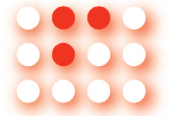
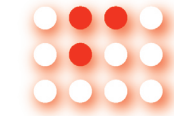


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## Chancellor presents a Budget of pain

George Osborne, chancellor in the coalition government, has revised down forecasts to economic growth from 2.6% to 2.3% in 2011 in the first Budget of the new Parliament.

The economy is expected to grow by 1.2% this year, he said, by 2.3% next year, and by between 2.7% and 2.9% annually in the 2012-15 period.

Unemployment is forecast to peak this year at 8.1% and then fall for each of the next four years, to reach 6.1% in 2015.

Meanwhile, consumer price inflation (CPI) is expected to reach 2.7% by the end of 2010 before "returning to target in the medium term". Osborne is keeping the 2% CPI inflation target at the 2% figure that the last Labour government set the Bank of England's Monetary Policy Committee in its deliberations on interest rates.

Osborne said the state now accounted for "almost half" of all national income which was "completely unsustainable". And he announced average real terms budget cuts of 25% over four years – except for health and international aid. Departmental cuts will amount to £17 billion by 2014-15.

However, current expenditure will rise from £637 billion in 2010-11 to £711 billion in 2015-16, partly due to rising interest payments on debt.

It is public sector workers who are taking the full force of Osborne's public spending cuts. He announced that public sector workers face a two-year pay freeze if they earn over £21,000. However, those earning less £21,000 will get a flat pay-rise worth £250 in the next two years.

Osborne had already announced that the former Labour cabinet minister John Hutton would head a review into public sector pensions. Hutton is to produce an interim report by September.

In a welfare benefits shake-up that will save £11 billion by 2014-15, Child Benefit is frozen for the next three years. And, excluding the state pension and pension credit, from next April benefits, tax credits and public service pensions will rise in line with CPI inflation, rather than the present rise in Retail Prices Index inflation, saving more than £6 billion a year by the end of the Parliament.

The stick is taken to the unemployed and single parent families. Unemployed people will see their Housing Benefit cut by 10%, after 12 months of claiming Jobseeker's Allowance from April 2013.

And lone parents will be expected to look for work when their youngest child goes to school.

**LABOUR RESEARCH DEPARTMENT**

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Tax credits are reduced for families earning over £40,000 next year. But low income families will get more Child Tax Credit – the amount for each child will rise by £150 above the rate of inflation next year.

The government will introduce a medical assessment for Disability Living Allowance from 2013 for new and existing claimants.

On the taxation front, VAT will rise from 17.5% to 20% from January 2011. And, although Osborne never said so, don't expect it to ever come down.

Two sops to his Liberal Democrat partners in the government are that the personal income tax allowance is to be increased by £1,000 in April to £7,475 – worth £170 a year to basic rate taxpayers. The rise is expected to take 880,000 of the lowest-paid out of paying income tax altogether.

And capital gains tax is to immediately rise from 18% to 28% for higher rate taxpayers. But the "entrepreneurs relief" rate of 10% on the first £2 million of gains will be extended to the first £5 million.

Finally, it is no Tobin tax (a small tax on each bank transaction), but a bank levy, expected to raise £2 billion a year, will be introduced from January 2011. The levy will apply to the balance sheets of UK banks and building societies and the UK operations of foreign banks from January 2011, but smaller operations will not have to pay.

[www.hm-treasury.gov.uk/2010\\_june\\_budget.htm](http://www.hm-treasury.gov.uk/2010_june_budget.htm)

## Unions say chancellor got it wrong in Budget

Unions were united in their dismissal of Osborne's first Budget.

TUC general secretary Brendan Barber said the Budget "got the big judgment about the economy wrong" and didn't "live up to any claim to be fair".

"The unexpectedly big cuts in benefits will hit not just the poor but middle income families too. Unemployment will continue to be high, and anyone leaving school or college in the next five years faces a bleak future," Barber said.

"The rich have largely been let off. They will hardly notice the VAT increase. The bank levy is less than half the £5-8 billion predicted – and is a fraction of

City bonuses. The capital gains tax (CGT) increase is full of loopholes, and won't stop tax dodging.

"Some of the really bad news is yet to come. Unprotected departmental budgets will be savaged. Local government will need to slash services if they are to freeze council tax.

"Public servants did nothing to cause the slump but are being asked to bear an unfair share of the burden. A wage freeze when inflation is high is a real cut in living standards – and the small concession for the low paid is still less than inflation."

Dave Prentis, general secretary of public services union UNISON, accused the government of "declaring war" on public services and public service workers with the most draconian budget in decades.

