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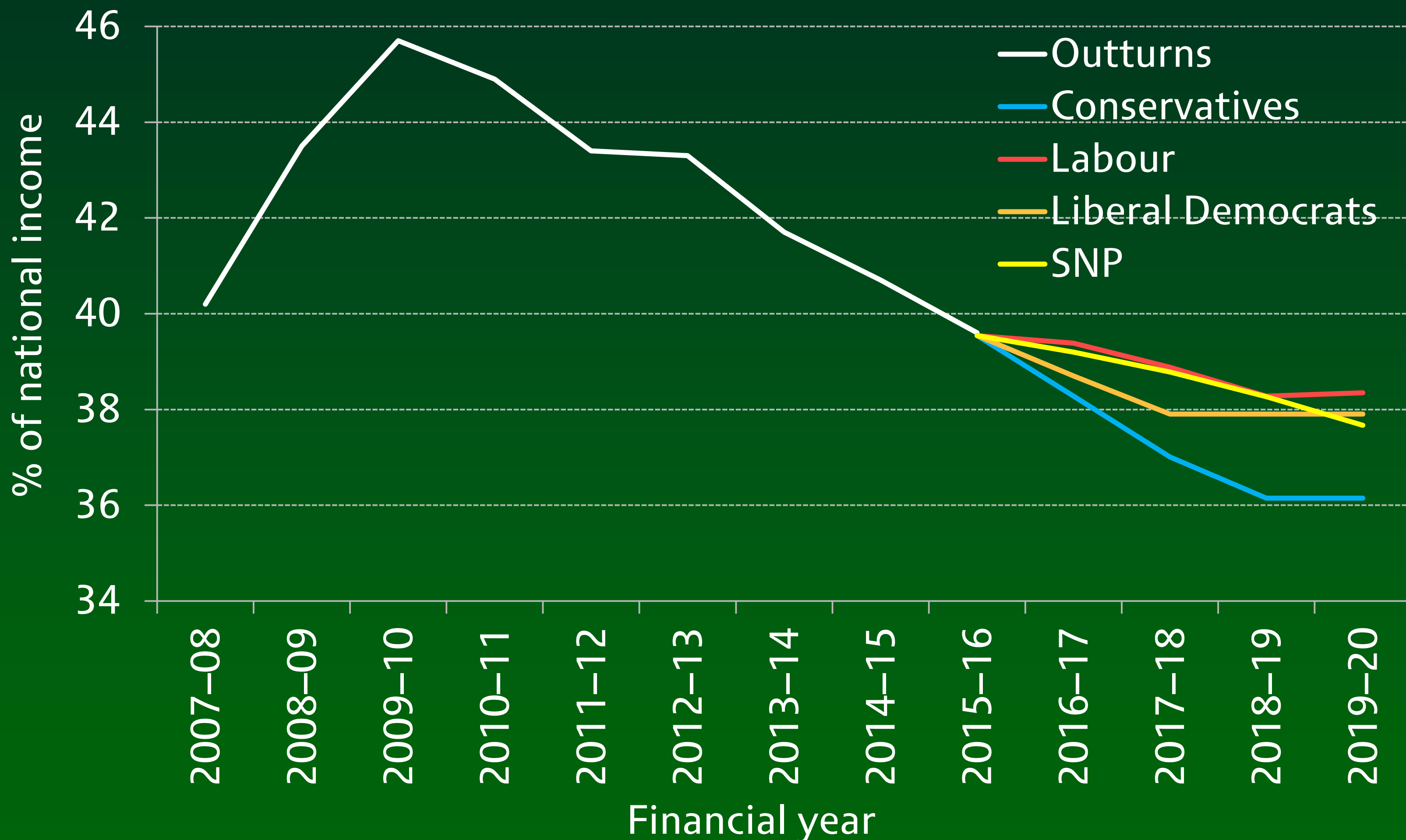
Act II

