'Fairness and the City'

Public-sector cuts, welfare reform and risks to the population of Liverpool and its wider region

An independent submission to the Liverpool Fairness Commission

By **Mark O'Brien**

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All of the views expressed in this submission are those of the author only.

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Executive summary

- Over the decade to 2009 on some key indicators of economic growth and social outcome the structural gaps between Liverpool and national averages were closing: even where this was not the case due to national improvements, the indicators in Liverpool for many measures nonetheless showed improvements.

- One important driver for some of these improvements, directly and indirectly, was public-sector spending.

- This steady improvement on some key economic, social and health measures is now faltering with worrying signs of reversal in some cases.

- The scale of the reductions in government spending announced in the 2010 Comprehensive Spending Review (CSR) are by far the greatest and most consequential of any in post-War Britain.

- The 'distributional analysis' provided for the 2010 CSR and the impact assessments produced by the Department for Work and Pensions (DWP) do not capture the social effects or 'life-consequences' of government action at the levels of affected individuals, families, equalities groups or communities and so do not demonstrate 'fairness' as they purport.

- The Welfare Reform Act 2010 and its associated secondary legislation will lead to reductions in entitlement for benefits claimants. Some of the provisions of the Act will intensify pressures on benefits claimants to move off benefits. Maximum caps on total benefits will jeopardize housing security for many claimants (including those with children) and will also lead to increases in rent arrears and evictions.

- The benefits claimant-rate in Liverpool is very high by national averages, which means that the effects of the Coalition Government's welfare reforms will be felt to a greater extent in the City compared with many other cities and regions.

- The public-sector element of the composition of the Liverpool and Liverpool City Region (LCR) economy (considering the importance of the LCR as a centre of government administration as well as an area of social need) is significantly greater than for most (though not all) other urban areas in England, meaning that the City and its economic region are especially vulnerable to the effects of the 2010 CSR.

- Private-sector companies in sub-sectors such as business services, retail, sports and leisure, rely in part at least upon public-sector spending within Liverpool and across the LCR and these sub-sectors are now jeopardized by the scale of the reductions in government spending and salaries (job pay freeze or job losses) initiated by the 2010 CSR.

- High benefit claimant-rates combined with the extensive spread of deprivation in Liverpool will mean that these disproportionate effects will be felt at community and area-wide levels.

- Reductions in support for vulnerable individuals and families will put many more at risk of various types of crisis.

- Improvements in health statistics for Liverpool represent one of the areas of success in Liverpool over recent years and the Liverpool Primary Care Trust has played a crucial role in these health improvements. The abolition of the PCT after March 2013 raises concerns regarding possible loss of strategic direction for community health promotion work in the City.

- Forced reductions in Local Authority spending for communities and support for the most vulnerable people are likely to lead to deteriorations in the quality and fabric of the physical and social environments for many parts of the City.

- There is an urgent need for more intensive data collection of various kinds to track the effects of government action upon the City of Liverpool and its residential population.

- The Fairness Commission is playing a crucial role in highlighting issues of inequality in the City and should continue beyond its current remit.

Glossary

AME	Actual Managed Expenditure
BGF	Business Growth Fund
BME	Black and Ethnic Minority
CPI	Consumer Price Index
CSR	Comprehensive Spending Review
DEL	Departmental Expenditure Limit
DIA	Distributional Impact Analysis
DLA	Disability Living Allowance
DWP	Department of Work and Pensions
ESA	Employment and Support Allowance
FTE	Full-time Equivalent
GAF	Growth Areas Fund
GVA	Gross Value Added
JSA	Job Seeker’s Allowance
HESA	Higher Education Statistics Agency
IB	Incapacity Benefit
IMD	Index of Multiple Deprivation
LCC	Liverpool City Council
LCVS	Liverpool Charity and Voluntary Services
LCR	Liverpool City Region
LIPA	Liverpool Institute of the Performing Arts
LJMU	Liverpool John Moores University
NDPB	Non-departmental Public Body
NEET	Not in Employment, Education or Training
NVQ	National Vocational Qualification
NWDA	North West Development Agency
OBR	Office of Budgetary Responsibility
PCT	Primary Care Trust
PDU	Problem Drug User
PIP	Personal Independence Payment
PSND	Public-sector Net Debt
PSS	Personal Social Services
QIPP	Quality, Innovation, Productivity and Preservation
RDA	Regional Development Agency
RGF	Regional Growth Fund
RPI	Retail Price Index
SHA	Strategic Health Authority
TIF	Tax Increment Financing
TMP	The Mersey Partnership
TUC	Trades Union Congress
WNF	Working Neighbourhoods Fund
WRA	Welfare Reform Act
WRAG	Work Related Activity Group
WTC	Working Tax Credit

Preface

The underlying theme to this submission is that with respect to questions of 'fairness', understood as financial and social inequality, Liverpool is at a tipping-point. After a decade of relative improvement in the economic performance of the City considered as jobs created and overall output, the lag behind national averages (amounting to a structural gap) had begun to lessen on some measures. This was true of rates of worklessness for instance, the educational attainment of Liverpool children and some aspects of the health of the City's general population. Of course, things 'having improved' is not the same as things having become 'more equal'. Indeed it was a characteristic of the Blairite era that whilst some poverty indicators did improve, Britain actually became a far *less* fair society measured by the differential concentrations of wealth between those on the highest incomes and those on the lowest. Nonetheless, the statistics for Liverpool for the areas mentioned here did improve over the course of the 2000s.

A further premise is that these improvements were in part driven by government spending of many different forms: contract services; social provision; administration; regional development; urban regeneration *etc.* What might be termed a 'virtuous cycle' based to a significant degree upon government spending and public-sector salaries was becoming established, that was in turn leading to local expansions in retail, leisure services and tourism as well as to improved graduate-retention and business start-ups. This was itself a situation of winners and losers: whilst the City-centre saw something of a renaissance that was enjoyed by many who could access it, the outlying parts of the City and its wider regions continued to be blighted by poor employment opportunities and low quality housing. Still, at an aggregate level many economic, social and educational indicators were giving cause for optimism for many Liverpool residents.

The contention here is that not only is this changing as a result of downturns in the economic forecasts for the City and its wider region, but also that the full scale of this change and the rapidity with which it is already beginning to affect Liverpool residents, is still not properly appreciated: even as it is happening. There is indeed general acknowledgement of the vulnerability of the Liverpool economy to public-sector job losses and welfare cuts[1]. However, it is the multiple, combined and interacting effects of a number of economic, social and legislative factors, each of which separately will affect the City to a greater degree than other English cities and regions, that needs to be understood. Three effects have been chosen for this study: changes in economic profile of Liverpool and its wider region; the impact of government spending cuts; and the effects of welfare reform. Each of these would comprise a major study in its own right to fully establish the direction of the argument running through this submission. Moreover, there are some major legislative and sectoral changes that are not substantively included for reasons of economy. One exclusion here is the Health and Social Care Bill

[1] LCC *Liverpool Economic Briefing 2012*. P. 6.

currently making its way through its various Parliamentary stages. Another is the Coalition Government's policy orientation towards Higher Education. A third would be the cuts to community and voluntary sector funding. Each of these deserve separate studies in their own right. Still, the broad position being put forward is one of great concern that the City is lurching backwards on issues of social equality and fairness to an extent that makes comparisons with the 1930's seem optimistic.

The submission is structured in the following manner. By way of introduction, the fairness agenda is considered at the national and local levels. Whilst not the heart of this study, the inequalities within Liverpool are referenced and illustrated for context. Part I of the submission contextualises the issues faced by the City. An overview of the position of the Liverpool City Region against national averages is given, based largely upon data provided by The Mersey Partnership (TMP) and the *Liverpool Economic Briefing 2012* produced by Liverpool City Council. This data is used both to illustrate the gaps that still exist (and that are widely acknowledged), the gains that have been made and the fragility of those gains. It is also used to highlight the importance of the public-sector for the City. A breakdown of the budget reductions contained within the 2010 Comprehensive Spending Review (CSR) is given to emphasise the enormity of the shift that is underway as well as the risks it poses to the Liverpool economy. An analysis of the Welfare Reform Act 2012 is included along with some comment upon its likely effects for Liverpool claimants. Part II considers the vulnerabilities of the City and its population with respect to: jobs; benefits; health; and housing and communities. In each case the fragility of the gains that have been made are emphasised as are the risks now faced by the poorest communities and the most vulnerable individuals who rely on public provisions of various kinds. A central concern throughout the discussion is that the potential and actual downward cycles within each of these areas will now interact in ways that, along with causing crises in the lives of families and individuals, will start to be felt and community and City-wide levels.

The submission includes a critique of the claims of the Coalition Government that its policies have been constructed 'fairly' in terms of their likely impact. This critique is based upon assessments of the 'distributional analysis' that is part of the CSR and of the 'impact assessments' produced by the Department for Work and Pensions (DWP) for the effects of welfare reform. The argument put here is that these tools are inadequate: meaning that the Government has not properly considered the likely impacts of its policies for questions of social fairness.

In the Conclusion to this study an appeal is made for an approach that goes beyond administrative responses that presuppose acquiescence to the Government's 'new austerity'. Many of the shifts that are occurring are to one degree or another manufactured. They are the result of policy and political choices rather than natural change and no aspect of the debates that they generate is value-free. The real lives behind these agendas and statistics demand that positions are taken: and positions are only worth taking if they are spoken.

Contents

Introduction: public policy and the 'fairness' question

The contemporary public debate about 'fairness' in British society is shaped by a number of influences: economic; legislative; political; and academic. The overarching context is set by what is often termed the 'austerity' that itself has its origins in the UK banking crisis of 2008. The change of government in May of 2010 following an election that had been dominated by the question of 'how to manage the deficit', led within months to the 2010 CSR. The drastic savings in public-sector spending that were laid out in that policy document immediately raised the question of how the burden of these cuts would fall across the UK population. With each budget since the CSR this debate has only intensified. In the March 2012 budget, the abolition of the 50 pence tax band amounted to an average tax concession of £10,000 for the high earners who benefited. This, combined with the further reductions in welfare spending announced in that budget, and on top of the annual cuts of £18 billion that were already in place, gave rise to further questioning of the Government's claims to fairness in its approach to fiscal planning.

In October of 2010 the provisions (later to become the Equality Codes of Practice) of the Equality Act 2010 had come into effect. This piece of legislation, initiated by the previous government, had been accompanied by major research programmes using the available government data. The work of The National Equality Panel (2010) highlighted what it called 'startling' differences on all outcome measures at neighbourhood level. For instance, the median total wealth in the poorest tenth of areas was shown to be just 16% of the total median. It also highlighted the fact that the great shift in wealth distribution that occurred during the 1970s and 1980s from the poorer sections of society to those already better off, was far from having been reversed by the poverty interventions of successive governments.[2] Research reported at around the same time, published as *How Fair is Britain? Equality, Human Rights and Good Relations in 2010*[3] did find that there had been significant improvements in British society in terms of social attitudes and outcomes on some measures. However its headline findings also revealed clearly that many familiar and persistent inequalities continued to mar any claims for British society as being one based upon principles of social fairness. The following examples will not be surprising to the reader:

- Men and women in the highest socio-economic group can expect to live up to seven years longer than those in the lower socio-economic groups;

- Infant mortality rates are higher among some ethnic groups than others;

[2] Government Equalities Office (2010), *An Anatomy of Economic Inequality in the UK: Report of the National Equality Panel*. P.385.

[3] This was the first 'triennial review' of social equality that was pursuant of the Equality Act of 2006.

- Ethnic minorities are substantially over-represented in the custodial system;

- Many of those who face sentences have mental health issues, learning disabilities, have been in care or experienced abuse;

- Women are disproportionately affected by sexual assault and domestic abuse;

- Health outcomes remain a matter of geography and class;

- Educational outcomes differ markedly by gender, socio-economic group, ethnicity and disability;

- There is persistent gender and ethnic segregation in the labour market;

- The experience of poverty is closely related to poorer outcomes in terms of living conditions, overcrowding, crime in the neighbourhood and destitution.[4]

It also concluded that those improvements that had occurred were in many ways too slow and in many cases vulnerable to changes in the economic climate:

> *The evidence shows clearly that whatever progress has been made for some groups in some places, the outcomes for many people are not shifting as far or as fast as they should. To make matters worse, the current economic and social crises threaten to widen some equality gaps that might have closed in better times.*[5]

The recession that shaped the backdrop to the report, it stressed, had hit some groups more than others. Moreover, and importantly for this submission, it highlighted that the differential effects of inequality in the job market were now less forgiving than a generation ago.

