



## **FINANCIAL AND ECONOMIC CRISIS**

**Statement agreed by the UNISON National Executive Committee 8 October 2008**

The crisis in the financial system, caused by the greed and irresponsibility of a privileged minority, now threatens the living standards and future security of millions of ordinary working people. Jobs, homes, savings, pensions, and essential public services are at risk.

Some warn that we could be about to enter an economic downturn of historic severity. Output is now falling and unemployment is expected to rise above two million over the coming months.

Public services and the staff who deliver them are not immune from these developments:

- The economic slow-down is already having a negative impact on tax revenues and the resources available for public spending, squeezing central and local government budgets and adding pressure for further pay cuts, and increasing recruitment freezes and redundancies.
- Due to the government's excessive reliance on private finance under schemes such as PFI, and on private providers that have been bought up by private equity and laden with debt, the credit crunch is also leading to an abandonment of necessary investment in schools, hospitals, social housing, care homes, and other essential facilities and infrastructure.
- Many public service workers, including 3.5 million local government employees, save into pension funds whose viability is now threatened by the destruction of the value of their asset base. Pension funds are particularly at risk of losing their share of global capital assets in current conditions because speculative funds have a trading advantage.

These are matters of urgent concern, not just for public service workers, but for our entire society and economy. This is because public services have a vital role to play in protecting individuals, families and communities from the worst effects of an economic downturn; and because investment in public services and public infrastructure will be essential to stabilising our economy, maintaining demand and employment, and underpinning future growth.

UNISON therefore calls on the UK government and all relevant regulatory agencies to take bold and principled action to protect the public interest and the living standards of the majority:

- working people, particularly the lower paid, must be protected from the worst effects of the crisis. Relief from rising fuel bills must be financed by a windfall tax on the profits of the energy sector, combined if necessary with price controls. Measures must be taken to minimise evictions and homelessness, including empowering councils to take on threatened homes. The current public sector pay policy, which imposes real terms pay cuts on millions of public service workers, must be abandoned.
- protective measures to help pension funds deal with the current crisis, and prevent enforced closure of schemes, must be developed. Member-nominated representatives must be given 50% of seats on pension boards as promised, and the Local Government Pension Scheme

must be reformed to provide the same representation. Member representatives must be included in discussions of future market regulation and economic policy.

- spending on public services must be increased to meet greater social need and counteract the downturn in the private sector. This will necessitate an increase in public debt, currently low by international and historic standards, and a rebalancing of our system of taxation so that corporations and wealthy individuals are required to pay their fair share.
- to make up for the increased costs, risks, and likely shortfall of private investment afflicting PFI and other privately financed schemes, we must return to direct public sector investment in and ownership of public service facilities, affordable housing, and other essential infrastructure. Too often we have seen the market fail to serve the public interest and the public sector forced to step in and pick up the risks created by the private sector – a phenomenon we are now seeing repeated again on a grand scale.
- to stimulate investment and growth throughout the economy, interest rates must be cut as a matter of urgency, and the monetary policy pursued by the Bank of England needs to move on from an exclusive focus upon controlling inflation to one that also seeks to ensure high levels of investment and employment.
- intervention to secure the banking system should not merely “bail-out” those who have caused this crisis by socialising the losses and taking on unprofitable parts of the sector. Instead any public financial support for the sector should entitle the public to share in the benefits of any future recovery, and must be accompanied by an extension of regulatory controls to ensure that the excesses of the recent period are not repeated or rewarded. The bonus culture that has fuelled destructive risk-taking in the financial sector must be brought to an end. At the same time appropriate measures of protection and support are needed to ensure that lower paid financial service employees do not pay the price of others’ irresponsibility.

UNISON supports the recent declaration of the ETUC that this crisis must mark an end to the “casino capitalism” which has placed the pursuit of speculative gain before investment in productive industry and essential services.

The UK has been home to many of the worst excesses of this phenomenon, and is now especially exposed to the fall-out. We therefore also support the statement of the TUC general council calling for a new economic programme for the UK that puts fairness and the needs of the majority first.

Thirty years of deregulation, privatisation, financialisation, tax-cutting and tax-evasion have resulted in an unprecedented widening of inequality and concentration of wealth in the hands of the few, and a massive burden of risk transferred to the many. The neo-liberal era has ended in failure. We need now to begin to rebalance our monetary and fiscal framework, our system of taxation, our regulatory regimes and our overall pattern of investment and economic development.

Public services will be fundamental to this new settlement. The lasting legacy of the current crisis must be a clear recognition of the necessary role of the state, both in its regulatory role and as a provider and guarantor of stability. In the past it has always been the public sector that has led the way out of recession by picking up the pieces of the market’s failure and serving as the engine of renewed economic growth, and over the next few years it must do so again. Now more than ever we need public services, provided to all on the basis of need by a publicly accountable and properly funded public sector, to carry our economy and our society through these difficult times. This is the bedrock upon which we will better advance social justice and the public good in the years to come.