Gemma Tetlow

Public spending: profiles compared (% GDP)



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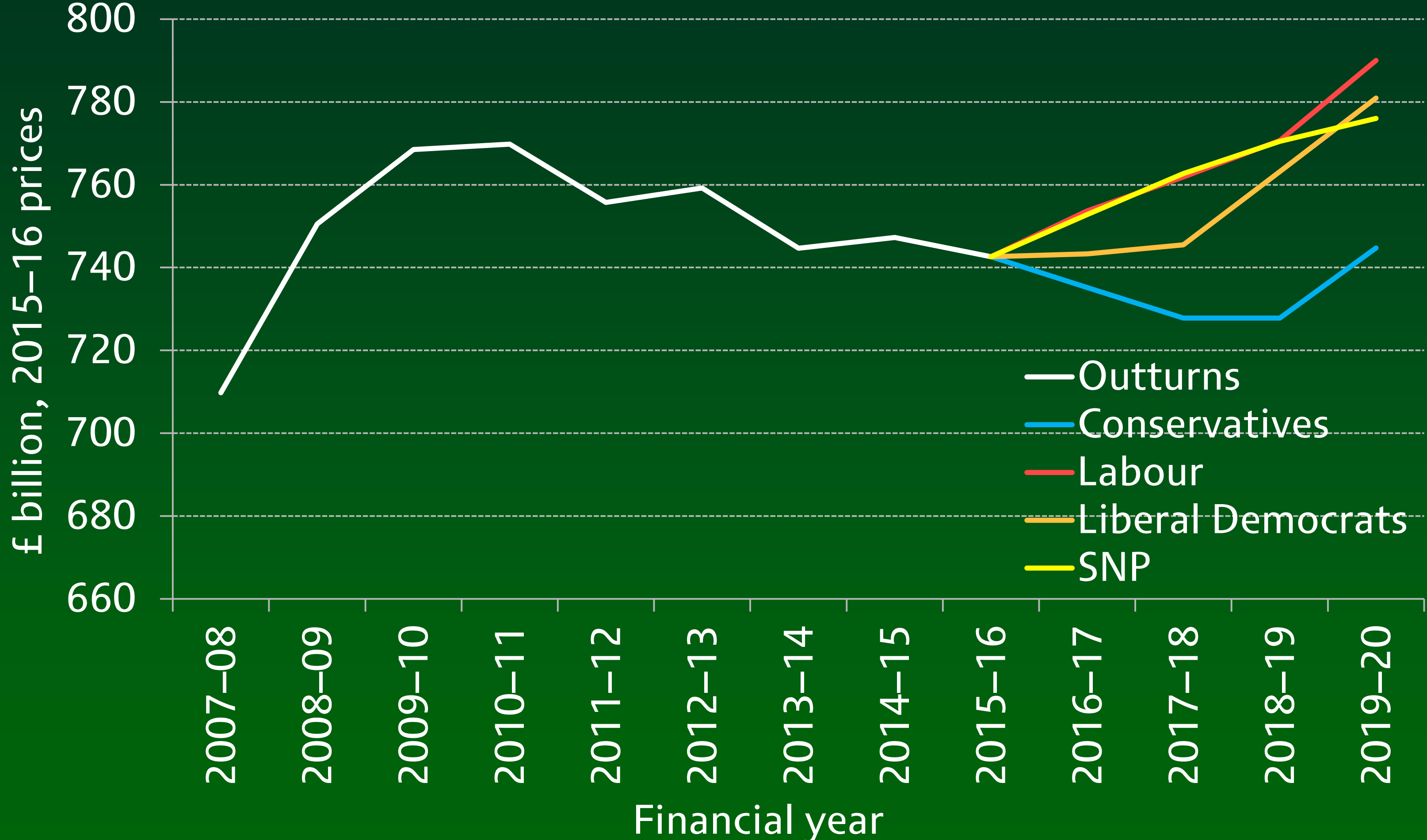
Notes and sources: see Figure 4.2 of Post-election Austerity: Parties' Plans Compared.