As part of the debate around fairness that these developments had created, reference was made with increasing frequency to a book that had appeared in 2009. *The Spirit Level: Why More Equal Societies Almost Always Do Better*[6] by Richard Wilkinson and Kate Pickett was a rare example of a work of academic scholarship that came to have (and is continuing to have) a major influence on public policy debate. These authors had

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[4] Equality and Human Rights Commission (2010), *How Fair is Britain? Equality, Human Rights and Good Relations in 2010*. Pp. 638-57

[5] Equality and Human Rights Commission (2010), *How Fair is Britain? Equality, Human Rights and Good Relations in 2010*. P. 637.

[6] Wilkinson, Richard and Pickett, Kate, *The Sprit Level* Allen Lane 2009.

scrutinised authoritative data-sets for a wide range of social measures from around the world and demonstrated that income inequality is nearly always strongly correlated with negative social outcomes across the population. Deteriorations in the quality of community life, mental ill-health, drug use, obesity, low educational attainment, teenage pregnancy, criminality and aggression they revealed, are all linked to the levels of social fairness and unfairness, measured as income distribution.

'Fairness' then has become a political touchstone in contemporary public debate in the UK. As with any policy-rubric however it can lead in quite different directions depending upon how the term is understood and how it is used. This is especially true with regard to the role of governments in relation to issues of social fairness. *The Spirit Level* for instance, points out that:

> *It is impossible for governments not to influence income differences. Not only are they the largest employer in most countries, but almost every area of economic and social policy affects income distribution.*[7]

This call for governments to play an active role as employers and as the creators of policy and legislation in reducing inequality has a different emphasis than that of the large passages of the 2010 CSR that discuss fairness. There the emphasis is upon purportedly mitigating the unequal effects of reductions in the 'public-sector net debt' (PSND), savings made from departmental settlements, the overall effects of 'smaller central government' and the abolition of benefits.

[7] Wilkinson, R. And Pickett, K. (2009), *The Spirit Level*, P. 263.

PART I: social inequalities, economic context and government action

The (un)fair City of Liverpool

The 'fairness agenda' has developed with the commissioning of local studies in some parts of England. The Islington Fairness Commission published its final report, *Closing the Gap*, in June 2011. The York Fairness Commission published its interim report, *A Fairer York, a Better York*, in November 2011. Both of these reports highlighted the inequalities of opportunity and life-outcomes for different geographical parts of their respective boundaried areas and for different social groups. The Newcastle Fairness Commission began its work in October 2011. The Liverpool Fairness Commission will report during the early Spring of 2012.

Policy makers and service professionals have long been familiar with inequalities of outcome for a range of indicators at the national, city-wide and neighbourhood levels. Liverpool is no exception to this. Indeed the challenges faced within Liverpool are severe by national standards. Certainly the position of Liverpool in relation to national averages on a range of measures is consistently low. The gaps between Liverpool and national averages for instance still place Liverpool at or near the bottom of the league table for many measures of social deprivation. Ratings provided by the Centre for Cities *Crisis Outlook 2012*[8] show that Liverpool (out of 64 city areas[9]) is placed: 60th for employment; 43rd for average weekly earnings; 60th for Job Seeker's Allowance (JSA) claimant count; and 61st for long-term claimant count. The Index of Multiple Deprivation (IMD)[10] also provides a comprehensive picture of poverty levels in the City and the headline points of the executive summary of the 2010 IMD figures for Liverpool illustrated the[11] of the problem all too vividly:

- *Liverpool remains the most deprived Local Authority area in England*.

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[8] Cited in the *Liverpool Economic Briefing 2012*. P.5

[9] These 'areas' are the 'primary urban areas' (PUA) used by the Centre for Cities. For Liverpool the PUA comprises Liverpool, St. Helen's and Knowsley.

[10] The Index is uses 36 different indicators spread across seven 'Domains'. The Domains are: Income Deprivation; Employment Deprivation; Health Deprivation and Disability; Education, Skills and Training Deprivation; Barriers to Housing and Services Deprivation; Living Environment Deprivation; and Crime Deprivation. The Income Domain is also split into a further two sub-domains – Income Deprivation Affecting Children Index (IDACI) and Income Deprivation Affecting Older People Index (IDAOPI). The individual indicators are combined into a single summary measure – the Deprivation Score for each Domain. Only in the Income and Employment Domains can the scores be read simply as representing the percentage of the population experiencing that type of deprivation. So for example, if an area within a ward (a 'Lower Super Output Area' or LSOA) has an Income Deprivation score of 0.51, this means that 51% of that area's population is income-deprived. This is also the case for the two income sub-domains – IDACI and IDAOPI. As a general rule-of-thumb however, for all Domains the higher the score the more deprived an area is. Finally, all the Domains are combined to produce the Deprivation Score that appears in the standard maps of deprivation for the UK.

[11] *The Index of Multiple Deprivation 2010: A Liverpool analysis.*

- *Almost a quarter of England's 100 most deprived small areas are in Liverpool*.

- *The highest levels of deprivation in Liverpool continue to be in the north of the city*.

- *Health, Employment, Income, and Living Environment domains have the highest levels of deprivation*.

- *The pattern of deprivation in the city region is largely concentrated in Liverpool and the "inner core"*.

- *However there are other areas of substantial deprivation across the city region.*[12]

The statistics provided by Liverpool City Council's 'ward profiles' provide a more detailed picture of comparisons with national averages on a range of measures. They show for example that Liverpool's worklessness rate is over one-and-a-half times higher than the average for the UK whilst in some parts of the City it reaches three times the national rate. Liverpool's JSA claimant rate is almost twice as high as the national UK rate. The number of eligible people claiming Incapacity Benefit (IB) is nearly double the national rate, whilst in some wards it is three-and-a-half times more. Nearly two thirds of Liverpool's wards are found in the most health deprived decile in England. Liverpool has the worst rates for death from smoking-related illnesses and alcohol related hospital admissions as well as having the highest rates of IB claimants for mental illness. Liverpool's, children and young people fare especially badly with respect to the figures for tooth decay and the percentage of mothers initiating breast feeding for which the statistics are the worst in England.

Considering inequalities within Liverpool, the map below (Figure 1a), providing an 'at a glance' view of the distribution of IMD data across Liverpool, shows the extensive nature of relative deprivation across the City, with an Eastward facing zone of rising affluence. The second IMD map (Figure 1b) at higher resolution, shows the distribution of this deprivation within the City, bearing out the summary descriptions given above. As the maps show, large concentrations of relative deprivation (shown as brown, orange and yellow) exist in or near to Liverpool City centre. Less deprived zones (shown as

[12] LCC (2010), *The Index of Multiple Deprivation 2010: A Liverpool analysis.*

darker shades of blue) are evident in both the City centre itself and in its more outlying parts.

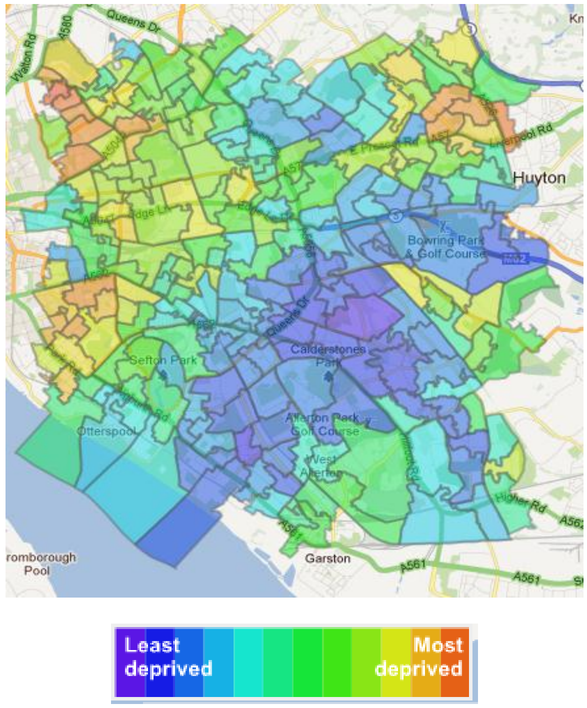


Figure 1a: *The 2010 IMD map of Merseyside (lower resolution)*

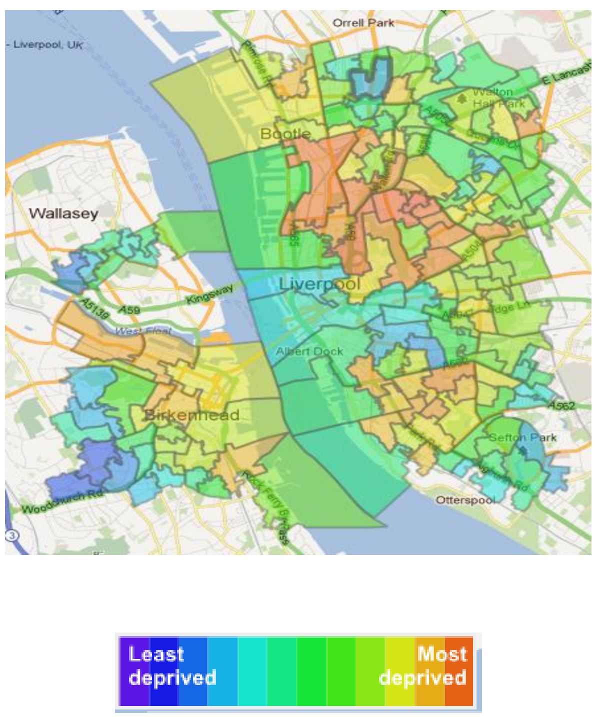


Figure 1b: *The 2010 IMD map of Liverpool (and North Wirral) (higher resolution)*

These inequalities are also evident in the huge variance of household incomes across the City shown below (Table 1)[13]:

Lowest Ward		**Highest Ward**	
Everton	£21,149	Church	£42,531
Picton	£21,315	Woolton	£40,881
Kensington & Fairfield	£22,016	Mossley Hill	£40,722
Princes Park	£22,421	Childwall	£39,410
Norris Green	£22,502	West Derby	£36,328

As these figures show, household income levels are twice as high in Liverpool's most affluent ward (Church) compared with the most deprived ward (Everton). Indeed, average incomes can vary by almost as much *within* an individual ward. A difference of £18,000 in average income exists within Anfield. With respect to health also, huge differentials exist across the City. For instance, men from Liverpool's wealthier areas enjoy average life expectancies of ten years longer than men from the most deprived areas and for women this difference is over nine years. As might be expected, out-of-work benefit claimant rates vary greatly across the City. In Everton this figure stands at 39% of residents of working age. In Church ward the figure is just 8.7%. Finally, differences in house prices directly reflect these deprivation levels. In the highest ranked ward (Church) average prices for terraced housing tend to be three times that in the most deprived ward (Kirkdale). These varying social profiles are captured visually in the IMD profiles for Liverpool wards. Some typical sub-ward profiles for different types of area are given here (Figures 2a,b,c and d):[14]

[13] *CACI Paycheck 2010*. Cited in LCCs *Contrasting Outcomes in Liverpool*.
[14] These plots represent the national distribution with the minima and maxima shown. The dotted bar represents the 'combined score' that is the measure of average levels of deprivation within a geographical area. The further along the distribution the bar falls, the greater the frequency of residents that are in the most deprived deciles for each of the Domains of the IMD: so, the more deprived the area is.

