

UK Summer Budget

July 2015

The Chancellor published his summer UK budget today. This briefing covers the consequences for UNISON members in Scotland. The main impacts of a UK budget are on wages, benefits and public spending.

The headlines are about wages with the introduction of a new national living wage for all workers aged over 25, starting at £7.20 an hour from April 2016 and set to reach £9 by 2020. In effect this is an increase in the national minimum wage for the over 25's, not a living wage at all. While this will help members' outwith the public sector, it has been set below the level of the Scottish Living Wage that applies to most UNISON members in Scotland. If the Scottish Government follows the Chancellor's lead, as they generally do, public sector workers face four more years of pay restraint with increases capped at 1% per year.

It could be worse, particularly for young members and low paid members with families. The freeze in working age benefits hit families hardest and young people also lose Housing Benefit until they reach 21. They don't get the new living wage either. The increase in income tax personal allowances are a help, but they are a regressive tax cut that benefit higher paid workers [more](#). The rich also gain from changes to inheritance tax.

Cuts in departmental spending (RDEL) will follow a much smoother path than was implied in March, moving away from the previous 'rollercoaster' pattern. Real terms RDEL cuts now range from 0.5 to 2.4% a year between 2015-16 and 2019-20. In March, the real cuts in 2016-17 and 2017-18 were 5.8 and 5.4% respectively – larger than any seen in the previous Parliament. RDEL spending is now assumed to fall by an average of 1.5% a year in real terms over this Parliament, compared to the 1.6% over the previous Parliament. Essentially the cut is similar, but spread more evenly over a longer period.

Chart 4.6: Year-on-year real growth in resource DEL



It is difficult to calculate the Barnett consequentials until we see the departmental allocations for devolved services in England. That will probably become clearer in the Autumn Statement. However, the limited good news is that the massive cuts planned for the next two years will be somewhat reduced from the March plans.

The impact on jobs is still significant. UK general government employment is estimated to fall by 0.4 million by the first quarter of 2020, leading to a total fall from early 2011 of 0.7 million. These figures are 0.2 million smaller than projected in March, but still equate to a 13% overall reduction in headcount. The Scottish job losses could be between 30,000 and 40,000 posts by 2020.

For further information the OBR documents are [here](#). The Treasury Red Book is [here](#). As further details are uncovered in the coming days we will update our analysis on the [Public Works blog](#).

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