Unite Political Department briefing

Comprehensive Spending Review 26th July 2013

Unite is quite clear that George Osborne is being forced to make this Comprehensive Spending Review because his economic policy has failed.

- **Unite’s message is plain - ‘investment not cuts’. This CSR has failed that test.**
- **Government objective was to deliver 11.5 billion department cuts.**

**Osborne’s Speech:**

This was a supremely political speech, meant to appeal to the Sun and the Daily Mail while simultaneously trying to set traps for the Labour Party.

Osborne began with their new spin:

“Economy going from rescue to recovery.” It’s worth noting that in an emergency this usually means that rescue workers aren’t looking for survivors - they are looking for corpses!

A major omission from the CSR was that there was **no mention of housing and house building.**

**Other omissions:**

- No controls on rent.
- Nothing on tackling bad landlords.
- Nothing on the world of work. There were lots of attacks on people who had no work but nothing specific on creating jobs.
- Nothing to relieve the uncertainty of today’s work.
- Nothing on zero hours.
- Nothing for the working poor.
HEADLINES from the speech:

Public service pay:

Osborne announced the ending of automatic progressive pay grades by 2015-16. This effectively cuts wages and is yet another major attack coming on top of the pay freezes in the public sector and stagnant wages more generally. Pay rises will be limited to up to 1% in public sector 2015-16.

Job cuts:

A further attack on the public services is the loss of 144,000 jobs.

As the TUC recently pointed out - public sector cuts hit women hardest. TUC research suggests that more than 180,000 children with a parent working in the public sector will be pushed into poverty by 2015.

Work and Pensions:

Announcement on welfare was especially pernicious. The CSR has been dubbed by Robert Peston and taken up by Ed Balls as – ‘this CSR is the ‘Wonga Budget’

Welfare is to see a 4bn cut.

Unemployed particularly hit with jobless people having to start looking for work before getting benefit. Osborne went for the easy sound bite:

“People will have to look for work instead of looking for benefit”

This will appeal to the Sun. But what it means is that someone who becomes unemployed will get no benefit for seven days. So no money for food, no money for bus fares to look for work, no money to pay rent. This has quickly led to jibes that this is a ‘Wonga Budget’.

Single mothers were also targeted. As soon as her child reaches 4/5 she has to start looking for work.

Osborne and Duncan Smith continue their spiteful measures. Unemployed people have to attend job centres every week instead of every two weeks.

They are also followed the dog whistle tactics of Lynton Crosby: People who don’t speak English and won’t learn it will not get any benefits.

The new announcement, although it had been signalled in the budget, is a welfare cap and it will hit housing benefit, disability and pensioners’ benefits, but with a flourish to imply that Osborne had resisted those who wanted him to include the state pension.
Winter fuel allowance will be put to a temperature test! Expats in hot countries won’t get it.

Local Government:

On top of past local government cuts comes a further 10% cut. Yet again council tax will be frozen for 2 more years from 2014.

Home Office/ The Ministry of Justice

The Home Office is faced with a 6% departmental cuts. Police numbers will be cut. (see Police Federation reaction below) So what happened to the pledge that none of their cuts would affect front line services?

Cuts of 10% will inevitably have an impact on prisons. Osborne tried to sweeten the pill by saying that there will be more use of probation to cut prison population.

Dept of Transport

TfL will take the brunt of the 9% cut. It seems inevitable that fares are likely to go up as a consequence.

To silence from his own backbenchers Osborne made a commitment to HS2 and 9 bn for Cross Rail 2 by end of decade.

Osborne also announce 50bn capital investment but the BBC’s Robert Peston said this was not new money, see also the TUC’s Duncan reaction to this below.

The NHS:

Osborne attempted to claim that the NHS would be ring fenced with 96 bn rising to £110 billion by 2016. Osborne used that well worn strategy of efficiencies by saying that any savings would be used to go towards paying for improvements in mental health care and treatment and research into breast cancer

Echoing Andy Burnham’s plans for integrating social care and the NHS, Osborne said they would bring together: ‘Chunks of social care and NHS spending’.

