Northern Irish executive announce four-year draft austerity budget

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22 December 2010

After a month-long delay, the Northern Irish executive announced a four-year draft budget December 15 detailing its share of the £83 billion in spending cuts outlined by the Conservative-Liberal Democrat government.

In November, the Welsh Plaid Cymru-Labour government announced plans to make £1.8 billion in spending cuts by 2014-15, and the Scottish National Party government announced cuts of £1.3 billion in 2011-12 alone.

Following in their footsteps, the power-sharing government of the nationalist Sinn Fein (SF) and the loyalist Democratic Unionist Party (DUP) are working in cooperation with the Conservative-Liberal Democrat coalition to drive through UK-wide austerity.

The vast majority of Northern Ireland's discretionary spending is allocated in the form of a block grant from Westminster, and currently stands at £11.2 billion. This includes £9.9 billion for current spending and £1.1 billion for capital spending. These are to be slashed by 8 percent and 40 percent respectively over the life of the next parliament.

Mirroring the plans of the Scottish and UK governments, a pay freeze is to be imposed on all public sector workers earning over £21,000 while those earning below this threshold will receive a £250 annual wage increase, a real-terms cut.

Some £540 million is to be raised via the selling off of publicly owned assets, including £80 million of housing association assets. A further £125 million is to be raised via a levy on Belfast Harbour, home to numerous multinationals, including Microsoft, Capita and CitiGroup, in return for legislation further deregulating commercial practices.

A number of regressive taxation measures are to be introduced, including an end to the freeze on regional tax rates, which will now be linked with inflation, and a 15 pence levy on plastic bags that is expected to raise £16 million.

Departmental cuts will see a £67 million reduction of the education budget, a £63 million reduction of the regional development budget, and a loss of £48 million from the justice budget. Other cuts include £10 million for culture and arts, £8 million for the environment, and £6 million for agriculture. In contrast, funding for policing has been protected.

Health spending will see an increase of £326 million over the period at lower than half the current rate of inflation. John Compton, chief executive of the Regional Health and Social Care Board, has indicated that this will leave a multimillion-pound budget shortfall and will result in between 3,000 and 4,000 job losses.

The fall in capital spending has been offset by the transference of £250 million from revenue, though it will still sink to below 2005-06 levels. Capital spending for education will fall from the current level of £169 million to £139.4 million by 2014-15.

Under the auspices of job creation, £18.8 million is to be handed over for business start-ups in areas of high growth and employment potential, including the food processing sector, knowledge outsourcing and export start-ups. "Enhanced enterprise support to disadvantaged young people" will be provided.

A meagre £40 million has been set aside for the next four years to establish a Social Investment Fund and a Social Protection Fund, which will be grossly inadequate to compensate for the social devastation wrought by the spending cuts. The Save Community Services Campaign has warned that services that support 200,000 of the poorest residents in Northern Ireland will be immediately affected, as 700 community workers face redundancy.

The Northern Irish economy has already been severely hit since the onset of the global economic crisis in 2008, seeing a contraction of 2.3 percent and 2.0 percent in the past two years. It lags behind the rest of the UK.

Key sectors of the economy have witnessed a steep decline from their pre-crisis peak. Business and financial services have contracted by 36.8 percent. Construction has declined by 25.9 percent as property prices have plummeted, falling by a staggering 21.7 percent in Belfast in the last year alone. Manufacturing has contracted by 15.3 percent.

Since 2008 there has been a 29,000 increase in the number of people claiming unemployment benefits. Although the official unemployment rate stands just below the UK average at 7.6 percent, the proportion of inactivity in the working age population is much higher, at 28.8 percent compared with 23.2 percent across the UK.

The spending cuts will compound the economic crisis, deepening social misery, as the Northern Irish economy depends on public spending for 62.6 percent of its total output as compared to 39.8 percent for the rest of the UK. Further contraction will result from the financial crisis in the Republic of Ireland, the destination for 28 percent of the north's exports.

Despite over a month's delay in the issuing of the draft budget, which saw Sinn Fein and the DUP unable to reach an agreement, no fundamental disagreement over the imposition of the cuts ever emerged. Not one minister in the executive voted against the budget, underscoring the consensus across all factions of the political elite that the working class, unemployed and the impoverished must be made to pay for the costs of the financial crisis.

Announcing the budget to the Stormont Assembly, Finance Minister Sammy Wilson hailed the deal as a vindication of the power-sharing agreement. He said, "We have proved that we can take difficult decisions … proved that we can work together for the benefit of the people of Northern Ireland."

Without blushing, he referred to the budget as a "good Christmas present for the people of Northern Ireland".

The budget has exposed the fundamental class character of the power-sharing arrangements set out in the 1998 Good Friday Agreement. Far from representing a democratic resolution to hostilities, the agreement between nationalists and loyalists resulted from the drive of US and British imperialism to end military conflict and create a more favourable destination for international finance capital, while still enshrining sectarian divisions as an indispensable tool for the control of the working class.

A clear indication of those who are the real beneficiaries of the draft budget is given by the praise the government has received from big business. The head of Northern Ireland Chamber of Commerce, Francis Martin of the Institute of Directors in Northern Ireland, commended the budget as a "first step" in "rebalancing" the economy in line with interests of the private sector. He added that "public sector salaries have been too high" and have acted as a disincentive to the private sector.

Faced with deepening economic crisis in Northern Ireland, the corporate and financial elite and their political representatives in Stormont, supported by Westminster, are gearing up to drive through a more profound restructuring of social relations via the transformation of the region into a low-corporation tax enterprise zone.

Sinn Fein and the DUP are currently in talks with the UK government, which is preparing a paper on Northern Ireland to address the "rebalancing of the economy towards higher value added private sector activity… to drive export-led economic growth."

This paper will consider a reduction in the corporation tax rate to 12.5 percent in line with the Republic and other possible measures such as generous capital allowances. Such measures will lead to a proportionate reduction in the block grant transferred by Westminster, resulting in even deeper inroads into public spending.