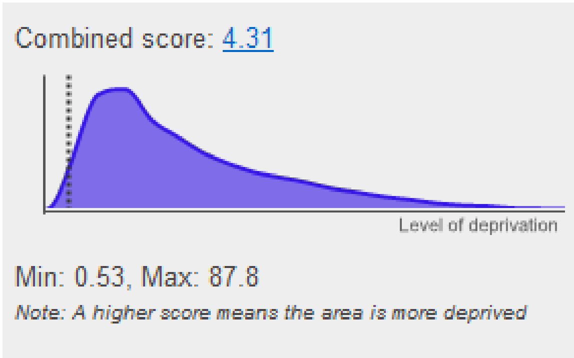


Fig. 2a: L16 (Childwall)

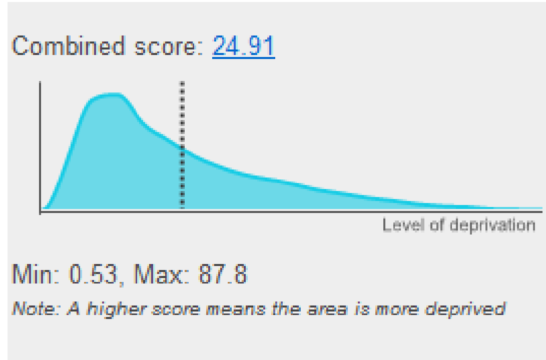


Fig 2b: L17 (Otterspool)

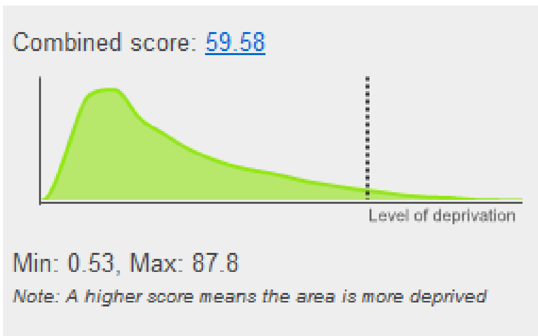


Fig 2c: L15 (Wavertree)

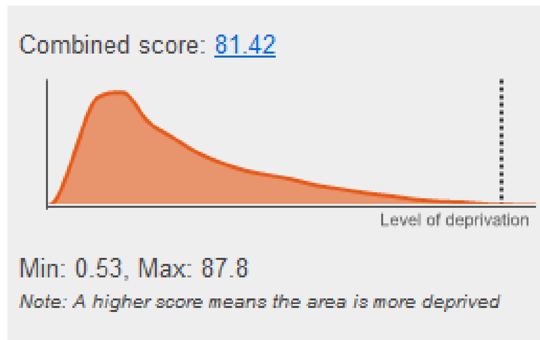


Fig 2d: L5 (Everton)

The Liverpool's economic environment and composition

The progress of the 2000s

Data from *Economic Review 2012* (and some still relevant data from the *Economic Review 2011*) for the Liverpool City Region (LCR[15]) produced by The Mersey Partnership (TMP) and from the *Liverpool Economic Briefing 2012,*[16] provide a general profile of the economic status of the City. It reveals that there have been definite improvements in particular economic sub-sectors as well as for some social outcomes in relatively recent years. These have included the following:

[15] In assessing the impact of economic trends on Liverpool it is important to consider the wider economic region. The Mersey Partnership's (TMP) *Economic Report 2012* gives the following daily commuting-flow figures between Liverpool and its wider region [Sefton, Knowsley, St. Helens, Halton, Outside City Region and Wirral]: 38,500 outward; 99,500 inward. This highlights the interconnected nature of the economic dynamics of the Liverpool City Region.

[16] Liverpool City Council (2012), *The Liverpool Economic Briefing 2012*.

- Economic growth across the Liverpool City Region (LCR) (measured as gross-value-added or GVA[17]) continued over the ten years between 1999-2009 with a 50% increase in GVA over that decade;[18]

- Over the same period GVA growth in the City of Liverpool had also been significant with a 12.4% increase between 2004 and 2009 (with Local Enterprise Partnerships action plans showing the potential for 128,000 new jobs in the LCR)[19];

- An extra 50,000 jobs were created between 1999 and 2009 (although this increase was below the national average);

- There was an improvement in educational attainment rates which now compare well to national averages at NVQ Level 2 and NVQ Level 3;

Major infrastructural projects that are underway across the LCR have also provided the basis for optimistic projections for the City. The largest of these are: Wirral Waters and Liverpool Waters (part of the larger project conceptualised by Peel Holdings as 'Ocean Gateway' that connects the economic development of Liverpool and Birkenhead with that of Manchester); Liverpool City Centre; and the Mersey Gateway suspension bridge that is protected within the 2010 CSR. A number of 'priority areas' are also identified as being significant for the growth of the LCR economy by the TMP's *Economic Review 2012*. These are: the 'Super-port'; the 'Low Carbon Economy'; the 'Knowledge Economy' (including scientific and research facilities); and the 'Visitor Economy'.[20]

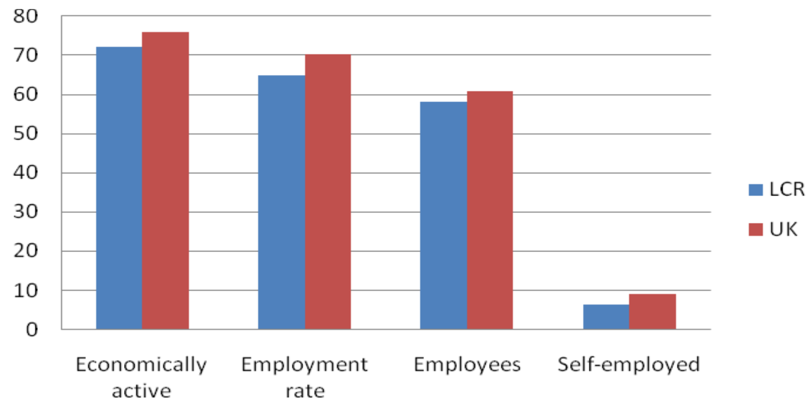
The structural gaps

Despite these growth areas however, the fact remains that a GVA 'gap' exists between Liverpool and the UK average of around £6,400 per person[21]. Inequalities of income and employment status between the LCR and UK national averages are evident across a range of different measures. All six LRC districts for instance, are in the top twenty districts for worklessness. Although the gap between the LCR and UK averages has improved between 1999 and 2009 it remains at around 6.9% on 2010 figures. In 2009 there were 32 businesses per 1,000 people compared to 42 per thousand across the

[17] This is normally a simple metric that balances the value of outputs against intermediate consumption costs of raw materials, salaries, plant maintenance *etc*.
[18] TMP, *Economic Review 2011*. P.16.
[19] TMP, *Economic Review 2012*. P.23.
[20] TMP, *Economic Review 2011*. P. 29.
[21] TMP, *Economic Review 2011*. P.20.

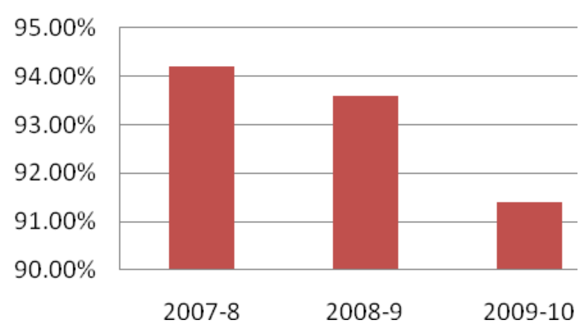
UK[22]. Figure 3 summarises the gaps in the employment picture for the LCR compared to the rest of the UK economy[23].

Figure 3 **Economic activity** (percentage of working age population)



It is true that the business base of the LCR had grown by 6.2% from 2006 with an increase in new business start-ups. However a downward trend has become evident once more.[24] The rate of new business start-ups was highlighted in 2011 as a positive and promising feature of the composition of LCR economy having risen by 10% between 2005 and 2009. However, new businesses are now showing reduced resilience across the LCR in an environment made more difficult by contractions in specific economic sub-sectors and by government spending cuts. This is borne out by the figures produced for 2012 that show a fall on previous years.[25] (Figure 4).

Figure 4 **LCR New business 1 Year survival rate**



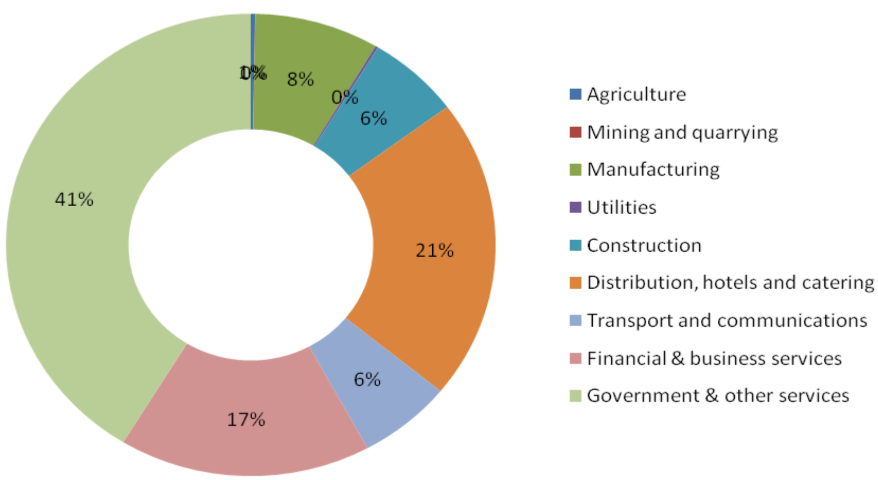
[22] This had risen to 38.6 per 1,000 in 2010. However no figure for the UK average was provided in the TMP *Economic Review 2012* for comparison.
[23] Data supplied by the Annual Population Survey and published by the TMP *Economic Review 2012*.
[24] According to data provided by the TMP , the LCR had 36,885 active businesses in 2009-10 compared to 47,471 in 2008-9.
[25] [25] TMP *Economic Review 2012*. P. 35

The demographic profile of the City is also an important factor in assessing possible scenarios for its economic development. During the decade up to 2010 the population of the LCR declined by 1%. The proportion of young people (between 15 years and 26 years) had increased by 26% whereas the proportion of those in the 25 to 29 year age range had fallen sharply.[26] The 25-44 year age group population had fallen by 11% over the decade up to 2010. This is relevant to small business start-ups in that it is people from within this age-range that are most likely to start their own business.[27]

Significantly for the LCR, public-sector growth has dipped sharply with a fall of 3.5% in 2009-10. This compares to a net growth of 0.6% across the UK[28]. Although private-sector growth has occurred across the LCR in the same period, mainly as an increase in the numbers of lower-grade ('semi-skilled' and 'elementary') occupations, it falls far short of compensating for the contraction in public-sector spending. Over the course of that year numbers of employees overall in the LCR fell by 1.2% compared to 0.5% nationally (UK).

The proportion of public sector jobs across the LCR is shown graphically in Figure 5[29].

Figure 5 **Employment by sector in LCR** ('000s)



The concern this naturally raises for the LCR economy and its working population is reflected in this comment from the TMP's *Economic Review 2012*:

[26] TMP's *Economic Review 2012*. P.18.
[27] TMP's *Economic Review 2011*. P.27.
[28] TMP *Economic Review 2012*. P. 29. This figure is skewed by an increase of 2.1% across London and the South East.
[29] Figures provided for 2009 in the TMP *Economic Review 2012*. P.42.

> *The split between public and private-sector employee jobs in the City Region was 29:71 against 25:75 nationally - and this after the initial stages of job cuts up to 2011. Further public-sector cuts will have a disproportionate impact within the area*.[30]

Given the scales of cuts in government spending, and with 41% of LCR jobs being within the public-sector compared to 33% in the UK this seems, if anything, an understatement.

Students, qualifications and skills

Liverpool has a significant student population. Between them the University of Liverpool, Liverpool John Moores University (LJMU), Liverpool Hope University and Liverpool Institute of the Performing Arts (LIPA) have 54,565 Higher Education students.[31] Now, the effects of reforms to HE funding structures and tuition fees[32] mean that areas of University provision in the City have come under considerable strain and have as result been reduced. Nationally, the number of full-time undergraduate courses has fallen by around 27%.[33] Applications for 2012 entry to Liverpool's universities also have fallen: by 11% for the University of Liverpool; by 8.6% for LJMU; and by 17% for LIPA.[34] The average fall across the North West being 9.4%.[35] In 2011/12 the City also has 13,315 Further Education students at Liverpool Community College (4,821 full-time; 8,494 part-time). Here also student numbers have fallen by nearly 30% over the year.

The impact of this depression in student recruitment will be felt in many ways in the life of the City. The student presence has changed the aspect of the City Centre socially commercially and culturally. Longer term, the recent improvements in graduate retention are likely to be threatened by the general contraction of the student population. The skills-pool of the City may also be affected negatively by this downward trend. For individuals of course low skills levels will limit their ability to take up employment opportunities created for instance by new construction projects. Again this must be seen against the backdrop of Liverpool's pre-existing structural disadvantage (see Figure 6).[36]

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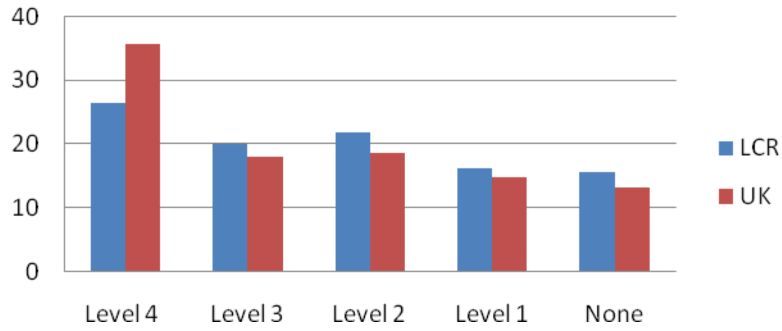
[30] TMP *Economic Review 2012*. P. 30.
[31] HESA, March 2012.
[32] At the time of writing the HE Bill has been shelved for the rest of the legislative year. However important elements of the Coalition Government's HE White paper that shape the market for University entry remain as they did not anyway require legislation to be introduced.
[33] Figure from the 2012 survey conducted by the University and College Union: http://www.ucu.org.uk/index.cfm?articleid=5974
[34] Figures from the February 2012 survey conducted by *The Guardian*.
[35] Figure from UCAS March 2012. At the time of writing figures could not be found for Liverpool Hope University.
[36] TMP, *Economic Review 2011*. P.13.

