An asset to use not strip

The size of the Public Sector in Northern Ireland

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Protecting Public Services
Supporting Public Servants

Preface

Dear Friend

Recent electoral results (at a local government level in the UK and national level in France and Greece) confirm a growing resistance to the failed and failing dogma of 'austerity'. At the centre of this resistance has been the labour and trade union movement which has determinedly focused on highlighting both the nature of the crisis we are enduring and the sort of society we should be creating.

We are all too aware of what threats neo-liberalism poses to the basic fabric of our society. Incredibly, despite the current hardship and threat suffered by the most vulnerable in society, the austerity 'monster' is never satisfied and every day its compliant media provide a list of 'targets' (public sector pensions, pay, the social security benefits system) that need to be 'dealt with' in order to restore economic well-being. The real agenda is to reduce the size of the public sphere by transforming public services into profit centres for capital and, in doing so, "***Americanise***" the provision of public services into commodities that are paid for at the point of use.

It is vital that in the 'battle for ideas' we challenge this propaganda onslaught. With this in mind we decided our initial research publications would focus on three dominant myths. The first, as it was an immediate threat, was to de-bunk the nonsense that public sector pensions are unsustainable. The second was to refute the idea that public sector pay was outstripping private sector pay due to it being, in some ways, a privileged sector, when in fact any public/private pay gap evidence that does exist is either contestable or explicable in terms of qualifications, age etc. Underpinning both of these specific myths is a general charge made against the public sector – that it is too big and 'crowds-out' the private sector.

This myth is the subject of this booklet. In it we highlight that the mainstream coverage of this issue is not about a dry economic debate on the appropriate balance of per capita spend to GDP but is, in fact, an expression of overt political opposition to public provision per se. ▶

The reason for this opposition is that such provision, and the progressive general taxation system needed to fund it, represents a form of redistribution that is anathema to a class which brought the world economy to the brink and now want us to pay the austerity price for their recklessness. In effect public services are an affront to those who think there is "***no such thing as society***" and who want to fulfil this idea by dismantling collective provision that remains outside private ownership.

The tide is turning against these elitist extremists who only support the state when it is 'rescuing' the banks and financial institutions. NIPSA is proud to play its part in this opposition, part of which is to equip our members and allies with a counter-narrative to the neo-liberal propaganda.

Yours sincerely

B. Campfield

Brian Campfield
General Secretary

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The size of the Public Sector in Northern Ireland

Introduction

Prior to the 2010 UK General Election, the then leader of the Opposition David Cameron outlined the "need" for immediate public sector cuts. When he was asked what areas he had in mind his first choice was Northern Ireland, where despite a tentative alliance with the Ulster Unionist Party, he knew saying this would not affect his electoral prospects. He stated "In Northern Ireland it is quite clear...that the size of the state has got (sic) too big"[1]. This followed a previous comment from him during the campaign that "In some parts of the UK the state accounts for a bigger share of the economy than it did in the communist countries of the old Eastern bloc – it is clearly unsustainable".[2] Showing his hand in this way, Cameron made explicit how opinion on the 'appropriate' size of the state is intrinsically political.

The purpose of the following paper is to discuss this fact within the debate on the size of the public sector in Northern Ireland. It examines long-standing and more recent criticisms of the public/private sector 'balance', explores the validity of the pro-market solutions that follow such critiques and makes the case for the benefit to society of public services funded by and founded on a properly progressive tax base.

A Modern 'Enclosure'

The Conservative/Liberal Democrat Coalition has presented a clear template for bringing about its programme, particularly those elements of it that most clearly unpick the residual protections of post Second World War social policy. This starts with a media "***shock and awe***" that presents the desired outcome for a tiny elite [who have never ceased to oppose the redistributive tenets of the 1945 settlement] as a necessary 'reform' to address long-term sustainability for the common good. This approach has been apparent in relation to the arguments made for Welfare, National Health Service and Pension 'reform'. In all these cases, what is happening is:

> **the destruction of the historic postwar compromise between the public and private sectors with the wholesale transfer of public functions to private enterprise. Their project amounts to no less than**

> **a modern enclosure movement, in which it is not common land but what is still left in the public sphere as a whole that is being wrested from the people. This enclosure movement is most evident in the NHS where the purpose of the Health and Social Care bill is to give private companies the power to take over services, managerial processes and infrastructure in every area of the Service.**[3]

A specific task for the mainstream media, owned and controlled by this elite, is to present the public sector in a hostile light and obsess on the need for its size and 'influence' to be reduced. In addition, the public sector must be constantly contrasted with an idealised private sector with which, they argue, it should be replaced. As Mazzucato (2011) outlines:

> **a perceived contrast that is repeatedly drawn by the media, business and libertarian politicians [is] of a dynamic, innovative, competitive private sector versus a sluggish, bureaucratic, inertial, 'meddling' public sector. So much so that it is virtually accepted by the public as a 'common sense' truth.**[4]

Furthermore, the pretence that this is not a political mission is attempted by this message being conveyed by more than political leaders:

> **Government...call on 'experts', increasingly classical neo-liberal economists or other related professionals to proclaim the message; the expert masquerades as independent thereby alleviating the government of political responsibility for the articulation of political views. Experts have become the ventriloquists for politicians in power who want to distance themselves from the ideologies they uphold.**[5]

A Climate of Hostility

This approach is commonplace within the deliberately narrow debate on the public sector and is usually signalled by the pejorative use of the word 'dependent' in such discussion. For example, this word dominates the language of those embedded reporters and house-trained accountants (many of whom have never shown any aversion to receiving payment from public funds themselves) who criticise the size of the public sector in Northern Ireland. The Northern Ireland Economic Reform Group (ERGNI), for example, a self-styled group of "***economists, accountants and businessmen based in Northern Ireland who wish to see a more successful and competitive NI economy***"[6] exemplify this mindset. Blithely ignoring the extent of social need, the regressive nature of the current tax burden (including for those who live in Northern Ireland) and the principle of collective provision, they state their aim as this economy being "***less dependent on a public sector subvention from taxpayers in GB***"[7].

