

There is an alternative...

The case against cuts in public spending



Foreword

The Comprehensive Spending Review (CSR) announced by the Government on the 20th of October 2010 represents the biggest political attack on the Fire & Rescue Service and Public Services in living memory.

Before the election, politicians promised to “protect front line services” but in the Fire Service this has been exposed as a lie. Across the South West, Fire Authorities are rolling out the first wave of proposed cuts and the scale is staggering. Dangerous proposals to reduce fire cover, cut jobs and downgrade Fire stations are being proposed. This is alongside plans to cut our pensions, freeze our pay and increase our working hours.



Tam McFarlane

We know, as the professional voice of the service that unless stopped **these cuts will compromise public safety in order to make budget savings.**

The Government tells us that this is necessary because there is a deficit crisis in the UK. We are told that we are spending beyond our means. We are told that the solution to this deficit crisis is to cut public spending.

We reject this because there is an alternative.

Public spending is an investment, not a debt. Public servants – the vast majority of whom are low paid – deliver vital services to our communities. The campaign of vilification against public services is motivated by a desire to cut and privatise these vital services. The reality is that there does not need to be a single penny taken away from any public service, or a single job lost.

The deficit is due to the recession, which has reduced revenues as less people are in work and are therefore spending less. At the same time, government expenditure has increased as more people are without work and are entitled to benefits.

If the government cuts more jobs this will only exacerbate the deficit crisis – more people will be unemployed and there will be less revenue.

The answer to the crisis is therefore to create jobs not cut them. Currently there are less than 500,000 vacancies, while 2.5 million people are unemployed. ‘Getting tough’ on welfare will not work since there are not the jobs available. It will simply

cause more misery – which is the only possible outcome of the coalition government’s policies.

This is why we must resist this government’s policy of savage cuts, and reject their flawed arguments. We need a new economic strategy based on public investment, job creation, and tax justice.

Across the public sector as a whole the government says that 500,000 jobs will be axed, with as many again from the private sector. It is clear that Trade Unions must work and campaign together to force a change of course or the repercussions on our society could last for a generation.

That is why Trade Unions across the TUC are joining forces to fight back in a co-ordinated way to protect our Members and all working people. We need to organise as never before and ensure that we are all playing our part in getting our message across in the most effective way possible.

Over the coming months we need to win the arguments for this alternative and then force government to implement it. Otherwise our members and our communities could face years of misery. The information in this pamphlet was first developed by our Sister Union the Public and Commercial Services Union (PCS) and we are indebted to them for their initial work. The pamphlet spells out the compelling case against cuts, and for a new vision. I hope that all FBU Members in the South West will find it useful to make the case against cuts and for an alternative.

Tam McFarlane

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The government's cuts strategy – and why it's wrong

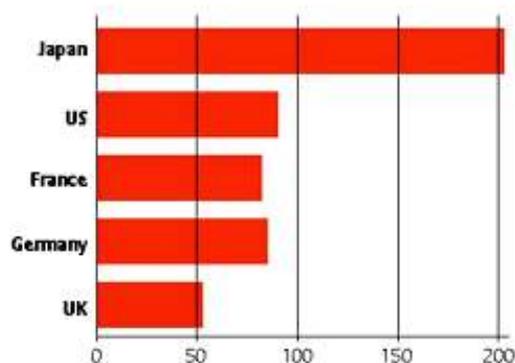
Firstly, we need to get the 'debt crisis' in perspective. The table opposite shows UK debt relative to other major economies.

From 1918 to 1961 the UK national debt was over 100% of GDP. During that period the government introduced the welfare state, the NHS, state pensions, comprehensive education, built millions of council houses, and nationalised a range of industries. The public sector grew and there was economic growth.

Today, the coalition government wants to turn back the clock. It is set on dismantling the NHS and comprehensive education, and it is attacking the welfare state. It is not doing this because the country is on the verge of economic collapse, it is doing it because it is ideologically opposed to public services and the welfare state, and committed to handing over more of our public assets to big business.

