UNISON’s alternative budget

The cuts aren’t working:

An alternative budget for jobs and public services

Rising unemployment

The starkest evidence that the government’s austerity measures are not working can be seen in the growing number of people who are either out of work, or underemployed. Unemployment is now at a 17 year high (1) and predicted to rise to more than 3 million. The TUC estimate that if you include those who are underemployed (e.g. those who take part time work because it is all that is available) the number is already at 6.3 million.

Most current job losses are in the public services. Because women make up the majority of the public services workforce, they account for a bigger share of the growing number of newly unemployed. Of the extra 48,000 unemployed in the three months to December 2011, 32,000 were women.

This situation is likely to become far worse over the coming months, with 80% of George Osborne’s spending cuts still to come (2). This will have serious consequences for both the people who deliver public services and the millions who rely on them.

- the share of national income devoted to public services is being cut from 26% to 20% – back to the level of the 1990s, though today’s needs are greater. In November 2011 the Office of Budget Responsibility revised upwards its estimates of public sector jobs losses to 710,000 (3).

- already 50 further education colleges, 350 police stations, 600 libraries, 1 in 5 social care providers, 1 in 4 careers advice centres, and half of all domestic violence services are expected to close. 124 Sure Start centres have already
closed since the 2010 General Election, with a further 126 children’s centres expected to close. (4)

• schools and the NHS are also cutting staff and services, despite promises to protect them, because funding isn’t keeping pace with pupil and patient numbers. The Government estimates that redundancy costs resulting from the Health and Social Care Bill reforms alone will cost £810m (5)

The squeeze on living standards

Coupled with the rise in unemployment, austerity measures are also resulting in an unprecedented squeeze on living standards. Public service workers coming out of a two year pay freeze (three in local government) now face a government imposed one per cent pay cap, well below the rate of inflation. At the same time changes to tax credits will result in hundreds of thousands of parents who work part-time losing thousands of pound a year. As a union that represents people who are predominantly on low to middle incomes, and where many of those that we represent are women who work part time, we are acutely aware of the human scale of these measures.

False economy

Rising unemployment and real terms cuts in household income have a corresponding impact on the UK’s prospects for growth.

This is because most spending cuts are a false economy – the redundancy costs and knock-on effects on employment, growth and tax revenue and consumer confidence will make the situation worse.

• on average every redundancy creates £29,400 in additional costs to the public sector as well as undermining morale and productivity (6)

• most of the cost of employing a public service worker is recouped by the state through increased tax revenues and reduced benefit payments (7)

• economic research shows that for every pound spent on local public services, 64 pence is re-spent in local economies, supporting jobs and businesses (8)
• independent economists have estimated that the cuts will result in the loss of over 450,000 private sector jobs on top of those lost in the public sector (9)

• already £111bn has been added to projected borrowing over the next five years, as a result of lower growth expectations following the Coalition’s cuts (10)

The Government should be investing to help our economy to grow, not cutting front line services and wasting money on ministerial vanity projects like the NHS reforms and free schools. David Cameron and George Osborne sold their plan for the UK economy as the only option – but in the United States of America, where President Obama has made shallower reductions in public spending, unemployment is at a three-year low, private sector employment has grown for 23 straight months and the US economy has grown for the last 10 straight quarters by an average of 2.4 per cent.(11)

The cuts are unfair

David Cameron has failed to meet his claim, shortly after he became Prime Minister, in June 2010 that he would “make sure we go about the urgent task of cutting our deficit in a way that is open, responsible and fair… that strengthens and unites the country. I have said before that as we deal with the debt crisis we must take the whole country with us – and I mean it.” George Osborne’s assertion that “we’re all in this together” sounds increasingly hollow.