Figure 6 **Qualifications status** (working age populations)



The lower than national-average recruitment at NVQ Level 4 (and falling for Liverpool) shown here is noteworthy. Attainment at this level will to a large degree determine the ability of Liverpool residents to take up employment opportunities at higher levels of skill.[37] Across the LCR and with respect to educational attainment and qualifications status more generally, steady improvements have been achieved in the Liverpool region over the long-term. GCSE attainment rates for example, have improved significantly across the LCR and now compare well to national averages[38]. At NVQ Level 3 the figures for the LCR are also slightly ahead of the UK national average. A lag of 3% remains at NVQ Level 2 but here also there has been a significant closing of the gap with the UK average. The proportion of economically active residents in the region with degree-level qualifications (NVQ Level 4) still lags behind at 24% compared to 31% nationally. 15% of residents in the LCR have no formal qualification compared to 11% across the UK[39]. In 2010 8.4% of 16-18 year olds were not in employment, education or training (NEET) across the region compared to 6.4% in UK.[40]

Under the Coalition Government's CSR a £150 million National Scholarship Fund was established for the poorest students. However this followed on from the abolition of Aimhigher that supported students from disadvantaged backgrounds at university and from the trebling of tuition fees. These things will not make life easier for those who either are or who plan to be students or who intend to take up training places. The CSR increased funding for Adult Apprenticeships by £2.5 million by 2014-2015. However, it announced the end of free places for NVQ Level 2 tuition for those over 25 and for NVQ Level 3 tuition over 24. The Education Maintenance Grant (EMA) also, that was an

[37] The Centre for Cities ratings place Liverpool 56th out of 64 cities for 'high level qualifications'. Cited in LCC *Liverpool Economic Briefing 2012*. P.5.

[38] The TMP *Economic Review 2012* (p37) sounds a note of caution here in pointing out a slight opening up of the gap once more according to the 2010-11 data for attainment (5+ GCSEs including Maths and English.)

[39] TMP *Economic Review 2012*. Pp.37-38.

[40] TMP, *Economic Review 2011*. P.16. This did however represent an improvement on the 2007 figure of 10.7%.

essential support for those in the 16-19 age range in Further Education, was abolished and replaced with a discretionary allowance.

Summary

- Significant gaps continue to exist between Liverpool and UK and English national averages for measures of economic activity and social and health outcomes.

- Over the decade to 2009 some of these gaps were closing and even where this was not the case due to national improvements, the indicators in Liverpool for many measures nonetheless showed improvements.

- One important driver for some of these improvements, directly or indirectly, was the public-sector spending.

- This steady improvement on some key economic, social and health measures is now faltering with signs of reversal in some cases.

Government Spending

Now, bringing new pressures upon this already disadvantageous structural position for Liverpool, has come the 'new austerity' in government spending. Framed by the 2010 CSR, the Coalition Government's spending plans were set within the priorities of the new Office of Budgetary Responsibility (OBR), established with a fiscal mandate to 'eliminate the structural budget deficit' and reverse the rise in Public-sector Net Debt (PSND). The limits set for departments (the 'Departmental Expenditure Limit' or DEL) and the targets set for actual spending by departments ('Actual Managed Expenditure' or AME) represent an overall average reduction of 19% in real terms across all departments. Whilst protections are embedded in the CSR for 'high value' maintenance and investments (such as the Mersey Gateway Bridge) and notwithstanding the commitments to 'fairness' and 'social mobility' found in the CSR, many of its budgetary constraints will negatively affect the lives of thousands of Liverpool's residents. Of the £81 billion savings the government intends to achieve by 2014-2015 for instance, £11 billion will come through welfare cuts and £3.3 billion as public-sector pay freezes.

Settlements for different government departments under the Spending Review broke down as follows:

Home Office

- police resource funding to be reduced by 14% by 2014-2015.
- a 30% reduction in 'non-police' funding.
- Central Government police funding to reduce by 20% over the CSR period.
- Police authorities may choose to increase the precept (part of council tax) so to mitigate the reduction down to 14%.

Ministry of Justice

- Overall resource cuts of 23%.
- Reductions in 'back office' and administration costs of 33%.

Law Offices Department

- Overall 'savings' of 24%.
- The three main departments (Crown Prosecution Service, Serious Fraud Office and the Treasury of Solicitors Office) to deliver 'savings' of 25% each by 2014-2015.

Ministry of Defence

- Protected funding of British presence in Afghanistan.
- 25% reduction in funding for civilian and non-frontline organizations.
- Ministry to make at least £4.3 billion of non-frontline savings over CSR period.

Foreign and Commonwealth Office

- Resource savings of 24% over CSR period.

Department of Energy and Climate Change

- Overall savings of 3% over CSR period (from 'low value' programmes).

Department of Environment, Food and Rural Affairs

- Resource savings of 29% in real terms by 2014-2015.
- Reduction in 'Arms Length Bodies' from 92 to 39.

Department for Culture, Media and Sport

- Protected funding for Olympic and Paralympics Games maintaining a public spending package of £9.3 billion and concentrated in the South East of England.
- Overall 41% reduction of administration cost including a 50% reduction for 'Non-departmental Public Bodies' (NDPBS).

Department for Health

- A £20 billion 'saving' to be achieved through the Quality, Innovation, Productivity and Preservation (QIPP) programme.
- Primary Care Trusts (PCTs) and Strategic Health Authorities (SHAs) to be abolished by March 2013.
- The Department of Health social care grant to go to councils and the Personal Social Services (PSS) grant also devolved to local government.

Considering the impact of these cuts for local authorities, the Communities and Local Government DEL was set at a 33% reduction on current spending with a 42% reduction in administration costs, whilst resource savings of 28% were set for the Local Government settlement. Capital funding for all departmental support to councils was set to fall by 45% over CSR period. Overall, central government funding to councils is reduced by 26%. A Decent Homes programme would, the CSR promised, improve social housing stock, despite the ending of the Housing Renewal Programme, the winding down of the Working Neighbourhoods Fund and the end of Growth Area Funding. Fire resource expenditure was set to reduce by 13% over CSR period. Central government grants to local authorities were reduced by 25%.

Fare rises were admitted as inevitable in the CSR. Along with a reduction in bus subsidies of 20% (representing a cut of £300 million by 2014-2015) the CSR announced a raising of the cap on regulated fares by 3% above RPI for three years from 2012. For the most deprived families community budgets offering support will be pooled between areas and support will move into Personal Social Services grants for social care. These individualized budgets will be used by service-users to purchase support from providers whether under local authority control and management or not.

These drastic reductions in government spending are accompanied by significant changes in local authority provisions and regulations. These will enable councils, using new powers of 'universal competence' being granted through the Localism Bill, to transfer statutorily and non-statutorily funded services into the private-sector (including to services providers in the voluntary, charity and social enterprise sectors and also community groups and 'worker co-ops'). The CSR for instance, stresses the importance of having a 'diversity of provision' and the potential role of 'independent providers'. Furthermore, funding to local authorities is being 'simplified', with reductions in the number of ring-fenced local authority grants as well as reductions of care grants and £4 billion of 'revenue grants' rolled into 'formula grants'[41]. The CSR also gave councils new powers of Tax Increment Financing (TIF) that are based upon future tax returns on current investments.[42] It provided for the possibility of elected mayors in the twelve

[41] Formula grants comprise four elements: a needs assessment; a revenue-raising potential assessment; a standard element received by all local authorities; and a minimum 'floor' element.

[42] TIF draws upon a US model of urban regeneration strategy that has been widely criticised for the tendencies it creates towards resources being diverted from the needs of current residents, gentrification, business cronyism and exaggerated and unreliable estimations of future growth.

largest cities (including Liverpool) that may lead to significant changes in administration and budgetary structuring. It also pledged to reduce the 'burden' of data collection for local authorities and, along with mayoral status, the possibility of 'earned autonomy' by which local authorities would receive a 'light touch' for certain areas of city governance: meaning less reporting to Central Government.

Summary

- The scales of the reductions in government spending announced in the 2010 CSR are by far the greatest and most consequential of any in post-War Britain.
- These budget cuts are accompanied by changes to Local Authority governance and a transfer of responsibilities from national Government departments to the local level.

Welfare and benefits

The provisions of the Welfare Reform Act 2012[43]

The changes spelled out for the benefits system in the CSR and being given legislative form in the WRA 2012 are far reaching and will be of great consequence for many thousands of Liverpool's residents. The June 2011 budget announced national welfare savings of £11 billion a year by 2014-2015 and steps to control costs in housing benefit and tax credits. It also announced a switch from Retail Price Index (RPI) to the normally lower rated Consumer Price Index (CPI) for the indexation of benefits and pensions. The March 2012 budget announced cuts of £10 billion in 2016-17 on top of the £24 billion of cuts projected from the WRA.

The WRA initiates a shift from a multi-benefits system to a Universal Credit. A new benefit, the Personal Independence Payment (PIP), will be created that will replace the Disability Living Allowance. Child-benefit will be abolished for higher rate taxpayers. There will be a reduction of childcare-costs within the childcare element of the Working Tax Credit. Lone parents with children over the age of five will no longer be able to claim income support. Local Housing Allowance will be reduced to a level whereby one third of properties in the private rented sector will be affordable (reduced from a half before the Act). A time-limit will be placed upon ESA for those in the Work Related Activity Group[44] (WRAG) of one year. A total household benefits cap is introduced of £500 a week for couples and lone parents and £350 a week for single people. Through secondary legislation the basic and 30-hour child care elements of the Working Tax Credit will be frozen for three years from 2011-2012. An increase in the age threshold

[43] The Welfare Reform Act 2012 became law on the 8 march 2012.
[44] Claimants in this category are those who are deemed as being able to return to work at some point.

for the shared room rate in Housing Benefit from ages 25 to 35 will reduce council tax benefit for these claimants within this age-range. The existing welfare system is also reformed to make AME savings of £7 billion a year by 2014-2015.

More specifically, the benefits to be abolished[45] (with these provisions migrating to the integrated Universal Credit), are: income-based JSA under the Jobseekers Act 1995; income-related employment and support allowance under Part 1 of the Welfare Reform Act 2007; income support under section 124 of the Social Security Contributions and Benefits Act 1992; housing benefit under section 130 of that Act; council tax benefit under section 131 of that Act; and child tax credit and working tax credit under the Tax Credits Act 2002. The Act also changes those parts of previous legislations[46] that affect the benefits of 'problem drug users' (PDUs). These changes will place greater conditions on PDU claimants to declare dependencies and undergo assessments. They will also lead to greater numbers of claimants with substance dependencies being put into the WRAG and so, if not having moved into work after one year, being transferred to JSA meaning a loss of income. This is a concern particularly where these types of claimant also have complex social needs and cope with mental health problems.

The Act also presages a tougher sanctions regime including reductions in JSA and greater claimant commitments and responsibilities. Penalties will be used as an 'alternative to prosecution' and set at 50% of the amount of any overpayment (with a minimum of £350 and maximum of £2000). Relevant government agencies are also to be given greater powers in this regard including those covering information sharing between the Office of the Secretary of State and HM Revenue and Customs.

In summary, the Welfare Reform Act 2012 introduces more stringent capping of benefits, new conditionalities on claimants and greater penalties for fraud combined with new powers for governmental agencies to combat fraud.

Social impact and the Act

The high proportion of those of working age claiming benefits (as well as the total numbers concerned) within Liverpool and across the LCR mean that close attention needs to paid to the consequences of the Act on those most vulnerable to its effects. Those areas of the Act that are of greatest concern are given here with some comment.

