

A HIGH PRICE FOR 'SUCCESS'



THERE are two reasons why I've decided not to have a go at John Major this week. The first is that there is already a fairly long queue of contenders on his own side. Just when he thought he could concentrate on the frontal onslaught that the Conservatives will get in local government elections this week, he has been caught up in between ground fire and land mines triggered by his own side. It's what the Americans sweetly refer to as being 'killed by friendly fire'.

Michael Portillo even managed to get in two salvos before he was despatched to canvas sheep on Exmoor for the foreseeable future. His first, managed (helpfully) to reopen the debate about economic and financial policies in Europe. The second blew out the candles on Mr. Major's 'triumphant' visit to Birmingham when it was discovered that, though Mr. Major promised they could have money for the city's new

Metro system, Mr. Portillo had written saying they couldn't. Such inconsistencies raise the same questions about the relationship between Major and Portillo, as of that between Matthew Corbett and Sooty. It's all town to which actually is the dummy.

And when you've got into this sort of muddle, the last thing you need is another helpful soul from your back benches naming tail of your Cabinet as being well past their ell-by date, and urging you to trade them in quickly for beer glasses or model cars at the Deal garage. With friends like that ...

The second reason for leaving him alone 9 more serious. Aneurin Bevan used to hide his Labour colleagues for chasing after the government on the small issues of the day, and ignoring the really big ones. Go to the heart of their policies and attack them where they feel strongest, he would urge, that is where the collapse will come from. Well, it's to one of the key elements of Conservative economic policies that I would like to turn your attention.

At the heart of government policies has been the belief that workers in Britain are overpaid; that our international competitiveness will only improve if wages can be lowered; and that the constraints on business that minimum wage agreements imposed (by way of wages councils and/or national agreements) were barriers to enterprise. The presumption was never pursued evenly. Top managers, who have been the engine room of the economy's own excessive pay awards, were simply 'urged' to be more responsible. Public sector workers had a pay freeze imposed on them. Short term contracts left growing numbers of workers with no employment protection at all. All of the 'growth' assumptions behind this have been clear and simple drive down labour costs and you will drive down prices; drive down prices and you'll boost sales and you'll raise demand and create jobs. The figures, we are told, are already beginning to demonstrate the truth of this. But look a little closer.

The Government acknowledges that most of the new jobs being created are part-time or short term. They also tend to be in selling rather making. They can also give a very misleading picture of any 'recovery' we are in. Last month the Low Pay Network published a study of 91 new supermarket jobs in

Stirling. All of the jobs were part-time and the average working week was only 1 1/4 hours. More importantly, only four of the jobs paid above the National Insurance threshold. One third paid less than £30 per week and seven out of ten paid less than £45 per week. If nothing else it shows the success of Government policies to drive down some people's wages. But there is a price that we all have to pay for this 'success'.

The 91 part-time jobs converted into 28 full-time equivalents, and it was the comparison of their 'contributions' that I found most fascinating. The 28 full-time worker would have paid some £42,000 a year in tax and NI contributions. The 91 part-time ones actually paid £1,470. The revenue collected by the Treasury fell by 96%. This is one hell of a 'success' story. What is more, the majority of households affected by the new jobs were also than dependent on means tested benefits. This is now. the steady trend in the economy.

By the turn of the century, on current trends, almost half of the workforce will be part-time. They will be paying far less in tax and national insurance, and will be ever more demanding upon the benefits system simply in order to survive. So who will pay?

It doesn't take an economic genius to know that if Government tax revenues fall and the bills they must pay out rise, sooner rather than later the other existing taxpayers will be asked to pay more. The Chancellor has been remarkably coy about spelling out who will pick up the bill, and how large it will turn out to be.


One of the great unrecognised qualities about full employment is that people in work pay tax and national insurance. They also spend their wages on goods and services which require other people to work and pay tax. The more people who contribute into pension funds, the more pensioners the funds themselves can support. It is the strongest argument why those of us who are 'getting on' (my kids call it 'knackered'...) have a vested interest in guaranteeing full employment to today's youngsters. We ourselves would be the principle beneficiaries in the decades to come.

All this ought to prompt a really serious rethink about the consequences of structural changes to the economy we live and work in. It is not to argue against moves towards part-time work or a shorter working week, but it is to challenge the flawed logic of poverty pay. The high water mark of Conservative economic policies may well turn out to be the source of its downfall; the creation of the ultimate 'nanny state' - where increasing numbers of workers are tied into a lifetime's dependency on state top-ups for wages that won't pay their bills; a society of indentured labourers, dwindling tax revenues, and high earners who don't wish to be high tax payers... It doesn't add up. It will not stand up. Sooner rather than later, something will blow.

In the last six months alone there was a fall of 113,000 full-time jobs and a rise of 210,000 part-time ones. If we want today's workers to also be contributors to today's and tomorrow's services, then we had better pay them enough for tax and NI contributions to be made.

Those who have set their faces most firmly against a minimum wage policy, simply need to ask themselves how much more, in direct taxes, they are willing to pay to make good the collapsing tax revenues that the Government's low pay philosophy carries hidden in its wake.

It is a high price indeed to pay simply for the 'success' of stealing from ourselves.

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