



Rising to the Challenge:

The Mayor's Economic Development Strategy for Greater London

Response from the Southern & Eastern Region TUC

Introduction

The Southern and Eastern Region of the Trades Union Congress (SERTUC), is the TUC region that is responsible for London, the South East and the East of England. As such, SERTUC directly represents the interests of trade unions in London that organise in every sector of the economy and indirectly represent the interests of the 850,000 trade union members who live and work in London.

Further, as a senior regional partner we seek to work on behalf of all Londoners and those resident and working in the Greater South East.

SERTUC was a strong advocate of Regional Development Agencies before they were established and we have continually argued for an extended role for them and for secure budgets for their use.

There is a strong correlation between RDA's Statutory Purposes that are defined by Act of Parliament, and SERTUC's own regional priorities, which are:

- Full employment,
- High quality employment with high quality terms and conditions,
- Successful businesses,
- Successful and valued public services,
- A balanced economy with a recognition of the critical role of manufacturing,
- High quality education, training and learning opportunities for all,
- Elimination of poverty,
- Elimination of discrimination,
- Effective equalities strategies,
- Environmental sustainability.

Our response to your consultation

For ease of analysis our response to the EDS consultation is written section by section, in the same order as the consultation document.

Weaknesses in the Mayor's foreword

SERTUC is proud of London, proud of its history and proud of Londoners' achievements. SERTUC looks forward to London being a world class city, with world class businesses and world class employment standards that are enjoyed by all who live and work here. We hope and trust that this is an aspiration that the Mayor can share. It is true that London has many world class attributes and it is a fantastic place for many people to live and work and for businesses to be located. However, this is not universally the case.

The Mayor's Foreword does not reflect the fact that for many their London story is one of poverty, vulnerability, discrimination and even abuse. Sometimes these hardships are the result of not being fully part of London's economic engine. But sometimes these hardships are a direct result of being part of that economic engine. The Mayor's Strategy must reflect this complexity and it must describe interventionist programmes that will directly tackle inequality and poverty. It must not presume that 'all businesses are virtuous', nor that trickle-down economics and aspirations of 'equal opportunity' will ever eliminate poverty and discrimination.

The Mayor has to base a credible EDS on some baseline statistics:

- GDP per head in outer London areas is below the UK average.
- Unemployment in London was 377,000, August-October 2009.
- There are possibly as many as 150,000 Londoners aged 16-24 who are presently unemployed.
- Of 16-17 year olds not in education, almost 50 per cent are unemployed.
- The unemployment rate for black workers is twice that for white workers, for equivalent skill levels.
- 23 per cent of employees in London are working more than 45 hours per week.
- Nearly 50 per cent of children in London live in households that are designated to be poor, after housing costs are paid.
- A higher proportion of pensioners in London live in poverty, after housing costs are paid, than in any other region or country of Britain.
- The gender pay gap in London is 23 per cent, which is the largest for any region or country in Britain.

These challenges are not fully reflected in the EDS.

And the EDS does not convey the consequences of the economic downturn on London.

- Unemployment in London has increased by 125,000 from August-October 2007 to August-October 2009, such that the unemployment rate increased from 6.4 per cent to 9.2 per cent.
- The economic activity rate decreased from 66.9 per cent in November 2008-January 2009 to 66.1 per cent in August-October 2009.
- The employment rate fell from 61.8 per cent in November 2008-January 2009 to 60 per cent in August-October 2009.
- Employment in manufacturing fell from 192,000 in September 2006 to 170,000 in September 2009.

Yet, the EDS does not address a recession scenario, does not emphasise the need to protect existing jobs, to deal proactively with redundancy situations to maintain skills, to support those marginal businesses that are faced with the difficult transformation from a company that is ‘struggling to survive’ to one that is capable of ‘capturing new business opportunities’.

