

Investment not Cuts!

Unite is committed to defending and valuing public services for all, and the people who work in public services. The ConDem coalition government has said that reducing the deficit in the public finances is “the most urgent issue facing Britain”, arguing that their Emergency Budget and deep spending cuts are ‘unavoidable’. Unite believe this is wrong. If successful the massive public spending cuts will lead to widespread job losses and service closures that will damage the wider economy and jobs, lead to a massive ‘rolling back’ of what public services are available and damage the quality of the public services that remain. As well as outlining our economic thinking below Unite have produced a range of campaign materials for members to fight against the impact of the spending cuts in their local area.

There is an alternative - we need economic growth through investment in public services - not cuts!

What we know about planned cuts so far;

- In plans laid out so far by the ConDem coalition actual cuts to public services, benefits, pay and jobs is £145 billion over the next 6 years. That is 10.3% of our GDP – the measure of our economy as a whole – and twice the depth of the cuts that Thatcher made.
- The Treasury predicts these cuts will lead to at least 500,000 public sector jobs and between 600,000 and 700,000 jobs in the private sector being lost by the end of this parliament. However, the Chartered Institute of Personnel and Development has estimated that government spending cuts could lead to up to 750,000 public sector workers losing their jobs. Professor David Blanchflower has concluded that the private sector job losses will be greater than Treasury estimates, as these are based on totally unrealistic assumptions.

Are these cuts needed for the good of the economy?

- In short, they are not. The argument, from government and repeated across much of the media, is that these cuts are necessary to address the deficit in public spending by the Labour government. However, Unite, the TUC and many economists recognise that the deficit is not because of ‘reckless’ spending on vital public services. Instead **the deficit was caused by the sharpest recession in this country since WW2** amid a global economic downturn.
- In contrast to what the government is saying, the cuts being implemented are likely to make the deficit worse. Public spending is an economic multiplier – that is, when public money is spent in a local area on staff, services and goods it generates more money and wealth in that area than the original spend. For example, the Association of Public Service Excellence has found that for every £1 spent by a local council, £1.64 is generated in that local area. Therefore when you cut public spending you not only lose the public services and staff supported by that spending, but you also lose the additional money and wealth that would have been generated for local businesses. If we take the initial £1.165bn cuts imposed on local government this year, not only has this £1.165bn been lost but so has the extra £745.6million that would have been generated and could have helped pay back the deficit.
- This is also why not only will the public spending cuts lead to public sector workers losing their jobs, but many jobs in the private sector will also be put at risk. Unite does not want to see a return to climbing unemployment and the economy tipped back into recession.

What other damaging impacts would the spending cuts have?

- As well as pushing us back into recession, making the deficit worse and increasing unemployment the combined effects of the public spending cuts on services, changes to the benefit system and taxes is going to hit the worse off the hardest. Economists Tim Horton and Howard Reed has estimated that the total impact on the poorest 10% of households will be £1,514 a year – 21.7% of their household income. But the richest 10% of households are losing just 3.6% of their annual household income (£2,685 a year). This will push more households into poverty, increase inequality in our society and many housing charities have warned of families being made homeless because of government plans.

What is the alternative?

- The alternative is simply to invest in our economy so that it grows, not make massive spending cuts so that it shrinks. There are lots of options available. Just for a start, for example, a tax on big financial transactions by banks can raise more than £3bn a year, £25bn is lost to tax avoidance by very wealthy individuals and companies each year, £4.7bn could be raised every year by introducing a 50% tax rate on incomes over £100,000, £2.8bn could be saved every year by ending the central government use of private consultants.

