

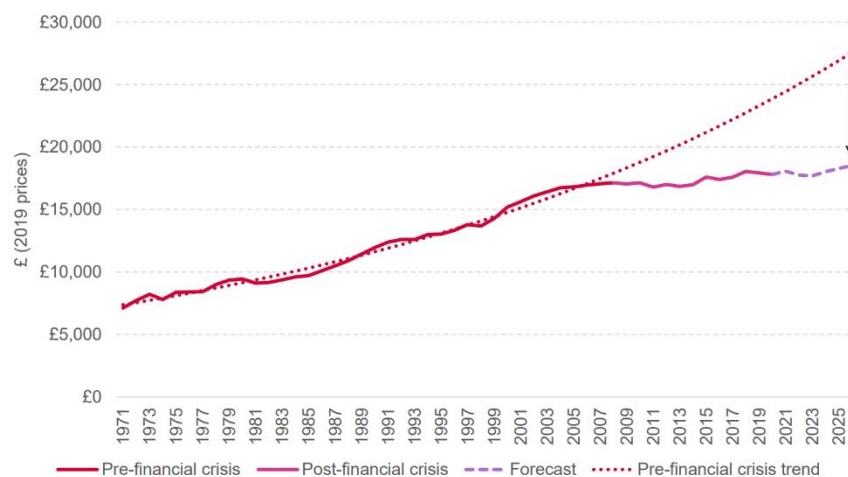
## Wales TUC UK Government Spring Budget 2023 Briefing

People in Wales are enduring the worst cost of living crisis for a generation. Welsh Government has described the context of their latest Budget as “a perfect storm of fiscal and budgetary pressures.” Real pay has been falling steeply, especially in the public sector, driven by the policies of consecutive UK governments which have failed to deliver for working families.

The Budget is being delivered in the context of:

- **Very high inflation:** which has severely squeezed household incomes. In December 2022, CPI inflation was 10.5 per cent and RPI 13.4 per cent. Food inflation is now 16.8 per cent, the highest for 45 years; and energy bills have increased brutally, with gas inflation at 129 per cent and electricity at 65 per cent.<sup>1</sup>
- **Rising unemployment:** In the medium term, the Bank of England forecasts unemployment to reach 5.3% in the UK<sup>2</sup> - which would mean approximately 30,000 more people classed as unemployed in Wales.
- **Falling household income:** The Resolution Foundation has estimated that typical household incomes are set to fall by 4% (£1100) in 2023-24.<sup>3</sup> Wales Fiscal Analysis have estimated that households will be £9,000 (2019 prices) worse off by 2026 had the pre-financial crash levels of real disposable household income been sustained.<sup>4</sup>

### Estimated real disposable household income per person in Wales, 1971 to 2026



Source: WFA analysis of ONS (2022) Real Households' & NPISH disposable income at chained volume measures; ONS (2022) GDHI per head of population at current basic prices; OBR (March 2022) Economic and fiscal outlook.

<sup>1</sup> <https://www.tuc.org.uk/research-analysis/reports/spring-budget-2023?page=2>

<sup>2</sup> <https://www.bankofengland.co.uk/monetary-policy-report/2023/february-2023>

<sup>3</sup> <https://www.resolutionfoundation.org/publications/new-budget-same-problems/>

<sup>4</sup> [https://www.cardiff.ac.uk/\\_\\_data/assets/pdf\\_file/0011/2681543/plaid\\_conference\\_october2022\\_FIN.pdf](https://www.cardiff.ac.uk/__data/assets/pdf_file/0011/2681543/plaid_conference_october2022_FIN.pdf)

Added to the pressure in Wales is the fact that the devolved government has also had to deal with 12 years of the UK government's relentless efforts to underfund public services. The OECD has summed this up as **Wales's large fiscal gap**: "[l]imited fiscal devolution, a low tax base, and low-levels of own-source revenue are creating a large fiscal gap for the Welsh Government and Welsh local authorities. This restricts their ability to pursue regional and local development objectives and to bridge an investment gap arising from several years of austerity."<sup>5</sup>

