

Anti-Poverty News

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SEPTEMBER 2007



Economic Policy

Protecting the needy from the greedy?

This issue of Anti-Poverty News is a special themed Economic Policy edition. It is not possible to address poverty and social exclusion without considering our economic policies. Our understanding of poverty is also important because it directly influences the type of policies and actions developed to do something about it. At its most basic poverty occurs when the money coming into a household is inadequate to cover the money going out to pay for the necessities of life. Earlier this year NIAPN launched a virtual Poverty Tour, which can be accessed via our website: www.niapn.org. This 'tour' explores and illustrates the Northern Ireland poverty and income debate. Developed as a training tool for the Poverty Awareness Programme, the Web tour shows how those living on the Government poverty line (60% of UK median income) struggle to pay key household bills. Put in a nutshell families living on less than £300 per week are deemed to be living in poverty and recent statistics have indicated that over half of Northern Ireland's population have incomes of less than £300 per week. (Households Below Average Income 2005-6)

Recent studies have clearly demonstrated that inequality is on the increase within NI, as increases in earnings are skewed toward the wealthy. Inside this issue the Joseph Rowntree Foundation (JRF) article on Public Attitudes to Economic Inequality, highlights; 'the unequal distribution of financial resources within the population is now a marked feature of the socio-

economic structure of the UK....over the last 20 years, a large and enduring majority of people (73% 2004) considered the gap between high and low incomes too large.' NIAPN Board member, Paul McGill's, article adds a NI dimension on Earnings & Gender Inequality to the 'working poor' debate, he highlights: 'Incomes in NI are lower ... last year NI median incomes were £40 per week less than the UK.' It's common now to be told that NI is no longer the lowest earning region of GB, this observation Paul puts into context as the average weekly pay in 2006 was £1 per week less in the North East of England than in NI. Placing this against our higher cost of living a more realistic picture of poverty in NI emerges.

Economic policies impact on all aspects of our lives from the housing we can or cannot access or afford to the income we earn and levels of taxation we pay. Economic policies affect the location of employment opportunities, and the quality of health and education services we have access to. Crucially the move within the NI Assembly toward Private Finance Initiatives will impact directly on how much we and our children pay for provision of essential services both now and in the long term. Economic policy also impacts on terms and conditions of employment particularly for marginalised workers as 'simply crude racism based on ignorance and inaccurate information' scapegoats migrant workers as the cause, rather than the symptom, of increased international competition due to



globalisation or subcontracting.' (Tyrone Migrant Worker article, Daniel Holder Animate) As Swallow & Mahaffy put it so clearly; 'The Executive and Assembly now have a once only opportunity to remove the toxic effects of commercialised infrastructure from key public services – without significant implications for public spending. It's down to them and us to define economic policies that either shape services to meet genuine needs, or let commercial pressures dictate our spending for the next 25 years. (Our Health & Education Services Still for sale? T.Mahaffy & J. Swallow)

The 'rising tide' concept of economics has failed its time for proactive, targeted policies to address growing inequality before it's too late to make a difference.

Frances Dowds, NIAPN

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WHAT CAN WE DO ABOUT LOW PAY?

Paul McGill, NIAPN board member, proposes a radical new way to negotiate pay in Northern Ireland as a step towards ending low wages. First he looks at the latest statistics to see what the up-to-date position is.

If the new devolved Executive is to make a real difference in Northern Ireland it must hit the ground running on the issue of poverty, giving real teeth to the anti-poverty strategy launched by Secretary of State, Peter Hain, late last year. We have had a breakthrough in power-sharing and the possibility of a very different, inclusive, progressive society. There is also a chance and an unrivalled opportunity, to make sure the poorest and most excluded people in our society are given a stake in the brighter future that beckons.

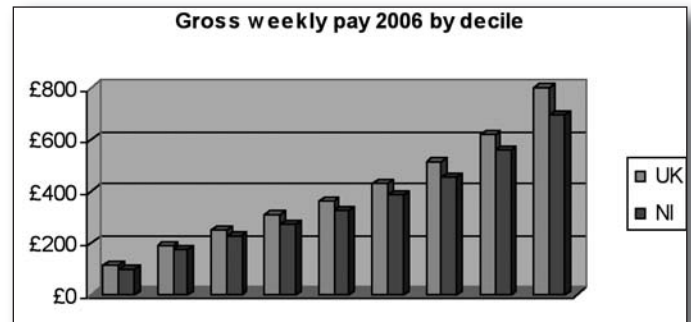
This article is concerned with the 700,000 or so people in Northern Ireland who are employed full-time or part-time. It focuses especially on the working poor, who make up a substantial minority of all employees, and whose children are also at risk of poverty. Remedies such as higher child benefits and pensions will help other groups of people who are living in poverty. Likewise different approaches are needed for those who are self-employed, through the taxation and rating systems, for example.

UK comparisons

Firstly, it has been argued for years that policies drawn up for the UK as a whole need to take account of the fact that incomes are lower in Northern Ireland. That remains the case. Last year median incomes here were £40 per week less than in the UK for all employees and mean earnings were £59 lower. Whether people are well paid or poorly paid, Northern Ireland workers were earning less last year, as Figure 1 shows.

Overall, Northern Ireland is not quite the worst region in the UK; that fate falls to the North East of England, but only just. Average (mean) weekly pay there in 2006 was £1 per week less than in Northern Ireland. However, the North East has a more equal distribution of incomes than we do. Our lowest paid 10% of workers are nearly £14 per week worse off but our top 10% of employees are £9 per week better off.

