

UK government outlines unprecedented public spending cuts

Julie Hyland**26 November 2015**

UK Chancellor George Osborne delivered his Autumn Statement and Spending Review on Wednesday, outlining a programme of massive cuts in government programmes that will have disastrous consequences for millions of people.

It is a measure of the enormous disconnect between parliament and the media, on the one hand, and working people, on the other, that Osborne's decision to abandon cuts in tax credits was hailed as a softening of austerity.

Osborne had been due to address the issue of tax credits (effectively a subsidy to workers with low wages) in his spending review announcement.

In October, the House of Lords voted to block the cuts—forecast to have cost 3 million of the poorest families some £1,000 per annum—unless the chancellor outlined “compensatory” measures for a three-year transition period.

In the run-up to the leadership contest in September, Labour MPs had fallen over themselves to either support or abstain on the cuts in order to prove their commitment to austerity. Jeremy Corbyn had been the only leadership candidate to vote against.

Far more damaging for Osborne, however, was opposition from sections of the Tory right—who complained that the chancellor was targeting working families for welfare cuts rather than concentrating on the unemployed.

Osborne announced that he was abandoning the cuts, breaching a self-imposed cap on welfare spending. His claim is misleading, however. While final details have yet to be revealed, the expected saving will instead be made up through the introduction of a new Universal Tax Credit system as well as cuts in housing benefits.

According to the Social Market Foundation (SMF) think tank, in addition to a four-year freeze in benefits, “cuts to Universal Credit will remain, and will mean that new Universal Credit claimants are likely to face much more

meagre levels of support than those claiming tax credits. In the long run this will mean that the Chancellor's tax credit cuts in effect are implemented anyway.”

That is why Osborne could insist that he would still meet the target for a further £12 billion reduction in welfare. According to reports, some families that will be in receipt of the Universal Credit could lose more than £2,000.

Osborne set out plans to achieve a £20 billion surplus by 2020, involving massive cuts in government spending. This is under conditions in which the chancellor has already failed to meet his targets for reducing the budget deficit, despite five years of austerity. Public Sector Net Borrowing rose by £1.1 billion last month compared with one year ago to £8.2 billion, the highest level of borrowing in October for six years. The hike is the result of lacklustre economic growth, combined with smaller than expected tax receipts due to weak wage growth. Total borrowing is expected to be more than £80 billion this year, £11 billion more than projected.

Overall welfare spending is to be reduced from 18 percent of GDP to just over 17 percent by 2019/2020, with incapacity benefit and housing payments particularly affected. This is in addition to slashing £20 billion in total spending, which is to be cut from 38.6 percent of GDP to 35.5 percent of GDP over the same time frame.

“Running costs”, which include wages and medicine, are to fall from 16.6 percent to 14.6 percent. Capital spending will also be cut, from 2.2 percent to 2.1 percent, as assets are sold off.

Before the chancellor made his statement, the Institute for Fiscal Studies had said that cuts in so-called “unprotected” government departments could average 27 percent.

With the government claiming to have ring-fenced spending on health and education, and announcing extra funds for the military, areas such as justice, transport and

local government are being slashed to the bone. Seventeen out of 22 departments will lose between 1 percent and 37 percent of their funding. This will make a cumulative total of nearly 50 percent spending reductions across key government departments since 2010.

Osborne gave hardly any detail of what the cuts are to be made up of, with the SMF calculating that the “Autumn Statement only explains how about a quarter of those savings will be made.”

Even those departments deemed to be protected in reality face cuts.

Earlier this week, the government was forced to announce an emergency injection of £3.8 billion into the National Health Service (NHS) after warnings that it faced collapse. But the money is to be recouped by ending the protected status of certain areas of health provision. In particular, public funding for trainee nurses is to end as they are forced to take out student loans. NHS England is to make £22 billion “efficiency savings”. All students are to face a hike in their loan repayments, as the chancellor backtracked on the government’s promise to raise the threshold in line with average earnings. Instead, it has been frozen, costing 2 million graduates an additional £306 per annum.

Local authority spending has already fallen by 25 percent since 2010, and is to fall still further as the government steps up its plans for devolution across England. The creation of a so-called “Northern powerhouse” is directly tied up with cutting public funding, privatising key assets and introducing tax and wage variations to force competition between regions.

This will have a major impact on the jobs, living standards and social benefits. Some £6 billion in local government grants are to be scrapped, affecting especially care for the elderly, while increasing council tax bills.

Osborne boasted that he would not have to cut police budgets as expected, after leading police chiefs had threatened the government. Combined with an announced 30 percent in “counter-terrorism” funding, including the expansion of MI5 and MI6, the government is making sure to protect the repressive powers of the state under conditions of rising social inequality.

The scale of the reduction in public spending is unprecedented. In the space of just 10 years, from 2010 through 2020, government spending as a percentage of GDP is projected to fall by 10 percent, from 45.5 percent to 35.5 percent.

Paul Johnson, IFS director, said in advance of the chancellor’s statement, “The make-up of the state will be

extremely different by 2020 from what it was in 2010.... If you put these cuts on top of what we saw in the last Parliament, there really isn’t anything to compare. We have never had anything like it. The size of the state overall will be roughly where it was at the end of the 1990s, which was a historic low for the post-War period.”

The Institute for Government described a decade of “sustained” cuts as “unprecedented.”

This was followed by the Office for Budgetary Responsibility (OBR) announcing that it had revised average earnings downwards over the next five years, by 0.2 percent in 2016, to a cut of 0.4 percent by 2019.

In the face of these measures, the Labour Party gave Osborne and the government a free ride. In the prime minister’s Question Time period leading up to the chancellor’s statement, Labour leader Jeremy Corbyn managed to avoid any mention of the impending cuts. By concentrating only on questions of renewable energy and the closure of women’s refuge accommodation, he sought to avoid any conflict with his own MPs—many of whom support austerity and have threatened a rebellion against plans to stop them voting in favour of military intervention in Syria.

After the government’s defeat in the Lords, Shadow Chancellor John McDonnell had called on Osborne to ditch tax credit cuts, pledging that he would have Labour’s support and that the party would not try to make “political capital” out of any climb-down.

In the event, McDonnell took care to criticise Osborne only from the right in a pathetic stunt following the chancellor’s statement. Throwing a copy of Chairman Mao’s *Little Red Book* across the Despatch Box in parliament, McDonnell decried “Comrade Osborne” for selling public assets to China.



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