The failure to mitigate the impact of inflation on departmental budgets has left Welsh Government's budget severely under-resourced. The majority of Welsh Government's budget continues to be made up of Barnettised consequentials. It has estimated that, depending on the inflation measure used, Wales's settlement could be worth up to £3bn less in real terms over the three years covered by the Spending Review and £1bn less in 2023-24 alone.<sup>6</sup>

The impact on working families has been huge. The Bevan Foundation found that:

- 14% of households either sometimes, often or always do not have enough for all the basics.
- Four in 10 are going without heating in their home.
- A quarter of people are eating smaller meals or skipping meals in their entirety.
- 13% of those surveyed were in arrears on at least one bill.
- 11% are concerned about the prospect of losing their home over the next three months.

They have also highlighted that this is not being felt equally. People in receipt of benefits, disabled people whose condition limits them a lot, social renters, households with children, adults under the age of 65 and unpaid carers are the most significantly affected.<sup>7</sup>

The UK government's policies over the last 12 or so years have also hugely damaged public services as Welsh Government has not had the financial means to fully limit the impact of austerity. This is causing long-lasting damage to service delivery, including because of a shrinking public sector. NAHT has highlighted how in 2019/20-20/21, 6.7% of teachers in both primary and secondary settings left the profession. Almost a third (32%) of respondents to UNISON's cost of living survey said they were seriously looking for a better paid job.<sup>8</sup> And overall, the size of the public sector in Wales remains far lower than before 2010.<sup>9</sup>

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<sup>5</sup> <https://www.gov.wales/sites/default/files/publications/2020-09/oecd-multi-level-governance-review-report.pdf>

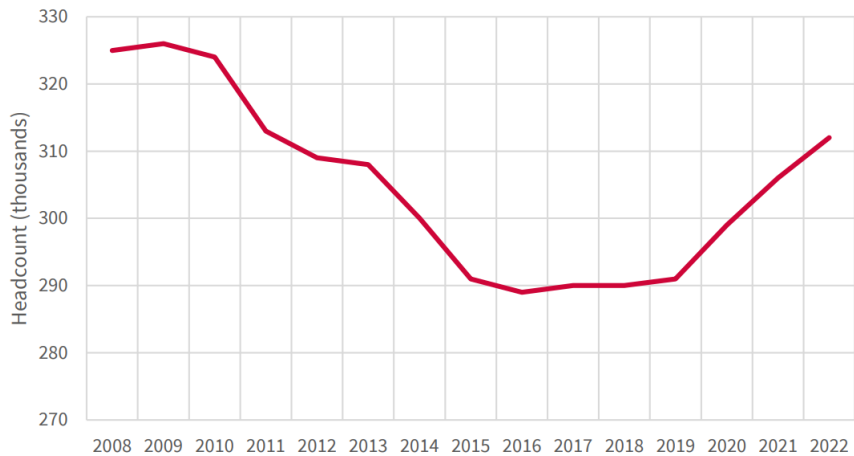
<sup>6</sup> <https://www.gov.wales/sites/default/files/publications/2022-12/2023-2024-draft-budget-narrative-v1.pdf>

<sup>7</sup> <https://www.bevanfoundation.org/resources/a-snapshot-of-poverty-in-winter-2023/>

<sup>8</sup> <https://cymru-wales.unison.org.uk/content/uploads/sites/9/2022/11/Cost-of-Living-Survey-Autumn-2022.pdf>

<sup>9</sup> [https://www.cardiff.ac.uk/\\_\\_data/assets/pdf\\_file/0007/2688199/wbo\\_2022\\_full\\_report\\_final.pdf](https://www.cardiff.ac.uk/__data/assets/pdf_file/0007/2688199/wbo_2022_full_report_final.pdf)

Public sector employment in Wales (headcount, excluding effects of major reclassifications)



Source: ONS (2022) Public sector employment, June 2022 edition

Just like in the rest of the UK, this has created a climate whereby workers have had enough. Strike action has taken place in the private sector, the NHS, schools and the civil service in recent months. Workers are taking action for better pay, but also to protect their terms and conditions. Over a decade of public service cuts, weak employment rights and the wider costs of living crisis have left workers with no other choice than to act.