Taking this theme of "***dependency***" further, in the ongoing debate about a Corporation tax reduction for Northern Ireland, their special pleading on behalf of the transnationals, saw them state that "***around half of all government expenditure in NI is financed by tax-payers in GB, and in reality tax-payers in South East England***"[8], and regret that this prevents the South East of England from using their subsidy of Northern Ireland and other regions to "***pay for thousands of miles of new motorway each year, as well as paying for many other public projects in these highly congested regions***"[9].

This focus, displaying a localism "***indistinguishable from laissez faire***"[10] contempt, leads ERGNI to view Northern Ireland and other regions in exaggerated comparative terms. For example, they state that:

> **If these regions [Northern Ireland, Wales and North East England] were independent countries they would either have to increase taxes or cut expenditure in order to keep their deficits at sustainable levels…To put the same point another way, the deficit regions are unable to generate sufficient income (GDP) to support their current levels of public expenditure."**[11]

If this hostile overview sets the tone, an ally of such a pressure group, the Confederation of Business Industry (CBI), is explicit on how, as a consequence, the public sector should be "***dealt with***". They state:

> **It has long been realised that, in order to create a healthy, stable and dynamic economy within Northern Ireland, we must redress the massive imbalance that exists between our public and private sectors…we have too many structures, with too many layers, employing too many people, often rewarded too highly, delivering too little.**[12]

Comparison of Public Sector Size by Region

While the above provides a snapshot of a narrow but influential political hostility to the public sector, it is incontestable that, in comparison to other UK regions/devolved administrations, overall public expenditure is higher in Northern Ireland. (See Table 1 below).

Table 1: Identifiable public expenditure on services by Country and Region

2010-11 outturn	£ million	% UK total	Per head	Public spending as a % of GDP
North East	24,764	4.5	9,501	60
North West	65,102	11.8	9,386	54
Yorkshire and Humberside	45,122	8.2	8,512	50
East Midlands	36,293	6.6	8,098	45
West Midlands	47,347	8.6	8,679	51
East	45,687	8.3	7,834	41
London	79,799	14.4	10,198	29
South East	64,170	11.6	7,529	34
South West	42,694	7.7	8,096	43
England	450,978	81.5	8,634	41
Wales	29,906	5.4	9,947	66
Scotland	53,085	9.6	10,165	50
Northern Ireland	19,197	3.5	10,668	68
UK (Identifiable by region)	553,166	100.0	8,884	43

Similarly, Table 2 illustrates that "*for every £1 spent by government in the UK as a whole, each person in Northern Ireland received an addition 21p in 2010-11.*" [14]

Table 2: Total identifiable expenditure per head (indexed) on services by English region and devolved administration 2005-06 to 2010-11

UK =100	2006-07	2007-08	2008-09	2009-10	2010-11
North East	107	107	108	108	107
North West	105	105	105	105	106
Yorkshire and the Humber	96	96	96	96	96
East Midlands	90	90	90	90	90
West Midlands	97	98	98	98	97
East	85	85	86	87	87
London	116	116	115	116	116
South East	85	85	86	85	85
South West	90	90	91	91	91
England	97	97	97	97	97
Scotland	118	117	115	113	115
Wales	113	112	111	111	111
Northern Ireland	123	124	123	121	121

Measuring the transfer of *Identical* Payments

Why should this be so? The short answer is that such spend is due to social security payment, its administration and the parity of provision that is centrally determined. While the Barnett formula, by which budgets are assigned to the devolved administrations is not without controversy, it relates spend to population size not a separate assessment of need. The requirement of parity alone, however, emphasises that the expenditure captured by the above tables is not about "*enhanced*" services in Northern Ireland or other regions, it is merely the transfer of **identical** payment albeit in greater proportionate numbers.

In this way, as the Irish Congress of Trade Unions (ICTU) points out, analysis of areas such as Northern Ireland, where a high proportion of households receive income from benefits, is difficult as:

> **Comparison of public spending as a share of GDP between…regions and the whole state…is unfair to the more deprived regions. In terms of the overall economic picture of need the scale of the public sector is measured in relative rather than absolute terms, principally its share of total GDP, but also it should be noted that it is a function of population size. GDP is a measure of output and a substantial element of public spending is about redistribution rather than output (i.e. redistributing income from tax payers to those on various kinds of benefits). Thus, taking all public expenditure as a percentage of total GDP tends to over-emphasise its real share of GDP[16].**

In addition, measurement of spending in terms of a crude split between public and private sector spend ignores the extent to which the original educational and training investment from which the private sector benefits, is made in and by the public sector. For example, the profits of private medical health care are founded on the fact that their medical staff have been trained and, should they carry out NHS work, continue to be rewarded by the state (to the detriment of those who may be waiting on a trolley for their availability). Similarly, if an individual teacher/doctor outside Northern Ireland, for example, trained in Northern Ireland and then moves to private education/medical practice in London, their training cost (within overall public spending) is seen as a negative by anti-public sector critics but celebrated as private sector autonomy once they are "***counted***" within a sector that did nothing to produce them. In this way, while at a regional level the difficulties of tracking are clear and it is also accepted that "***the region benefits from those who migrate here, to the extent that it remains a net exporter of skilled labour, the public spending comparisons are distorted***"[17].

