

CUTS, AUSTERITY AND THE CASE FOR AN ALTERNATIVE

The FBU is increasingly appalled by the Government's handling of the current economic crisis and continue to be disappointed with the quiet consensus at Westminster to insinuate that the cause of, and solution to, the crisis lies with public spending.

The FBU is by necessity a political organization. Our members and our families are affected in their daily lives by the decisions made by politicians. Our members' jobs and profession is shaped by political decision-making.

As a trade union we must not and will not pretend as others do that our activity in defence of firefighters and the fire service is somehow detached from politics.

As a consequence the Executive Council has identified that our beliefs and our policies should be drawn together into a singular statement upon which this union can campaign.

We did not create this crisis

The economic downturn in the UK and world economy in recent years sets the context in which the Fire and Rescue Service operates. The political decisions which have been made and continue to be made by the coalition government at Westminster have created the most serious threat to our Service and to our conditions in recent history. It is essential the FBU is able to respond to the industrial challenges affecting the Fire and Rescue Service, but also that we are able to respond in the wider context within which such challenges arise.

The economic crisis which has unfolded since 2007 threatens FBU members and our families on many levels:

- As public sector workers we face attacks on our pay, jobs, pensions and conditions;
- As working people we face increased taxation and rising prices;
- As citizens we face an onslaught on our public services which threatens to fundamentally undermine the way education, health and other key services are provided in the UK.

Despite all the rhetoric about the excessive growth of the public sector, the real cause of the current budget deficit is not excessive government spending but an economic crisis which Britain's governments, and their advisors, entirely failed to foresee. The free market (neoliberal) model that has dominated in recent decades has been exposed as a failure.

For more than three decades, and particularly since 1979, government policy has reflected a firm and uncompromising belief in the efficiency and supremacy of the market. Policy has largely been based around:

- Reducing taxation on the wealthy and on big business;
- Restricting the trade union and employment rights of working people as a mechanism to restrict wages;
- Restricting welfare rights and benefits which has encouraged the growth of low wage sectors of the economy;
- The deregulation of the finance sector;

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- The privatisation of publicly owned industries and utilities and increasingly of public services.

By allowing markets to operate freely, this approach it was claimed, would deliver permanent growth, security and increasing living standards for the majority. Now the living standards and security of the majority (Firefighters included) and of the next generation are increasingly undermined and insecure.

The Government's diagnosis is wrong

The government says Britain's public sector debt is "too high". Last year, Britain's public sector debt was £890bn, equivalent to 62% of GDP. Of that total, £117bn was to fund the bailout of the banks. That level of debt is not high by international standards - Germany and Spain are the only major EU economies with a lower debt stock than Britain.

And historically, the debt is low. For the entire period 1916-1971, public sector debt as a share of GDP was higher than now. In 1947, public sector debt was nearly four times its current level, or nearly 250% of GDP. What the post-war Labour government did was not to cut public spending. Instead it introduced large-scale nationalisation, expanded the welfare state and made big investments in housing and infrastructure. Because of the economic growth produced, the deficit halved as a proportion of GDP over the following ten years.

The government also argues that the public sector deficit is 'too high'. Again, this is false. In 1991, John Major's government racked up a budget deficit of 6.3% of GDP, almost the same as last year's 7% deficit, even though this Great Recession has been nearly three times as severe as that in the early 1990s.

The deficit comes not from government spending but a collapse in growth. It is the loss of tax revenues in this recession that is the real problem, not spending too much. Taxes would have been £103bn higher without the recession, comprising two-thirds of the entire deficit of £155bn in 2010-11. The bulk of the remainder is increased interest payments on existing debt. The deficit has arisen because tax revenues have collapsed in the recession.

Government policy makes things worse

Since the economy went into recession in 2007, output has yet to recover to its pre-crisis levels, which means the slump has so far lasted two and a half years. It is now widely forecast that employment will not recover for a decade. There is no clear sign that an economic recovery is developing - and government policy has failed to resolve the fundamental problems facing us in terms of jobs, inflation and the budget deficit.

The government has introduced the deepest cuts since the Second World War. On 21 October 2010, they announced planned cuts in public spending of £80 billion, averaging 19% over all departments, over the next four years.

These cuts fall on services needed by working people across the UK. Half a million public sector jobs face the axe - including thousands within the Fire and Rescue Service. Communities and Local Government are to lose 37% over four years in real terms, far and away the heaviest departmental cut. Local councils will lose 7% every year for four years. The Fire and Rescue Service in England faces unprecedented cuts of 25% in grant funding over the same period. Reductions in funding for the devolved administrations will also result in significant cuts in services.

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The cuts fall most heavily on those who can least afford to lose. An average family at the bottom fifth of the income scale will lose three times more as a proportion of its income (£7 out of £200 per week) than one at the top (£10 out of £1,000). Over £7 billion is to be taken out of welfare payments with the lion's share falling on housing benefits.

These are the most savage cuts in 50 years. According to the Institute of Fiscal Studies, the years 2011-2015 would involve the "deepest sustained cut to spending on public services since 1976-80", when the UK was forced to borrow from the IMF. The Conservatives' plans "imply cuts to spending on public services that have not been delivered over any five-year period since the Second World War."

Alongside these measures, the government is now saying it will look at further tightening the anti-union laws and introducing legislation to reduce employment rights and make it easier for employers to sack workers. The attacks on trade unions will tie the hands of the very organisations best placed to defend workers from the cuts.

There are alternatives

The cuts, criminally, undermine the most precious resource needed to exploit these strengths - the workforce. Investment in education, technology, sustainable industries and the arts will create a long-term alternative for the economy, reaping its rewards in the future.