And, crucially, the Mayor does not acknowledge that it was fundamental errors in the banking and financial services sectors that precipitated the downturn – popularly termed ‘casino economics’. Significantly, employment in London in the ‘Distribution, transport, finance and business services’ sectors fell by 100,000 between September 2008 and September 2009, many of whom were low paid workers in the finance and banking sector who lost their job for no fault of their own. Many viable businesses have been starved of credit, investment levels have collapsed and the taxpayer has taken on huge burdens. As the Governor of the Bank of England said, “Never has so much money been owed by so few to so many”. This was free market failure on an epic scale. More of the same unstable ‘economics’ might be desirable for ‘the few’ but it will not serve London’s long term economic interests.

SERTUC has long argued for an economic development strategy that builds a competitive and stable economy, as a platform for successful businesses and good quality stable employment. SERTUC believes that effective regulation of the banking, finance and business services sector is important to the stability of the economy and to secure the long-term reputation London as a centre of banking,

finance and business services.

SERTUC has long argued for a balanced economic strategy in which all sectors of the economy in London, that can secure a competitive advantage and achieve productivity growth, should be fostered, thus providing a buttress against downturns in any one sector. Therefore, SERTUC advocates an active industrial strategy, consistent with 'New Industry, New Jobs', 'Going for Growth' and 'Building Britain's Future'.

And SERTUC has long argued that economic growth in London must provide the basis for economic and social regeneration across all of London and that this must be allied with active equalities strategies to counter the levels of discrimination and social disadvantage that exist in London.

A rejection of twenty-first century business paternalism

The Mayor expresses his commitment to working with all relevant partners in the design of policy and the delivery of programmes. He specifically commits to working with the CBI, the LCCI, the FSB and London First. And he commits to working with the voluntary sector. As such, even was his Strategy to be achieved in full it would be a strategy 'for the millions of workers' in the London economy and not a strategy 'with the millions of workers' in the London economy. Those workers are given no voice in the EDS at any point; hence the accusation of modern day paternalism. A vast majority of the companies listed in the FTSE 100 work in partnership with unions, academic research has demonstrated the value of working with unions to raise productivity at work and practical experience has time and time again shown the value of union membership and of effective industrial relations. Since 1997 the union movement has been a far more willing contributor to the regional policy agenda than has the business community. Yet the Mayor excludes the only effective collective voice that working people have. Does this define his brand of inclusion?, "Trust us; we know best what is good for you!"

Other key weaknesses in the EDS

Manufacturing: the manufacturing jobs that remain in London are for the most part high tech and very high GVA per head. There is enormous potential for green manufacture and low carbon technologies and enterprise spin offs from world

class universities. Nationally, three quarters of R&D revenues arise in the manufacturing sector. The EDS lamely predicts that manufacturing employment must inevitably fall at a rapid rate, perhaps ignoring the recent period of stability and the fact that many jobs once classified as manufacturing now appear in other sectors, as manufacturing companies have outsourced tasks such as design, IT, accounts, HR, transport and logistics, cleaning, security etc. Why is it that the most productive regions of the German economy, such as North Rhine Westphalia and Bader Wurttemberg, can have leading edge manufacturing at their heart, but manufacturing in London is thought to be in terminal decline and not be worthy of significant Mayoral support?

Training at work: a substantial proportion of the productivity deficit that London endures, when compared with our international competitors, derives from the fact that London's employers have such a dismal record for training their staff.

Employees in London are less likely to receive training than employees almost elsewhere in England. The National Employer Skills (NES) Survey 2005 shows that across all English regions, London performs poorly, where 38% of employers didn't offer any training in the past 12 months (only the West Midlands was worse, with 40% not offering any training). If basic induction training, health and safety inductions and fire evacuation training etc are excluded the figures are very much worse still. The Mayor should ask his business contacts "What proportion of their staff are apprentices?" And he should observe what they do when they determine that they need a new skill in their workplace, because the majority do not train an existing staff member, they recruit a new worker, in other words, they poach someone else's trained staff. This is a classic example of market failure. The EDS should recognise the private sector's weakness at training staff and seek to transform the training culture at work.

