

UK Autumn budget: Austerity without end for workers

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Britain's Chancellor George Osborne announced that the government was extending its austerity measures to 2018 in his budget statement Wednesday, unveiling a further assault on welfare, pensions and teachers.

Thus far the Conservative-Liberal Democrat coalition has set a total austerity package of £155 billion—of which 60 percent has yet to feed through. Public spending has been slashed, public sector wages frozen, pensions raided, with welfare suffering the burden of the cuts.

According to the *Guardian*, the coalition measures were already the “longest and sharpest austerity programme imposed on any big rich country since 1945.” Osborne added a further £5 billion of cuts and extended their duration into the next parliament.

The claim has been that this pain is necessary to “rebalance” the economy. But just days before Osborne's budget, the Office for Budget Responsibility overturned its prediction of 0.8 percent growth for this year, with a contraction of 0.1 percent. It slashed its forecast for 2 percent GDP growth next year to 1.2 percent. Commentators are speaking about a “triple-dip recession” in the UK.

Still the chancellor claimed that “Britain is on the right track,” while warning there is “much more to do”. The problem was that Britain had built up a “decade of debt” under the Labour government he said, and was up against the eurozone crisis and fears of a “fiscal cliff” in the US. “Turning back” from austerity now “would be a disaster.”

His statements echoed Prime Minister David Cameron in a speech to the Confederation of British Industry where he said the UK was in the “economic equivalent of war” and that “in this global race you are either quick or you're dead”.

Wednesday's budget underscored that this is an

economic war against the working class, the objective of which is to drive down wages and living standards to the global benchmark set in China and India.

Osborne claimed that his budget would ensure that “those with the most contribute the most—and they will”. In reality, at the centre of his budget was an escalation in the assault on welfare. He announced cuts in social benefits totaling £14.2 billion, in addition to the £18 billion already implemented.

Tens of thousands are being forced off welfare benefits, or made to take part in bogus “workfare” programmes, while housing and invalidity benefits are being slashed. Some £4 billion a year is to be saved by ending the link between benefits and inflation, and limiting any rise to just one percent a year. Under conditions in which the Retail Price Index inflation rate stands at 3.2 percent, and Job Seekers Allowance currently stands at just 12 percent of average pay, this will be devastating.

Osborne said that this was to be implemented in the interests of “fairness”, claiming he stood for those who “work hard and get on” while their neighbor lies around “asleep, living a life on benefits.”

Slandering the unemployed as lazy scroungers takes place under conditions in which hundreds of thousands of jobs are being destroyed. Some one million youth are without work, and have little prospect of employment. Moreover, the vast majority of those in receipt of benefits are in work but on wages so low they do not cover basic necessities.

The unemployed are not the only target. Analysis shows that everyone earning less than £150,000 per annum—the top one percent of the population—will be poorer next year as a consequence of the measures set out. The threshold at which people enter the 40 pence tax rate is to rise by just one percent, lower than the rate

of inflation. This is expected to draw in a further 400,000 people. The amount at which people can pay into pensions tax-free is also to be cut from £50,000 to £40,000 from 2014.

The claim that this constitutes a “raid on the rich” is another lie. Most of those affected are middle class and by no means wealthy. As for the truly rich, Osborne defended the government’s decision to cut the top rate of tax from 50 pence to 45 pence for those above £150,000 per annum. Corporation tax is also to be slashed by 1 pence to 21 percent in 2014—worth more than £1 billion.

Osborne claimed that “Punitive tax rates do nothing to raise money and simply discourage enterprise and investment into Britain.” He boasted that the UK was closing the gap with rivals such as Ireland and Luxembourg, stating this “is the lowest rate of any major western economy. It is an advert for our country that says: come here; invest here; create jobs here; Britain is open for business.”

The announcement came as major global companies such as Amazon, Google and Starbucks were named as among many using tax avoidance measures to pay minimal or zero taxes in the UK. A report by the Commons public accounts committee showed that Amazon UK, for example, reported a turnover of £207 million for 2011, but its tax bill was just £1.8 million. Starbucks recorded sales of £3 billion in the UK over a 13 year period and paid just £8.6 million in total, while Google made £2.5 billion in the UK last year and paid just £3.4 million.

According to estimates, the share of national income spent by the state is predicted to be 39.5 percent in 2017-18, down from 48 percent in 2009-10. Osborne announced additional cuts in departmental budgets of 1 percent this year, and 2 percent the next, while local government budgets are to be cut by a further 2 percent in 2014.

His claim that the National Health Service and education will be exempt from cuts is worthless. Earlier this week, the UK Statistics Authority confirmed that government’s claim to have increased NHS spending in England are false, and that “expenditure on the NHS in real-terms was lower in 2011-12 than it was in 2009-10.”

As for education, Osborne declared that the government was ripping up national pay bargaining for

teachers. Headteachers are already able to set wage rates in Academies and so-called Free Schools, which have some form of private sponsorship. This is to be extended across the state sector. The government is intent on using teachers as the testing ground for a broader offensive to drive down wages and conditions.

Again, Osborne’s claim that only teachers will be affected by the move, and the civil service and the National Health Service will be protected, is a lie. Employers in the National Health Service are establishing pay cartels, such as in the South West NHS, with the aim of breaking up nationally agreed pay and conditions or ripping up national conditions on a hospital-by-hospital basis. This assault has been spurred on by the trade unions which capitulated fully to the assault on public sector pensions after a few token protests. In the case of the South West NHS, Royal Bournemouth and Christchurch Hospital NHS Foundation Trust withdrew from the pay cartel after unions on the NHS Staff Council agreed to the cuts in wages and conditions sought by the consortium and undertook to impose these conditions nationally.

Despite these measures, Fitch, the ratings agency, warned that the UK’s triple-A rating was on notice. The *Financial Times* reported that Osborne’s decision not to significantly raise taxes or cut public spending had prompted concern that “the government’s commitment to sort out the public finances was slipping.”



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