The way out of the economic crisis is to get the economy growing sustainably and in a direction which benefits the majority. This means protecting living standards and investing in public services. It means investment in new green technologies to tackle poverty and climate change. It means investing in education and health so everyone has a future to look forward to. The measures outlined below are not claimed to be a finalised policy for managing the economy but they are the sort of measures which the Labour movement must campaign and fight for if we are to protect the interests of the vast majority.

1) Tax big business, the banks and the rich

The taxation system should be made more progressive. We demand higher taxes on the wealthy and less tax on workers.

- Clamp down on tax evasion, tax avoidance and uncollected tax - this would raise £123bn.
- A top rate of tax of 60% (as it was under Thatcher) would raise £19bn.
- National insurance at a constant 11% would bring in £8bn.
- Restore corporation tax to 1997 levels - this would raise £18bn.
- A wealth tax of 10% - £8bn.
- Phase out VAT and other regressive taxes.

2) End the waste of public money on privatisation and war

Public services should be based on social needs, not on profiteering and war.

- Scrap Trident and save £94bn.

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- Bring the troops home from Afghanistan - £2.6bn per year.
- Stop wasted government spending on private sector consultants - £1.8bn.
- Open the books - on public sector subsidies to private contractors, firms and pension funds.
- Scrap PFI and end the privatisation of public services.

Over the past thirty years many essential public services have been privatised. Corporate profiteering in health, education, social and other public services must end. Energy, transport, water and communications should be publicly owned and run democratically by those who use them and work within them. What is required is accountability; public control over public services.

3) Public ownership of the banks

UK taxpayers now own a large swathe of the banking sector after its £1,400bn bailout. Rather than returning these banks to the private sector at the earliest opportunity, the banking sector should be developed as a public service that provides funds at reasonable rates for infrastructure and construction projects, and loans to small businesses and to households.

The banks are awash with cash, as they continue to hoard money. The state controlled banks should be instructed to use this cash to invest in the key areas required; housing, transport, infrastructure and education. Other banks should be instructed to lend at low rates of interest for public projects or be taken into democratic public ownership to be run for the benefit of all.

4) Protect and invest in our public services

What is required is a programme of growth; organised so the public reaps the returns. This calls for public investment in advanced creative, sustainable and productive services which are shaping the twenty-first century economy. It requires investment in equality to reduce the costs of welfare and ensure that those who benefit from Britain's wealth contribute equitably to the sources of that wealth. And it requires investment in the future, replacing the broken society of greed with new human values of respect, equality, care and sustainability.

- Build one million new local authority-owned homes.
- Create one million new climate change jobs - as identified in the 2009 report by PCS, CWU, TSAA and UCU.
- Rebuild city transport systems and intercity high-speed networks under public control.
- Jobs for all. Reduce the working week with no loss of pay to create employment.

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5) Free education for all

The twenty-first century world is clearly moving towards a society in which higher education is universal. Yet tuition fees make Higher Education in the UK the most expensive in Europe. According to the OECD, every £1bn invested in higher education in a modern economy increases government finances through higher taxes and lower welfare payments by £3.3bn. Investment in higher education pays for itself. Higher education for all, free at the point of use, paid for out of progressive general taxation would be the most equitable and efficient system, just as it is for all public services.

6) Pay and pensions

Firefighters and other public sector workers face the prospect of a continuing pay freeze, alongside rising prices for basic goods, from heating bills to fuel, food and clothing. This means cuts in real wages and the creation of real hardship for hundreds of thousands. The same approach has already led to wage cuts for private sector workers. Wages and benefits should be pegged to a real cost of living index, so that at the very least our living standards are maintained.

Public sector pensions in the UK (including the Fire Service schemes: FPS, NFPS and LGPS), are the lowest relative to earnings in the OECD economies. The government claims there is not enough money to fund pensions. The truth is that the shortfall is due to outsourcing public sector jobs and leaving pensions to the vagaries of the stock and bond markets. A good quality state pension, together with properly funded occupational pension schemes is the answer.

7) Unshackle the unions

In the face of the cuts and austerity measures, Firefighters and other workers need the right to organise more than ever. Our unions are our first line of defence against the coming attacks. Yet Britain has the most restrictive anti-union laws in Europe. These laws were imposed by Thatcher and never repealed by new Labour. The Con-Dem government plans to make it even harder for unions to take action to defend public services and public sector workers. We need the repeal of the anti-union laws and positive legal rights for workers to organise and take action.

The ideas outlined above are aimed at challenging the central political agenda we face - the agenda of cuts and austerity; an agenda which seeks to cut the wages of working people, to raise our taxes and to slash our services. It is an agenda which seeks to force the majority to pay for the failures in the banking system and the wider economy. It is an agenda which claims there are not the resources in our society to provide decent jobs and wages or to provide good quality public services for ourselves and for future generations.

These claims are all false. Our society is wealthy - but there is little or no democratic control over the use of that wealth. To change direction requires a sharp change in political thinking and the trade union movement should play a central role in developing such a debate. A change of direction requires a challenge to the political ideas that have dominated for the past thirty years. Those ideas have failed and we are now being asked to pay the price for that failure. Instead we need to build an alternative based on democracy, solidarity and the principles upon which our union and our movement were built as contained within our objectives:

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"To this end the Fire Brigades Union is part of the working class movement and, linking itself with the international trade union and labour movement, has as its ultimate aim the bringing about of the socialist system of society."

Conference agrees the principles within this statement and resolves that officials of the union will campaign at every appropriate opportunity and within every appropriate forum for those principles to be adopted by labour movement bodies with which we are associated or affiliated.