No mere 'Legacy'

In terms of spend reflecting social security payment, therefore, what Northern Ireland receives will reflect, however imprecisely, relative deprivation. Even the source of this supposed regional "***largesse***", the Treasury[18] accepts this, commenting how, over a decade on from the Good Friday Agreement, "***peace has not in itself been sufficient to raise Northern Ireland prosperity to the UK average or even to the UK average excluding South East England***".[19] As a consequence, in comparison to 12 other UK regions, Northern Ireland was found to be in the lower half of the scale on a range of indicators (See Table 3).

Table 3: Regional Rank Indicators (Rank out of 12 Regions)[20]

Indicator	Northern Ireland's Rank in 2010
Working age population % of total pop	5
Participation rate	10
Unemployment rate	11
% employment in manufacturing	7
% employment in private services	12
Self employment % of total employment	2
GVA per person	10
GVA per manufacturing employee	7
GVA per private service employee	9
Average earnings	12
Disposable income per head	9
Consumers expenditure per head	10
House prices	8

While it is obvious that the shape of any regional economy will reflect a range of socio-political, historic and economic factors, in terms of Northern Ireland, this means its economy will reflect the longstanding effect of the 'Troubles', These have been summarized as:

> **the direct costs in terms of the dead, injured, damaged property/ infrastructure and job loss within the economy; the growth of a public sector to deal with higher need and additional costs (e.g. security); political uncertainty inhibiting the ability of firms to plan for the longer term and set down long-lasting roots in any particular place and indirect costs in terms of the diseconomies of conflict – inefficient labour and housing markets generated by**

intimidation and community division – the lack of social capital, the complex matrix of trust, collaboration and shared responsibility that some argue is a necessary precondition for successful development – community segregation that inhibits the scale on which local development can take place thus inhibiting opportunities for success[21].

Many of the local public sector critics are quick to dismiss as "special pleading" reference to Northern Ireland's Troubles 'legacy'. Such an attitude is, at best, wishful thinking and implies that these issues are merely remnants of a past rather than present and potent "facts on the ground". For example, the scale of sectarian division in the "new Northern Ireland" is still dramatic. As the Institute of Conflict Research report, the number of interface walls has quadrupled since the signing of the Good Friday Agreement. In addition over 90% of school provision is designated in religious terms and 90% of social housing remains similarly segregated. It is obvious, therefore, that in the context of strategic leadership that struggles to move beyond even gesture politics and given the time limited nature of the current peace and reconciliation funding (80% of which is externally funded[22]), the 'legacy' of the 'Troubles' will continue to demand significant resources from the State. Furthermore, any strategies that could address this legacy will involve major intervention not laissez faire abandonment and the wishful thinking of 'market' rescue.

While discussion of the Troubles gives Northern Ireland a distinct 'experience', what is striking about the overall GDP figures, however, is the similarity between Northern Ireland and the other 'outlier' regions who have suffered as a result of the economic imbalance that neo-liberalism demands. This common economic experience is reflected (however heavily caveated in statistical terms) in public spending particularly as reflected in Sectoral (i.e. public/private) employment profiles. Even allowing for the commonplace over-estimate of public sector and under-estimate of private sector employment in available data, how do the figures for the 'outliers' compare at a regional level? Table 4, below, provides this comparison of regional public and private sector employment.

Table 4: Public and private sector employment, by Nomenclature of Territorial Units for Statistics (NUTS2) sub region, 2010[23]

NUTS 2 Subregion	Public Sector Employees as a Share of Total Employees[i]	Public Sector Employee Density[ii]	Public Sector Employment Rate[iii]	Private Sector Employee Rate[iv]	Private Sector Employment Rate[v]
Northern Ireland	31.4	18.8	19.1	41.1	46.0
South Yorkshire	26.8	15.8	18.9	43.0	47.2
Tees Valley and Durham	27.9	15.3	18.5	39.6	46.5
Northumberland and Tyne and Wear	29.2	18.0	20.3	43.6	45.6
Merseyside	29.1	17.2	19.7	41.8	44.3
West Wales and the Valleys	31.6	17.3	20.5	37.5	43.9
Eastern Scotland	29.5	19.0	20.0	45.5	50.8
South Western Scotland	27.6	17.8	20.3	46.7	46.6
UK	23.0	15.2	17.7	50.7	51.9

i Public Sector Employee jobs located in the sub region as a share of total employee jobs located in the subregion. Source: BRES (Business Register Employment Survey)
ii Public Sector Employee jobs located in the sub region divided by the sub region's population of 16 to 64-year-olds. Source: BRES (Employees only) and mid-year population estimates.
iii Share of 16 to 64-year-old residents of the sub region who report that they are employed in the public sector. Source: APS (Annual Population Survey) - This survey slightly over-estimates public sector employment.
iv Private Sector Employee jobs located in the sub region divided by the sub region's population of 16 to 64-year-olds. Source: BRES (Employees only) and mid-year population estimates.
v Share of 16 to 64-year-old residents of the sub region who report that they are employed in the private sector. Source: APS (Annual Population Survey) - This survey slightly under-estimates private sector employment.