Cutting public sector jobs will increase unemployment. This would mean increased costs for government in benefit payments and lost tax revenue.

Debt as % of GDP



If people's incomes are taken away or cut through pay freezes they will spend less. Less consumer spending means cuts in the private sector, and lower VAT revenues.

Internal analysis by HM Treasury proves this to be the case. Leaked documents estimated that over the next six years 600,000 public sector jobs would be cut, and 700,000 private sector jobs would also be lost – based on the current government's policies.

Job cuts are therefore counterproductive. Mass job cuts would worsen the economic situation by reducing demand in the economy, and providing less tax revenue.

The government claims it can make cuts of between 25% and 40%, and still

“protect frontline public services”. This is impossible – not just because

The experience of Ireland

Ireland shows how cutting public spending can damage the economy. The crisis in Ireland was caused by the collapse of its banking sector. The massive cuts in spending and public sector pay that followed have increased unemployment and sapped demand, causing the economy to shrink further. Because of this, Ireland is now considered more at risk of sovereign default than before it started making cuts. Historical research clearly demonstrates that budget cuts actually provoke increases in the national debt by damaging the economy.

‘frontline services’ are being cut, but because services rely on ‘back office’ support staff. For example, cutting support staff like NHS cleaners has meant an increase in healthcare acquired infections, costing the NHS £1 billion. All public services require tax revenues to fund them, yet HM Revenue & Customs has cut 25,000 staff in recent years, which has led to uncollected tax at record levels and a growing tax gap.

The impact is likely to be highly divisive too. There is evidence of this already in the UK. In areas where public sector

workers have already been laid off, retail sales have fallen faster than the UK average. In nations and regions where public sector workers make up a high proportion of the workforce, major public sector cuts could destroy local economies. Any attack on the public sector will also disproportionately affect women, as 68% of the public sector workforce is female. The public sector also has a much better record of employing disabled workers too.

The global race to cut labour costs is central to the economic collapse we have seen around the world. Squeezed consumers are defaulting on mortgages and personal debts, and are less able to spend in the economy. In the UK, the value of wages has declined from nearly 65% of GDP in the mid-1970s to 55% today. Over the same period, the rate of corporate profit has increased from 13% to 21%. It is no coincidence that in this period trade union rights were severely restricted, large swathes of the economy privatised, markets deregulated and corporation tax slashed.

There is an urgent need to rebalance the economy in the interests of people over big business.

Economic growth and public investment

Investing in public services is the solution to the deficit crisis. Instead of cutting jobs, we should be creating them. Jobs are not created by bullying people on benefits into jobs that don't exist. Instead there are several areas where public sector jobs urgently need to be created.

It has been estimated that over a million 'climate jobs' could be created if the government was serious about tackling both climate change and unemployment – these would include areas like housing, renewable energy and public transport investment including high speed rail, bus networks and electric car manufacture.

Today there are 1.8 million families (representing over 5 million people) on council house waiting lists. There is an urgent need to build affordable housing for these people, which would also help reduce housing benefit payments.

The UK lags behind much of the rest of Europe in the development of a high-speed rail network, which would have the potential to create thousands of jobs and reduce carbon emissions by shifting passengers and freight away from road and air travel. Much of the

country outside of London also needs huge investment in bus services – and, just as we should invest in electric car technology, we should also invest in electric buses and tram networks.

Only 2.2% of UK energy comes from renewable sources compared with 8.9% in Germany, 11% in France, and an impressive 44.4% in Sweden. If we are committed to tackling climate change and ensuring domestic energy security there needs to be investment in renewable energy technology.

All of these industries would generate revenue – people are billed for electricity, buy tickets to travel on public transport, and pay rent for council housing.

Research by Richard Murphy (of Tax Research) has shown that the state recoups 92% of the cost of creating new public sector jobs – through lower benefit payments and increased tax revenues.

