

British government turns to regional administrations to impose austerity

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The Conservative-Liberal Democrat government has made clear that it intends to rely heavily on the regional administrations in Scotland, Wales and Northern Ireland to implement vast cuts in social spending. Its primary target is the 6 million public sector workers in Britain and Northern Ireland, and the services these workers provide.

But the government, even with its Liberal Democrat partners, has little support outside England. To press forward its attack on working people, the coalition has therefore developed a “respect agenda” to bribe its junior counterparts in Edinburgh, Cardiff and Belfast and prod them into line.

Despite their widely varying histories and political characteristics, the Scottish National Party (SNP) in Scotland, Plaid Cymru and Labour in Wales, and the Democratic Unionist Party (DUP) and Sinn Féin in Northern Ireland, serve a similar role in regional government. All speak for sections of the regional elite and union bureaucracies.

All administer large budgets handed down from Westminster via the Barnett formula, which gives the regions greater per capita spending than England. Scotland gets around £30 billion annually, Wales £15 billion, while Northern Ireland gets around £9 billion. These budgets cover most of the social provision in the regions.

In Scotland, there are some 613,000 workers in the public sector, 25 percent of total employment, while in Northern Ireland there are 224,000 public sector workers, slightly more than 30 percent of the total. In Wales, another former industrial area, there are 343,000 workers, 24 percent of the total. This compares with 21 percent across Britain as a whole, although England has by far the largest number of public sector workers.

This year, the government wants to slash £332

million from the Scottish budget, £187 million from Wales and £126 million from Northern Ireland, as part of its initial £6.2 billion cuts. This comes on top of a significant reduction in regional funding under Labour’s last budget. All the regional governments have already embarked on “rationalisation” and “efficiency” drives to slash jobs and intensify the workload of those who remain.

The Conservative government, however, in addition to promising political influence and better communication between Westminster and the regional parliaments than under Labour, has offered the regions temporary funding sweeteners, such as the possibility of regeneration funding proportional to that spent on east London for the 2012 Olympics. It has also offered the regions the opportunity to defer this year’s cuts. All three administrations are likely to take up the offer, preferring to make much larger cuts next year in order to delay the full impact until after the regional elections in 2011.

Some of the consequences of this were brought out in a recent report by Glasgow University’s Centre of Public Policy for Regions (CPPR). In a May 26 “Observation Note on the Scottish budget”, the CPPR commented that taken together, the deferred 2010 cuts, the full cuts expected to be implemented in 2011, along with the exhaustion of unspent sums from previous years, mean that the Scottish budget is likely to be cut by between £1.1 billion and £1.3 billion, an amount equal to between 5.6 percent and 6.2 percent, in one year. Wales and Northern Ireland’s cuts are likely to be of a similar order.

A June 9 meeting of the Joint Ministerial Committee, chaired by Prime Minister David Cameron, and attended by Liberal Democrat leader Nick Clegg, the SNP’s Alex Salmond, Labour’s Carwyn Jones, Peter

Robinson from the DUP and Martin McGuinness from Sinn Féin, gave no hint that they had any concerns over the level of future funding.

Indeed, the statement published after the meeting spoke of their unanimity. All four administrations agreed that they were committed to “responsible management of public finances”, had identified “shared interests in encouraging sustainable economic growth and achieving best value provision of public services, especially as resources get tighter”. In other words, they all agreed that spending had to be cut, business interests should take priority in what spending was left, and that driving down public service wages was the key.

This points to a quid pro quo between central government and the regions. All the regional governments, regardless of their ostensible political makeup, are being offered greater powers in return for assisting the Westminster government in implementing the cuts and keeping quiet about their scale until after 2011.

The government has already announced that it intends to push ahead with a greater level of “fiscal autonomy” for Scotland, details for which were in the new government’s Queen’s Speech. (See “Britain: Tories and Lib-Dems push ‘fiscal autonomy’ for Scotland”)

The Scottish proposals have generated a wave of enthusiasm from Scottish-based business and financiers, who see the opportunity to rid themselves of the tax burden associated with public spending. The Institute of Directors in Scotland, previously opponents of devolution, have supported calls for a debate on further powers, while the Scottish edition of Rupert Murdoch’s *Times* has repeatedly carried front page stories on the issue.

Speaking for the trade unions, Campbell Christie, the former leader of the Scottish Trade Union Congress, who once opposed fiscal autonomy, stated, “I am convinced that giving Scotland’s government control over the main fiscal levers of economic policy is essential if our economy is to grow faster”.

Wales and Northern Ireland are pressing for similar fiscal powers.

The Institute of Directors recently submitted an Action Plan to the Welsh deputy first minister, Plaid Cymru’s Ieuan Wyn Jones. The plan, drawn up in consultation with Welsh Assembly members, calls for

public spending cuts to focus on current spending not capital expenditure on public infrastructure, and for all education and planning decisions to more directly reflect business needs. In 2009, an All Wales Convention, involving business, the trade unions and voluntary organisations, demanded that the Welsh Assembly be given full legislative powers. London has so far rejected proposals for greater fiscal powers for Wales,

Peter Robinson and Martin McGuinness used the June 9 meeting with Cameron to raise the possibility of reducing the level of corporation tax in Northern Ireland to that of the Irish Republic. Corporation Tax in Northern Ireland is nominally 28 percent as against 12.5 percent over the border. The British government responded with an offer to review the tax rate and consider the possibility of an enterprise zone in Northern Ireland—no doubt with huge tax concessions to business.

The correlation between the regions’ drive for greater autonomy and the unprecedented attacks on social spending is, however, not just a temporary conjuncture due to Cameron’s small electoral base.

Notwithstanding the complicated and very different histories of Scotland, Wales and particularly Northern Ireland, the fundamental purpose of devolution was to allow regional business interests to attract investment by cutting taxes and slashing social spending.

Devolution would therefore pit working people in Scotland, England and Wales against each other. In Northern Ireland, devolution rested on maintaining the sectarian division of the working class along religious lines. To date, the purpose of devolution has been somewhat obscured by the relatively favourable funding offered to the regions. No longer.



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