Britain: Brown government set for conflict with public sector over pay and cuts

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Prime Minister Gordon Brown has announced his intention to impose three yearly pay awards set below 2 percent that will have a devastating impact on 6 million public-sector workers.

His announcement comes after last year's decision to stagger the independently recommended 2.5 percent public-sector pay rise over two stages, equating to a de facto 1.9 percent "rise."

Brown's pay plans will represent a further cut, even if present inflation levels continued. He claims that Britain has inflation of only 2 percent, but this is only when measured by the consumer price index. Measured by the more realistic retail prices index, inflation is already well in excess of 4 percent. Energy prices have risen by 10 percent.

But the full scale of Brown's attack can only be understood when measured against the threat of a global recession, accompanied by rising unemployment and inflation.

Brown prepared his announcement with a long and rambling interview in the January 6 *Observer*, in which he admitted his fears of a major downturn in the world economy

This was, he said, "one of the most difficult years for the world economy. There's absolutely no doubt, no doubt about it. We've seen a credit crunch. It obviously started in the United States of America. But the global nature of financial markets means that it spread right across Europe and has got an impact on all the major industrial economies as things stand. It is combined with the uncertainty about the international situation that has produced very high and rising oil prices and commodity prices."

"The question of course for Britain is how will we fare over these, over these next few months," he continued.

His answer is to seek to impose the full costs of the economic crisis on the backs of working people in the form of cuts in jobs, wages and essential services. "We've got to work very closely on the side of business facing this difficult time," he said.

His mantra—constantly invoked over several pages—was the need to keep down inflation by curtailing public spending, and public-sector pay in particular. His insistence on "difficult decisions," "tough decisions" and "tough, difficult, long term decisions" centred on what could be gouged out of the working class in the interests of big business. His most revealing passage, on "having the strength to take the long term decisions" listed "freezing public expenditure ten years ago," "being very tough on public sector pay for many of the years" and "staging public sector pay last year."

Even when pressed repeatedly on the impact of an economic downturn on Britons who were "going to feel a bit more pain," he could only respond by insisting on the importance of the Bank of England continuing "to have the flexibility to deal with interest rates in the way it thinks best... we had to stage public sector pay in order to get inflation down."

On January 8, Brown gave his first press conference of the year, which led with his proposal for three-year pay deals in line with the government's 2 percent inflation target in order to "maintain the stability of the economy."

Home Secretary Jacqui Smith has already written to the Police Federation offering a three-year agreement, and Health Secretary Alan Johnson has opened talks with health workers.

The public-sector pay cap is a major attack, but things will inevitably escalate given the extent of the crisis gripping the global economy. The World Economic Forum annual *Global Risks* report published last week states, "the prominence of the UK's financial sector" makes it more vulnerable than most developed nations to fallout from turmoil in the money markets and from the global credit squeeze that began with the sub-prime mortgage crisis in the US. It described the situation facing the world economy as the most serious in a decade, with global financial upheavals an immediate and acute threat.

Brown's inflation estimates and targets will then look even more ridiculous than they do already, leading to a dramatic erosion in workers purchasing power.

The *Observer* itself listed 10 facts pointing to the imminence of an economic downturn that functions in some part as a negative assessment of Brown's boasts that Britain is in a good position economically. It noted that from around 3 percent in 2007, GDP growth in the UK is expected to slip to 2 percent "at best" this year. It "peaked against the dollar in November, and has been declining against the euro since the summer. David Bloom, chief currency strategist at HSBC, says sterling is 'set to take a pounding' in the next 12 months."

The UK's "economic scorecard has much in common with America's, underlining its vulnerability to the gathering credit crisis," it continued. "The housing market is widely judged to be overvalued; consumer balance sheets look stretched; and the trade deficit—currently running at £7bn a month—is a reminder that, just like the US, the UK is heavily dependent on rampant consumer spending."