Figure 1



Northern Ireland's pay structure is also more unequal than in Scotland and Wales and about the same as in England. So low-paid workers here suffer a double blow – overall earnings are lower than the UK average and the total wages bill is loaded in favour of employees at the top end.

Inequality

Inequality is the central issue in the Northern Ireland poverty debate. The simple fact is that the rich are getting richer and the poor are staying the same. Not only is the gap between top and bottom earners soaring in cash terms but the well off are getting higher percentage increases than the low paid.

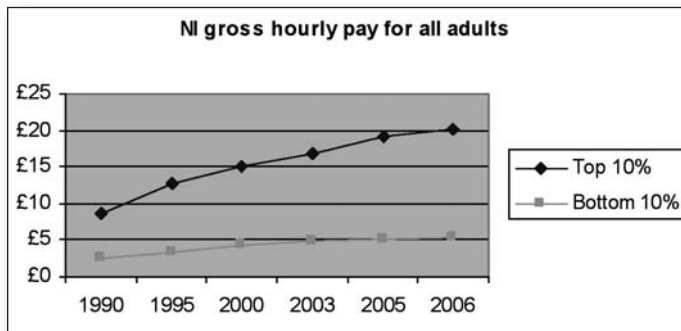
There are different elements to pay inequality. One is the amount people earn per hour and another is the number of hours people can work; there is a dynamic relationship between these two. If childcare is unavailable or too expensive, for example, low wage earners with children cannot take advantage of it and they are likely to work shorter hours. That is obviously a particularly important factor for women, who are far more likely than men to have caring responsibilities.

Looking first at hourly earnings for all adult employees, Figure 2 demonstrates how the gap between the highest and lowest earners has grown over the last 16 years, from £6 to £15. In the case of the top earners, not only has their cash advantage grown a lot, but their pay per hour has gone up 33 per centage points more than that of the lowest paid.

The size of the differential has long been a disgrace that is rapidly becoming a scandal. Over the last three years, top earners have had a rise of £3.34 per hour compared with only 46 pence for

the lowest paid. Wages at the top have shot up by 20% but those at the bottom have increased by less than 10% between 2003 and 2006.

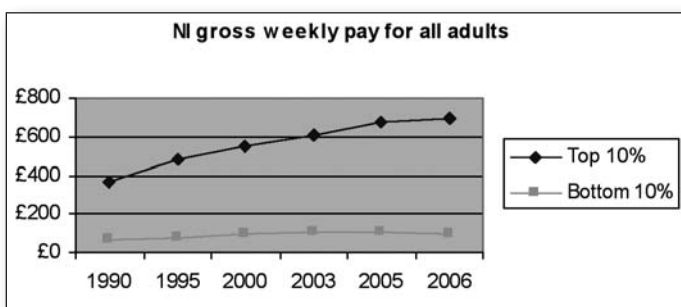
Figure 2



What matters to the ordinary employee is how much they earn per week. When the higher hourly pay rates are combined with longer working hours for the better paid and for men, it adds up to an even bigger disparity. This can be seen in Table 3, which contains the alarming finding that the pay of the lowest 10% of workers actually fell last year from £108.70 to £97.50, a drop of £11 at a time when people on high earnings got an extra £21 per week.

There are several reasons for this decline between 2005 and 2006:

- the number of part-time jobs rose four times more than full-time jobs;
- part-time workers worked an average of 19.5 hours per week in 2005 but this fell to 18 hours the following year;
- hourly pay for full-time workers (excluding overtime) rose from £9.50 to £10 but part-time rates remained unchanged at an average of £7.10p.



In combination, the reduced pay and shorter hours of low paid workers mean they are falling drastically behind high earners. In 1990 the gap between them was just over £300 per week but now it has jumped to £600 and the ratio of top to bottom wages has risen from 5.7 to 7.2 ie we are moving from severe to gross inequality. Worse still, the gap in weekly pay is getting wider at an ever-faster rate. In the latest six years, top earners have enjoyed a weekly pay rise of £143 (up 26%) but

bottom earners have merely crept up £3.20 per week (3.4%).

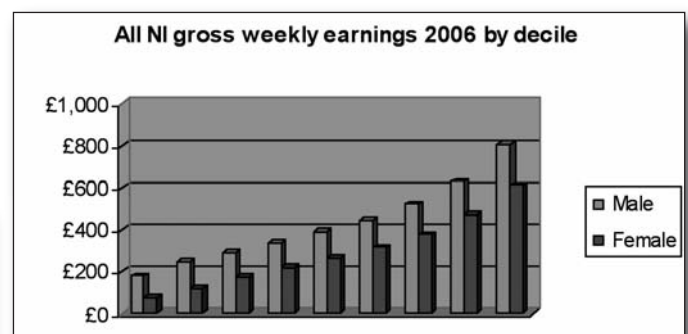
Gender inequality

Another dimension of inequality is the lower pay of women compared with men. The government likes to highlight selective statistics suggesting that the differential is now negligible eg choosing full-time workers only and excluding overtime. In reality, median female incomes in the public sector are only 87% of male rates and in the private sector women earn only 78% of what men receive (ASHE report for 2006, Table 1). If we take all adult gross earnings, women earn only two thirds of what men get (median 67%, mean 68%).