- *The migration of benefits from a multi-benefit system to a Universal Credit.*

  The Coalition Government envisages a situation of winners and losers in this transition. It estimates that two million claimants will have lower entitlements as

[45] These are abolished under *Section 34* of the WRA 2012.
[46] These are the Jobseekers Act 1995, the Welfare Reform Act 2007 and the Welfare Reform Act 2009.

a result of this overarching reform. 1.4 million of those losing out are predicted as being already within the bottom two quintiles for income. 12% of renting couples with children will see a reduction of their entitlement.[47] Transitional protection against the effects of reduced entitlement is assured only for those claimants who are moved ('managed moved') onto the new system. For example, a protective element to payments will be included to cover the differential in benefits income. However, this element should not be seen in isolation from the overall intensification of 'incentives' to move into or back into work. It may end following a reassessment of circumstances for instance and will not apply to future claims. Also, without inflation-proofing, the value of this element will decline in value over time.

- *The use of the CPI which is normally lower than the RPI, for the purposes of up-rating Housing Benefit under Local Housing Allowance provisions.*

  The reduced coverage of full-rent for tenants in the private-rented sector will increase the numbers of claimants who fall into arrears and become at risk of, or suffer actual, eviction. The shift is also likely to change the behavior of landlords with some choosing to take their properties out of the private-rented sector or to withdraw availability to claimants. If this occurs the private-rented housing sector will become more competitive producing an upward pressure on rent levels. Such changes will in turn make a rise in homelessness likely. This is a particular concern given the high proportion of women housing-benefit claimants who are the lone parents of one or more children.

- *The abolition of the Crisis Loan and the Community Care Grant and their replacement by Local Authority Support schemes.*

  The explicit rationale for this is to protect funds for other types of crisis support for lone parents and disabled claimants. Those not coming under these categories however may still suffer crises and the *triage* approach suggested by this measure may endanger other types of claimant not considered to be 'the most vulnerable' by the Coalition Government, though still very vulnerable. Provision for this area of support will pass to local authorities although there will be no statutory requirement attached to this.

- *The replacement of the Disability Living Allowance with a Personal Independence Payment (PIP).*

[47] DWP, 'Impact Assessment: Time limit Contributory ESA to one year for those in the WRAG'. Pp.9-10).

This benefit comprises two elements: a daily living allowance; and a mobility allowance. For those in care homes the mobility element is guaranteed only until March 2013.

- *Removal of waiving of the National Insurance eligibility requirement for Employment and Support Allowance (ESA) for disabled young people.*

  Those in this ESA 'youth' group will now find it more difficult to be put onto this benefit. Some of these, mainly disabled, individuals will therefore lose out on their overall entitlement.

- *Income Support for lone parents to end when their youngest child reaches the age of five.*

  The age-threshold in 2008 was eighteen and so this represents a significant change in just four years. The assumption here is that these parents will then move onto JSA or into the WRAG group of ESA: and so moving into work. The great majority of individuals so affected will be women.

- *A new time limit of one year for those ESA claimants put into the WRAG.*

  If, after one year, claimants have not found employment, most will be moved onto JSA, representing a reduction in their income. The Coalition Government's own distributional analysis shows that 51% of those left worse off will already be in the bottom three deciles for income. Average weekly reductions in income for those who will lose out will be: decile 1 (poorest), -£35; decile 2, -£37: decile 3, -£44.[48]

- *The introduction of new household benefit caps.*

  Total household benefits will be capped at £500 for multi-occupancy homes and £350 for single occupancy homes. Where a single person's or couple's total benefits exceeds a 'relevant amount' then they will be reduced by the excess (the 'relevant amount' will be reviewed each tax year). Those who are unable to find work will have to make up any rent shortfall from their existing benefits. The stated aims of this measure are to 'alter spending patterns' and to 'reduce housing costs'. For many claimants these are best read as meaning lowering consumption and leaving current accommodation. The mean reduction in benefits projected for 2013/14 will be £83 per week. The DWPs impact

[48] DWP, 'Impact Assessment: Universal Credit. Pp.10-13).

assessment for this measure estimates that 4,000 households in the North West will be affected.[49]

The rationale for this proposed change is that of 'fairness' in comparison to working families. However no consideration was given to levels of minimum-wage or income support as a way of up-rating the incomes of those in work as an alternative to this measure. Another concern here must be the possible effect on the behavior of some employers who, if already paying low wages to their employees, see in this an opportunity to keep wages at this basic minimum.

Government impact analysis

A 'Distributional Impact Analysis' (DIA) accompanied the 2010 CSR. This provided an assessment of the combined impact of overall departmental expenditures and benefits reform upon households for each income quintile.[50] It gave a picture of income (assessed as monetary receipts and benefits-in-kind from all services) reduction in the following order:

Descending: most to least income reduction by quartile	**Percentage reduction from 2010-11 levels (combined effect)[51]**
Q5 (wealthiest)	-5.2
Q2	-3.95
Q3	-3.9
Q1 (poorest)	-3.7
Q4	-3.4

It should first be noted that even on the Coalition Government's own calculations it is not the case that the poorest section of society (by quintile) is suffering the lowest reductions in income as a result of government action. Indeed when the impact of changes to taxes, tax credits and benefits within this overall impact assessment are considered by decile, the picture is even more concerning.

49 DWP, 'Impact Assessment: the Household benefit Cap'. Pp.7-8).
50 These figures had been adjusted using a standard 'equivalisation' methodology that takes account of household composition in calculations of standard of living differentials.
51 These figures have been taken from graphical data provided within the DIA of the CSR 2010. P.98-100.

Descending: most to least income reduction by decile	Percentage net income reduction from 2010-11 levels (changes to tax, tax credits and benefits)
D10 (wealthiest)	-2.2
D9	-2.0
D1 (poorest)	-1.5
D8	-1.4
D6	-1.35
D7	-1.3
D5	-1.2
D4	-1.1
D3	-1.05
D2	-0.9

According to these figures the poorest households are only third to the wealthiest in the reductions to this set of provisions (tax, tax credits and benefits) they are being forced to accept by Government action. The figures for this set of benefits also illustrate a serious shortcoming in the Government's methodology. This use of deciles in Government impact assessments is unusual: normally quintiles are used. When deciles are used, and as these figures show, it is clear that there is the inherent problem of the impact upon the poorest decile being eclipsed by the decile above it. This creates the danger of masking very serious levels of deprivation within the lowest quartile and considering the social consequences for people in these straits, is dangerous from a public policy standpoint. This shortcoming is explained in the CSR's DIA appendix as being the result of 'weaknesses' in the relevant consumption data.

Other problems are apparent in the impact analysis offered within the CSR and the DWP's impact assessments for welfare reform.

- Calculations tend to be provided for services that are used differentially by household types. Where a government provision is used uniformly by all relevant households no distributional impact analysis is offered. This methodology separates consumption from effects. However the effects of service reduction will vary not just with overall consumption but with this combined with pre-existing personal assets and life circumstances. In other words whilst all households might consume a provision equally, the consequences of reducing that provision will not be the same for all.

- Analysis has been conducted at a high level of generality that takes little account of social cause-effect cycles for different social groups defined not merely according to income but also by other types of social need and characteristics.

- Absent or insufficient data in important areas. As the equality-impact statements of the DWP clearly acknowledge, no data are collected or held on those claimants coming under a number of equalities categories including 'sexual orientation', 'religion or belief, 'civil partnerships' and 'gender reassignment'. With respect to 'pregnancy and maternity' the DWP holds only partial data for those for whom pregnancy and maternity are the primary reason for incapacity.

- With respect to 'equalities groups' as defined in the Equalities Act 2010, there is also a tendency to argue that if a policy affects all groups equally in static and monetised terms then no unfairness transpires. Given that the categories defined in the Act are precisely designed to highlight differentials of circumstance, social experience and life opportunity and when policies are considered in terms of life-effect rather than simply consumption, this seems to be a very flawed assumption.

- Terms such as 'most in need' or 'most vulnerable' are used with no definition. This is fundamental to the Coalition Government's claims to fairness: that it is protecting the neediest by focusing support upon them. With no definition of what this means however it is possible, likely even, that people who are vulnerable (though not 'the most vulnerable') will have important services and benefits removed.

- Within the DWPs impact assessments there is a tendency to analyse impact considered only as the monetised impacts of each provision in isolation across a whole group. The notions of 'fairness' in this approach are informed by averaged effects across each group assessed on the net-balance of winners and losers. However, this fails to sufficiently consider the life-consequences and real social effect for those who do in fact lose out in terms of real changes in their incomes.

- DWP impact assessments tend to consider the impact of policies in isolation. This misses the complexities of multiple interactions of many policy changes upon single households and even individuals. This simplification means that real life effects and consequences are overlooked in these impact assessments.

- In some areas of impact analysis euphemistic terminology masks real social effects, softening the meaning of what is being described. Examples here, both from the DWP's 'benefit-cap impact assessment', are terms such as "alter spending patterns" ('reduce consumption') and "reduce housing costs" ('move into inferior accommodation') making a critical reading necessary.

- The Government's impact assessments take no account of historical trajectories of household types or communities. This is important for any real consideration of fairness in many cases given that the rate of loss of income and access to support will not always be the same. One example given in this submission is the fact that the 'youngest child-age threshold' at which a lone parent can claim income support has reduced from eighteen to five in just four years.

- A key weakness in the approach to impact analysis used by the Coalition Government is that it does not consider the combined effects of multiple reductions of provision and benefits at the geographical-area, community, social group and personal levels. The consistent tendency is to use quantitative, monetised and consumption-based calculations that do not recognize thresholds at which 'structure' at the social and personal levels, descends into chaos.

- The methods used by the Government do not consider the total costs at group, community and City-wide levels, of the social consequences that will result from the lowering of benefits entitlements. Such 'total' costs are highlighted by Social Cost-benefit Analysis methodologies.[52]

The DIA appendix of the Spending Review acknowledges the lack of robustness in its methodologies and finishes with an appeal for an 'open dialogue' on how the data and methodology can be improved. The Coalition Government should be taken up on this invitation.

Summary

- The WRA will lead to reductions in entitlement for benefits claimants.

- Some of its provisions will intensify pressures on benefits claimants to move off benefits.

- Maximum caps on total benefits will jeopardise housing security for many claimants (including those with children) and will also lead to increases in evictions.

- The benefits claimant-rate in Liverpool is very high by national averages, which means that the effects of the Coalition Government's welfare reforms will be felt to a greater extent in the City compared to many other cities and regions.

- By not taking full account of the multiple and interacting effects of many types of social and economic change combined with government action, the distributional analysis provided for the 2010 CSR and DWP impact analyses do not capture social effects 'or life-consequences' at the levels of affected individuals, families, equalities groups or communities and so do not demonstrate 'fairness' as they purport.

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[52] See for example Ackerman, F. and Heinzerling, L. (2004), *Priceless**.** On Knowing the Price of Everything and the Value of Nothing*, The New Press.

PART II: The vulnerabilities of Liverpool and its population

Employment

The importance of government spending in the City and its wider economy is well documented. As Figure 5 has already shown 41% of jobs in the LCR are government funded. More specifically, there is a concentration of jobs in government administration, defense-related companies, education, health and social work. These sub-sectors comprise 27% of the wider Liverpool economy's GVA compared to 18% for the UK. Conversely, whereas property, renting and business comprises 24% for the UK economy this figure is just 18.7% across the Liverpool region.[53]

In the North West of England 100,000 private-sector jobs are directly reliant on the public-sector with the largest portion of these being in the business services sector. For every £1 spent by the public-sector a further 28p is generated in the wider economy: for every £1 spent by a public-sector employee from their salary a further 50p of business activity (transport, retail, leisure *etc*.) is generated.[54] These multiplier effects strongly suggest that important sub-sectors of Liverpool's private sector depend upon public-sector spending.

As we have seen, the economic trends across the LCR do show that the gaps between it and national averages had been closing over a decade until 2009. There had been a reduction in manufacturing jobs over this period but these losses were mitigated by increases in activity in business, financial and professional services. Indeed there had been a 79,500 'jobs growth' in the service sector and high growth in other sectors including air-transport, computing services and business services. Overall between 2004 and 2009 the economy of the LCR grew by 12.4%.[55] Public-sector job growth had been especially significant over this period. The effects of recession have of course been felt in Liverpool as elsewhere with a 1.75% drop in overall employment figures. However this has not been as pronounced as across the rest of the UK economy for which the rate of job losses had been 2.9% by 2009. Of course, in interpreting these figures for comparison the pre-existing lower employment base-line compared to the UK average needs to be kept in mind. Still, this again highlights the importance of the concentration of government services in the region. It is precisely this mitigating effect that is being removed by government spending cuts.