These figures reveal and reinforce the point of Northern Ireland's similarity to other post-industrial regions. Such similarity requires an appropriate discussion, not of "***what has happened to the regions?***" but how this came about i.e. "***what was done to the regions?***"

An Altered Economy

The overt political mission underlying the de-industrialisation policies of the Thatcher and New Labour Governments was to create a UK economy built on a 'deregulated' labour market and the establishment of the City of London as the investment capital of the world. As a consequence, former industrial/ manufacturing areas (that produced goods and the organised labour capable of defending terms/conditions etc. at the point of production) were deserted in favour of a 'service' economy that, at the highest end, traded on "***fictional capital***". This inevitably changed the nature of a "***national***" economy with the grossly disproportionate channelling of wealth to and through the City of London. This desire for the 'altered economy' dominated the social policy priorities of successive governments as:

> **A whole raft of policy initiatives...emerged to reflect this change in thinking. These ranged from the privatisation programme of the Conservative governments in the 1980s and 1990s that saw an end to state involvement in manufacturing, extraction and the utilities, through to early efforts to commercialise public service provision through Compulsory Competitive Tendering (CCT) in local government and market testing in the NHS and civil service.**[24]

While this political/policy shift distorted the focus of the economy its co-existence with retained (albeit weakened) national and public provision exacerbated the contrast between public services which have to be near all the people they serve and aspects of the 'service economy' that do not. This has inevitably led to clustering of private sector activity/employment in those areas where it is most profitable for it to operate. As the previous Tables illustrated, this is most evident "***where high private sector employment rates occur most often in sub regions in the south east of England [with] low private sector employment rates… found more commonly in the North or Midlands.***"[25]

Again, this emphasises the fact that the real contrast is not between Northern Ireland and the UK, but the greater south east of England and "***the rest***". This raises two issues. Firstly, the extent to which huge swathes of a "***national***" territory can be written off as "***outliers***" and secondly the meaninglessness of demanding that such "***outliers***" are compared within a market rigged to their disadvantage in that, irrespective of however positive their performance is compared to each other, the difficulty for Northern Ireland and the "***rest***" will continue to be "***due to London's increasing dominance of the UK economy***".[26] In the context of current mainstream political priorities, therefore, 'convergence' with the UK average is an illusion.

At a national level, in the early 1980s, the potential of the overall unemployment figure reaching 3 million was of huge symbolic importance to Government. As a consequence, there were a series of policy sleights of hand to redefine those who were unemployed. This shifted those formerly described as unemployed off the register, onto schemes or redefined them as "incapable of work". In addition to keeping the most politically toxic 'number' down, such political cynicism also has the additional effect of offering 'market' solutions (i.e. service available if you can pay for it) for the privileged and diminished provision for those who need it most. While:

> **Deprived regions will, in general, require more public expenditure, not just in the form of relatively higher numbers in receipt of benefits, but a higher share of social housing and more intensive use of NHS resources, richer regions…are beginning to exhibit a phenomenon known as wealth-social-exclusion where the rich 'opt out' of state schools, National Health Service facilities and so on. In turn, this means less pressure in such regions on the public sector to deliver the totality of services. Regions in which the public sector is responsible for the totality of services will have to spend more. Northern Ireland is one such region.** [27]

The altered economy, therefore, is the result of a political mission, the consequences of which are stark:

> **Britain used to be a fairly homogenous economy, with wealth relatively evenly spread out across its major industrial centres, much as it is in modern Germany. Not anymore. Post-industrial Britain has a very prosperous capital surrounded by equally wealthy suburbs. The Midlands and east are doing fine. The rest of the country has been falling behind at an increasingly rapid rate. The result is that there are huge disparities between output per head in the south and Wales, Scotland and Northern Ireland.**[28]

Even amidst such an overview, the illusion of a 'generally prosperous' capital is dangerous with "***poverty amongst plenty***" commonplace. This provides a living rebuttal to the fantasy of trickle down economics as some of the most deprived constituencies in the UK (the London Borough of Tower Hamlets, for example, within which 52% of children live in households with income below the poverty line[29]) survive in the shadow of the City temples of Canary Wharf.

'Crowding Out' the Private Sector?

The damage of an unbalanced national economy that is the entirely predictable consequence of neo-liberalism is rarely acknowledged in mainstream discourse, particularly where "***more of the same***" is recommended for the regions. As alluded to earlier, the desire for private sector "***enclosure***" constantly seeks self-serving advantage, dressed up as action to bring about necessary "***reform***". In addition to the word "***dependent***", the other common phrase used in this context is of the public sector "***crowding out***" the private sector. This is a longstanding complaint with "***such arguments simply…repackaged for consumption in the 21st Century, reframed with a regional focus.***"[30]

Furthermore in relation to the "***crowded-out***" illusion:

> **There is also absolutely no evidence of crowding out of the private sector when there is unemployment and there has been persistent unemployment in the Northern Ireland economy. Crowding out only happens when all resources are utilised and that is something that Northern Ireland can only dream about. There is already sufficient capacity available for the private sector to create all the jobs it needs… Redistribution between the public and private sectors is not consistent with the aim of growing the NI economy as a whole.**[31]

Regional Pay and "Crowding out"

In addition to the general idea of a private sector 'crowded out' by the size of the public sector is the specific allegation that this is due to the scale of earnings in the public as opposed to the private sector. This is a complex area but as we have previously highlighted (See *'A Trojan Horse for Regional Pay – The misuse of "pay gap" data'*, NIPSA, February 2012), while there currently exists "a 'raw wage differential' in favour of public sector employees (as reflected in the Annual Survey of Hours and Earnings [ASHE] analysis), once adjustments have been made to take account of factors such as age, experience and qualifications, this raw differential tends to become much lower"[32].