What is less well known is that the position of women is relatively much worse at the lower end of the earnings range than it is further up. In cash terms, of course, the difference is greater towards the top. The pattern can be seen in Figure 4.

At the very lowest pay level, women's earnings are only 44% of those received by men; again this is due to the combination of lower hourly rates and shorter hours for women. Next step up women receive half of what men receive and they improve their position every step of the way until, at the very top, their weekly pay is 76% of that received by men.

Figure 4



Another notable feature of pay distribution is that there is greater inequality among women than among men. Top earning women receive nearly eight times more per week than the lowest paid women; among men the top earners get four and a half times more. This is largely because of the substantial number of very low-paid women.

What can we do?

There is intense public debate about how government spends the Northern Ireland budget, and rightly so since it is raised through income tax, National Insurance, VAT and other taxes on the general public and politicians must be made answerable for what they do. However, there is

RESEARCH

remarkably little debate about how we spend the annual wage bill of nearly £14 billion. Yet a fairer distribution of pay could make a huge improvement to the problem of poverty.



Indeed the majority of employees would do better if there were flat rate rather than percentage pay rises; workers earning the median would have a net gain of more than £10. The losers would be the highest paid, who would still have annual pay rises, but they would be the same as for everyone else. Among the highest earners, the different system of allocating pay would mean £48 less per week.

A new devolved government is taking over in Northern Ireland and offering an opportunity for a brand new start to how we do business. Tackling poverty and inequality was an important priority of the previous short-lived Executive and is likely to be one for the new one.

Let's think of a completely new way to allocate pay rises, perhaps through agreements similar to those that have operated successfully in the Republic for many years but with a greater emphasis on loading more money at the bottom and less at the top.

Traditionally, pay rises are expressed as a percentage, recently running at about 3%. The problem is that 3% means £1,800 extra for someone on a salary of £60,000 but only £300 for a person earning £10,000 per year. We could reduce the growing inequality if we allocated the money through flat rate increases.

As Table 1 shows, flat rate increases directly benefit people on low incomes and the lower their incomes the more they gain. If we continue with percentage increases the lowest paid would be receiving an extra £36 per week after five years; instead we could allocate the same total pay rise on a flat rate basis ie give everyone the same annual increase in actual pounds. In this case the low-paid worker would get more than twice as much as under a percentage increase, amounting to £75 per week more in year five.

These lowest paid workers would have a net gain from a flat rate pay rise of £39 per week, more than £2,000 per year, which would make a very substantial contribution to ending the problem of the working poor. The next lowest group would gain an extra £32 per week and those on the 30th percentile would benefit to the tune of £26 per week after five years.

Clearly there are 'political' implications in a move to a fairer system of pay. It would mean we could have a real assault on low pay, especially if government decided that the National Minimum Wage would be increased to reflect the overall flat rate pay rises. The alternative is for the scandalous inequalities that have arisen in recent years to become even worse.

Devolution creates a new opportunity to do things differently in Northern Ireland. Not only can the Executive and Assembly shift the allocation of public resources but they can also take an initiative to get employers, trade unions and civil society round the table to draw up an agreement that will end poverty wages.

The public sector is itself a major employer. Pending negotiation of an agreement covering the private sector, it can implement the principle of flat rate increases for public sector workers, subject to negotiation with the trade unions representing them. We might expect an outcry from the highest-paid workers, who stand to lose some of the huge gains they have made from percentage pay rises. However, the balance of the argument strongly favours tackling low pay. This will make the task of achieving the end of poverty, as promised by the Secretary of State, a lot easier.

Looking at it another way, it is impossible to imagine how we can end poverty by fiddling about at the margins and ignoring how we spend £14 billion in wages every year.

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Table 1: effect over five years of flat-rate rather than percentage increase (3%)

Percentile	10	20	30	40	Median	60	70	80	90
Base year	227.20	269.80	310.00	355.50	405.20	461.80	536.70	631.30	775.40
Per cent rise	263.39	312.77	359.37	412.12	469.74	535.35	622.18	731.85	898.90
Flat rate rise	302.37	344.97	385.17	430.67	480.37	536.97	611.87	706.47	850.57
Difference per week	38.98	32.20	25.80	18.55	10.63	1.62	-10.31	-25.38	-48.33

Note: for simplicity these figures are for full-time adult workers only, numbering about 495,000.

Tyrone migrant worker research highlights need to challenge the exploitation that can force migrants into poverty

Economic impact research completed last year in Dungannon concluded that the economic impact of migrant workers in the area, whilst complex, has been predominantly positive for all. The report makes reference to localised positive economic impacts including: the retention of local industries that otherwise may have been outsourced, the arrival of additional skills, the delivery of essential services, additional spending power being brought to local shops and services, increased fiscal contributions and other factors. The broad impact can then be seen as maintaining and improving general living standards.

In the past many persons have left County Tyrone as migrant workers overseas but the new context, including the emergence of labour and skills shortages (or underinvestment in skills), has led to the area benefiting from inward migration from the start of the new millennium. Migrant workers have arrived mainly from other EU member states, including Portugal, Poland and Lithuania, but also from outside the EU in particular sectors such as medicine and nursing. Dungannon, South Tyrone is the area proportionally most benefiting from inward migration with an estimated several thousand migrant workers in the area.