Public spending: profiles compared (real terms)



Notes and sources: see Figure 4.1 of Post-election Austerity: Parties' Plans Compared.

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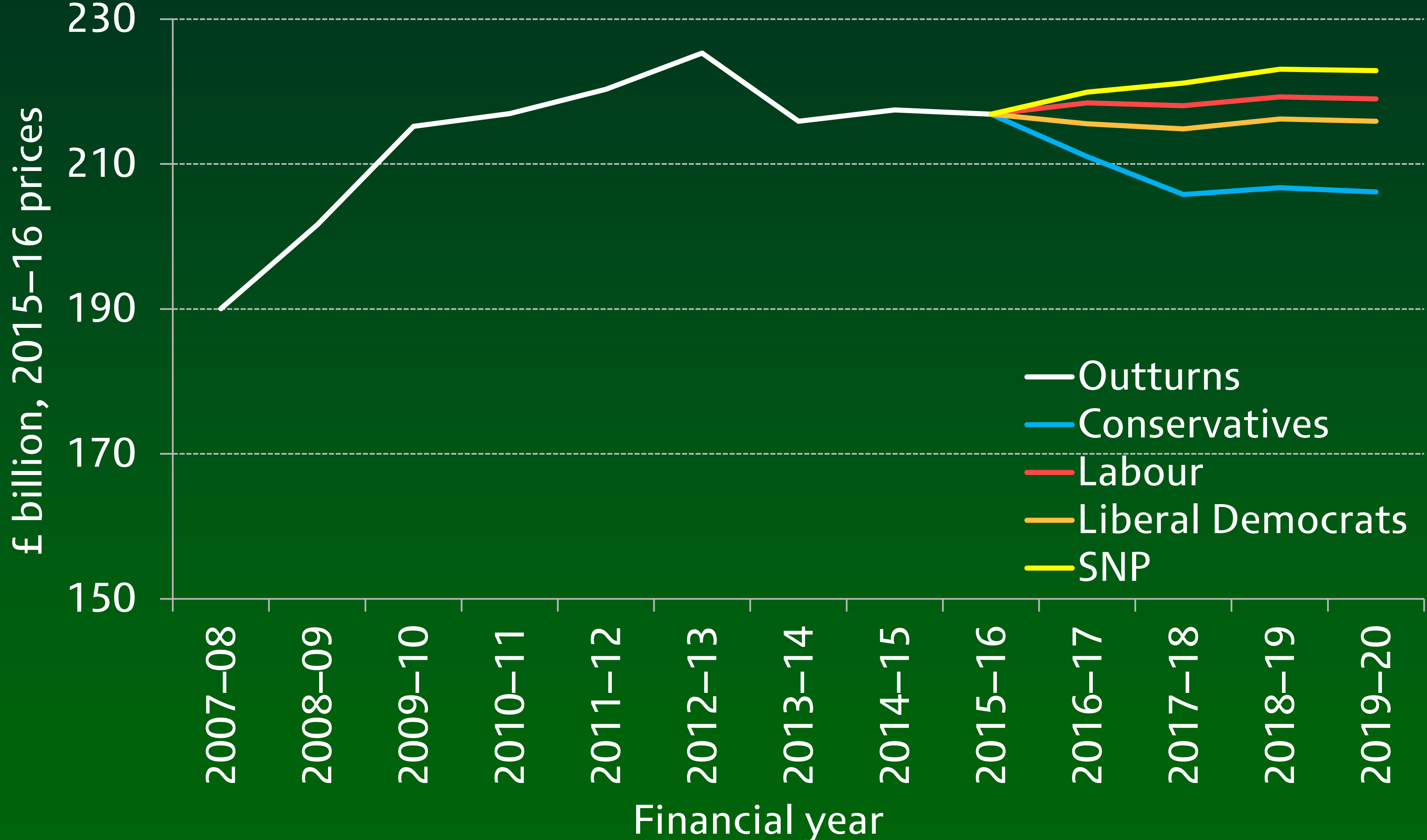
Social security policies

