Act II

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Public spending: profiles compared (% GDP)

Outturns
Conservatives
Labour
Liberal Democrats
SNP

% of national income

Financial year

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

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Public spending: profiles compared (real terms)

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

£ billion, 2015–16 prices

Financial year

Outturns
Conservatives
Labour
Liberal Democrats
SNP

Notes and sources: see Figure 5.1 of Post-election Austerity: Parties’ Plans Compared.
Spending less on departmental spending?

£ billion, 2015–16 prices

Financial year


Outturns
Conservatives
Labour
Liberal Democrats
SNP

Notes and sources: see Figure 6.1 of Post-election Austerity: Parties’ Plans Compared.
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)
Deep cuts to DELs outside NHS, education and overseas aid

Conservatives
Labour
Liberal Democrats
SNP

Per cent change

By 2018–19
-18.1
-18.1
-18.1
-18.1

By 2018–19
-1.8
19.6%
-9.0
22.2%

By 2017–18
-1.8
19.6%
-9.0
25.5%

By 2019–20
-18.1
-18.1
-18.1
-18.1

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