The research was commissioned

by the Animate project but conducted independently by An Dúchán Research and Evaluation and led by Dr Robbie McVeigh and involved an extensive literature review. The Animate project was a Dungannon-based migrant worker equality project run under the auspices of Dungannon South Tyrone Council in partnership with the community based South Tyrone Empowerment Programme (STEP). The project concluded in March 2007.

Where negative economic impacts are identified in the research these are mainly associated with the (often unlawful) underpayment or exploitation of migrant workers due to their extra vulnerability. The primary victims of such

practices are clearly migrant workers themselves but there is also a knock on effect on other workers. The research states "if migrants are allowed to be exploited in a different way from other workers, this immediately has negative consequences for the migrant workers – they get less pay, their conditions are worse, they are more vulnerable to dismissal and so on. But this also has immediate effects in terms of other workers." This is because those who exploit can undercut law-abiding employers, undermine collective bargaining and hence threaten working conditions generally. Research concludes the "appropriate response" to prevent this is to "strengthen employment rights rather than scapegoating migrant workers" arguing the key principle is that migrant workers are treated fairly and equally. This approach protects not just migrant workers from workplace abuse that can lead to poverty and potentially destitution but also other vulnerable workers. This has been termed the employment rights approach to labour migration. Interestingly given the extent of exploitation there is a general consensus emerging on the matter that has included the business sector. Most notably a migrant worker policy document from Concordia (an umbrella group for the Northern Ireland branches of the CBI and ICTU along with the Ulster Farmers Union and NICVA)



called for the Department of Employment and Learning (DEL) to ensure sufficient human resource dedication to “enable it to enforce effectively compliance with employment legislation and regulations”. As part of the Northern Ireland Racial Equality Strategy DEL have published a migrant worker strategy the first strand of which deals with better enforcement of employment rights.

Factors that can make migrant workers more vulnerable to abuse are listed in a further publication – the Promoting Rights of Migrant Workers conference report – these include loopholes and weakness in employment rights legislation, lack of enforcement of standards, vulnerabilities due to migration status, and others including unequal civil rights to social protection. The latter is in reference to homelessness

support and social security benefits access to which are heavily restricted for most migrant workers. This has a dual impact namely potentially placing migrant workers in a situation of destitution when they find themselves, like any other person, in unexpected circumstances where the support of the welfare safety net is required. The second impact is entrapment in abusive working conditions as the option of leaving and obtaining support through benefits whilst sourcing alternative work is not available.

Making reference to what it calls “economic racism” the economic impact research also cautions against alleged economic arguments that come from popular myths such as “taking jobs” or “costing the country money”. It concludes that such arguments are not about economics and “rarely grounded

in facts or accepted analysis” but “simply crude racism based on ignorance and inaccurate information”. The research also highlights the danger of migrants being wrongly seen as the cause, rather than the symptom, of general phenomena in the economy (such as increased international competition due to globalisation), or the consequences of particular economic policy or practice (such as subcontracting) that in reality predate and would happen regardless of the presence of migrant workers. Copies of the research and conference report are available online at www.animate-ccd.net



Public Attitudes to Economic Inequality

Economic inequality (the unequal distribution of financial resources within the population) has become a striking feature of the UK's socio-economic structure. Income inequality stands at historically high levels, and asset inequality has increased since the 1990s, with the top 1 per cent now owning nearly a quarter of all marketable assets.

Key points

- Over the last 20 years, a large and enduring majority of people (73 per cent in 2004) have considered the gap between high and low incomes too large.
- People do not necessarily think that those on low incomes are underpaid, but that those on higher incomes are very overpaid.
- Public attitudes to redistribution are complex, ambiguous and apparently contradictory. Current evidence does not explain why a smaller proportion of people support redistribution than see the income gap as too large.
- People's beliefs about the roles of luck and effort in determining individual success can affect their attitudes to inequality, poverty and redistribution.
- In 2006, 55 per cent of people thought there was 'quite a lot' of poverty in Britain. Only 13 per cent thought it would fall in the next 10 years.
- The authors conclude that:
 - economic inequality should be the focus of far greater policy attention;
 - knowledge is limited on several relevant issues – future research needs to take a more sophisticated approach to talking about 'inequality' and 'redistribution', as these can take different forms.
 - future research also needs to focus more on people's underlying values, and the discourses they draw on.

Inequality and poverty are closely related

Inequality and poverty are closely related, but inequality is also a distinct phenomenon. There is growing interest in economic inequality, and evidence that a high level of inequality may cause

socio-economic problems. The Labour government has displayed concern with some forms of inequality but its position regarding economic inequality is somewhat ambiguous. It has focused more on tackling equality of opportunity rather than equality of outcome.

This study has been carried out because relatively little is known about public attitudes to inequality and redistribution.

Public attitudes to economic inequality
Over the last 20 years, a large and enduring majority of people have considered the gap between those with high and low incomes too large – a view held by 73 per cent of people in 2004.

In particular:

- Clear majorities in all groups think that the income gap is too great, but some socio-economic groups – principally those on higher incomes – are significantly less likely than others to believe this.
- There is widespread acceptance that some occupations should be paid more than others: but the gap between high and low-paid occupations is far greater than people think it should be; and the actual gap is far greater than people consider appropriate.
- People do not necessarily think that those on low incomes are underpaid, but that those on higher incomes are very overpaid.
- People's knowledge about inequality is limited.
- Public attitudes should not be seen as fixed but as more fluid with potential for change. However, the literature reviewed by the authors does not provide any clear explanation of why attitudes change over time.
- In 2006, a majority of people (55 per cent) thought there was quite a lot of poverty in Britain, only 19 per cent thought poverty had fallen over the last decade, and close to half (46 per cent) thought poverty would increase over the next ten years. Only 13 per cent thought it would fall.
- There is a shortage of knowledge regarding how people interpret and understand issues relating to inequality and poverty.