Dept of Education:

Department budget was set at 4.6 bn.

Osborne announced a new national funding structure, but there was little clarity on this. He also announced that Goves’ ideological pet project would get funding for 180 new free schools

(see Paul Johnson IFS below on national funding)
Other departments facing cuts:

- Department for Culture media and sport is to cut by 7%. Elite sports won't be affected but community sport, galleries and museums will be cut by 5%

- The Foreign Office is cut by 8%
More spin

Osborne tried to pull the wool over our eyes by claiming that the broadest shoulders should bear the burden the most. “The richest will pay the most”.

Following on from G8 He said that the HM Revenue and Customs would aim to gain 1 bn by cracking down on tax evasion

Reaction:

• Ed Balls:

‘Failure has brought the Chancellor here to make more cuts. No growth, tax cuts for millionaires, books not balanced, AAA triple rating gone. Instead of cuts in 2015 the Chancellor should boost growth this year and next. He should have listened to the IMF who wanted investment now.

We have the slowest recovery in a hundred years.

No point in boasting about investment in five years time we need it now.

If he wants to get welfare down he should get people into jobs. He should use the compulsory jobs allowance.

No plan for growth.

Our public services are paying the price for this Chancellor’s failure’.

Ed Balls interviewed later on the BBC said that the 7 days before unemployed people would get benefit gave a: “Blank Cheque for Wonga”

Balls went on: “I feel very gloomy. Where will public services be in the future?"

• Len McCluskey:

‘George Osborne’s comprehensive spending review offers no hope and no growth and will cast the UK into economic gloom for the next decade...We face a future of economic misery where the chill winds of self defeating austerity continue to how through town halls and communities up and own the country. Services that people rely on area already and breaking point and local authorities will be pushed to the brink of going bust thanks to this further round of cuts.

With our economy on life support our nation desperately needs spades in the ground to get Britain building. We need spending to boost jobs and growth now, not in five or yen years time and an end to the economic misery this chancellor is causing.’

More reaction:
Unison commented that there are no easy cuts to be made from savings. The scene has been set for austerity general election.

Robert Peston pointed out that the £50 billion investment is not new money.

With unemployed people having to wait 7 days for benefit, he dubbed the CSR as the ‘Wonga Budget’.

TUC’s Duncan Weldon wrote on his blog:

- George Osborne just made a great deal of fuss about his plans to increase capital spending from 2015/16. The immediate question is – how big is this boost?

The short answer is – there isn’t really one.

Osborne spoke repeatedly about investing £50bn a year and given current public sector net investment is around £25bn a year – these seems like an awful lot, a doubling of investment spend.

However, it appears Osborne was talking about increasing gross rather than net investment spending.

Gross public sector net investment is around £47bn a year and was previously expected to be £50.4bn in 2015/16 according to the OBR (table 4.18).

In other words there doesn’t actually appear to be an increase in capital spending.

Kevin Maguire in a BBC interview said that the CSR consisted of mean measures: highlighting again the fact that unemployed people will have to wait 7 days before any benefit.

He asked: “What does that mean for people who pay NIS and then are laid off.” ..“The only way to restore the economy is through growth and Osborne strangled it at birth”

Paul Johnson from the IFS said in a BBC interview:

That the autumn statement would bring more detail. He thought that a lot of what Osborne said had been trailed however he said that the new National Funding Formula for education would potentially have a major impact on individual schools.

Steve Williams, Chair, Police Federation of England and Wales, in a statement said:
“The police service has already lost more than 12,000 police officers in the last three years and it is inevitable that with these latest cuts officer numbers will fall further and at a faster rate than the drop in recorded crime. “If this government is committed to protecting counter terrorism policing, as it has indicated, then it must be committed to protecting the entire service”. 

End