Furthermore:

- **Pay is less unequal in the public sector – those at the bottom get a bit more and those at the top get less than their equivalents in the private sector**[33]**.**
- **The private sector employs more unskilled workers on the minimum wage than the public sector, and the public sector has a high proportion of professional workers (such as teachers and doctors)**[34]**.**
- **The composition of sectors can change over time. If the public sector transfers lots of low paid jobs to the private sector through contracting out, average pay in the public sector will increase even if no-one gets a pay rise**[35]**.**

The real story is that far from being limited or "***crowded out***", the private sector in Northern Ireland has been "***free***" to pay the lowest wages in the UK (17.8% below the UK average). Furthermore, the 'aggrieved' private sector's leaders can find the major source of their distress in relation to the public/private sector pay gap by simply looking at their accounts as "***the public-private pay differential [is] greatest in Northern Ireland…*****primarily due to low private sector wages within the region**"[36] (See Table 6).

Table 6 Median Gross Weekly Earnings for Full Time Employees in the Public and Private Sectors

£	Northern Ireland		United Kingdom	
	Public	**Private**	**Public**	**Private**
April 2011				
Men	590.2	422.9	602.8	518.8
Women	549.5	333.6	522.9	383.5
All	557.9	394.2	555.9	476.2
April 2010				
Men	581.4	411.9	606.0	517.0
Women	509.9	320.1	516.2	378.8
All	537.1	380.9	554.4	472.6
% Change				
Men	1.5	2.7	-0.5	0.3
Women	7.8	4.2	1.2	1.2
All	3.9	3.5	0.3	0.8

Finally, far from a "***pampered***" region, the median gross weekly wage of full-time public sector workers in Northern Ireland is the lowest paid in any UK region (lower than Wales or the North East of England) and 10% below the UK equivalent. Even those economists who more recently have spoken "*off the cuff*"[37] or been quoted as casually accepting the need for regionally driven pay cuts, previously accepted that "*any attempt to radically reduce wages in the North is likely to lead to net out-migration of mobile, well-qualified staff*".[38] Similarly, previous comment from the same sources on the issue accepted "*there has never been any systematic evidence of crowding out of private sector recruitment. Indeed under-employment of graduates in low paid call centre jobs suggests that there is still an excess of well qualified people.*"[39]

False Belief in Market Superiority

As stated above the presumption of 'public sector bad/private sector good' underscores much current mainstream public policy discussion. This was recently demonstrated by a local economist (himself a longstanding employee of a publicly funded university) urging that the Titanic signature project, fifty percent funded by the taxpayer at a cost of £43.5million, should be run by the Disney Corporation as "*Civil servants and the public sector in Northern Ireland are too risk averse… too concerned with ticking boxes and keeping a bureaucracy going that clogs up enterprise...having a public sector input will tie the hands of enterprising individuals who have to do the hard sell*"[40]. That this year sees Mickey Mouse and friends celebrating the twentieth anniversary of their private sector operation in Paris carrying debts of €1.9bn[41] played no part in tempering such ideological prejudice.

This approach also operates in ignorance of how, far from being a barrier to innovation, it is the state that has traditionally played a key role in research and development. For example:

> **the algorithm that led to Google's success was funded by a public sector National Science Foundation grant... the molecular antibodies, which provided the foundation for biotechnology before venture capital moved into the sector, were discovered in public Medical Research Council (MRC) labs in the UK…**
>
> **the public sector has been the lead player in what is often referred to as the 'knowledge economy' — an economy driven by technological change and knowledge production and diffusion. Indeed, from the development of aviation, nuclear energy, computers, the internet, the biotechnology revolution, nanotechnology and even now in green technology, it is, and has been, the state not the private sector that has kick-started and developed the engine of growth, because of its willingness to take risk in areas where the private sector has been too risk-averse. In a policy environment where the frontiers of the state are now being deliberately rolled back, that process needs more than ever to be understood so that it can successfully be replicated. Otherwise we miss an opportunity to build greater prosperity in the future[42].**

If we were in the first flush of the Thatcherite 'revolution', the enthusiasm of the pro-market zealot's desire for experimentation, if not excusable, would at least be understandable. However, for all of the lessons of forty years of market failure, leading to the greatest economic crisis since the Great Depression, not to have dented such pro-market confidence beggars belief. While Northern Ireland will not necessarily be in the vanguard of market-led reforms, it will still be hit with the same ideological wave, including the softening up process of the 'battle of ideas' that precedes it. It is important, therefore, to continually highlight the evidence of failure for what is and will be proposed in relation to the provision of public services here. It seems highly unlikely, for example, that a rail commuter in the UK will need reminding what effect the privatisation of the railways in separating the "wheels from the steel" (splitting ownership/control/profit and rolling stock/track) has had on the pricing/autonomy and efficiency of this "service". Similarly civil servants in Northern Ireland who have seen what taking the 'person' out of 'personnel' (privatising the personnel function of the NICS, at a cost of £465 million over 15 years) means. Anyone with experience of such change will greet with incredulity any suggestion of efficiency or 'skill transfer' from the private to the public sector is delivered or should be replicated in future, comparable 'reform'.