(44 per cent) despite the fact that levels of actual income inequality have changed little over that time.

- There is evidence, however, of support for redistributive policies in practice:
 - Sixty-two per cent of people in 2004 favoured a combination of tax and benefit approaches that are moderately or strongly redistributive.
 - Thirty-eight per cent of people in 2004 said the government is doing too little or much too little to redistribute income from the better-off to those who are less well-off. Twenty-eight per cent said it was doing about the right amount and only 13 per cent said it was doing too much.
- People have limited knowledge of the tax system, and its redistributive impact.
- Large majorities support extra taxes to pay for health and education but there is also concern that taxes are both too high in general and too high for individual respondents in particular.
- There is a general view that the low-paid pay too much in tax and the highly-paid pay too little but there is no agreement about what constitutes low or high pay.

As with inequality and poverty, there is a lack of knowledge about how people interpret and understand issues relating to redistribution.

Explaining public attitudes to inequality and redistribution

In the light of the contradictions in public attitudes to inequality and redistribution, examining the more underlying values people draw on offers a potential way forward, and is a more powerful way of explaining attitudes than demographic and socio-economic variables, such as age and income. In more detail:

- Analyses that have focused on values have divided the population in different ways, for example: 'Samaritans' (30 per cent of the population – those most in favour of redistribution and a strong welfare state); 'Club members' (45 per cent of the population – they support a more conditional welfare state); 'Robinson Crusoes' (25 per cent of the population – they prefer to emphasise self-reliance and are more resistant to redistribution).
- Qualitative research has highlighted that people's attitudes to inequality and redistribution can be shaped significantly by whether they have collective or individualistic worldviews. For example, those who hold individualistic worldviews, such as the 'Robinson

Crusoes', are less likely to support redistribution.

- Beliefs about the respective roles of luck and effort in determining individual success affect attitudes to inequality, poverty and redistribution. For example, those who believe that hard work leads to success are less supportive of redistribution.
- There is, however, little direct empirical evidence about public attitudes regarding the causes and justice/injustice of inequality. But we do know that only 17 per cent of people believe that large differences in income are necessary for Britain's prosperity, whereas 58 per cent believe that inequality persists because it benefits the rich and powerful.
- Sociological theory has highlighted the importance of a number of debates in relation to attitudes to inequality and redistribution. These debates include: the role of self-interest versus altruism and public values; reference groups and relative deprivation; and empathy and socio-cultural distance.

Conclusion

Economic inequality should be the focus of far greater policy attention. There is growing interest in the potential effect of economic inequality on society, and emerging evidence that a high level of inequality may cause socio-economic problems.

There is considerable public concern regarding economic inequality, and certainly no evidence that people see the income gap in the UK positively. There is also public concern with the position of those on high earnings. But attitudes are highly complex and apparently contradictory.

What is clear is that the available knowledge on several relevant issues is very limited. Future research needs to take a more sophisticated approach to talking about 'inequality' and 'redistribution' as these vary in form, and attitudes may similarly vary depending on the particular kind of inequality or redistribution that people have in mind. Future research also needs to focus more on people's underlying values, and the discourses they draw on.

This research was undertaken by Michael Orton at the Institute for Employment Research, University of Warwick, and Karen Rowlingson, Institute of Applied Social Studies, University of Birmingham. The study was based on an extensive literature search and consultations with over 20 experts in this field.

Full report is published by the Joseph Rowntree Foundation and is available as a free download from www.jrf.org.uk

OUR HEALTH AND EDUCATION SERVICES – Still for Sale?

What was the mindset of Direct Rule Ministers, and what is their legacy to a devolved Assembly and Executive?

- A working assumption that private provision is always better than public service, and that the public sector is too large. This assumption has been reflected in speeches by civil servants at the highest level in our Department of Health.
- A commitment to the use of alternative providers of health services even when additional capacity is not needed.
- The language of contestability; competition supporting the race to the bottom.
- The false language of choice, compromising services that should be free, excellent and available to all.
- Destabilising financial approaches such as Payment by Results to 'challenge, but not destroy' Health Trusts, and damaging cuts to Board Special Needs budgets while substantial balances remain untouched in schools' delegated accounts.
- The marginalisation or abandonment of the Section 75 Equality Duty in the roll out of Direct Rule policy.

between the Investment Strategy (long overdue) and the use of PFI despite the growing evidence base for its failures. The SIB agenda is not just new buildings: it is for a 'modernisation' which reduces the size of the public sector by exporting out its lowest paid workers and marginalising their work to achieve financial close for private investment.

Private Finance means that a consortium of companies borrow to build; operate the facility long-term (usually 25-30 years); and receive annual payments over the life of the contract. Since it costs more for the private sector to borrow than for the Government 'efficiencies' are essential. There is now an emerging evidence base here that these efficiencies impact on those in poverty as service users and workers.