The housing market has already slowed, and "new mortgages approved in November were 40 percent lower than the same month last year." The Nationwide and Halifax "predict zero house price growth and many analysts believe there will be outright decline."

Britons already have massive levels of personal debt, in excess of £1.4 trillion. But the credit squeeze and their own worsening situation have already led to cuts in spending and borrowing. The *Observer* notes that "there is still £222 billion of consumer credit outstanding—and with lenders likely to become stricter as a result of the crunch, there could be a painful comeuppance for a generation weaned straight from student loans to easily available plastic, piling up an ever-increasing mountain of debt along the way."

The paper's accompanying leader said of Brown's plans, "Low inflation, low unemployment and room for manoeuvre on interest rates, he insists, make the UK a haven of stability in a volatile world. That is an optimistic view. A rival account highlights Britain's excessive private debt, vastly inflated house prices, dependence on foreign finance and vulnerability to high energy costs.... Even in the best-case scenario, 2008 will be a year of relative austerity.... If people feel poorer and less secure at the end of the year than they do now, Mr. Brown could once again be a man in serious need of a plan."

Brown's only plan is to target the working class on behalf of big business. Confirming that Brown's announcement was a declaration of war on public-sector workers, the same day saw Jack Straw take the first step towards banning more than 25,000 prison officers from striking. The ban was tabled as an amendment to a Bill already being read in Parliament and is intended to be in force by May.

The ban was first imposed by the Conservatives in 1994 and was repealed by Labour in 2005 in favour of a voluntary agreement with the Prison Officers' Association. But the POA ended cooperation because of Labour's attacks on pay and conditions, and a wildcat strike was organised last August. The government gained a High Court injunction against the strike within hours of it beginning.

There is already a well of anger amongst public-sector workers. Last November, 200,000 civil servants also struck against plans to cut as many as 100,000 jobs, affecting job centres, museums, driving tests, benefit offices and Customs.

Police officers have recently demanded the right to strike after Home Secretary Jacqui Smith imposed a pay deal in line with the government's 2 percent limit, scaling back the 2.5 per cent rise recommended by their independent review body to 1.9 percent.

Britain's biggest teachers' union, the National Union of Teachers, is set for a strike ballot over pay and has threatened to call its first national strike in more than 20 years. UK Customs workers are also balloting for one-day strike action and a ban on overtime to oppose the closure of up to 250 offices and the loss of 25,000 jobs by 2011.

Against this background, the trade union leaders have been forced to make oppositional noises against Brown's plans. The Trades Union Congress said the government is on a "collision course with six million public servants." Brendan Barber, general secretary of the TUC, said, "Confidence badly needs to be rebuilt after last year's railroading through of below-inflation rises."

The GMB, which represents public-sector workers, "flatly rejected" three-year deals, with Brian Strutton, its national officer, stating that "The argument public-sector pay has to be controlled to manage down inflation is economically flawed and socially unacceptable." The GMB and Unison, which also represents public-sector workers, said they were considering seeking a pay raise in defiance of Brown's target and in order to catch up to private-sector pay rises of 4 percent each year. Unison is urging a 6 percent pay claim for the next financial year, while the GMB is considering 7 percent.

Such noises must not deceive workers into believing that the trade union leaders are in a fight alongside them in defence of wages and jobs. As so often in the past, they are working behind the scenes for a supposed compromise that will allow the government to push through the substance of its cuts agenda while preventing a struggle by the rank-and-file getting out of control.

The *Guardian*'s political editor, Andrew Grice, was close to the mark when he wrote on January 9 that "While some trade unions are prepared to enter talks with the Government, others demanded an 'escape clause' if economic conditions changed and warned that the move should not be a vehicle to impose a straitjacket of 2 percent rises."

A straitjacket is what Brown wants to fit and an "escape clause" two years down the line would be nothing more than a means of the union leaders helping to put it on their members. Any struggle against the government can only be successful if conducted independently of and in a rebellion against the trade union bureaucracy, which acts as nothing less than Brown's industrial police force.