These snapshots are only part of a robust body of evidence that challenges the public sector's self-interested critics. Even some previous 'enthusiasts' are learning from experience. An all-party Treasury Select Committee in 2011, for example, with a Conservative Chairperson, reported on the previous market-based "magic wand" PFI stating that "*The Private Finance Initiative (PFI) used by successive governments to pay for new schools and hospitals was poor value for money and no more efficient than other forms of borrowing and it was "illusory" that it shielded the taxpayer from risk.*" [43]

This emphasises the need for the rejection of the marketeers wishful thinking by looking in the 'book' rather than the crystal ball to see the evidence of the consistent failure of private take-over of public resources and reject the use of such a blunderbuss in a crude attempt to 're-balance' the economy. [44]

In particular such evidence should be used to challenge the CBI et al's obsession with selling off what can't be nailed down. Such short-termism ignores both the sustainability and utility of retaining assets. As has been commented upon in relation to the "sell off" cheerleaders - "***the word 'assets' should be a clue here. If you are trying to reduce a budget deficit why would you sell assets – i.e. things that generate revenue?***"[45]

The Case for Public Services

We are aware at a global level of the scale of intervention needed to rescue the world economy from the consequences of the financial sector's recklessness. Even at local level, however as the then Finance Minister, Nigel Dodds pointed out in 2008, the state's role was essential, ensuring that Northern Ireland was in a safer position in relation to recession **because** of the size of its public sector. As he told Stormont's Finance and Personnel Committee: "***The extent to which the local economy can degenerate into a recession is minimised by the size and influence of our public sector***".[46]

While it should not have taken the latest crisis of capitalism for this to be recognised, it is essential that the protection offered by the public sector is re-iterated, so that we do not take for granted what "saves" us. In this way we remind ourselves that:

> **The public sector represents an essential bulwark against continuing financial crises and the impact of the economic downturn. Whether it is sustaining employment, supporting businesses, mitigating the social costs of recession or underpinning training and education to provide the platform for future competitiveness, the public sector is the only cohesive force that can operate in the wider public interest.**[47]

A properly resourced public service, therefore, represents the opposite of the short-termism of the market-dominated approach. In contrast to an economic philosophy that underwrites the City's casinos, the Association for Public Service Excellence (APSE), inter alia, has estimated:

> **[with] every £1 of public money invested in public services through direct employment and through procurement of supplies and services a further 64p is generated in the local economy. The public sector is in fact a driver of economic growth through local multipliers of public spending. This helps to sustain more resilient local economies.**[48]

This approach also opposes the theory of job "substitution" (that a culled public sector job will be replaced by the growth of employment opportunity in the private sector) at the heart of the Coalition's economic policy that is currently being tested to maximum destruction throughout the UK. Two years of this 'experiment' and the entry into double-dip recession in April 2012 confirms its failure. Even if it could work in terms of the employment quantum, the jobs on offer cannot match the terms, conditions and protections of their public sector equivalent. Indeed the international markets use the pressure of their credit rating agencies to insist they must not. Ultimately, therefore, as a consequence, the demands on the public purse of a population impoverished by such cuts, even with the simultaneous assault on welfare payment, will be dramatic, delivering the damaging harvest that "sado-monetarism" always has. As Wilkinson and Pickett have summarised - "***almost every social problem common in developed societies – reduced life expectancy, child mortality, drug abuse, crime, homicide rates, mental illness and obesity – has a single root cause: inequality***"[49].

In this context, having already outlined Northern Ireland's already comparatively disadvantaged state, it is important to emphasise that:

> **Public employment and services act as an anchor in maintaining social and economic stability. Cuts in the public sector will have a negative impact on key social objectives such as:**
>
> - **reducing health inequalities and improving life chances;**
> - **improving educational attainment;**
> - **addressing social exclusion and poverty; and creating more sustainable communities.**
>
> **Ensuring resources are targeted to prevent the knock-on consequences of unemployment, ill-health, rise in crime, social breakdown, homelessness and the cycle of poverty this creates will provide better value for the public pound in the long term than reducing services at a time when they are most needed. The support, advice and assistance to businesses provided by public agencies can be a significant factor in whether they survive the economic downturn, while further and higher education institutions provide a vital role in education, research and skills development.**[50]

The challenge this presents to the philosophy that surrenders autonomy to the markets:

> **is based on the presumption that society *can* shape economic forces, not simply be shaped by them. It recognises that this recessionary moment contains the opportunity to innovate, re-imagine and transform economic systems. Northern Ireland is a small region; within the limitations of its devolved powers it has significant autonomy in framing its social policy. Further, its political sector is not only engaged in local and regional government but also participates within the national and European parliaments. Therefore, it is important to consider how this influence could be used to advocate an equality and rights grounded economic policy.**[51]

Revisiting the concept of public service

This argument in defence of public service provision is not about defending the status quo however. There is, of course, always a case for change, but "reform" needs a genuine progressive foundation i.e. it has to be about the philosophical basis of a public service not distorted by the importation of managerial ideology on how public services "should be run" or service "rationalised". It has to resist the casual "corporate management-speak" that has infected the very concept of service with one public servant commenting:

> **I know what my job is and I want to do it as well as I can. Indeed I would love my work if I could get one day's peace to get on with it. But I am beset at every turn by unintelligible, time wasting and fruitless management initiatives, constant change, ill-judged targets, wrong-headed 'commercial' exemplars and continuous and misguided restructuring. I have to watch as, instead of my 'customer' (actually patient, pupil, taxpayer) getting a better deal from me, the only beneficiaries seem to be those who can lobby for special treatment.**[52]