"This budget signals that the battle for Britain's public services has begun with the government declaring war. Public sector workers will be shocked and angry that they are the innocent victims of job cuts and pay freezes," Prentis said.

"Freezing public sector pay when inflation is running at 5.1% and VAT is going up, will mean a real cut in living standards for millions of ordinary workers and their families."

Unite, which has members across the public and private sector, was just as scathing. Joint general secretary Derek Simpson said: "Osborne and Cameron's talk of financial Armageddon is not because they have the solution to the deficit, but to scare the British people into accepting the biggest attack on essential services for a generation.

"Today the mask slipped to reveal this government for what it is – Tory slashers of services and friends of the rich and powerful.

"Where is the promised fairness in cutting the wages of needy households yet fighting shy of closing the tax loopholes which allow the wealthy to dodge their duty to this country? And increasing VAT is reckless – it will stop people spending, harm UK business and choke off the recovery.

The GMB general union highlighted estimates by the Chartered Institute of Personnel Development that the huge public spending cuts would mean the loss of 725,000 jobs in the public sector.

Brian Strutton, GMB national secretary, said "The public spending cuts will mean job losses on a huge scale and the ripple effects will run through-

out the whole economy. The scale and speed of the cuts mean that the rest of the economy will be plunged back into recession.”

The PCS civil service union said that far from being “unaffordable and unsustainable”, public sector pay remains low and pensions are “modest” by comparison with the platinum-plated payouts that senior executives in the private sector continue to award themselves.

“Any gap between average public and private sector pensions is the fault of private sector employers retreating from making decent provision for their workforces. It is not the fault of low-paid public servants, who will retire on a low pension,” said general secretary Mark Serwotka.

[www.tuc.org.uk/newsroom/tuc-18123-f0.cfm](http://www.tuc.org.uk/newsroom/tuc-18123-f0.cfm)

[www.unison.org.uk/asppresspack/pressrelease\\_view.asp?id=1901](http://www.unison.org.uk/asppresspack/pressrelease_view.asp?id=1901)

[www.unitetheunion.com/news\\_\\_events/latest\\_news/unite\\_emergency\\_budget\\_reactio.aspx](http://www.unitetheunion.com/news__events/latest_news/unite_emergency_budget_reactio.aspx)

[www.gmb.org.uk/newsroom/latest\\_news/public\\_sector\\_job\\_loss.aspx](http://www.gmb.org.uk/newsroom/latest_news/public_sector_job_loss.aspx)

[www.pcs.org.uk/en/news\\_and\\_events/news\\_centre/index.cfm/id/30AFF29C-3A2D-4565-A38B924E5BDCBD67](http://www.pcs.org.uk/en/news_and_events/news_centre/index.cfm/id/30AFF29C-3A2D-4565-A38B924E5BDCBD67)

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## What a load of ballots!

The leading business group the CBI has shown its true colours now that the party of its members' choice is in power.

In a new report, *Making Britain the place to work*, the CBI called for changes to rules around strike ballots to ensure that industrial action can only go ahead if 40% of the balloted workforce support it, as well as a simple majority of those voting. This would prevent strikes going ahead based on a relatively small turnout of particularly active union members.

In addition, it also wants employers to be able to throw workers on the jobs scrapheap more quickly. It said that the consultation period for collective redundancies should be shortened from 90 days to 30 days, it says, reduce uncertainty for staff and allow employers to reshape their workforces swiftly to respond to significant falls in demand.

TUC general secretary Brendan Barber said: “The UK already has some of the toughest legal restrictions on the right to strike in the advanced world. The courts regularly strike down democratic ballots that clearly show majority support for action. The number of days lost to industrial action is historically low and less than in many other countries.

“Any further restrictions would be extremely unfair and almost certainly breach the UK’s international human rights obligations. The new government’s commitments to civil liberties are welcome, but the CBI seems to think human rights stop at the workplace door.

“And while we expect the CBI to lobby against rights at work, please spare us the hypocrisy of pretending that a cut in the period for consultation over redundancy is for the benefit of employees. A 30-day period does not provide unions – let alone staff unrepresented by unions – any real chance to develop alternatives or effectively negotiate changes.

“The CBI’s proposals add up to a demolition job on the rights at work of their members’ staff – and a charter for exploitation by unscrupulous employers. It looks like the CBI’s backwoodsmen are back in the driving seat.”