Considering the likely effects of the CSR, the government's own Office of Budgetary Responsibility forecast that 330,000 public-sector jobs would be lost nationally by 2010-2015. It also predicted private-sector job creation of 1.1 million by 2015 although recent data for the LCR suggests that public-sector job losses outnumber private-sector job

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[53] TMP *Economic Review 2011*. Pp.20-21.
[54] TMP *Economic Review 2011*. P.20.
[55] TMP *Economic Review 2012*. P.23.

creation[56]. The consultancy firm Price Waterhouse Coopers has calculated a loss of 943,000 private-sector and public-sector jobs nationally up to 2015, with 108,000 jobs going in the North West. Other estimates have put these figures as high as 1.2 million private-sector and public-sector jobs lost by 2015: 140,000 of these being lost from the North West economy.[57] These estimates for the North West break down as follows[58]:

- Public administration and defense is likely to feel the severest direct impact of the cuts, with estimates that 35,000 full-time equivalent jobs will be lost by 2015: 23% of the sector workforce;

- In health up to 12,000 FTE jobs could be lost by 2015: about 3% of the workforce;

- In education, with a 13% reduction in 'non-schools expenditure' it is estimated that up to 13,600 FTE job losses will be lost by 2015: 6% of sector workforce;

- Construction is expected to see the largest impact in the private-sector with the loss of 22,400 FTE jobs resulting from cuts in regeneration budgets and the Building Schools for the Future programme. This is equivalent to 10% of the sector's workforce.

- In manufacturing, reductions in household spending are likely to hit lower-end manufactured products with advanced engineering remaining relatively protected by new funding (*e.g.* the Green Investment Bank and port infrastructure funding) and competitive exchange rates. Still, the direct impact of the cuts were estimated to be 13,500 FTE jobs by 2015: about 4% of the sector workforce;

- The distribution, hotels and catering sector was predicted to be adversely affected by lower consumer spending as a result of reduced household income caused by public-sector pay freezes, changes to the benefit regime and job losses. Tourism is also likely to be affected by funding cuts to marketing and promotional activities in that sector. Some mitigating effects were thought to be likely as a result of increased overseas visitors benefiting from competitive exchange rates and increased domestic tourism. Still, the projections were for 13,100 being lost by 2015: 2% of the sector's total FTE jobs;

- Although a direct CSR effect was predicted of 12,300 jobs being lost in finance and business, this sector was also thought to be likely to weather the effects of downturn better than others as a result of changes in the delivery of public

[56] TMP *Economic Review 2012*. P.17.
[57] TMP *Economic Review 2011*. P.19.
[58] TMP *Economic Review 2011*. P.21.

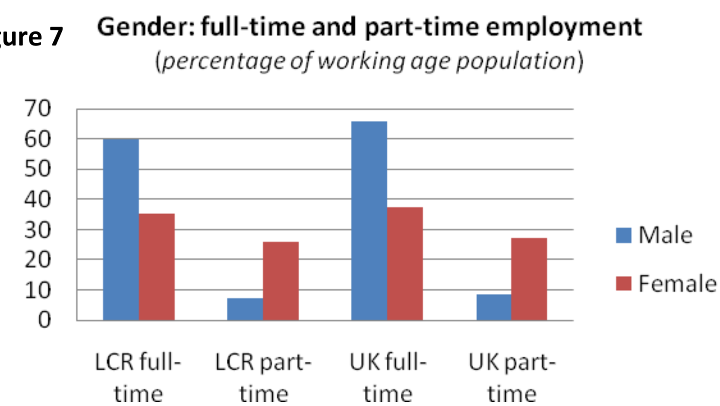
services and government commitment to a 'benign regulatory regime' for companies within it;

- In the North West the transport and communications sector was also thought likely to be well placed in benefiting from the major infrastructural projects underway in the city region. Still, 3,600 FTE jobs were predicted to be lost as a direct result of the CSR: (2% of the sector's total).

Taken together these trends and projections suggest that the gains of recent years in the LCR and City of Liverpool economy are fragile. Although it is still too early to be sure it may be that the first signs of this are beginning to appear in the relevant statistics. After a period in which GVA had grown for the region for example, there was a contraction of 1.7% in growth between 2008-9[59].

Considering one specific 'equalities' area, that of gender, whereas male part-time employment figures have risen between 2009 and 2011, the numbers of women working full-time and part-time in the LCR has decreased over this period by 2.7% and 2.9% respectively. These falls are greater than the national average and are likely to be structural with respect to the composition of the LCR economy.

Figure 7



Liverpool's difficulties will not be helped by the 2010 CSR settlement for the department of Business Innovation and Skills. Although an 'equity finance' fund of £150 million was established along with an allocation of £250 million for adult apprenticeships, this did not compensate for the abolition of Regional Development Agencies (RDA): a cut of £1.5 billion. In its place a Business Growth Fund (BGF) has been established. This draws upon up to £2.5 billion from the private-sector and currently has a 'turn-over' threshold of £5 million for any business applying for equity funding. The ending of the North West Development Agency (NWDA) then, and with it the raft of support packages for small businesses including Small Business Loans and equity finance packages, represents a significant loss for the region's entrepreneurial activity.

59 TMP *Economic Review 2012*. P.24. (This figure excludes Halton.)

Summary

- The public-sector element of the composition of the Liverpool and LCR economy (considering the importance of the LCR as a centre of government administration as well as an area of social need) is significantly greater than for most other cities in England.

- This means that the City and its economic region are especially vulnerable to the effects of the 2010 CSR.

- Private-sector companies in sub-sectors such as business services, retail, sports and leisure, rely in part at least upon public-sector spending within Liverpool and across the LCR.

- These sub-sectors are now jeopardised by the scale of the reductions in government spending initiated by the 2010 CSR.

Benefits claimants

Cuts to welfare and the changes introduced by the WRA 2012 will have a disproportionate effect in Liverpool and the LCR compared to other parts of the UK. Naturally, in a City-region where more than 215,000 people are claiming benefits and with more than 104,430 on long-term ESA (May 2010), this will be the case. More specifically in Liverpool, given the extensive spread of deprivation over many of its wards, the social effects will be felt across the City. The figures for incapacity support also are particularly significant for Liverpool: 11.5% of the working age population being on IB, compared to 6.5% in UK.[60] This is one reason that Liverpool has been ranked the 287th least resilient area in the UK.[61]

Liverpool is placed 59th out of 63 urban areas for its total welfare bill.[62] Current figures show that in the City of Liverpool 76,860 people claim a benefit of some type. This breaks down broadly as 20,500 job seekers; 36,720 people claiming ESA; 7,540 lone parents; and 2,090 people claiming other types of benefit. For those claiming housing benefit the current figures stand at 43,436 in the social-rented sector and 21,536 in the private-rented sector. The housing benefit caseload has risen by 12% since March 2011.[63]

However it is when these figures are put alongside national averages that the starkness of the problem for Liverpool becomes clear (Figure 8).

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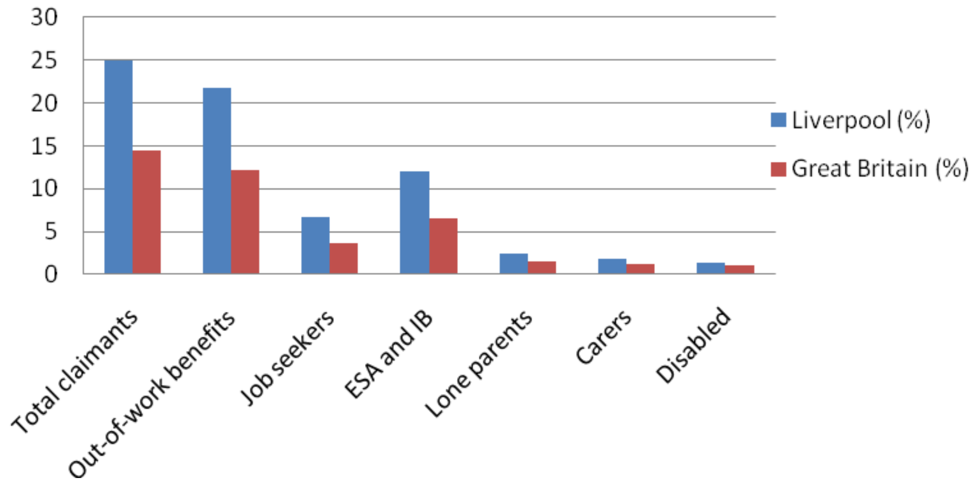
[60] NOMIS: March 2012.

[61] BBC study based upon an Experian data-set. Cited in the 2010 TUC report *The Impacts of Cuts in Liverpool and the North West*. P.9.

[62] Cited in LCC *Liverpool Economic Briefing 2012*. P.5.

[63] NOMIS figures obtained 12 March 2013.

Figure 8 **Working age benefit dependency**
(percentage working population)

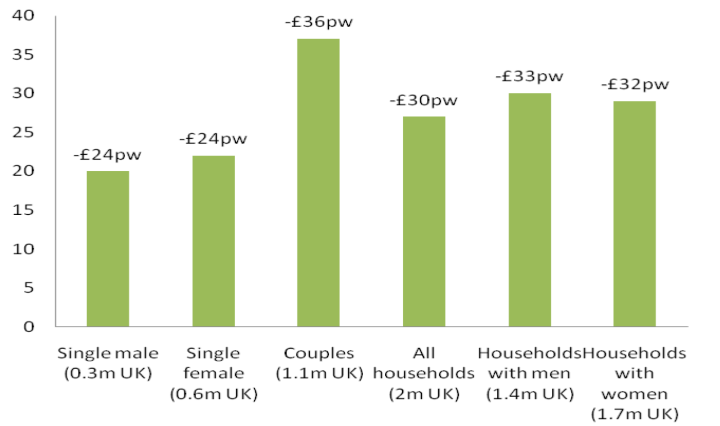


Even these figures mask the true degree of the inequalities that affect communities in Liverpool. In some parts of the City, as we have seen the JSA and ESA claimant rates approach three times the national average. Measures such as the total benefits cap, the moving of claimants onto the Universal Credit with consequent loss of entitlement, the shift from RPI to CPI for the indexations of benefits and new eligibility time-limits for some benefits, cannot but adversely affect disproportionate numbers of the poorest people in Liverpool. For many thousands of people and their dependents this, combined with the loss of emergency support from Crisis Loans and Community Care Grants and their replacement with emergency support set at higher thresholds of need, will lead to their social and material circumstances becoming desperate.

Indeed there will be differential effects according to household type resulting from benefits reform as the DWP's own estimates (shown in Figure 9) make clear. Variations in family size linked to ethnicity, for example are likely to create differential impacts upon households.

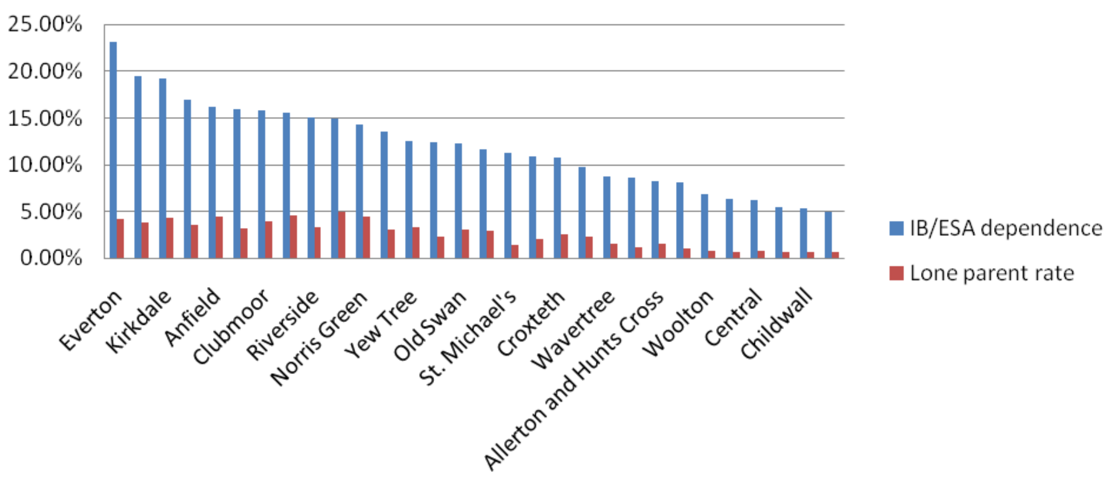
Figure 9 **Effects of reduced entitlement resulting from Universal Credit**[64]

(percentage loss by household type)



Even with transitional protections these losses of entitlement will cause severe hardship for many of those affected in the longer term. Perhaps greatest concern however should be for those households with children and, within this group, lone parent families. The proportion of Liverpool families with a single parent on benefits is around 47% more than the national average. A ward-level breakdown against total claimant rate is given in Figure 10.

