Scotland’s budget review proposes mass layoffs, end to universal benefits

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The publication of Scotland’s “independent” budget review makes clear that—as with its counterparts in the UK and Europe—the Scottish political elite are intent on using the global financial crisis to roll back social spending. Such spending that remains is to be reorganised in the interests of corporate profit.

Commissioned in early 2010 by the Scottish National Party (SNP) administration in Edinburgh, the 174-page Independent Budget Review was put together by a three-man team led by Crawford W. Beveridge. The review team was tasked with outlining the options for spending cuts available to the Scottish government ahead of the British government’s spending review, due in October.

The SNP’s choice of Beveridge to outline policies that will impact the lives of millions of working people is significant.

Beveridge is a leading Scottish and US-based business figure. Until early 2010 he was Human Resources chief for SUN Microsystems’s European operations, and currently sits on the board of Autodesk, which makes AutoCAD engineering design software. In his Autodesk position alone, he makes over $300,000 annually, outside of stock options. In 2006 he made more than $1.6 million.

Between 1991 and 2000 Beveridge headed the investment agency Scottish Enterprise. He is currently one of the SNP’s Council of Economic Advisers, alongside former chair of the now state-owned Royal Bank of Scotland (RBS), George Mathewson. The other members of the review panel are Robert Wilson, an accountant and public/private sector management consultant, and Sir Neil McIntosh, former chief executive of a number of local authority and state bodies.

Together, these unelected, wealthy individuals have determined on mass job losses, wage freezes and severe cuts in public spending. On this basis, they calculate that some £42 billion can be “saved” over the next 16 years. This amounts to over £8,400 per head of the Scottish population.

The report states that “the public sector challenge that Scotland will face over at least the next four years is … unmatched since the Second World War.” Funding available to the Scottish government, from the UK, is expected to fall by 12.5 percent over the period to 2015. Of this, the most serious cuts are expected next year, when £1.7 billion is expected to be slashed from a total Scottish budget of around £29 billion. Capital expenditure is also expected to fall by over 28 percent by 2015.

This will result in a huge increase in unemployment. The report quotes a study by an economic think tank, the Fraser of Allander Institute (University of Strathclyde in Glasgow), which suggests that as many as 90,000 public sector and 37,000 private sector jobs are imperilled by total cuts of up to 14 percent by 2015. Unemployment in Scotland currently stands at around 216,000, or 8.1 percent.

The review makes clear its preference for cuts in all areas of public spending. The Scottish government is currently seeking 2 percent annual “efficiency” savings. The authors suggest this could be increased to 3 percent and consider how this drive might be taken forward.

Some services might need “radical redesign”, they state. “Redesign” in this instance means a number of things. The report suggests that local government and health administration could be integrated over larger areas via more use of “shared services.” Currently some 32 local authorities and 15 health boards run their own administrations. Integrating HR, pay, property management, social services, waste management, fleet transport, back office functions, etc., would allow for many workers to be dispensed with. The report encourages “barriers to shared service development” to be “addressed with determination.”

Directly in line with the British Prime Minister David Cameron’s “Big Society” proposals, the report advocates far greater outsourcing of social services to the private and voluntary sectors. The report quotes Scottish Auditor General Robert Black bemoaning the fact that "innovation in various delivery models"—management-speak for privatisation—is less advanced in Scotland than England.

The financial crisis should act as a "stimulus" for more "mainstream roles for the private and voluntary/third sectors as collaborative partners in the delivery of public services." In other words, low-paying private contractors, large and small, should be mobilised to bid for and take over public services.

More pressure on existing staff is proposed. The report hailed the SNP government's campaign to push down absenteeism. Currently, in the private sector on average workers take 7.2 sick days annually. The report envisages reducing the public sector figure of 9.7 days annually, to the same level.

The report's main target, however, is the public sector pay bill, where various combinations of pay freezes, recruitment bans, redundancies and pay cuts are considered. Wages account for over 50 percent of the entire Scottish budget paid to 506,000 public sector staff, 20.5 percent of the total workforce. Another 70,000 public sector workers are employed in sectors not covered by the devolved government. Of these, 32 percent are in the National Health Service and 45 percent in local government. Eleven percent are teachers and 5 percent police.

The panel considered outright pay cuts comparable to those implemented in Ireland where public service staff face wage reductions of between 5 and 15 percent. Such measures would require primary legislation and the panel thought it unlikely that the Scottish government would pursue this outside of an agreement with Westminster.

In lieu of immediate pay cuts, the panel looked at alternatives to achieve the same savings by another guise. Unfunded public sector pension liabilities of up to £53 billion needed to be addressed, they state. Changes to pension rights were "unavoidable" and a recruitment freeze on all except essential positions should be imposed immediately.

The panel considered various combinations of blanket or targeted pay cuts along with staff cuts of between 29,500 and 46,500. A two-year pay freeze should be implemented immediately, while "restraint" would be necessary thereafter. In 2011-2012 alone, the panel considered that up to 3.5 percent of staff should be removed by one means or another.

The review also targeted universal benefits, asking the Scottish government to consider whether "all free or subsidised universal services should be retained in their current form." The panel demanded "immediate action" to review eligibility for free travel. Free personal care for the elderly should be either be ended, or restricted through the targeted introduction of charges. Further planned reductions in prescription charges should be stopped. "Immediate action" should be taken to review free eye tests, while a graduate tax or the introduction of student tuition fees should be considered.

Further measures proposed include expanding the role of the Scottish Futures Trust—an instrument devised by the SNP to channel private capital into infrastructure and building projects—and the de facto privatisation of Scottish Water. Charging for the use of public roads should also be considered.

In short, while advocating a serious deepening of social misery, the review panel, the Scottish government and the entire social layer for whom both speak, intend to create new opportunities to fill their pockets.

The political response from the official parties has been largely favourable. Conservative finance spokesman Derek Brownlee described it as a "vindication of everything we have said in the Parliament for years", while the Liberal Democrats' Jeremy Purvis said the report was a clear call to the Scottish government to "take seriously the task of shaping the choices it will make to reduce the budget."

The Labour Party's Andy Kerr has only requested a parliamentary debate on its conclusions. The Greens, with an agreement to support the SNP administration, have to date remained silent.