The UK government's budget is an opportunity to start righting some of the wrongs. Working class people should not be paying the price for the pandemic, the energy crisis or the failure to adequately fund vital public services and social security for years. The cost of failing to do so is too high – rising unemployment and further cuts in public services will further harm people by plunging more people into poverty.

### **To make a difference to workers in Wales, the Spring Statement must:**

#### **Boost pay across the economy**

- Fund decent pay rises so that all public service workers – including those in devolved services - get a real-terms pay rise that protects them from the soaring cost of living and begins to restore earnings lost over the 12 years.
- Get the UK on a path to a £15 minimum wage as soon as possible.
- Follow the example of New Zealand and Australia by introducing fair pay agreements to allow unions and employers to negotiate minimum pay and conditions across sectors.
- Pay outsourced public sector workers at least the Real Living Wage and give them pay parity with directly-employed staff doing the same job. This must be additional funding so that devolved governments receive an equivalent uplift to implement pay rises for outsourced workers.

- Strengthen the gender pay gap reporting requirements, and introduce ethnicity, LGBT+ and disability pay gap reporting, requiring employers to publish action plans on what they are doing to close the pay gaps they have reported.

### **Deliver a plan for strong public services and fair taxation**

- A new funding settlement for public services, with adjusted spending plans that mitigate the impact of high inflation on departmental budgets and provide for fully-funded pay rises that keep pace with the cost-of-living. The consequential from this for Wales would enable Welsh Government to do the same.
- Ensure those with the broadest shoulders pay their fair share in tax. Equalise capital gains tax rates with income tax to start ensuring the fairer taxation of wealth and tax windfall gains experienced by oil and gas giants at a higher rate, removing loopholes that allow businesses to avoid paying their fair share.
- Deliver a new economic vision that respects the role of devolved institutions in relation to economic development and provides adequate funding for this which reflects relative levels of need.

### **Protect workers from hardship**

- Cancel the imminent hike in energy bills. The Energy Price Guarantee (EPG) must not be raised beyond the current £2,500 - government should either reduce the EPG to £2,000 or accelerate the introduction of a social tariff. Government should increase domestic energy efficiency spend by £6 billion over the next two years, funded by planned EPG spending coming in significantly under budget due to falling gas prices. [1](#)
- Implement a short-time work scheme to protect jobs in the event of economic downturn.
- Set a path to significant and permanent improvements in the levels of social security.
- Commit to maintaining the State Pension triple lock for the rest of this parliament to help reverse increases in pensioner poverty rates and to reduce income inequalities among households in retirement, which has reached record levels. [2](#)

### **Ensure decent jobs and growth for everyone**

- Ensure that businesses prioritise sustainable growth and jobs, reforming corporate governance to promote long-term sustainable investment rather than a short-term focus on shareholder returns.
- Invest in a just transition to the secure green energy future we need, slashing dependence on volatile imported gas, and introducing public ownership to the energy sector.

- Get productivity rising investing in skills, with barnetised consequentials for devolved nations
- Drop plans to threaten EU-derived employment rights through the Retained EU Law bill.
- Scrap the Strikes (Minimum Service Levels) Bill that would undermine workers' right to strike.
- Introduce industrial and trade policies that promote good jobs and workers' rights globally and ensures that businesses compete on a level playing field.
- Institute the Green Jobs Taskforce with a long-term remit and regulatory capacity to co-ordinate planning for decarbonising our economy, between governments, industry, unions, and skills sector, building on the work of the current Green Jobs Delivery Group.