

We can afford a fairer society

This is no time for cuts – we need to invest in jobs and services that will help our economy recover from recession and build a fairer society.

We can afford the services we need – if we cut out real waste and make the banks, big corporations and the super rich pay a fairer share in tax.

The real crisis in our economy

The financial crisis and recession were not caused by excessive public spending. They were the consequence of reckless borrowing and lending in the private sector, against a background of deregulation, low wage growth and insufficient public provision (1). Before the credit crunch public sector debt was less than 40% of national income – it was the private corporate sector that was out of control, with debt at almost 300% of national income.

The coalition government talks as if public borrowing was the main problem we face today. But economists say our expected debt levels are sustainable (2) – our priority must be to support employment and raise incomes. Since the credit crunch hit more than 100,000 homes have been repossessed, more than 1 million workers have lost their jobs, and more than 1 in 3 employees have had their pay, hours or benefits cut (3). The weakness of the 'recovery' means this hardship is likely to continue. Former Bank of England economist Professor David Blanchflower has warned that cuts to public spending could send us back into recession and push unemployment to 5 million (4).

Even after the welcome increases of recent years, the UK still devotes a smaller share of its income to public services and social security than most other developed countries (5). Despite newspaper headlines suggesting that everyone now favours 'cuts', polling data suggests that voters want to see public services protected, even if that means higher taxation (6). Voters are particularly keen to see financial institutions, large companies and the super-rich start paying a fairer share (7).

The false economy of cuts

Most spending cuts are a false economy – the redundancy costs and knock-on effects on employment, growth and tax revenue will make the situation worse.

- on average every redundancy creates £16,000 additional costs to the public sector as well as undermining morale and productivity (8)
- 92% of the cost of employing a public service worker is recouped by the state through increased tax revenues and reduced benefit payments (9)
- economic research shows that for every pound spent on local public services, 64 pence is re-spent in local economies, supporting jobs and businesses (10)
- cutting or freezing public service pay is likely to result in recruitment and retention problems, high turnover and vacancies, weakening services and increasing reliance on expensive agency workers (11)

The services we need

We are already seeing cuts to budgets, pay and jobs in some areas (12). But we need to build these services to support our economic recovery. For example:

- 10,000 more planners are needed by 2012 to find sustainable ways of meeting new housing, infrastructure and development needs (13)
- 10,000 more social workers are needed to fill vacancies and deal with rising child protection caseloads (14)
- 50,000 more hospital cleaners would be needed to reverse cuts in staffing levels that led to big rises in MRSA and C Difficile (15)
- 100,000 additional education staff are needed by 2017 to ensure we have the skilled workforce our economy needs (16)
- 350,000 additional care workers will be needed by 2020 to look after our ageing population and minimise need for acute and residential care (17)

Everyone stands to lose from public service cuts – the average UK household relies on benefits and public services worth more than £10,000 every single year (18).

Making society fairer

Public spending is also needed to tackle deprivation and disadvantage. For example:

- child benefits and tax credits need to be increased to ensure the 2010 target to halve child poverty is met
- disability benefits need to take account of extra living and working costs, and should not be conditional upon taking unsuitable or exploitative work
- pensioner poverty must be abolished by raising the Basic State Pension and re-linking it with average earnings when these outstrip inflation
- the low paid should have their living standards raised by increasing the initial tax-free allowance, or restoring a 10% tax band for low incomes
- people looking for work should be better supported by increasing Job Seeker's Allowance above the inadequate £64.30 a week for over-25s

We can afford it

Until growth and employment have fully recovered, it is right that the government uses public debt to finance necessary spending. Rushing to ‘balance the books’ as some are urging would be totally counterproductive as well as increasing hardship.

In the long run, however, deficits will need to be closed. The way to do this is not by cutting jobs, benefits and services – but by tackling real waste and making tax fairer.

Making tax fair

Significant sums could be raised without affecting the incomes of the majority if we made sure the financial sector and the super-rich paid a fairer share. For example:

- **£4.7bn** could be raised every year by introducing a 50% tax rate on incomes over £100,000 (19)
- **£5bn** could be raised every year with an Empty Property Tax on vacant dwellings which exacerbate housing shortages and harm neighbourhoods (20)
- **£10bn** could be raised every year by reforming tax havens and residence rules to reduce tax avoidance by corporations and ‘non-domiciled’ residents (21)
- **£14.9bn** could be raised every year by using minimum tax rates to stop reliefs being used to disproportionately subsidise incomes over £100,000 (22)
- **£20-30bn** could be raised every year by introducing a Major Financial Transactions Tax (or ‘Robin Hood Tax’) on UK financial institutions (23)

Estimates of the long-term net cost of the bank bailouts have been estimated at **£20-50bn** (HM Treasury) to **£120bn** (IMF) (24). This money must be paid back in full.

Cutting real waste

Contrary to recent media attacks, public service productivity has improved every year since 2003 (25). Trade unions play a key role in ensuring staff are treated fairly and involved in making improvements – research indicates that this already saves the taxpayer as much as **£3.6bn** a year in productivity gains (26).

There are other ways we make sure public money is used effectively. For example:

- **£500m** could be saved every year by adopting measures to improve the health and well-being of NHS staff, thereby reducing sickness absence (27)
- **£1bn** could be saved every year by halving the local government agency bill, as has been achieved by high performing councils (28)
- **£1bn** could be saved every year by eradicating healthcare acquired infections from the NHS – the extra cleaners would cost half this (29)
- **£2.8bn** could be saved every year by ending the central government use of private consultants who bring little discernable benefit (30)
- **£3bn** could be saved in user fees and interest charges every year if PFI schemes were replaced with conventional public procurement (31)
- **£76bn** could be saved over 40 years by cancelling Trident (32)

Sources

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