# UK budget deepens social catastrophe for workers

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Budget day saw Chancellor Jeremy Hunt focus attention on £5 billion of childcare spending here and £4 billionin pension tax giveaways there, when the real story is a more than £80 billion collapse in household incomes over the next two years.

The Office for Budget Responsibility's (OBR) Economic and Fiscal Outlook, produced alongside the budget, predicts a cumulative 5.7 percent fall in real household disposable income per head in the period 2022-23 to 2023-2024, the largest drop since records began in the 1950s. On average, each person will be £1,200 poorer two years from now, and the population £81 billion poorer. Of course, the impact will not be distributed evenly; the heaviest weight will fall on the working class.

To put this in perspective, real disposable income fell by 1.2 percent in the last two years, which have seen record numbers thrown into fuel and food poverty, unable to pay the rent or afford the cost of travel to work. According to the OBR, things are about to get (almost five times) worse.

To enforce rock-bottom wages, Hunt told parliament that brutal financial sanctions on those claiming welfare benefits while unemployed "will be applied more rigorously to those who fail to meet strict work-search requirements or choose not to take up a reasonable job offer." Ben Harrison of the Work Foundation commented, "The UK welfare system is already damagingly punitive—of the 1.4 million people in the 'Searching for Work' Group of Universal Credit, one in twelve are already living under sanction."

As wages fall, public services will be cut. Austerity is still being enforced even if the government no longer dares to speak its name and the opposition Labour Party keeps a complicit silence.

According to the New Economics Foundation (NEF), public spending will be cut in real terms by another £21.6 billion by 2027-28, based on Hunt's plans.

"The hidden cut is a result of the Office for Budget Responsibility assuming inflation will fall well below the Bank of England's target of 2% from 2024/?25—including assuming zero inflation in 2025/?26. But if inflation were to fall that low the Bank of England would be expected to step in to maintain inflation at or above the target of 2%. The NEF analysis looks at what would happen if inflation does not fall below the 2% target."

This would include an £8.8 billion real terms cut to the Department for Health and Social Care and £3.8 billion for the Department for Education. "After adjusting for population growth and a more realistic inflation forecast, the NEF analysis shows that total spending on services in 2027/?28 would be 12% lower compared with 2009/?10 in real terms."

Adding the cuts announced in last year's Autumn Statement and the refusal to lift budgets with inflation in the current spending period, the total public service cuts would be £67.6 billion by 2027-28, versus the original 2021 spending review plans.

This is all calculated on the far-from-assured assumption that inflation will be kept to 2 percent from 2024-25.

The latest assault on the living standards of the working class comes after wholesale gas prices—one of the major influences in the world economic crisis—have halved in the last six months and figures have been released showing the UK economy will likely grow in 2023.

As the National Institute of Economic and Social Research (NIESR) reported last month, "The UK is likely to avoid a 'technical recession' in 2023. Though, with GDP growth set to remain close to zero in 2023 and real personal disposable income having contracted for four consecutive quarters, it will certainly feel like a recession for many."

The NIESR explained, "We project that 7 million UK households (1 in 4) will be unable to meet in full their planned energy and food bills from their post-tax income in 2023-24, up from around 1 in 5 in 2022-23."

What does this apparent contradiction mean? If the economy is growing, albeit glacially, and the working class is losing billions in wages and public services, then somewhere a great fortune is being built on a great crime.

While workers are not even halfway through an accelerating four-year fall in living standards, life for the major corporations and the super-rich is back on track. After total profits (net operating surplus) for private non-financial companies in the UK fell in 2020 to £208 billion, they quickly bounced back to exceed their pre-pandemic total, reaching £216 billion in 2021, and will be higher still for the year just past. Company fortunes were boosted by worker output increasing 1.3 percent per hour worked between 2019 and 2022—even as real wages fell.

From these profits, the shareholders of FTSE100 companies have drawn roughly £157 billion in dividends in the last two years, and can expect a bumper 2023, £85.8 billion, according to projections from investment platform and stockbrokers AJ Bell. They rewarded CEOs with an average pay packet of £3.9 million in 2020-21, an extra £300,000 on the pre-pandemic total.

While the rich get richer, the government is leaning on the working class to fund the one part of the state budget they are happy to increase: military spending. The Department for Defence will gain £11 billion over the next five years, lifting the percentage of GDP spent on the military to 2.25 percent of GDP by 2025, or 2.5 percent "as soon as fiscal and economic circumstances allow," in Hunt's words.

Money is being taken out of schools, hospitals and welfare to pay for war. The Resolution Foundation notes in its commentary on the budget, under the heading "Austerity returns", "The Chancellor chose largely to ignore pressures on public services in this Budget, but unprotected departments face 10 percent cuts to real day-to-day spending per capita by 2027-28—rising to 14 percent if the newly announced aspiration for defence spending to rise to 2.5 percent of GDP is met over the next parliament."

Put another way, the £11 billion on the military accounts for substantially more than the combined spend on continuing energy subsidies (£3 billion) and the Chancellor's "flagship" £5 billion childcare policy. This barely scrapes the sides of the crisis in that sector, where the average cost of a full-time nursery place for a child under two is close to £15,000 a year and only half of local authorities have sufficient provision available.

And because the British ruling class cannot help themselves, £4 billion will be given away to the richest people in the country by scrapping the lifetime allowance limit on pension tax benefits—previously set at just over £1 million—and raising the annual pension contribution which can be made before it is taxed from £40,000 to £60,000—roughly double the average salary.

This gave the Labour Party an opportunity to claim a semblance of difference with the Tories, pledging to reverse the measure. But on all the fundamental issues, there is nothing to tell them apart. Labour leader Sir Keir Starmer responded by complaining the UK was "falling behind our competitors."

Reviewing the two parties' economic policies this January, research company Capital Economics concluded, "Labour's big lead in the polls raises the question of what difference a Labour government would make to the economic outlook. The answer is probably not much. A tight grip on the public finances is likely by whichever party is in charge."