These cuts will damage everyone’s quality of life, and hit the poorest hardest:

• analysis commissioned by UNISON and the TUC shows that an average household uses £21,000 of services per year, but these cuts mean a reduction in living standards equivalent to around 8% of their income (12)

• the poorest households are even harder hit, facing cuts worth 29.5% of their income – fifteen times more than the richest (12). In addition, benefit cuts will push almost 1 million people into poverty – 300,000 of them children (13)
women are hit disproportionately – bearing ¾ of the adverse changes to tax and benefits, as primary carers and users of public services, and a majority of the public service workforce hit by job losses and pay cuts (14)

public service workers facing pay cuts and shrinking pensions are not the “fat cats” portrayed in the media – the majority earn less than £23,000 a year and around 1 in 4 earn less than a ‘living wage’ of £7.60 an hour (15)

meanwhile bankers’ pay and bonuses continue to rocket, corporations are sitting on unprecedented cash surpluses, and total tax avoidance and evasion – much of it by banks we bailed out

The alternative: jobs, public services and growth

It is increasingly clear that the cuts aren’t working. Austerity will lead to a lost decade and should be ditched in favour of a policy that prioritises jobs. This should involve calling a halt to cuts that damage services and needlessly put those that deliver them out of work. The government’s pay policy should be reversed and tax and benefit changes that reduce the incomes of those on low to middle incomes shelved. At the same time the government need to introduce measures that deliver investment in the skills and infrastructure our economy needs for the future. A state investment bank, similar to those that exist in Germany or across the Nordic countries, would complement a modern industrial policy and could target credit to where it is needed as an aid to boosting growth. This isn’t about being bigger spenders, but about being wiser spenders – boosting consumer confidence and investing for the long term. Reversing decline and having an economy that works for ordinary people.

Any additional public spending required to put this alternative policy in practice should be found from making tax fair and tackling real waste.

Making tax fair

Significant sums could be raised without affecting the incomes of the majority if we made sure the financial sector and the super-rich paid a fairer share. For example:

Between £35bn and £70bn could be raised each year by tackling tax evasion by individuals, companies and other organisations (16)
£23bn could be raised every year by introducing a Major Financial Transactions Tax (or ‘Robin Hood Tax’) on UK financial institutions (17)

£4.5bn could be saved every year by reversing the government’s cut in corporation tax to levels lower than the US or any other G7 economy (18)

£3.6bn could be generated by restricting tax relief on pensions to 20% for incomes over £100,000 a year (19)

£3.5bn could be raised every year with a permanent tax of 50% on bankers’ bonuses in excess of £25,000 (20)

£2.3bn could be raised every year by a extending the 50% tax rate to incomes over £100,000 (21)

£1.76bn could be raised each year by withdrawing corporation tax relief from pay and bonuses of more than 10 times average earnings (£26,200) a year in the banking and finance sectors (22)

£1.7bn could be generated by introducing an annual 1% tax on domestic property values above £2m – a proposal supported by 75% of the public (23)

£5.5bn could be raised every year with an Empty Property Tax on vacant dwellings which exacerbate housing shortages and harm neighbourhoods (24)

£14.9bn could be raised every year by using minimum tax rates to stop reliefs being used to disproportionately subsidise incomes over £100,000 (25)

**Cutting real waste**

There are also ways we make sure public money is used effectively. For example:

- £76bn could be saved over 40 years by cancelling Trident (26)
- £15bn could be saved each year if we brought military spending closer to the EU average, reducing overseas commitments and focusing on domestic security (27)
- £6bn could be saved in reduced tax credits and improved tax revenues every year if private companies paid all their staff a living wage (28)
- £3bn could be saved in user fees and interest charges every year if PFI schemes were replaced with conventional public procurement (29)
- £1bn could be saved in 2012/13 by halting the NHS reforms contained within the Health and Social Care Bill (30)
- £1bn could be saved every year by halving the local government agency bill, as has been achieved by high performing councils (31)
- £1bn could be saved every year by eradicating healthcare acquired infections from the NHS – the extra cleaners would cost half this (32)
• **£1bn** could be saved every year by ending the central government use of private consultants who bring little discernable benefit (33)

• **£0.6bn** could be saved by cutting the use of outside consultants for “technical support” at the Ministry of Defence (34)
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