- Conservatives
  - intend to reduce spending by £12 billion by 2017–18
  - but specific measures only achieve one-tenth of this
- Labour
  - several specific social security increases and cuts: small net increase in spending of about £600 million
- Liberal Democrats
  - several specific social security increases and cuts: small net cut in spending of about £400 million
  - also want to reduce spending by: £1 billion through reduced fraud and error, £1 billion through being better at getting benefit recipients into paid work: both less certain, and less clear that other parties wouldn't also do these
- SNP
  - several specific social security increases and cuts: net increase in spending of about £4 billion

Spending on social security



Notes and sources: see Figure 5.1 of Post-election Austerity: Parties' Plans Compared.

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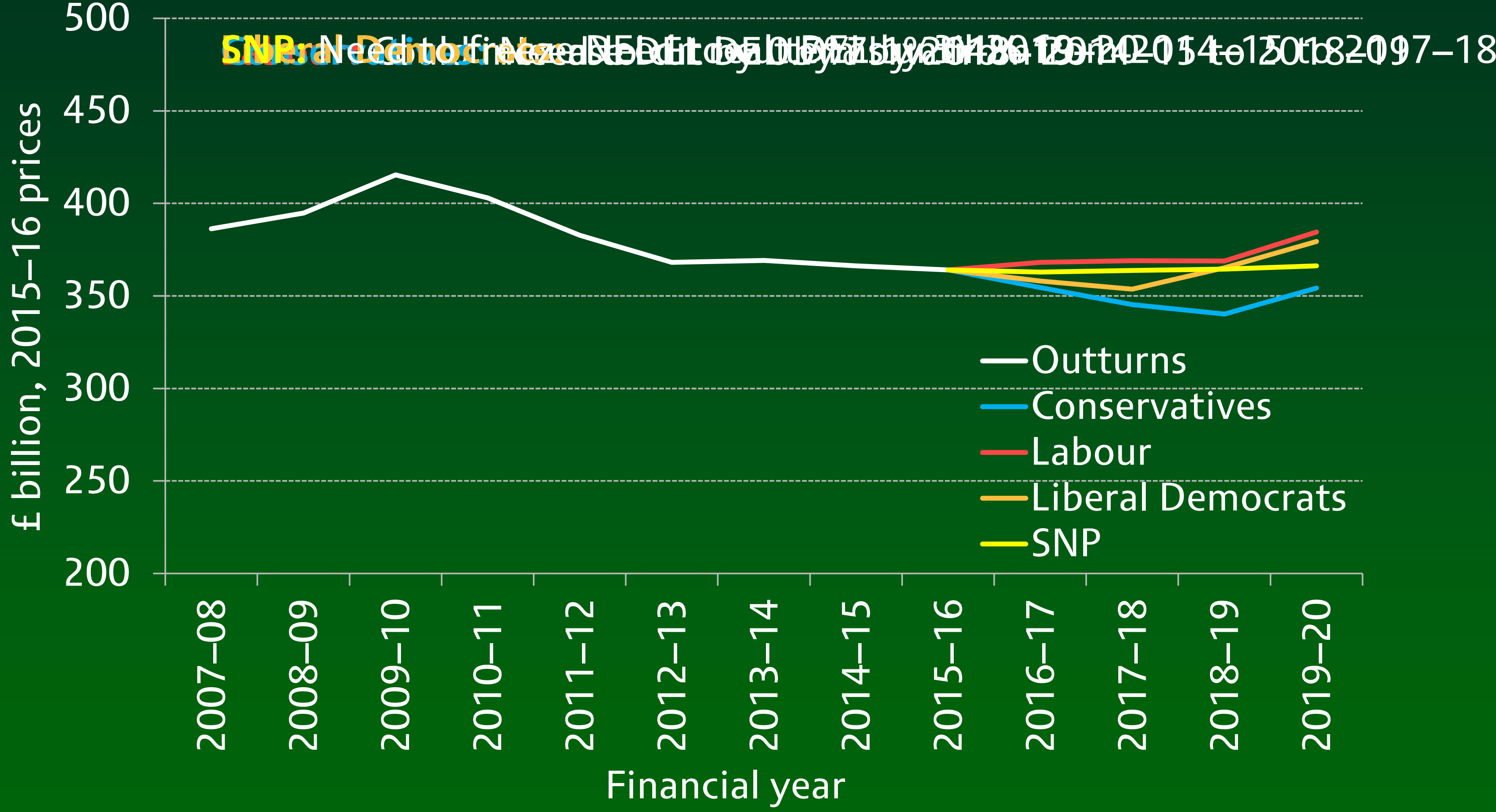
Spending less on departmental spending?