The banks

We should never forget that it was the banking sector that caused the recession, and is ultimately responsible for the huge debts that the UK has

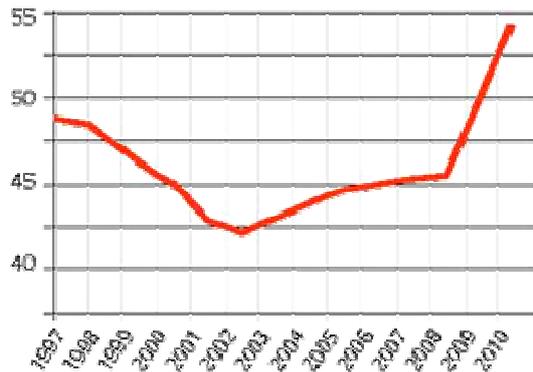
amassed. Despite causing the crisis, the banking sector has escaped any significant regulation, and bankers are again awarding themselves huge bonuses.

The table opposite clearly shows how UK debt accelerated after the banking crisis in 2008. As a result of the UK government's £1.3 trillion bailout to the financial sector, the government still owns over £850 billion in bank assets. This figure is roughly equal to the total UK debt.

The UK has an 84% stake in RBS and a 41% stake in Lloyds TSB. In addition, the

state also owns Northern Rock and Bradford & Bingley. Under public ownership and control these assets could yield significant annual income to the Government, and could be used to meet social needs and tackle financial exclusion

Government debt as % of GDP



25%

cuts will devastate
Public services

The case against privatisation

As a result of the government's agenda to slash the public sector, privatisation, outsourcing and the Private Finance Initiative (PFI) are a fast growing threat to civil and public services despite the many performance failures of past privatisations.

Privatisation is no solution to the national debt. Evidence confirms that after transfer to the private sector the terms and conditions of workers are worse than before, the public sector loses any revenue stream while ultimately keeping the risk, and services to the public decline or cost more:

- In the DWP, welfare is now described as “an annual multi-billion pound market”, and despite the department's own research showing that Jobcentre staff outperform the

£200bn

Private finance initiative
(PFI) debt

private sector in helping people back to work, all contracts for welfare programmes are now outsourced.

- Qinetiq was a company formed from the privatisation of the Defence Evaluation and Research Agency (DERA). In 2007, the 10 most senior managers gained £107.5m on a total investment of £540,000 in the company's shares. The return of 19,990% on their investment was described as “excessive” by the National Audit Office. In 2009, Qinetiq offered its staff a pay freeze.
- Although the economic downturn has led to a drying up of bank finance for PFI projects, the government has got round this by funnelling public funds – through the Treasury's Infrastructure Finance Unit – to state owned banks who then loan finance to PFI consortia (which then claim inflated returns to government for the next thirty years, greatly exceeding the money given to them). The journalist and antiprivatisation activist George Monbiot observed, “the Private Finance Initiative no longer requires much private finance or initiative”.

Public services were won by trade union struggles in an effort to establish the basis of a civilised society. Driven by the desire for maximum profits, the private sector fails to provide effective and efficient public services.

Tax Justice

Addressing the 'tax gap' is a vital part of tackling the deficit. Figures produced for PCS by the Tax Justice Network show that £25 billion is lost annually in tax avoidance and a further £70 billion in tax evasion by large companies and wealthy individuals.

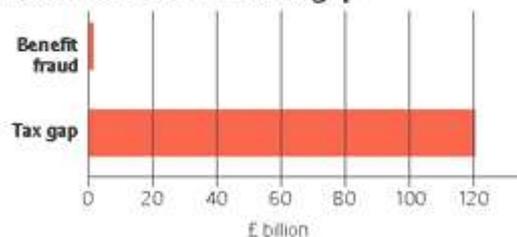
An additional £26 billion is going uncollected. Therefore PCS estimates the total annual tax gap at over £120 billion (more than three-quarters of the annual deficit!). It is not just PCS calculating this; leaked Treasury documents in 2006 estimated the tax gap at between £97 and £150 billion.

If we compare the PCS estimate of the tax gap with the DWP estimate of benefit fraud, we can see that benefit fraud is less than 1% of the total lost in the tax gap (see diagram opposite).