Availability of affordable housing: the measures proposed will not remedy the immense problem, which will become all the more pronounced because of the projected increase in London's population.

Recognition of the role of the public sector: the sector is the spine of the quality of life that we all enjoy. It provides nearly a quarter of all employment in London and is especially important to women workers. It is a source of enormous GDP, of high productivity and of innovation. It is not waste or a burden, as some leading commentators characterise it. An increase of 1.3 million in London's population in the next 20 years dictates the need for a substantial increase in the size of the

public sector, commensurate with the population increase and the greater needs of an ageing population. The EDS should champion the role of the public sector. There is excellence to be found in the public sector in London, especially in the health and education sectors. There is potential for public-public partnerships, building better relationships with the private sector, whereby public sector expertise is utilised to raise productivity in the private sector, and for international marketing. The EDS greatly ignores the employment, GDP, innovation and skills of the public sector.

The hospitality sector: is identified as a major growth sector but it has substantial weaknesses arising from high turn-over of staff, poor training, low pay and a poor record on employment practices. This impacts on productivity, upon the experienced enjoyed by the customer, as well as on the welfare of the employee. A higher road business model is possible, which the EDS should support.

Procurement: the EDS could be more definitive in the use of intelligent procurement to assist in the achievement of strategic goals and specifically, we advocate the use of 'local labour clauses' to secure maximum local outputs, and the promotion of London Living Wage, of apprenticeship, of skills training, of equality outcomes and the low carbon agenda.

London as the World Capital of Business

Proposal 1A: For London to be promoted as the best place to live and work then workers in London must have world class standards of employment, health, safety and welfare at work. It is detrimental to London's image for it to be commonplace for businesses to be ignorant of their duties under employment law, for it to be commonplace for management to be ignorant of leading edge HR techniques, for so many workers to be paid the national minimum wage or below and for health and safety to be publicly derided by the Mayor. These are not features of a world class city.

Proposal 1B: For the 2012 Games to have the international impact that regional partners wish it must be built on time, on budget and with union labour, with exemplary health and safety. Transport services must operate smoothly, yet the ODA is resistant to meaningful dialogue with transport unions. The Games must ensure the highest standards of international procurement of commemorative goods.

Proposal 1C: International trade should be based on respect for international labour law and internationally recognised labour standards.

To ensure that London is the most competitive business environment in the world

Proposal 2A: There should be support for capturing innovation from front-line workers.

Proposal 2B: Business support programmes must champion the value of training and learning at work as a major source of productivity gain, to promote leading edge HR practices, promote genuine flexibility at work, promote understanding of the impact on productivity of protecting workers' health and welfare, including from stress at work and the better understanding by employers of their legal employment responsibilities.

Proposal 2G: There is an urgent need to improve the quality of environment found on many industrial estates. SERTUC recommends the 'Estates Excellence' programme being followed in the South East.

Proposal 2I: Sports industries, in particular football, have a greater economic and social development potential than has yet been realised within London.

Transformation to a Low Carbon Economy

Proposal 3A: The Mayor must use GLA Family procurement to drive this agenda.

Proposal 3B: Low carbon is a business opportunity and investment does not need to be provided only by the public sector. The Mayor needs to be dynamising the private sector to invest in the provision of low carbon energy, combined heat and power plants and in green manufacture.

Proposal 3D: Does the Mayor mean explicitly with trade unions? Will the Mayor support trade union initiatives to recruit and train workplace environmental reps?

To give all Londoners the opportunity to take part in London's economic success, access sustainable employment and progress in their careers

Proposal 4A: Child poverty is an immense and worsening issue for London. A substantial proportion of children living in poverty have at least one parent that is in work. The Mayor's proposal is meagre compared to the size of the challenge that confronts us. Ultimately, the factor that best eliminates child poverty is well paid work.