Notes and sources: see Figure 6.1 of Post-election Austerity: Parties' Plans Compared.

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What they won’t cut

- All want to maintain overseas aid at 0.7% of GNI
- Conservatives
  - increase English NHS spending by £8 billion and protect per-pupil schools spending in cash terms
- Labour
  - increase English NHS spending by £2½ billion and protect entire education budget in real terms
- Liberal Democrats
  - increase English NHS spending by at least £8 billion and protect age 2 to 19 education budget until 2017–18 and then increase in line with economic growth
- SNP
  - increase UK NHS spending by £9.5 billion (around £9 billion for English NHS)

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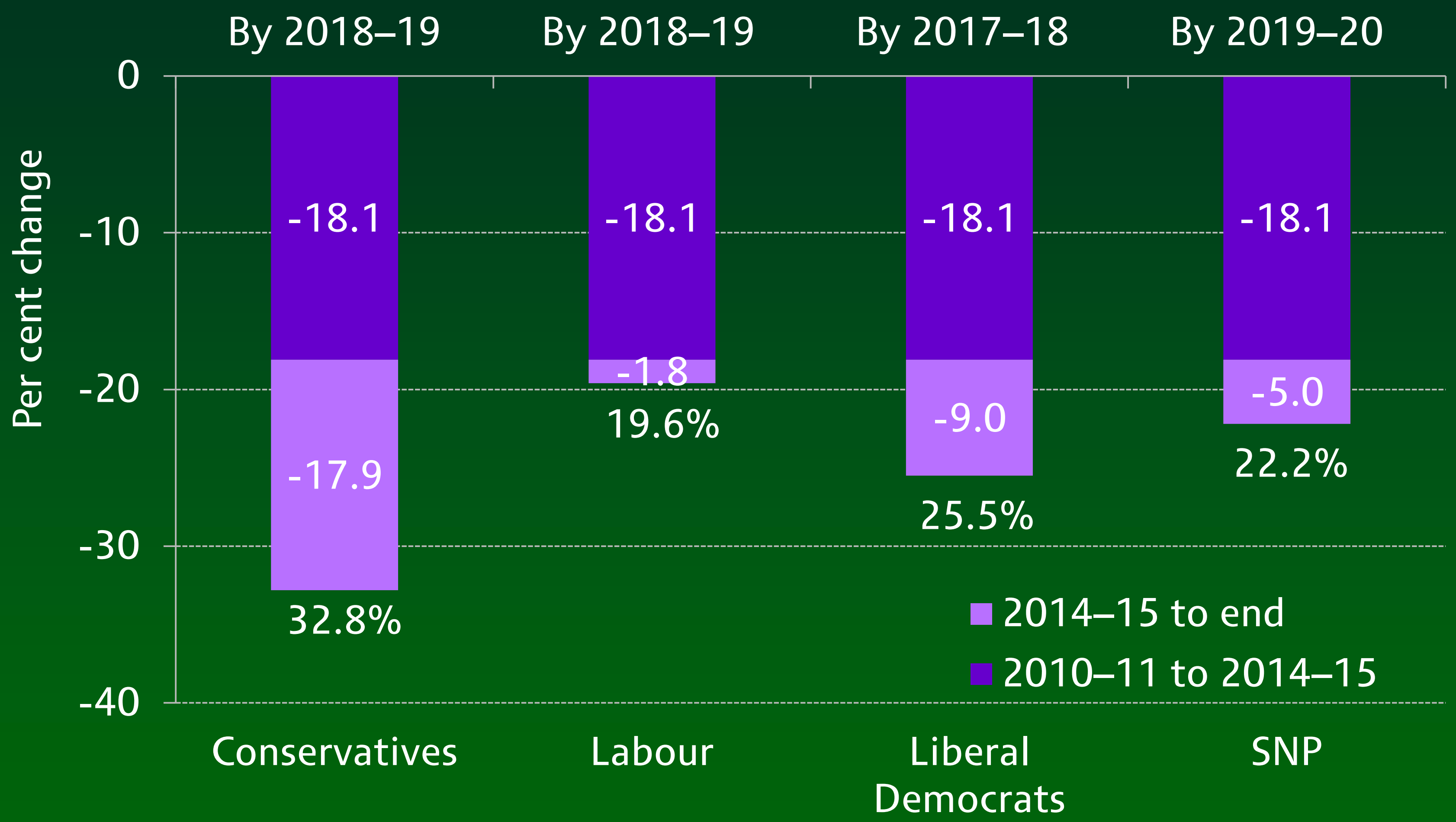
Deep cuts to DELs outside NHS, education and overseas aid