There are ten Acute Hospital projects going through the PFI process. Tendering takes place over the next 3 years, completion in some cases not until 2016. The designated sites are Enniskillen; Omagh Local; Dundonald; Royal (Women and Children's); Antrim/Mid-Ulster/Whiteabbey; City; Daisy Hill; Mater; Green Park; Craigavon.

The PFI costings for the early projects show an 'affordability gap' of an average £20m for each project through the use of the PFI mechanism. Either a deficit-haunted Department pays this, or local health budgets are reduced on an ongoing basis to create buildings at the expense of services. No PFI project to date has assessed the equality impact of these projects on regional or local health services.

Unaffordability can be reduced in two key ways:

- Cutting design standards. The NI design model promotes health and recovery. English experience has shown how projects can be brought nearer affordability by replacing best standard health care buildings with inferior substitutes.

Within these trends, the legacy area where commercialism and the interests of the private sector clash most sharply with the values of inclusive public service and equality is the Private Finance Initiative.

The Strategic Investment Board is the crucial link

CAMPAIGNS

- Cutting beds. Current projects already assume a 30 day maximum stay (50 for stroke or geriatric patients). They incorporate further reductions through the Evercare model for minimising admissions, despite the failure of the English trials. In addition single bed spaces are being restricted to 50% compared with the English 70% model in hospital design. Unaffordability will lead to further reductions in bed availability in a desperate attempt to reconcile tenders with budget.



Acute projects reviewed to date also demonstrate that the lowest paid workers in the NHS become the price of the deal. To proceed, projects have to meet Treasury Green Book Standards for value for money. To achieve this, we have seen:

- proposals to cut 25% of posts in jobs such as Domestic and Catering.
- unachievable 25-35% productivity increases in the work of Domestic, despite the cuts dating back to market testing in the 90's.

Cynically, trusts have focused on Value for Money while marginalising equality, despite the demonstrable impact on low paid women workers.

All projects to date use a standard PFI contract customised by SIB for Northern Ireland law and practice. There is no capacity within these contracts for local regeneration in terms of employment, training, apprenticeships, and participation of local enterprises. So despite PFI

hospitals often being sited in high Targeting Social Need areas, local poverty and inequalities are marginalised in pursuit of 'dealflow' and commercial interests.

25-30 major health centres have been in the pipe line for over 2 years. The SIB is pushing a model known as NHS Lift, in which the entire community NHS Estate would be transferred to an arms-length company with a majority private sector stake – which would then build and charge the NHS rent for the new centres and the remainder of the estate. Inevitably the commercial priorities of the Lift company will over time take precedence over health needs.

There is a clear alternative of standard procurement and construction. Using this model instead of two years of non-progress over Lift and PFI would have allowed the centres to be built by now. There has been no analysis of low-paid workers who would be involved in a Lift / PFI deal, or any form of equality consultation and assessment.

The situation in the Education sector is more hopeful. School meals workers and cleaners are excluded from PFI deals by decision of the Direct Rule Secretary of State – on equality grounds. Faced with 60,000 surplus places and the challenge of the Bain report, all current and future procurements appear to be on a conventional Design and Build basis, despite continuing pressure from a private sector addicted to excessive returns from PFI. The outstanding issues are that the proposed building programme still has no provision for local regeneration or job creation, and the impact on communities and low-paid jobs of the collapse in the birth rate and enrolment.

Conclusion: The Executive and Assembly now have a once only opportunity to remove the toxic effects of commercialised infrastructure from key public services – without significant implications for public spending. They can shape services to meet genuine needs, not commercial imperatives. Can they break free of the dead hand of Whitehall orthodoxy?

Thomas Mahaffy (UNISON), Jonathan Swallow (Swallow Consulting)

Economic investment in Social Housing provision in Northern Ireland

The issue of housing and, in particular, its affordability has scarcely been out of the news in the past few months. The recent astonishing rise in house prices, local elections and the consultation and publication of the Sir John Semple's 'Review into Affordable Housing' have ensured much public debate and a variety of both policy and practical suggestions on how to improve both the delivery of and access to suitable accommodation across all social groups.

However, the majority of these solutions have been in regard to access to the owner-occupier market and while there is recognition of the needs of those who must or choose to live in the social housing and private rented sectors, I believe this is insufficient. Solutions to our imminent housing emergency (and I use that term advisedly) are founded upon an ideological stance, which believes everyone aspires to home ownership and that this solution is superior to all others. They therefore focus on low cost housing, mixed income mixed tenure housing estates and increases in co-ownership. While admirable, these are still unaffordable options for many.

While the sudden and extreme increase in house prices has led to a whole new group of people who cannot afford their own home, particularly those on average incomes, housing difficulties for the poor have been with us for a substantial period of time and must be urgently addressed.

In Northern Ireland, under the Housing (Northern Ireland) Order 2003, only certain individuals have a right to housing that can be enforced through the Courts. Those people, known as Full Duty Applicants (FDA), have

- to be genuinely homeless (i.e. have **nowhere** else to live),
- not done or omitted to do anything that resulted in their homelessness (e.g. failed to pay their rent)
- to be vulnerable and in a priority group (this 'vulnerability' is closely defined) and

- to be an 'eligible' person (this means that, in the opinion of the NIHE, you are the type of tenant they would like to live in their property – no ASBO's need apply).

Since 2000, the number of households presenting as homeless to the Northern Ireland Housing Executive have grown by 60%, with the NIHE accepting 50% more of these households as Full Duty Applicants.