As ICTU has emphasised, therefore, central to a different approach is the challenge of "***reinvigorating the morale, commitment and energies of public sector employees who feel displaced by the endless managerial revolutions and changes in structure***".[53] A re-invigorated public service would challenge the philosophical basis that underpins the linguistic nonsense of "Northern Ireland PLC" and the setting of a PLC's behaviour/performance as the aspirational standard. The kindest reading of the 'PLC' language is that by such as phrase some of those who use it casually and unreflectively, imagine it suggests a move towards "delivery" and "customer" approaches that offer accountability, underscored by a threat of "taking your business elsewhere if not satisfied". This PLC phrase alone, however, exemplifies a failure to see that a PLC's rationale, target and reach are not comparable to a wider requirement/duty towards people who are citizens not shareholders and this duty cannot be based on customer/purchase arrangements or dominated by the power (money) that determines them. The key point of the public services is that they are neither "***private***" nor should they be "***limited***" (by ability to pay).

An alternative approach, therefore, is one that recognises that public service is the glue which holds a society together and offers protection from what improperly regulated charging (at the point of use) regimes have no obligation to address - the principle of "***universalism***" i.e. we pay collectively to gain collective provision. As a recent light-hearted 'day in the life' comment on this point outlined:

> **Got up at an unearthly hour… The labelling of our cereals and selling prices of clothes regulated by (public sector) trading standards officers. Daughter wore new school shoes… public sector child benefit a welcome contribution to the cost. Took kids to (public sector) school, ably helped across the (public sector) zebra crossing by the (public sector) lollipop lady. (Public sector) park looked beautiful in the sun.**
>
> **Got (private sector) bus to work … using my free (public sector) bus pass. Thank goodness for the (public sector) bus shelter to wait in, from which to watch the (public sector) workers clearing leaves from the (public sector) drains and gullys.**
>
> **Bus made good time… down the (public sector) A470.**
>
> **Various meetings over the day – public and private sector – in a mix of private sector venues. Safety of the food I ate regulated by (public sector) environmental health officers.**
>
> **(Private sector) home again – took daughter to (public sector) doctors, got free (thanks to public sector) prescription – manufactured by private sector but regulated by public sector – which was dispensed by a private-sector pharmacist (trained by the public sector).**

Put heating on as it was pretty cold last night – winced at thought of my heating bills (private sector – very lightly regulated by public sector).

Rang my mother (call costs – ditto), briefly watched TV (best programmes on public sector-funded BBC).

Eventually, far too late, I slept well, safe in the knowledge that the (public sector) police were preventing crime (well, trying to).[54]

The serious point here is that the root of the whole concept of "***cradle to the grave***" support was protection – a protection that the markets, as any student of history will know, even at their "***freest***" and most unregulated spectacularly both failed to and had no material interest in offering. That each crisis provokes the desperate return to Keynesianism (capitalism's recurrent attempt to curb its own excesses) is proof of this fact.

Hacker (2006) accurately outlines the basic political and economic insights that led to the creation of Social Security and in doing so captures the purpose of such universalism-dealing with huge common risks by sharing them:

Social insurance transformed individual misfortunes into common problems. It made the inevitable dislocations of capitalist society into risks that could be managed and distributed, rather than blows of fate that could only be feared and suffered. The 'insurance" in social insurance came from the power of aggregation: risks that could devastate an individual or community could be managed if they were spread across many individuals and many communities. The "social" in social insurance came from the principle of shared fate, the reassurance that "we are all in this together." All insurance pools risks. Only social insurance pools risks on terms that enable the poor as well as the rich, the aged as well as the young, the ill as well as the healthy to afford protection.

At the heart of this belief was a simple conviction:

broadly distributed threats to economic well-being – sickness, injury, disability, unemployment, penurious old age – were not the responsibility of individuals alone. They were a widespread and often unavoidable feature of an interdependent industrial society. And because they were, the cost of these risks should be distributed widely across the citizenry, not concentrated on those unlucky enough to experience them – a goal made possible by the unique power of government to compel participation and require contributions. Government could pool the risks of millions of citizens. It could guarantee that even workers of limited means are able to afford basic protections.[55]

Where's the money to pay for this?

This approach leads to an argument for more not less government and the universal protections it can offer. Any such case for the defence and expansion of public services, however, will be inevitably met, particularly in the "age of austerity" with the "where's the money to pay for this?" chorus. The answer to the question will not come with any variant of ERGNI's localism but by looking through the correct end of the telescope at the scale of wealth at national and international levels wherein the UK (still the seventh richest country in the world) operates tax arrangements designed to cosset the financially privileged from wider obligations to the society they feed off. It is interesting to examine figures from investment advisers Capgemini/Merrill Lynch, for example, on the world's wealthiest individuals or as they describe them the High Net Worth Individuals (HNWIs) defined as "those having investable assets of US$1 million or more, excluding primary residence, collectibles and consumer durables."[56] Here we find that, in the UK alone the number of HNWIs grew by 1.4% during 2009/10 from 448,1000 to 454,3000. Clearly, as opposed to "we're all in this together", weathering an economic storm, some are clearly thriving - betting/"trading" on company failure within markets, profiteering from vulture capitalism and restricting supply to increase markets yields on, inter alia, basic foodstuffs.