Notes and sources: see Table 6.2 of Post-election Austerity: Parties' Plans Compared.

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The big picture: Conservatives

- Reduction in borrowing of 5.2% of national income by 2018–19
  - 2.0% of national income from policies already in place
- Tax
  - to contribute 0.2% of national income, but entirely from unspecified anti-avoidance measures
- Social security
  - to contribute 0.6% of national income, but nine-tenths comes from as yet unspecified policies
- Departmental spending would need to fall by 2.5% of national income
  - 1.3% of national income would come from freezing DELs in real terms
  - relative to this, protections increase spending by 0.3% of national income
  - leaves unspecified cuts – relative to a real freeze – of 1.5% of national income (or a £30 billion cut to 'unprotected' DELs)

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The big picture: Labour

- Reduction in borrowing of 3.6% of national income by 2018–19
  - 2.0% of national income from policies already in place
- Tax
  - to contribute 0.6% of national income, but 0.4% of national income is from largely unspecified anti-avoidance measures
- Social security
  - small net giveaway from measures
- Departmental spending would need to fall by 1.1% of national income
  - 1.3% of national income would come from freezing DELs in real terms
  - relative to this, protections increase spending by 0.3% of national income
  - would only require a small cut in unprotected DELs

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The big picture: Liberal Democrats

- Reduction in borrowing of 3.9% of national income by 2017–18
  - 1.7% of national income from policies already in place
- Tax
  - to contribute 0.7% of national income, but 0.3% of national income is from largely unspecified anti-avoidance measures
- Social security
  - reduction in spending of 0.1% of national income, but driven by reduced fraud and error and getting more benefit recipients into paid work
- Departmental spending would need to fall by 1.4% of national income
  - 0.9% of national income would come from freezing DELs in real terms
  - relative to this, protections increase spending by 0.1% of national income
  - leaves unspecified cuts – relative to a real freeze – of 0.6% of national income (or a £12 billion cut to 'unprotected' DELs)