Organisations working with homeless people have always stated that anyone can become homeless, and while this is true, the reality has been that most homeless people have come from lower socio-economic groups and present with a multiplicity of problems, many directly or indirectly connected to their poverty. These include low educational status, unemployment, poor physical and mental health and fragmented social relationships. For this group, even before the recent developments in the housing market it has been difficult to access good quality affordable housing in the area of ones choice.

There have been several reasons for this. The first and most obvious has been the impact of the 'Right to Buy'. Since the introduction of this legislation and its subsequent extension to Housing Associations in 2003, the social housing sector has been losing approximately 4,000 units per annum. The cumulative total of NIHE dwellings sold under the House Sales Scheme at March 2006 was approximately 114,000¹, (see Table 1). Although the reduction in Housing Executive stock through house sales and demolitions was considerably less in 2005/06 than in previous years, the continuing steady growth of owner-occupation and the private rented sector, along with the decline in total Housing Executive stock, continues to contribute to a reduction in both the absolute number and the proportion of social homes.²

The revised Net Stock Model (2004), one method by which the NIHE assess the need for new social

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housing, indicated there was an underlying demographically driven need for 1,600 new social dwellings. However, taking into account the backlog that had developed between 2001-04 and ongoing supply/demand imbalances, the Housing Executive last year estimated an annual average need for 2000 dwellings 2004-11. Between 2001 and 2006 only 4,582 (57%) dwellings were completed against a four-year target of 8,500³.

It is interesting that with waiting lists for social housing standing at an all time high, Sir John Semple should state that he is 'not convinced that massive social housing building is the answer'. The sentence preceding this statement perhaps explains his position when he writes that 'given the overall public expenditure position of NI and the claims of health and education, I do not anticipate that ... a substantial input of Government finance.... is likely to be made available'. As research has illustrated that good housing is the foundation for improved health and educational opportunities, such a position seems ill advised.

As pressure increases upon waiting lists for social housing from a new and unforeseen market and as access to this is housing, even without being homeless, is dependent upon more than just the need for a home, the criteria under which an individual can gain FDA is likely to become more stringent. This means that access to housing will increasingly be, not so much dependant on human rights but on the applicant being the right kind of human.

Further difficulties arise from the increase in the buy to let market. High house prices mean high rents, which are not reflected in Housing Benefit levels. The requirement on many to top up their rents from incomes already at the poverty level, places the most vulnerable at risk of arrears, poorly heated houses and malnutrition. Eviction for arrears is considered to make a person ineligible for FDA status, further reducing their chances of accessing affordable housing in the future.

The Joseph Rowntree report into Monitoring Poverty and Social Exclusion in Northern Ireland (MOPSE 2006)

acknowledged that our position in regard to social deprivation only needs a small change to place us in a position of crisis. The current housing shortage could be the determining factor.

So what should we do?

Firstly, we need to acknowledge that if we are to tackle poverty and disadvantage we should promote social inclusion from the position that everyone should have the right to decent and affordable housing. We do need a massive increase in government funding to provide sufficient social housing.

We urgently need to tackle the benefit shortfall in regard to housing benefits and make these realistically reflect market rents. We need legislation to improve planning and ensure that all new housing developments included at least 20% social housing. We also need to bring empty homes back into use and impose sanctions on owners who deliberately leave houses vacant while they hope for even greater profits.

Housing is an area that affects us all: As such I hope that the parties represented in our new Assembly will live up to the promises of their manifestos and literally build a new environment of equality and equity.



Table 1

Year	NIHE dwellings sold under House Sales Schemes	Total Social Rented Sector Starts	Total Social Rented Sector Completions
1995/96	4,765	1,716	2,403
1996/97	4,665	2,243	1,607
1997/98	4,907	1,840	1,810
1998/99	4,395	2,051	1,498
1999/00	4,526	1,583	1,282
2000/01	5,555	908	1,158
2001/02	5,011	797	1,415
2002/03	6,054	669	1,028
2003/04	5,652	1,140	560
2004/05	3,053	1,029	828
2005/06	2,522	1,229	782
Total	51,105	15,205	14,371

The House Sales Scheme was put in place in 1979 and by March 2006 the Housing Executive had sold some 114,000 dwellings. Between 2000/01 and 2003/04, annual sales averaged 5,500, but in 2004/05 house sales fell to around 3,000 and the figure decreased further in 2005/06, to around 2,500.

Ricky Rutledge, Council for the Homeless Northern Ireland

Notes

¹DSD online Northern Ireland Housing Statistics: http://www.dsdni.gov.uk/index/publications/housing_stats.htm

²NIHE (2007). "The Northern Ireland Housing Market: Review and Perspectives, 2007-2010"
<http://www.nihe.gov.uk/publications/reports/HMR2007-10.PDF>

³NIHE, (2007). The Northern Ireland Housing Market: Review and Perspectives, 2007-10, Chapter 1, p45-47: This assumes an annual target of 1500 for the first 3 years followed by 2,000 for each of the two following years. However the completions figures do underestimate the actual number of households accommodated - a further 530 bedspaces were completed over this 5 year period.

MIND THE GAP

Working with cross-border communities to tackle poverty

The Mind The Gap project was formed in response to calls for local level anti-poverty work in the border areas from Northern Ireland Anti-Poverty Network & European Anti-Poverty Network Ireland members. The two project partners are the Northern Ireland Anti-Poverty Network and the Community Workers Co-operative.