Figure 10 **Income benefit/ESA rate and claimant rate** (percentages)



Reductions in benefits entitlement may mean then that in some parts of Liverpool, along with reduced levels of consumption and material comfort, the poorest children

[64] DWP, *WRA Universal Credit: Equality Impact Assessment.* November 2011. P.20

will also go through the harrowing experiences of eviction, school-moves in the most adverse of circumstances and breakdowns in family life with parents who can no longer cope.

Summary

- The benefits claimant-rate for Liverpool is significantly high compared to national averages, and is rising.
- The effects of reductions in entitlement and benefit caps will affect a disproportionately large number of individual claimants and their families compared to other English cities.
- High benefit claimant-rates combined with the extensive spread of deprivation in Liverpool will mean that these disproportionate effects will be felt at community and area-wide levels.
- Reductions in support for vulnerable individuals and families will put many more at risk of various types of crisis.

Health

A report by the TUC[65] in the wake of the 2010 CSR gave some examples of cuts and losses of funding for health programmes in the City. These included: funding for smoking-cessation work; funding for free fruit and vegetables for Key Stage 2 school children; funding for accident prevention work amongst children and young people; funding for improving Access to Primary Health Care for disaffected children; funding for the Education Health Partnership working with schools; and losses of funding for playground and park improvement.

At the strategic level, in March 2013 the Liverpool Primary Care Trust (PCT), along with the Strategic Health Authority covering the City, will cease to exist. The Liverpool PCT emerged as a Liverpool-wide body in 2006 following the merger of the three PCT's that had been operating in the North, Central and South parts of the City. The primary remit of the PCT has been to tackle health inequality, targeting in particular groups considered to be 'hard-to-reach' by services.

Influenced by the five 'health and wellbeing ' priorities of the New Economic Foundation ('Connect'; 'Take Notice'; 'Be Active'; 'Keep Learning'; 'Give') the PCT has supported a range of public health initiatives and health awareness campaigns that have had a measurable and positive affect on Liverpool's health indicators. Indeed, the PCT has been central to the partnerships that have delivered many of these programmes. Examples include: the campaign around men's health in Breckfield Community Centre:

[65] TUC (2010), *The Impact of Cuts in Liverpool and the North West*. Pp.3-4.

the work of the Social Inclusion Team around the Everton Park area; the ‘What’s Yours’ campaign that aimed to raise awareness of alcohol-related health issues; the work of the illegal tobacco unit; the Healthy Homes programme that addresses issues of safety in the private-rented housing sector; the ‘In-Harmony’ project that links music with health promotion; the ‘Active City’ programme, delivered in partnership with Liverpool City Council, that promoted cycling and swimming; free fruit at Key Stage 1 for Liverpool’s schools; dozens of Neighbourhood Health Centres across the City; a small grants scheme that has supported a wide range of health promotion efforts; the ‘Out of Hospital’ strategy that has brought doctors into closer contact with communities; the ‘Natural Choices’ initiative that aimed at creating ‘Green Spaces’ and improving the ‘health environment’ for Liverpool’s communities; ‘outdoor gyms’ in parks and public spaces; the ‘Workplace Wellbeing Charter’; mental health interventions that have targeted asylum seekers and ‘Men in the Mosque’; and the Making it Happen Partnership for people with Learning Disabilities. This list is by no means exhaustive.

One of the many achievements of the Liverpool PCT and arguably its most important in terms of influencing national policy, has been the ban on smoking in public places. The ‘smoke-free Liverpool’ campaign had already made significant progress towards implementation of this policy at the Liverpool-wide level when it was taken up as national policy by the Government at that time. The various elements of this campaign, such as ‘Smoke-Free Sports’ and ‘Smoke-Free Families’, have led to an improved smoking cessation rate for Liverpool.

The effects of this multi-focused battery of programmes and initiatives have been tangible in the City. Examples of success over the lifetime of the PCT include the following:

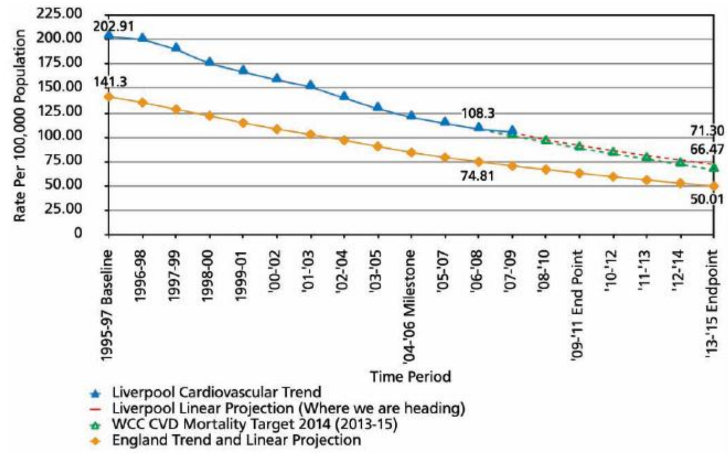
- Figures for Liverpool children at Year 6 learning to swim have doubled from 40% to 85% over the lifetime of the PCT.

- An improvement in obesity measures, especially amongst children at Year 6.

- A drop in smoking prevalence from 36% to 25% since 2006.

- An improvement in the statistics for cardio-vascular disease. (Figure 11)

Figure 11 Directly Age Standardised Mortality Rate CVD in Persons < 75 years



- Significant improvements in the uptake of vaccination and immunisation.

- Significant improvements in overall mortality figures for men and women.

One reason for the effectiveness of the PCT has been the ability of its leading professionals to work closely with other agencies and organisations. This has meant that a health perspective has been brought to bear upon and even made central to a range of service activities. Examples of agencies that have embraced health-based approaches in this way have been Mersey Travel and the Liverpool fire-service.

The 'reducing health inequalities' remit of the PCT will now pass to the Health and Wellbeing Board, managed from within the Local Authority and supporting GP doctors through the Commissioning Support Service. The bulk of the PCT budget also will now go to the Clinical Commissioning Group linked to this. There is a danger here however of a loss of focus upon the most vulnerable that has characterised the work of the PCT, a fragmenting of the impact of this concentrated health-promotion work and a loss of the partnership approaches and styles of working that have proved to be so effective.

Summary

- Improvements in health statistics represent one of the areas of success in Liverpool over recent years.

- The Liverpool PCT has played a crucial role in these improvements.

- The abolition of the PCT after March 2013 raises concerns regarding possible loss of strategic direction for community health promotion work in the City.

Housing and communities

The population profile of Liverpool continues to change in significant ways. A secular trend of outward migration[66] has slowed and even (for specific years) reversed since the 1980s. Inward migration has been concentrated mainly around the city centre and has been in part attributable to a growth in student numbers in the City. It has not in the main resulted from any redistribution of Liverpool residents. This shift has been accompanied by a decrease in average household size and an increase in the proportion of single occupancy dwellings in the City.[67]

Significant issues remain however with respect to vulnerable groups. A changing age composition for means that an increasing proportion of such households are occupied by older persons.[68] Issues arise in the current economic climate for some BME families who face difficulties achieving home ownership for reasons of low income.[69] It is also the case that a large proportion of residents with support needs due to a medical condition or a physical disability, live in social-rented accommodation:[70] a sector that faces further contraction under new government building plans.

Cuts in Homes and Communities Agency programmes mean that major area regeneration programmes will now end or are at risk of ending. The Housing Market Renewal Pathfinder programme and the range of interventions associated with it, will now finish for instance. The impact of this will be partially mitigated by the continuation of programmes within those areas protected by Statutory Renewal Area Declarations *e.g.* Anfield, Kensington, Picton and Granby. Those areas not protected in this way and previously benefiting from programmes supported by Housing Market Renewal area grants may now lose out considerably following the abolition of these grants and reviews of these local expenditures. Building funding from the new Regional Growth Fund (RGF) will be available under the City Deal for Liverpool and will be managed under the Mayoral Development Corporation.[71] However, replacement funding under RGF will not be available for all of the affected areas. Support from the RGF is premised upon 'economic impact' rather than primarily upon social need. Where this cannot be demonstrated within bids for local areas those areas will not be eligible for funding. The loss of area grants will also impact negatively upon street cleansing and rubbish removal, pest-control, landlord regulation, home safety and other neighbourhood management services.

The ending of a dedicated housing allocation within already reduced overall Capital allocations to local authorities, means that councils will now struggle to find locally

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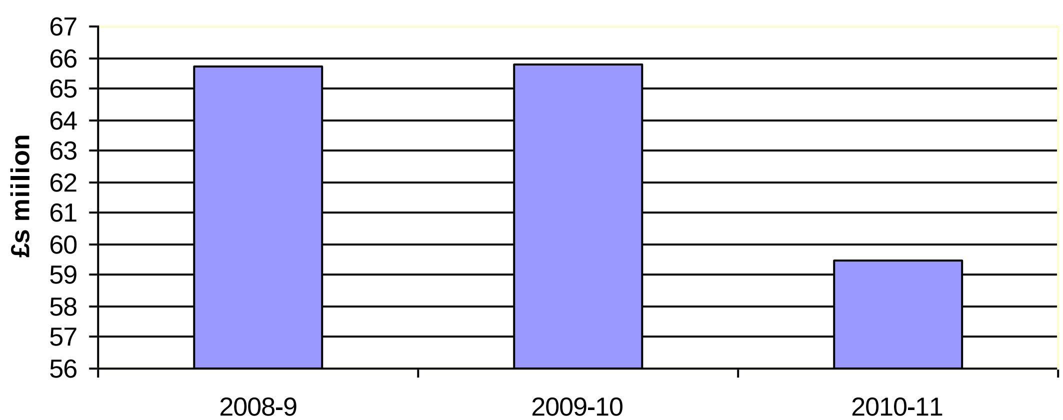
[66] The population of Liverpool declined by 16% between 1982 and 2008. NOMIS figures.
[67] Edge Analytics (May, 2011), *Liverpool: Strategic Housing Market Assessment*, May 2011. P.128.
[68] Edge Analytics (May, 2011), *Liverpool: Strategic Housing Market Assessment*, May 2011. P.256.
[69] Edge Analytics (May, 2011), *Liverpool: Strategic Housing Market Assessment*, May 2011. P.259.
[70] 2010 Household Survey. Cited by Edge Analytics (May, 2011), *Liverpool: Strategic Housing Market Assessment*, May 2011. P.259.
[71] Liverpool City Council, *Unlocking Growth in Cities – Liverpool*. 7 February 2012.

derived replacement funding for regeneration and affordable housing programmes. In this situation, pressures to raise finance to meet statutory responsibilities at the local level, for example to some 'equalities groups', may lead councils to further borrow on the basis of expected land and property valuations and future receipts.

Cuts in community support will now impact heavily on many already disadvantaged groups. For example, Liverpool's Supporting People programme, that before the CSR commissioned 380 services supporting 13,500 vulnerable people, will now lose a large proportion of its budget (Figure 12[72]). This is especially concerning when the complexities and multiple interactions of the needs involved are fully considered. The Local Authority's survey of needs of those accessing this type of support in 2010 illustrated this clearly in showing that 24% of respondents (456) had three support needs and 32% (599) had two.[73] This report also highlighted the particular problems faced by many vulnerable people in obtaining secure tenancies with sufficient access to 'floating support' as they needed it. The multiple needs of people with high levels of risk in their lives were emphasised also in the Local Authority's 2011 Homelessness Review[74] which gave a breakdown of the types of services being accessed by the 3,942 people accessing Supporting People funded services between April 2009 and March 2010: 855 using direct access services (including women's refuges); 1,809 using 'floating support' or outreach services; 56 using resettlement services; and 1,222 using supported housing (teenage parents, foyer and supported housing).

Figure 12 **Liverpool City Council gross expenditure for 'supporting communities'**



[72] Data from the Finance Office of Liverpool City Council (accessed 8 March 2012).
[73] Liverpool City Council (2010), *Updated Supporting Needs Assessment for Socially Excluded Groups 2010*. P. 8. The types of need referred to here include: Acquired Brain Injury; drugs/alcohol; HIV/AIDS; learning disability; mental health; offending history; physical disability/ sensory impairment; poor physical health; teenage parent/ pregnancy; domestic violence; harassment; young person leaving care.
[74] Liverpool City Council (2011), *Homelessness Review 2011*. P.39.