The scale of this accumulation has only been possible, as alluded to earlier, by reaping what was sown from a taxation regime established by and for those who refused to accept there is such a thing as society - until society in the form of public expenditure was called in to rescue them. At this juncture those who had spent their whole professional lives reacting to every public sector pay claim by saying that "governments can't just print money" remarkably found that Governments could do this and many other things – not least with the English language – now "enhanced" with a phrase such as "quantitative easing".

Anything beyond such rescue, however, has been declared out of the question, as austerity is imposed on the millions but not the millionaires. The reason for this is that, as Patnaik (2012) points out, globally:

Finance capital is opposed to large-scale state expenditure to stimulate the economy. It is not opposed to state activism as such, but it wants that activism to take the form of providing incentives to itself, of promoting its own interests, as the means of reviving the economy. It does not want direct state action for this purpose through larger public expenditure. Any state action that operates independently of finance capital, that seeks to work directly instead of working through the promotion of corporate-financial interests, undermines the social legitimacy of capitalism, and especially of the corporate-financial interests, for it raises the question: if the state is required to fix the system then why do we need the system at all, why not have state ownership itself? Finance capital in the U.S. therefore has no objections to $13 trillion of state support for stabilizing the financial system; but the moment the question of state expenditure for reviving the economy is raised, it begins to preach the virtues of "austerity" [57]**.**

In addition, as opposed to the self-interested hostile view on "fiscal transfer" from the marketeers complaining about the subsidies to the Regions, a more appropriate discussion of "transfer" would focus on the obscenity of those on highest earnings from their beloved South East of England siphoning profit through the tax avoiding "treasure islands" (Jersey, Guernsey, Cayman, Channel Islands etc.) as they pay, in proportionate terms, less tax. This was highlighted in the latest Treasury data which showed

10,000 UK taxpayers earn between £1m and £5m, and, of those, 10% pay between 30% and 40% in tax, 5% pay between 20% and 30% tax, and 3% pay less than 10%. The Treasury estimates that 400 taxpayers earn between £5m and £10m, and 5% of these taxpayers, or 20 individuals, pay less than 20% in tax. Of those earning between £250,000 and £500,000, 27% were paying tax of less than 40%.[58]

Furthermore, despite all the propaganda of a now unsustainable "benefits culture" and "over-generous" welfare frameworks for those on low income, the real regressive transfer again sees the current Government entrenching the fact that the poor, working or otherwise, pay more:

The Government's Universal Credit policy will mean that the lowest earners in the UK keep 24p in the pound as they increase their hours…This means that for someone on the adult rate of minimum wage, working a 35 hour week, the combined impact of income tax, national insurance and the withdrawal of Universal Credit as they increase their hours of work will mean that for every pound they earn they will lose 76 per cent, leaving them with net weekly additional income of around £51 more than if they weren't employed (and with a minimum wage of £6.08 an hour and a benefits system that is far from generous their actual net in work income is unlikely to be much above £200 a week).

In contrast, for someone earning a salary of (for example) £160,000 a year for the same number of hours would find themselves losing a net total of 36 per cent of their income in tax (the combined impacts of the different tax rates they pay on their total earned income, and of national insurance), leaving them with weekly earnings of around £1,969.[59]

Those arguing in defence of public services and the size, structure and resources necessary to deliver them, therefore, can not only reference the history of costly market failure but also argue for the necessity of a progressive chase for the £123 billion of tax currently uncollected, avoided or evaded in the UK.[60] Such an approach challenges:

the prevailing wisdom that tax is inherently a bad thing and that economic policy should prioritise tax reduction. Tax is an essential part of citizenship. Taxation is a communal contract which binds us together as a nation. We all benefit from the public services and so should all contribute according to our ability. As each generation benefits from free education, healthcare and security, they inherit the obligation to repay this debt. As our lives change, we rely on the continued support of those around us[61]

Conclusion: How else to build a Society?

We are all living with the consequences of market failure. As we have outlined however, its abject failure has not silenced its supporters. Now more than ever, therefore, particularly in those regional areas, previously rendered 'peripheral' and doomed to be no more rich pickings for the market's vultures, it is necessary to ask how else a society can be protected and improved other than by the retention, expansion and full use of commonly held assets?

In contrast to the 'light touch' regulation that left us at the mercy of the markets we have to acknowledge two crucial facts of economic life in Northern Ireland. Firstly, "***only the central state can impose regulations that apply to the whole***"[62] regional entity and secondly, and equally crucial, in a society that has seen the consequence of inequitable administration and the socio-economic deprivation it entrenched, the market's indifference to social consequence cannot be allowed to unpick advances already made.

In this way, given the current political system:

> **only the state can do certain things fairly. In this we mean that the pursuit of equality is only possible with a central state committed to the establishment of a national minimum...standard.**[63]

Furthermore these resources must be given a redistributive mission:

> **Public provision is more efficient than private provision and has the added benefit of bringing about an element of income redistribution that leads to a reduction of inequality. Indeed, the pursuit of equality is itself a political goal that should be at the heart of public service delivery.**[64]

Recognising the economic distortion arising from our particular political history, we have a public sector, relative to need and comparable post-industrial regions, that is proportionate. It can, of course, be reformed but from a progressive starting point of rejecting the proven failure of short-term solutions offered by the "market knows best" apologists. It offers the surest protection from and regenerative opportunity to advance out of austerity. Given current and forecast needs, the lever and redistributive opportunity that the state offers, provides the only basis for creating and nurturing a still fractured society in Northern Ireland. The public sector, therefore, is an asset to use, not strip.

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