

Fact Sheet:

Public services in a recession

January 2009

In 2009 it is expected that the numbers of people claiming Job Seekers Allowance will increase to as much as 2 million, and the total number unemployed above 3 million.

Job losses are not confined to manufacturing, retail and financial services – redundancies and recruitment freezes are also hitting our public services. This Fact Sheet explains why we should be investing in public service jobs at this challenging time.

JOB LOSSES IN THE PUBLIC SERVICES

In the first three quarters of 2008 there were 34,000 redundancies in “education, health and public administration” (a category which includes public, private and voluntary providers of public services). This was offset by greater recruitment so that total employment in this sector grew by 84,000 over the same period (1).

This year growth in spending by central government is set to slow, from the average annual 4 per cent seen since 1999, to 2 per cent for 2009 and 2010, a result of the 2007 Comprehensive Spending Review. At the same time council tax is being held down, with 2008-09 seeing the lowest growth for over a decade, while councils build up reserves.

On top of this many councils, health trusts, and other public service employers have seen their finances adversely affected by the credit crunch. By the end of 2008, 13 per cent of local authorities said they had made redundancies as a direct result of the economic slowdown, and 22 per cent had introduced a recruitment freeze (2). Surveys indicate that planned council job losses could total more than 70,000 (3). Housing Associations and voluntary organisations are also shedding jobs and leaving vacancies unfilled.

THE ECONOMIC BENEFITS OF PUBLIC SERVICE EMPLOYMENT

Public service job losses will further deepen the recession by taking demand out of the economy. Research has shown that every pound spent on local public services generates an additional 64 pence of spending local businesses, helping regeneration (4).

Economists have warned that “for some cities and regions public sector employment will play a very important stabilising role in the downturn. Reductions in public expenditure would have a pro-cyclical effect and will make it more difficult for these cities to weather the economic storm” (5).

Other experts have warned that job cuts are a “false economy” for employers – every redundancy generates an extra £16,000 in average additional costs, as well as hitting the morale, motivation and productivity of remaining staff (6). Public service job losses also have an adverse affect on the government’s finances – public service employees pay tax on their earnings, while any made redundant will simply add to the numbers needing unemployment benefits.

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THE INCREASING NEED FOR PUBLIC SERVICES

We need public service workers to help us get through this recession:

- Local authorities are reporting a rise in demand for debt counselling, housing advice, employment guidance, community finance and business support.
- Voluntary organisations are also needed to respond to a greater incidence mental illness, relationship breakdown, domestic violence and homelessness.
- The NHS is ensuring that the loss of income or a job does not mean losing the entitlement to the best possible healthcare at the point of medical need.

Public service workers are also needed to lay the foundations for recovery and a better future: a skilled and healthy workforce, strong and prosperous communities, working infrastructure and a clean environment. Right now we have serious shortages in areas such as planning and housing development; education and child protection; hospital and community care services; and social care, where another million workers are going to be needed over the next fifteen years to provide quality care to an ageing population.

WHAT CAN WE DO

UNISON is calling for a **review of public service job losses** that would further depress local economies and jeopardise social policy goals. Trade unions have a key role to play in negotiating redeployment and retraining. Councils, health trusts and other commissioners must also ensure that private contractors are not cutting jobs and pay.

We should also **accelerate public investment** in affordable housing, schools and health facilities, and environmental projects such as flood protection measures, to create jobs and boost demand. This cannot be dependent upon private finance and private developers – councils and other public bodies must be empowered to invest directly.

We can **expand public service apprenticeships**, creating employment opportunities and secure the future of our services. Public sector apprenticeships would have to increase by 40 per cent simply to match the private sector. Providing apprenticeships must be a requirement on private firms contracted to provide public services. Trade union involvement is essential to ensure that apprentices are properly paid and properly trained.

Ultimately government must commit the necessary **increases in public funding** to meet growing public service needs. Currently there are plans for a further sharp slowdown in public spending growth from 2010 to reduce deficits created by the collapse of the financial sector – and others are arguing for even bigger cuts. This will be bad for our public services, bad for our economy and bad for our society. Public debt should be paid off by taxing those best able to pay, not cutting services upon which the majority depend.

NOTES

1. Office of National Statistics, Dec 2008.
2. Local Government Association, Dec 2008.
3. 'Councils start to shed jobs in their thousands', *The Times*, 14 Jan 2009.
4. APSE, *Exploring the economic footprint of public services*, 2008.
5. Work Foundation, *Hard Labour: Jobs, unemployment and the recession*, Nov 2008.
6. Chartered Institute for Personnel Development, Jan 2009.

More information at www.unison.co.uk or call 0845 355 0845