The big picture: SNP

- Reduction in borrowing of 3.6% of national income by 2019–20
  - 2.3% of national income from policies already in place
- Tax
  - policies look broadly revenue neutral
- Social security
  - increase in spending of 0.2% of national income
- Departmental spending would need to fall by 1.6% of national income
  - 1.7% of national income would come from freezing DELs in real terms
  - relative to this, protections increase spending by 0.4% of national income
  - leaves unspecified cuts – relative to a real freeze – of 0.3% of national income (or a £6 billion cut to 'unprotected' DELs)

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Summary: Conservatives

- Have provided a firm commitment to eliminate the entire budget deficit
  – implies lower borrowing and debt falling more quickly than under other parties' plans
- Have not provided anything like complete details of the measures they would implement to bring this about
  – lacking detail on £5 billion of tax rises from anti-avoidance measures, over £10 billion of social security cuts, and £30 billion of departmental spending cuts
  – cuts to departments outside NHS, overseas aid and education to average 18% over four years from 2014–15, bringing total cut to these departments to 33% since 2010–11

Summary: Labour

- Detailed policies *look like* they provide a fuller description of policies needed to meet their stated intentions for deficit reduction
  - measures boost rather than reduce tax revenues
  - lacking detail on £7½ billion of tax rises from anti-avoidance measures
  - departmental cuts that they have committed to (on top of those in 2015–16) would be sufficient to bring about a balance on the current budget in 2018–19
- But can only say "look like" they provide
  - borrowing pledge is vague
  - given government's investment plans, would be consistent with any reduction in borrowing of at least 3.6% of GDP
  - if want lower borrowing than we have assumed, further austerity would be required

Summary: Liberal Democrats

- Have provided more detail of their fiscal plans up to 2017–18 than other parties
  – aiming for a tightening that is bigger than Labour’s but smaller than Conservatives’
- Plans require cuts to departmental spending, outside of the NHS, education and ODA, by a further 9.0% over 3 years from 2014–15
  – £12 billion on top of coalition plans for 2015–16
- But over the whole parliament they are seeking to raise twice as much as the Conservatives, and a third more than Labour, from largely unspecified measures to reduce tax avoidance and evasion

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Summary: SNP

- Fiscal numbers imply the same reduction in borrowing as Labour
  - although implemented over a slightly longer timescale, and with no net tax rise and a larger spending cut
- Manifesto pledges to increase total spending in real terms each year, but increases in social security spending mean that
  - departmental spending would be broadly frozen between 2014–15 and 2019–20
  - departmental spending outside of the NHS and aid could be facing a cut of 4.3%
- Stated plans appear at odds with their anti-austerity rhetoric

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Post-election Austerity: Parties' Plans Compared

Rowena Crawford, Carl Emmerson, Soumaya Keynes and Gemma Tetlow

23 April 2015, Institute for Fiscal Studies, London

www.ifs.org.uk twitter.com\TheIFS

Social security policies: Conservatives

- Intend to reduce spending by £12 billion by 2017–18
- But specific measures only achieve one-tenth of this

Social security policies: Labour

- Several specific social security increases and cuts, most fiscally significant being:
  - remove ‘under-occupancy’ charge and introduce compulsory jobs guarantee
  - overall small net increase in spending of about £600 million

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Social security policies: Liberal Democrats

- Several specific social security increases and cuts, most fiscally significant being:
  - cuts to spending on universal credit, remove ‘under-occupancy’ charge, 1% uprating of some working age benefits for two years
  - overall small net cut in spending of about £400 million
- Also want to reduce spending by:
  - £1 billion through reduced fraud and error
  - £1 billion through being better at getting benefit recipients into paid work
  - both savings less certain, and less clear that other parties wouldn’t also do these

Social security policies: SNP

- Several specific social security increases and cuts, most fiscally significant being:
  - reverse cuts to DLA, increase work allowance in Universal Credit, remove ‘under-occupancy’ charge, and reintroduce Pension Credit Savings Credit
  - overall net increase in spending of about £4 billion

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