Proposal 4B: Substantial progress has been made in the quality of secondary education in London, from initiatives such as the 'London Challenge' and

'Excellence in Cities', such that there has been a significant improvement in standards achieved. There is no objective justification for the EDS investing in secondary school Academies. [Evidence (PriceWaterhouseCoopers' 5th Annual Report on Academies 2008; National Audit Office Report 2007; Institute for Public Policy Research 2007; Sir Phillip Hunter Chief Schools Adjudicator 07-08; National Governors Association; House of Commons Children's Schools & Families Committee Public Expenditure Committee 2009) show that investment in Academy schools is not meeting claims for improvement nor providing value for money.]

Proposal 4C: Investment in skills initiatives for the young, the unemployed, for in-work training and education is laudable. However, in isolation this will not address the discrimination that exists against Black and Asian workers, against women workers, against older workers and against disabled workers. The EDS should show leadership and take positive action to address these labour market disadvantages.

Proposal 4D: There is a weakening in the investment strategy for transport services in outer London Boroughs evident in the Mayor's Transport Strategy, particularly a reduction of investment in bus services. This will hamper access to employment opportunities. The failure to support the construction of the proposed Thames Gateway Bridge or to extend the Croydon Tram will similarly impact on outer London.

Proposal 4E: SERTUC supports proposals to enable workers to refresh their employment skills. Unionlearn is a key partner in this area of work.

Proposal 4F: The shortage of affordable housing is the greatest social problem that confronts London, impacting on poverty levels, health, employment and social cohesion outcomes. The Mayor's response, including his withdrawal from the 'affordable homes' target that he inherited, is wholly inadequate compared to the magnitude of the challenge.

Investing in London's Future

Proposal 5A: Vibrant sub-regional economies in outer London need employment. It is critical to maintain the designation of 'employment land'. More emphasis should be placed on supporting manufacturing and other industries in addition to retail. The Mayor's Transport Strategy should have identified investment opportunities in rail freight centres in outer London.

Proposal 5B: it is not clear what this means the Mayor will actually do?

Proposal 5C: SERTUC supports the maximisation of the legacy. The Mayor should start by working to ensure that there is a high level of direct employment in the construction phase of the Games, working to ensure that there are the maximum number possible of apprenticeships provided, maximising the level of employment of persons resident in the 5 Olympic Boroughs and maintaining the long-standing commitment to provide affordable housing on the site.

Proposal 5C: SERTUC supports the efficient use of land to provide employment opportunities and affordable housing. Sustainable communities require employment opportunities as well as housing. Working near where you live is of benefit to the environment, compared to commuting. Designated employment land must be protected. Mixed development must be explored.

Proposal 5G: there are substantial weaknesses in the Mayor's Transport Strategy, including a dilution of the commitment to achieve modal shift towards public transport, a reduction in bus subsidies and a lack of support for key infrastructure projects such the third runway at Heathrow, new freight capacity and the Thames Gateway Bridge.

How can the LDA and others work better together?

The EDS must recognise the importance of the "Greater South East" – and develop and nurture a good relationship with the East of England and the South East of England RDAs, to promote our shared interests.

Identify key regional partners that have a valuable contribution to make.

Invest in the establishment and maintenance of an effective dialogue with regional partners.

Establish and invest in joint projects for action that deliver LDA strategic priorities and outcomes.

Closing comments

Experience has shown that the development of equality of opportunity and outcome for London's citizens, and the elimination of poverty, is not an automatic outcome of economic growth. Anti-poverty, anti-discrimination and equalities outcomes must be explicit dimensions of the EDS.

The quality of employment is important; the aim should be to build world class businesses that provide world class terms and conditions of employment. Leading edge employment practices and human resource policies support productivity. In a de-regulated labour market, such as London's, 'vulnerable workers' will always be prone to abuse at work and very low pay. The consultation says very little about building the quality of employment or of tackling abusive employment practices and supporting vulnerable workers. Without actions to promote justice at work and encouragement of the positive role of trade unions, some of London's success will always be founded on the abuse of the vulnerable. That is not and will never be a signature of the World's greatest city.

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