Employing more staff at HM Revenue & Customs would enable more tax to be collected, more investigations to take place and evasion reduced. Compliance officers in HMRC bring in over £658,000 in revenue per employee.

If the modest Robin Hood tax – a 0.05% tax on global financial transactions – was applied to UK financial institutions it would raise an estimated £20–30bn per year. This alone would reduce the

A comparison between levels of benefit fraud and the tax gap



annual deficit by between 12.5% and 20%.

Closing the tax gap, as part of overall economic strategy, would negate the need for devastating cuts – before even considering tax rises.

Our personal tax system is currently highly regressive. The poorest fifth of the population pay 39.9% of their income in tax, while the wealthiest fifth pays only 35.1%. We need tax justice in personal taxation – which would mean higher income tax rates for the richest and cutting regressive taxes like VAT and council tax.

Close the
£120bn
tax gap

The Attack on Firefighters and the Service

Jobs – the government’s proposed spending cuts will devastate our service. Cuts on this scale will mean around 7,000 firefighter job losses (not the ‘back-room’ staff they like to quote as being expendable).

Pensions – the CSR also includes some initial detail of the coming attack on our pensions. It proposes a 3% increase in employee contributions from April 2012. This equates to around £70 a month extra from our members in the FPS, NFPS and LGPS – or over £800 a year – and more as you go up the pay scale.

Pay – the government wants to see public sector pay frozen for 2011 and 2012. Our employers have declared that they won’t make a pay offer for 2010. This is despite the fact that many fire authorities had already budgeted for a pay increase for this year. Cost to a firefighter – about £400 a year.

Terms and conditions under attack – we have already seen numerous attacks on local conditions of service over the past six years. The new cuts agenda from Westminster will make these attacks worse. The threatened imposition of new contracts of employment as in London could become the norm.

Firefighter safety – The FBU has highlighted the alarming upward trend in firefighter deaths at work, especially at fires. Additional cuts can only further undermine safety.

Fragmentation of our service – under the ‘modernisation’ agenda we have seen numerous national standards abolished. The new Westminster government plans to take this further with their ‘localism’ agenda.

Privatisation - we have fire stations built under the discredited PFI system and appliances privatised and leased back to the service. No to privatisation – the saving of lives should not be for corporate profit.

Response Times – the cuts we have already seen in our service have resulted in slower attendance times. Between 1996 and 2006 response times to dwelling fires slowed by 18%. We need new national standards for response times.

Public safety – the entire cuts agenda unleashed by the government threatens the safety of the public. Cuts on the scale they are seeking would lead to fewer firefighters able to provide the essential service we deliver.

There is an alternative

- Tax evaded or avoided by the rich amounts to £123bn.
 - Some £18bn could be netted by restoring corporation tax to 1997 levels
 - The government would get £19bn if the top rate of income tax was 60%. A 50% tax on all income above £100,000 would bring in £2.3bn
 - A windfall tax on the richest 1,000 people would net £7.7bn a year
 - A “Robin Hood” tax of 0.05% on UK financial institutions could bring in at least £20bn.
 - An empty property tax could net £5bn.
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What the public think of us

The polling organisation YouGov recently conducted a survey about what the public thinks of the Fire Service – and about the threat of cuts. The results could not be clearer:

- 93% of the public believe the fire & rescue service is providing a good or very good service
- 82% are satisfied or very satisfied with their local fire and rescue service
- 85% oppose plans to cut funding for fire and rescue services
- 95% oppose any reduction in the number of firefighters

The public do not support cuts in our fire and rescue service

What you can do

- **Discuss the issues with other FBU Members at the station**
- **Ensure your branch discusses these issues and resolves to get involved**
- **Take our message out to the local labour movement and the community**
- **Write to your local newspaper**
- **Lobby your local councillors**
- **Write to your MP**
- **Get involved in organised local initiatives that challenge the cuts agenda**
- **Join FBU South West on Facebook and see our website to keep informed.**

