients. Currently, some £267bn in PFI repayments is due to be made to private companies over the next 50 years across the public sector.
The National Audit Office (NAO) and the Public Accounts Committee (PAC) have consistently warned in its reports that Public Private Partnerships (PPPs) and Private Finance Initiatives (PFIs), which involve the private sector in designing, financing, building and operating public infrastructure projects – and tie the public sector into long and protracted contracts with the private sector - has not provided long term value for money or savings. In its recent report (April 2011), the NAO urged the government to find alternative ways of

funding major infrastructure projects due to the high costs of PFI, and warned that the scheme had become increasingly expensive due to the credit crisis, making the case for it weak. And in August 2011 a report by the Treasury Select Committee on the Private Finance Initiative "found no convincing evidence that savings and efficiencies made during the lifetime of PFI projects could offset the higher cost of using private capital rather than government borrowing."

UNISON's report "The role of private finance in public investment" (April 2011) (independently researched and written by Mark Hellowell at the University of Edinburgh) warns about the high costs of PFI, and makes the case that government borrowing from capital markets would be a far more cost-effective form of financing projects than the use of PFI. This is backed by the Commons Treasury Committee report which found that the capital cost of a typical PFI project is at 8%; more than double that of government borrowing. The Public Accounts Committee (PAC) has criticised PFI schemes for placing a heavy ongoing financial burden on public organisations. It also raised concerns about value for money of PFI projects if the equity ownership of such deals are moved offshore to tax havens, as the Treasury is likely to receive less tax. The PAC has also criticised PFI for being a better deal for the private sector than the public. This is echoed by the European Services Strategy Unit report (Whitfield, 2011) which revealed that the private sector stands to make £2.2bn profits from PFI equity transactions.

The 2011 Treasury Select Committee report which concluded that PFI does not provide value for money called for all PFI debt to be brought onto the balance sheet, a move which would help to assess the true costs of PFI in the National Accounts.

UNISON has consistently warned of the dangers of involving the private sector in delivering public infrastructure through PFI/PPP deals because they tend to be more expensive, inflexible, lack transparency and do not provide taxpayers with good value for money, while netting huge profits for PFI investors.

UNISON remains convinced that the desire to keep capital borrowing off the public sector balance sheet is still a driving force for PFI and takes precedence over the growing evidence of lack of risk transfer and escalating costs, as recent independent research by the PAC, Commons Treasury Committee, UNISON and NAO have proved. PFI is a policy that looks increasingly irrelevant, particularly given the record borrowing that has taken pace in order to deal with the banking crisis, at the expense of the public purse.

UNISON wants to see an end to PFI in schools, hospitals, local government, transport and prisons – where PFI has failed to fully shift the risk of project failure on to the private sector, at the expense of the public sector which is forced to pick up the cost when things go wrong

Workforce Issues

A key issue for UNISON is how private finance initiatives impact on the workforce. PFI is about services and the workforce is therefore central to their operation, and to the quality of the service provided. It has entailed the transfer of many thousands of employees from public to private sector employment, yet such a radical change in service delivery has been barely assessed. The privatisation has primarily affected the lowest-paid staff, with core professionals, such as teachers, nurses and doctors, remaining directly employed by the public sector.

UNISON's own evidence shows that privatisation of these groups has entailed job losses, deskilling, and worse pay and conditions, including pensions. It has also produced a two-tier workforce, where transferred staff have some transitional protections, but new starters on the same contracts do not, leading to people doing identical jobs for vastly different pay and conditions.

Although some hard-won protections are in place for these workers, few were operational before 2003, but regrettably the government abolished the central government two-tier workforce code, which was followed by the withdrawal of the local government code in March 2011. Although not without their problems the codes offered vital protection for mainly low paid women workers, particularly cleaners, home carers, and catering workers, and promoted fairness in the workplace. The government argued that withdrawing the codes will enable small and medium sized companies to bid for public sector contracts. UNISON believes that it will lead to a "race to the bottom" with contractors worsening the terms and conditions for their staff.

UNISON is aware that there is a close link between employment standards and the quality of services. Market mechanisms, such as PFI/PPPs incentivise providers to achieve short-term savings by bearing down on labour costs and departing from agreed terms and conditions. This, in turn, impacts directly on the conditions of employment and service quality. Studies of school meals and hospital cleaning demonstrate that decades of retendering, accompanied by cost-cutting, have reduced these services to a point where the staff are under-paid, casualised and deskilled and the services no longer fit for purpose.
The previous government recognised that PFI does have an impact on jobs and services, yet they never monitored or evaluated it to see if this happened or not. UNISON is calling on the government to monitor the performance of PFI schemes and to evaluate their impact on the workforce and on the quality of services.

Research evidence indicates that soft services have not performed well under PFI. The final flaw in PFI that hinders the government from improving public services is the inflexibility of 25-30 year contracts that cannot adapt to new technologies, approaches or solutions to public services as already mentioned.

If the government is to succeed in delivering its ambitious agenda for the economy and for improving public service delivery, it must put an end to PFI and its derivatives.

Quality

PFI has an impact on the functioning of public services. There are examples of poor quality services, cuts to services and jobs, and hospital wards and schools closing. Many of the early PFI schools were blighted with design problems and are of poorer quality compared with traditionally procured buildings (Audit Scotland, 2002). But the situation did not fare better for schools built under the Building Schools for the Future Programme (BSF) – a policy which has been halted. In August 2009, the Commission for Architecture and Built Environment revealed that more than 104 Building Schools for the Future schemes were rated "not good enough", "mediocre" or "poor". And in 2007 the Association of School College Leaders (ASCL) published a critical report on PFI schools which highlighted design and contractual problems, estimated to cost the taxpayer billions of pounds. Head teachers have complained that PFI contractors provide a poor service and put up their fees, and have expressed concerns that the time that should be spend on education is being wasted on resolving contractual problems.

Capital Investment

UNISON would like to see the public sector working together to provide best value for money. The Public Works Loan Board (PWLB), which provides central government finance for local authority capital projects, is a good example of this and allows local authorities to benefit from the UK government AAA credit rating. It could be widened to cover public services other than just local authorities.
It seems inexplicable that the Treasury increased the cost of borrowing from the PWLB by 0.83 percentage points to 1 per cent above government gilt rates in the 2010 Comprehensive Spending Review. This makes it more expensive and removes much of the benefit to local authorities of the UK government' AAA credit rating.

UNISON is calling for:

- An end to PFI that puts costs and profit above quality of services and jobs
- A public investment model that is less expensive and can be easily managed to accommodate changing needs, and can deliver better quality services as well as better value for money.Such a model will have many benefits including, less expensive borrowing, greater simplicity, more flexibility, better design of projects and no more excessive private profits. A model that is subject to greater public scrutiny, accountability and financial transparency
- An end to PFI credits which acts as a disincentive to use other procurement models

- A change to the accounting rules which allow most PFI projects to be "off balance sheet"
- Removal of facilities management services (soft services) from existing PFI/PPP schemes
- An end to the two-tier workforce across public services
- Monitoring of PFI schemes and their impact on service quality and jobs
- Private bodies providing public services to be subjected to the FOI Act
- A transparent, accessible and robust record management system on all forms of procurement to allow for projects to be accurately assessed and monitored to see if they provide value for money