[www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/7d5aad93026f5007802577450051b71f?OpenDocument](http://www.cbi.org.uk/ndbs/press.nsf/0363c1f07c6ca12a8025671c00381cc7/7d5aad93026f5007802577450051b71f?OpenDocument)

[www.tuc.org.uk/law/tuc-18114-f0.cfm](http://www.tuc.org.uk/law/tuc-18114-f0.cfm)

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## Dave Prentis re-elected as general secretary

By a large majority, members of public services union UNISON have re-elected Dave Prentis as general secretary in a three-way contest.

Prentis collected over 100,000 more votes than his nearest rivals – Roger Bannister, branch secretary of Knowsley, Merseyside. Paul Holmes, Kirklees branch secretary, was the only other candidate.

Voting in the ballot was as follows:

Dave Prentis 145,351 (67.2% of votes)

Roger Bannister 42,651 (19.7%)

Paul Holmes 28,114 (13%)

Prentis, who has been UNISON’s general secretary since January 2001, said it was “a vote of confidence in the union and the direction that we have been taking over the past few years.”

And as for the tough times ahead for the public sector, he said: “Under the coalition government, public services face an onslaught on a scale unprecedented since Thatcher was prime minister. The government is pressing ahead with cuts to public services, to our members’ jobs, pay and pensions, with complete disregard to the serious social consequences.

"Together we will stand up for quality public services, for the hardworking people that provide them, and for the poor, the sick and vulnerable people who rely on them for support."

[www.unison.org.uk/asppresspack/pressrelease\\_view.asp?id=1900](http://www.unison.org.uk/asppresspack/pressrelease_view.asp?id=1900)

## Pay settlements lag behind inflation

Pay settlements are now trailing behind Retail Prices Index (RPI) inflation, according to an analysis of the Labour Research Department's Payline database.

But while private sector settlements show signs of responding, pay restraint is beginning to bite in public sector figures. The overall headline rate for settlements is steady at 2%. Meanwhile, RPI inflation has remained above 5% in the year to May.

Settlements on the Payline database show 2.0% as the central trend for the three months up to and including May, maintaining the position from April. That is close to National Statistics' figures for the growth in average weekly earnings (AWE, excluding bonus payments) of 1.9% for the year to March and 1.7% for the year to April.

The Payline figures represent a clear move upwards compared with winter/spring levels. But, unless there is a marked change, living standards will be falling for many employees this year because of below-inflation pay increases, potentially hitting consumer spending.

For details of some of the most recent pay settlements on Payline follow the link below.

[www.lrd.org.uk/index.php?pagid=18](http://www.lrd.org.uk/index.php?pagid=18)

## Minimum wage to rise

The coalition government has accepted the recommendations of the Low Pay Commission on the new rates for the National Minimum Wage (NMW) from October.

The main rate, which had been agreed by last Labour government in March, will rise by 2.2% to £5.93 an hour (see *FS13* for other rates).

In addition, the government has written to the commission outlining and extending its remit for its 2011 report, which will advise the government on what the NMW should be from October next year.

As in previous years, the commission will monitor and evaluate the NMW and its impact, but this year it has been asked to pay particular attention to its implications on the competitiveness of small firms and the employment prospects of young people.

TUC general secretary Brendan Barber, welcoming the decision, said: "The minimum wage has been a great success, and if this announcement means that this is an area that will see continuity rather than change it will win wide support."

[www.lowpay.gov.uk/](http://www.lowpay.gov.uk/)

[www.tuc.org.uk/newsroom/tuc-18120-f0.cfm](http://www.tuc.org.uk/newsroom/tuc-18120-f0.cfm)

## Government consults on later retirement

Chancellor Osborne announced in the Budget that there will be an urgent review of the State Pension Age with the intention of raising it to 66.

The chancellor said that "the review will be conducted quickly in recognition of the urgent need to press ahead with implementing these changes fairly", and will also "consider future increases to the State Pension Age and how best to manage the ongoing challenges posed by increasing longevity".

The age for men won't be raised to 66 until 2016, while for women it will be raised to that level a few years later.

The government also revealed in the Budget that it will begin consulting on removing the Default Retirement Age of 65 from April next year.

The unions have in the past voiced conditional support for the abolition. Last year, TUC general secretary Brendan Barber said: "It cannot be right that an employer can sack someone simply for being too old. Employees should have choice – neither forced by employers to give up work, nor forced by inadequate pensions into working longer than they should.

"A key challenge as we live and stay active longer is developing the right kind of jobs, support and training for older workers."

[www.hm-treasury.gov.uk/d/junebudget\\_complete.pdf](http://www.hm-treasury.gov.uk/d/junebudget_complete.pdf)

[www.tuc.org.uk/pensions/tuc-16742-f0.cfm](http://www.tuc.org.uk/pensions/tuc-16742-f0.cfm)