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# UNISON's alternative budget

## We can afford a fairer society

**This is no time for cuts – we need to invest in jobs and services that will help our economy recover from recession and build a fairer society.**

We can afford the services we need – if we cut out real waste and make the banks, big corporations and the super rich pay a fairer share in tax.

### The real crisis in our economy

The financial crisis and recession were not caused by excessive public spending. They were the consequence of reckless borrowing and lending in the private sector, against a background of deregulation, low wage growth and lack of affordable housing (1). Before the credit crunch public sector debt was less than 40% of national income – it was the private corporate sector that was out of control, with debt at almost 300% of national income.

The Conservative-led government talks as if public borrowing was the main problem we face today. But economists say expected borrowing is sustainable (2). Instead, with official unemployment at 2.5 million and consumer confidence collapsing, our priority must be to strengthen our economy's recovery by creating jobs and maintaining households' spending power. The government's own forecasts point to low growth, squeezed incomes and persistently high unemployment for years to come (3) – and independent economists say their figures are optimistic, and that their spending cuts will make things worse (4).

Even after the welcome increases of recent years, the UK still devotes a smaller share of its income to public services and social security than most other developed countries (5). Newspaper headlines suggest that everyone now favours 'cuts', but polling data suggests that voters want to see public services protected, even if that means higher taxation (6). Voters are particularly keen to see financial institutions, large companies and the super-rich start paying a fairer share – and scaremongering claims that this would damage the economy do not stand up to scrutiny (7).

## The Coalition's cuts

The Coalition has begun a five-year programme of unprecedented spending cuts:

- 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. Official estimates of 400,000 public sector jobs to go may be exceeded (8)
- already 50 further education colleges, 100 police stations, 250 children's centres, 450 libraries, 1 in 5 social care providers, 1 in 4 careers advice centres, and half of all domestic violence services are expected to close (9)
- 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 (10)
- £18bn a year is also being cut from housing benefit, disability benefits, tax credits and other support for individuals and families on low or modest incomes

## The cuts are unfair

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 (11)
- 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  $\frac{3}{4}$  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 – is now estimated at £95bn a year (16)

## The cuts won't work

Most spending cuts are a false economy – the redundancy costs and knock-on effects on employment, growth and tax revenue 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 (17)
- most of the cost of employing a public service worker is recouped by the state through increased tax revenues and reduced benefit payments (18)
- economic research shows that for every pound spent on local public services, 64 pence is re-spent in local economies, supporting jobs and businesses (19)
- 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 (20)
- already £48bn has been added to projected borrowing over the next five years, as a result of lower growth expectations following the Coalition's cuts

## There is an alternative

With unemployment high and growth weak we should be strengthening the recovery by creating jobs and investing in the infrastructure and services our economy needs.

In current conditions there is much more scope for the government to issue bonds to finance this investment than the Coalition are pretending. Where there is a need to find more money, this can be done by tackling real waste and making tax fair.

### *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:

- **£3.5bn** could be raised every year with a permanent tax of 50% on bankers' bonuses higher in excess of £25,000 (21)
- **£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 (22)
- **£4.7bn** could be raised every year by a 50% tax on incomes over £100,000 (23)
- **£5bn** could be raised every year with an Empty Property Tax on vacant dwellings which exacerbate housing shortages and harm neighbourhoods (24)
- **£10bn** could be raised every year by reforming tax havens and residence rules to reduce tax avoidance by corporations and 'non-domiciled' residents (25)
- **£14.9bn** could be raised every year by using minimum tax rates to stop reliefs being used to disproportionately subsidise incomes over £100,000 (26)
- **£20 to 30bn** could be raised every year by introducing a Major Financial Transactions Tax (or 'Robin Hood Tax') on UK financial institutions (27)

### *Cutting real waste*

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

- **£1bn** could be saved every year by halving the local government agency bill, as has been achieved by high performing councils (28)
- **£1bn** could be saved every year by eradicating healthcare acquired infections from the NHS – the extra cleaners would cost half this (29)
- **£2.8bn** could be saved every year by ending the central government use of private consultants who bring little discernable benefit (30)
- **£3bn** could be saved in user fees and interest charges every year if PFI schemes were replaced with conventional public procurement (31)
- **£6bn** could be saved in reduced tax credits and improved tax revenues every year if private companies paid all their staff a living wage (32)
- **£15bn** could be saved each year if we brought military spending closer to the EU average, reducing overseas commitments and focusing on domestic security (33)
- **£76bn** could be saved over 40 years by cancelling Trident (34)

Trade unions play a key role in supporting and empowering staff to improve and develop services – research indicates that this already saves the taxpayer as much as **£3.6bn** a year in productivity gains (35).

## Sources

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