More specifically, under the Liverpool City Council 2010/11 savings plan[75] services for older people lost £1.3 million, services for 'people requiring care and support' lost £1.4 million and those supporting 'Socially Excluded Groups' lost £5 million.[76] Approaches to tackling fuel poverty will also now change with the abolition of Warm Front grants. Instead the approach will be that of loans through the new 'Green Deal' that is premised upon householder investment in their properties.

This submission cannot do justice to the full range of community provisions and types of community funding that are now being lost across the City. However, to give a sense of the scale of what is being taken away, some examples will be given here. These losses include: an overall reduction in the Sure Start budget with a 53% cut in funding for Children's Centres; three libraries to close (Edge Hill, Woolton and Great Homer Street) with reduced hours for those that remain; reduced funding for women's refuge services; cuts to drug rehabilitation services; cuts to adult social care and the removal of the 'moderate needs' band; the scrapping of school bus passes for 16 year olds; major cuts in spending for Youth Centres; reduced funding for museums and galleries: reduction in Floating Support Services to socially excluded groups; end of provision of school milk to 5-7 year olds; the closure of one residential unit (Millies) designed for short breaks for children with complex health needs; the closure of one Children's Social Care residential unit (Prescott Drive) for short breaks for disabled children; the ceasing of the maintenance of community and neighbourhood parks; the end of the Environmental Health night time noise enforcement service; the possible transfer of the discretionary school-crossing patrol service to be delivered by individual schools, utilising their own resources including volunteers *etc.* or through deployment of existing parking attendants; the reduction of the operational budget of Liverpool Vision and a reduction in the amount the City is investing in business support and job creation; the withdrawal of some funding from sheltered accommodation and community-alarms services; the end of day-time City Centre cleansing services; the reduction of current weekly collection of purple wheeled bins to fortnightly collections; a cut of £460,000 from Neighbourhood Management Services in 2012-13; the cessation of a dedicated Sports Development Programme and integration of a refocused and reduced service as part of the core sports centre offer; and the withdrawal of LCC funding contributions to the annual programme of sports events.[77]

Across the Community and Voluntary Sector the ending of funding and cuts to funding has also meant staff reductions within organisations, the end of many free support services and the end of many community projects. The ceased services have been mainly in deprived areas or to vulnerable people. A survey that was reported by the

[75] In the 2011-12 financial year Liverpool City Council had to make savings of £91 million. For the year 2012-13 a further £50 million of cuts will be made. For future budgets under the CSR still further reductions of £21.6 million (2012-14) and £39.3 million (2014-15) are threatened. A further £45.6 million will have to be found between 2015 and 2017.

[76] Report to Liverpool Housing Select Committee, April 2011.

[77] Liverpool City Council General Fund Budget 2012-13 and Forecast 2013-15. (Liverpool City Council Budget meeting, Supplementary Agenda) March 2012.

Liverpool Charity and Voluntary Services (LCVS) in December 2011[78] showed that many organisations had reduced the number of services they provide, including: welfare benefits, debt and housing advice; employment legal advice; business support; after-school and holiday provision for children; educational workshops and classes to young people not in education, employment or training (NEET); homeless people's services; support for older people and those with dementia; black and other racial minorities' services; gardening for people with learning difficulties; free clothing and meals for some groups; and services for young offenders and those missing out on education.

Summary

- Forced reductions in Local Authority spending for communities and support for the most vulnerable people are likely to lead to an increased frequency of crisis situations for Liverpool residents who are already vulnerable.
- Budget cuts to community support programmes are likely to result in deteriorations in the quality and fabric of the physical and social environments for many parts of the City.

[78] LCVS (2011), *Impact of Funding Cuts: Survey of Liverpool's Voluntary Charity and Faith Sector (VCF).*

Conclusion: ‘speaking up’ for Liverpool

The tenor of this report is of course ‘negative’. This is not so by intention: rather by the nature of the obtainable evidence. The City of Liverpool has been through a trajectory characterised by steady improvement on some economic and social indicators, followed by a faltering of those improvements resulting from recession and government action. The improvements that were occurring were, in part at least, connected to the increases in public-sector spending across the City and its economic region. There is a refrain of course that Liverpool is ‘too reliant’ on the public-sector. In fact Liverpool is ranked 8th (out of 63 areas) for the proportion of public-sector to private-sector jobs.[79] But more importantly, there is a preferential skewing of perspectives involved in this way of talking about the City. Government spending has been beneficial for Liverpool not just in terms of jobs created and meeting social needs but also, directly and indirectly for other parts of the City’s economy. It should be borne in mind that those who work in the major centres of administration in the LCR, far from representing a drain to the public purse, contribute to the maintenance of crucial national agencies and services. Moreover, it is not that what is being offered as an alternative to public-sector employment is a new world of manufacturing output and productivity. Rather, developments such as Liverpool Waters and Wirral Waters will be the latest chapter in Liverpool’s ‘service-sector’ economic history but without the wider social purpose or value that the public-sector represents.

The aim of this submission has not been to simply present a gloomy picture of the ‘prospects for Liverpool’: nor is it trying to predict the future. Moreover, within the limitations of time and the availability of relevant data it has been able to do no more than map out some broad areas of concern. However, it does however seek to set the level of alarm higher than that suggested certainly by government impact assessments and even by many local reports that focus upon one or other sector or social issue. Its aim has also been to state (and if, need be, re-state) the scale of the threat to Liverpool’s working and non-working residential population. As has been averred at different points, it is not simply the scale of public-sector cuts in particular that are so concerning. It is the fact that government action is working against the City and its people at more than one level. The combination of job losses, removal of area-based support, reduced benefits entitlements and reduced levels of personal support is a toxic mix that is likely to generate economic, social and personal difficulties for growing numbers of Liverpool’s residents, as well as new costs for the City.

As the dynamics of each of the different levels of crisis interact they are likely to cause downward cycles at City-wide, geographical area, community, social group and, (for the most vulnerable) personal scales. Indeed the reframing of what is meant by ‘vulnerable’ is itself an issue. The Coalition Government says it seeks to focus resources on those that need it most and as we have seen for example, the ‘moderate needs’ band has

[79] The Centre for Cities, *Crisis Outlook 2012*. Cited in LCC *Liverpool Economic Briefing 2012*. P.5.

been scrapped for adult social care with this justification. But a moment's reflection makes it obvious that those not considered 'most vulnerable' now will, with support removed, quickly become so. This is a recipe for a steadily expanding pool of people who suffer severe deprivation, desperation and social dislocation.

There are few things in our society worse than poverty, severe social need and their consequences for those experiencing them. What *is* worse however is when these are hidden. This submission has commented upon the very inadequate types of impact analysis offered by the Coalition Government. This, along with the Government's promise to local authorities to reduce the amounts of data they have to collect and the possibility of lighter regulation under 'earned autonomy' status, suggest that this is one possible danger now. The concerns put forward in this submission mean that contrary to being a time for reducing the amounts of data produced at the local level, this is rather a time for more intensive monitoring and gathering of the relevant data. The type of data required also needs to be considered with care. Impact assessments that use only tabulated financial receipts and monetised 'benefits-in-kind' do not capture the full effects of the *combinations* of benefit reductions and cuts to community support programmes for different social groups, living in different types of household with different social and cultural characteristics. To capture the full impact of these changes and others in the lives of social groups, families and individuals quantitative data must be used in conjunction with rigorous qualitative case-studies.

There is a historical dimension to the issues that have briefly commented upon here that touches upon the question of fairness (or perhaps more correctly, 'justice') for the City of Liverpool. Liverpool remains one of the most important ports in the UK with 40 million tonnes of cargo passing through its ports system and the Manchester Ship Canal each year. Once however, this meant that a great number of Liverpool's residents found employment amongst the hundreds of maritime trades that it supported. This is no longer the case. Technological changes in cargo handling meant that the numbers employed at the docks declined precipitously. In the 1980s Liverpool was badly hit by recession and lost a significant proportion of its population through outward economic migration. What we know of the then government's attitude to the City at that time is perhaps captured in the phrase 'managed decline'. The point here is that the social problems faced by people who live in Liverpool are not of their creation. A knowledge of the City's history is an important antidote to the crude and inaccurate stereo-type of the feckless Scouser.

As the skyline of the Liverpool waterfront changes once more with the rise of a new business district of acres of office floorage and new commercial spaces, the question arises: what will be the benefits for *existing* Liverpool residents? Will it be they or their children who will have the right kinds of qualifications and skills to work there? Will they be living in or near enough to the City Centre to be able to take up those new jobs, should they materialise? Will those who have been pushed down below a threshold that until now they did not imagine they would ever experience, be able to inch their way back in the new economy? Or, made recently redundant and coping on benefits at reduced levels of entitlement, lacking qualifications at the higher levels of attainment and skill and pushed to the outskirts of the City and beyond by inflated property prices and benefit caps, will they watch this ‘new Liverpool’ arise without them. For some the first scenario may become their reality. For many more however, it will not. Rather it will be the second scenario that most closely characterises their situations.

In considering the question of ‘fairness’ we should remind ourselves that we are not talking of ‘Liverpool’ in the abstract. Liverpool is a geographically defined urban concentration of human settlement and activity. Rather we are talking of the people of Liverpool: with jobs and without; with responsibilities and dependents; with a ‘world’ of identities and outlooks; and with things they are striving for in their lives. The evidence for the already disadvantaged circumstances within which many of those people try to make their way is, as we have seen, abundant. A model of economic development that is premised upon winners and losers to the degree that we are seeing is intrinsically unfair to these people.

The Liverpool Fairness Commission cannot reverse the effects of the Spending Review. Nor can it stop welfare reform. However neither need it settle for a compliant attitude of finding ‘practical solutions’ or innovative administrative means of ‘doing more for less’. It can, given the regional and national authority of its members ‘speak up’ with some effect. It can for instance, speak up for public-sector and statutorily-funded services in Liverpool. It can point out the dreadful effects of welfare reform for the City’s benefits claimants and indeed for its economic profile. It can lend legitimacy also to those who are emerging now as new activists and local campaigners trying to prevent the little they already had in their communities from disappearing altogether.

Recommendations

1. The Liverpool Fairness Commission should work with other agencies and partners to use its collective political influence and leverage to defend Liverpool's public and statutorily funded services.

2. The Fairness Commission should call for and find ways to support a full-scale quantitative and qualitative study of the impacts of the legislative programme of the Coalition Government on the residential population of the City. Such a study should be based upon 'impact' defined as 'life-effects' rather than consumption or monetised receipts only. It should consider likely scenarios for a range of typical social group cases. It should also take into account 'total' costs as defined in models of Social Cost-Benefit Analysis.

3. The Fairness Commission should call for the establishing of a social observatory that tracks these effects in the longer term.

4. The Fairness Commission should orientate itself in its publications and public pronouncements as a 'friend' to those who are working at community level as current residents and within existing services as users, workers and lead professionals to defend the public provisions upon which they rely and the services within which they work.

5. The key features of the work of the Liverpool PCT should be captured for their value in effective strategic public health intervention. These should be promoted with those agencies that will take over its budgets and that are charged with reducing health inequalities.

6. The Fairness Commission should continue to exist in some form until the end of the CSR period at least, to monitor and comment upon issues of social fairness in Liverpool. Responses to each new piece of Government economic and social legislation will be important in highlighting the difficulties faced by Liverpool's residential population.

Postscript

In the days before the completion of this submission two news stories appeared in the national and local media. The first was a story about a wild night's spending by a 23 year old London trader, Alex Hope, who whilst entertaining his celebrity friends in Liverpool, ran up a bar bill of £203,948. This included the purchase of a single bottle of champagne for £125,000. The interesting detail of this story was not so much that a city-trader had this sort of money to shower on himself and his friends that night. It was rather what it tells us about how the City is changing. We now know that there is a nightclub in Liverpool, Playground, at which it is possible to buy, for a price greater than that of a house in many parts of the City, a single bottle of bubbly. The second story was that on the Wirral, the first food distribution centres had been opened for those who cannot afford to buy a full week's food for themselves and their families. In Liverpool, the North Liverpool Foodbank had already been launched on the 19 November 2011, exactly one month before Playground's opening night.

The Spirit Level[80] has already given us clear enough warning of the kinds of social consequences we can expect from levels of inequality that these two news reports suggest. We have to ask now surely: is this the kind of Liverpool we really want?

[80] Wilkinson, R. And Pickett, K., (2010), referenced in the introduction to this submission.