Mind the Gap uses a bottom up approach based on community work principles of equality, empowerment and participation. We seek to establish a collective approach to anti-poverty work. The fact sheet below was produced at the request of participants at a conference held on 'Water, Privatisation & Poverty' in 2007. This project is part-financed by the European Union through the Interreg IIIA Programme managed for the Special EU Programmes Body by the Interreg Community Partnership

Privatisation fact sheet

What is Privatisation?

Privatisation is the shift of functions, activities and responsibilities from the public (government) sector to the private sector. It involves a process where the government gradually and progressively eliminates its involvement in direct service provision. It may mean the government maintaining responsibility and authority over

functions such as standardisation or pricing. Privatisation may take several forms including:

- Commercialisation of public services - the service remains within the public sector but is fully or partially paid for by clients or consumers.
- Public-Private partnerships - a government asset is developed and managed commercially by a private sector company in return for an annual payment.
- Private Finance Initiative – effectively a similar arrangement to Public Private Partnerships.
- Contracting out - a public service (for example cleaning a hospital) is paid for by the government, but implemented by a private sector organisation under contract.
- Build-Operate-Transfer (BOT) - a government asset is built and operated by the government initially and then transferred to the private sector.
- Full privatisation - the service is provided by the private-sector and entirely paid for by clients or consumers.

The arguments put forward for the privatisation of public services vary but by and large they revolve around the following:

- The objectives of privatisation are to reduce the government's administrative and financial burden with respect to providing services, because the money no longer exists to provide those public services.
- It is recommended on the basis that privatisation will offer the community improved access to more and better quality services at affordable prices.

- It is argued that consumers/clients of competitive privatised services will have greater control over the services used and the means of delivery by choosing among various available providers, i.e. that competition provides better quality and more efficient services.
- It is argued that competition and market driven bottom line accounting procedures eliminates waste and reduces inefficient practices.
- The need for public services to be modernised and opened up under the provisions of the WTO General Agreement on Tariffs and Trade.

What are the facts and is there any evidence to suggest privatisation is more efficient or cost effective?

There are a number of surveys comparing services which have been privatised, to those delivered by the public sector. Survey research also exists comparing the efficiencies of private sector delivery of services once run by the public sector. In almost all cases there is no evidence to suggest that once in private hands services become more cost effective or more efficient. In the worst cases they become positively dangerous, e.g. rail and water privatisation in the UK, or at best they offer effectively the same levels of efficiency as when in public hands. What does happen is a small group of people who constitute the "ownership" of the service and their shareholders make money from the service and the priority becomes investor returns rather than meeting public needs. A recent survey in Asia of water services in 18 cities showed that on the following criteria, coverage, leakage, investment, unit production costs, percentage of expenses covered by revenue, cost to consumers, 24 hour supply and connection fees, private companies offered a poorer service than those in government hands. A survey of US water services found similar results.

What happens to staff when a service is privatised?

Those surveys found that what private providers are good at is revenue collection and staff reductions. They are also good at making changes to wages and terms and conditions of staff

members, particularly through commercialisation and agency working. There is also an evidence base for adverse impact on a range of equalities.

What about infrastructure – surely there is no other way to get funds?

By and large Private Finance Initiatives cost more than if the project was built by funds secured through public sector borrowing. Public sector borrowing is cheaper and combined with public sector efficiency should result in a much more cost effective solution to infrastructure deficits. Both conventional and PFI projects are now clearly on the public sector balance sheet, so there is no PFI 'free lunch.'

Why keep services in public hands?

If a service is maintained by government we can demand scrutiny, our elected representatives, or the civil servants who run government services, in theory at least, must be open to investigation.



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Private providers are exempt from public scrutiny. Publicly delivered services are accountable under Equality and Human Rights legislation.

Where does the NI Assembly sit on privatisation proposals?

Direct Rule Ministers have accepted the logic "privatisation good, public services bad". They have accepted that the free market works to deliver goods and services to where they are needed and it doesn't get much more sophisticated than that. No evidence has been presented to date to indicate that privatisation allows us cost effective efficient services.

The privatisation of public services

The Assembly may decide to comply with UK government recommendations to substantially increase privatisation of the public sector throughout Northern Ireland. The privatisation of the water service is the most obvious immediate threat but there are many examples of privatisation projects being used to build schools, hospitals, replace pipe networks and contracting out to private companies is rife for cleaning services and waste disposal. The period of direct rule has increased dramatically the number of projects which may use PFI/PPP financing, from 31 projects worth £330 million by 2003 to £3.2 billion worth of projects over the next ten years. There is nothing inevitable about this: but politicians can make clear and accountable choices and must be challenged to do so.

Pros and Cons

The arguments presented are that the Northern Ireland economy is dominated by the public sector and that this is a bad thing. This is coupled with a notion that keeping services in public hands is out of date. Often it can appear as if arguing against privatisation and the neo-liberal agenda is denying people the provision of services.

The fact is that privatisation proposals are not based on evidence that the private sector is more efficient than the public sector. Rather it is a transference of essential services from a sector established as part of our welfare state to private companies who are not motivated by ethics but by the desire to make a profit. They will simply make money out of the provision of essential services to the public through privatisation of the National Health Service (NHS), education or transport in a thin veiled attempt to offer services at reduced costs.

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"This project is part-financed by the European Union through the Interreg IIIA Programme managed for the Special EU Programmes Body by the Interreg Community Partnership."

