Government announces massive cuts ahead of UK public spending review

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Announcements of the “reform” of university funding and public sector pensions and abolition of government quangos have been made in the run-up to the Conservative/Liberal Democrat government’s October 20 Comprehensive Spending Review.

The government intends to set out spending cuts of 25 percent and more across most departments. The announcements it has made are attempts to prepare the ground beforehand and take the sting out of the full package when it becomes known Wednesday.

Last Thursday, what was described as the “largest shake-up” of the civil service in a generation was announced. Some 192 quangos—quasi-non-governmental organisations financed by the state and linked to the civil service—are to be scrapped, and 118 others merged. Tens of thousands of job losses are expected. The *Independent* reported, “Within minutes of the cuts being announced by the Cabinet Office Minister Francis Maude, its website had crashed under the scale of hits from worried civil servants”.

Precise details of the changes and their impact are still sketchy. Forty bodies are to be axed outright, including the Audit Commission, the Youth Justice Board, the Human Fertilisation and Embryology Authority, the Human Genetics Commission and the Human Tissue Authority. A further 150 will have at least some of their functions transferred to Whitehall. The Office of Fair Trading and the Competition Commission are amongst those to be merged, while several bodies, including British Waterways, will be turned into charities.

The measures have been criticised by Labour and sections of the media, however, on the grounds that the cuts are not “cost-effective”, not least in terms of the severance pay involved. Such complaints deliberately evade the real purpose of the civil service “reform”. It sets a benchmark for the scorched-earth policy of austerity measures that are expected to result in up to 600,000 job losses in the public sector alone.

Earlier in the week, the commission into university funding chaired by Lord Browne reported. The report will not only mean students having to pay significantly increased tuition fees and higher interest rates on any loans they borrow, but the scrapping of courses considered economically unviable and the bankrupting of entire institutions.

The move was proclaimed as the answer to a growing funding gap, but within days it was revealed that universities in England face funding cuts of £4.2 billion in the coming Spending Review. The head of Universities UK, Professor Steve Smith, wrote an email to vice-chancellors saying that the money from increased fees will not provide extra money for universities, but enable a £3.2 billion, or 79 percent cut from teaching and £1 billion from research. A £4.2 billion cut is close to four times the previously anticipated cut. The government currently provides universities with £11 billion in annual grants.

Smith’s email states, “Browne explicitly says that Hefce (England’s university funding body) will have teaching funding of £700 million; the current sum is £3.9 billion”.

While new leader Ed Miliband spoke vaguely about opposing higher fees, the Labour Party is playing a critical role in facilitating the coalition’s cuts package. John Hutton, formerly Labour’s work and pensions secretary, heads the government’s “review” into public sector pension schemes. He is one of a number of leading Labour Party personnel and supporters drafted in by the coalition to oversee its assault on public spending.

In his interim report, Hutton branded public sector pension schemes "unfair and unsustainable", called for employees to pay higher contributions, for a rise in the retirement age and for the abolition of final salary schemes. The Labour government "did not go far enough", in reforming public sector pensions, he complained. His review was not about getting working people to contribute to "to fiscal retrenchment or paying off [government] debt", Hutton claimed, nor about creating a "race for the bottom" in pensions.

Such remarks are flatly contradicted by the results of Hutton's review, which highlighted the extent to which pensions have been greatly eroded. Public sector employees receive an average pension of just £7,800 a year. When the small percentage of higher earners is removed from the equation, however, the average civil service pension is just £4,200 a year.

As Hutton acknowledged, public sector pensions have been reduced by 25 percent. This was the result of changes to pension schemes agreed by the Labour government and the trade unions, the raising of the retirement age to 65 for new entrants and the coalition's decision to index pensions to the Consumer Price Index.

Hutton's interim report makes clear pensions are to be reduced still further. Moreover, his demand that workers make higher contributions to fund their ever diminishing retirement fund amounts to a de facto pay cut, under conditions in which the public sector is already subject to a two-year wage freeze.

Writing in the *Financial Times*, Nicholas Timmins described the interim report as "a thoughtful and substantial approach to one of the thorniest issues facing the government". Acknowledging that increased contributions amounted to a pay cut, Timmins said, "It is still the right answer, though it may require staging to make it more palatable".

The *Guardian* also welcomed the proposals as "necessary. We are living too long and saving too little for the existing public sector schemes to remain viable", it claimed. Consequently, "The retirement age will have to rise, and keep rising, in line with life expectancy.… Contributions will also need to go up". Even this would not solve the problem, it continued.

The major concern of all commentators was how to impose such changes, under conditions in which the scope of the government's austerity measures will cause widespread anger.

Hutton's interim report was delivered as millions took to the streets in France against a similar assault on pension provision by President Nicholas Sarkozy. Across Europe, governments are utilising the recession to radically restructure wages and social provision at workers' expense.

Bob Crow, leader of Rail Maritime and Transport union, threatened "French-style protests" in the UK should Hutton's recommendations go through. In truth, the mass protests in France are taking place despite the intentions of the trade unions and the Socialist Party, which are working to politically limit opposition to the austerity measures.

Crow's rhetoric notwithstanding, the trade unions are collaborating with the government to achieve its ends. Trades Union Congress General Secretary Brendan Barber requested talks with the government as to the details of its pension proposals, while Miliband attacked any talk of strike action as counterproductive.

The unions for the most part are agreed that pensions must be made "sustainable". Miliband would only state that "some" of the government's cuts should be opposed, on the grounds that they are "irresponsible".

Behind the scenes, five of the six civil service unions have agreed a revised redundancy package with the coalition that caps severance at one month's pay for every year worked up to a maximum of 12 months. "Voluntary" redundancies are to be capped to 21 months. With the aid of the trade unions, the coalition is working to redress the "cost-effectiveness" of its cuts by making it easier, and cheaper, to implement mass layoffs.