

Reducing the U.K. Budget Deficit: The People's View

Executive Summary
March 31, 2011

Survey of U.K. Adults
February 23-March 7, 2011

Conducted by:

International Planning & Research Corporation

www.IPRcorp.com

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- HM Budget (March 2011) versus
Voters' Budget (IPR Survey March 2011)
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* Please see the final report for additional details.

Methodology in Brief

- A representative sample of over 2000 U.K. adults was given the opportunity to show how they would prefer to reduce the government's budget deficit.
- The participants were shown the current budget for 2010/2011 and asked to make changes to the major expenditure and revenue categories until they achieved specified reductions in the deficit.
- The current deficit was shown as £150 billion.
- Participants were asked to consider three deficit reduction scenarios: -£25b, -£50b, and -£75b.
- Participants were also asked a few additional budget-related questions.

Screen participants used to change the budget

To avoid any bias, half of the time expenditures were shown first and half the time revenues were shown first.

Expenditure and revenue categories were randomized.

Categories could be expanded for detailed changes.

Three deficit rounds of -£25b, -£50b, and -£75b were shown to each participant.

The current government budget deficit is £150 billion as shown to the right. We would like you to indicate your preferred way of reducing this deficit by **£25 billion**. Please scroll and select your preferred option for each expenditure AND revenue category until you meet or exceed the deficit reduction target. Move your cursor over the category name for more information. Click the '+' sign to make changes in more detailed categories.

Move sliders to the left or right to make your changes.

	Current Budget	+ Your Changes	= Your Budget
Expenditures (£ billion)	£698	-£3	£695
Revenues	£548	+£0	£548
Deficit	£150	-£3	£147
Deficit Reduction Target		-£25	

Please continue to change your choices to achieve the reduction target.

	Current Budget (£ billion)	Your Changes	Your Budget
EXPENDITURE CHANGES (Scroll down to make Revenue changes)			
+ INDUSTRY, AGRICULTURE AND EMPLOYMENT	-4	+4	+£0.6
+ PUBLIC ORDER AND SAFETY	-7	+7	-£1.4
+ PERSONAL SOCIAL SERVICES	-6	+6	-£2.2
+ EDUCATION	-18	+18	£0
+ HOUSING AND ENVIRONMENT	-5	+5	+£0
Spending relating to housing developments and environmental protection.			
+ TRANSPORT	-4	+4	£0
+ DEFENCE	-8	+8	+£0
+ SOCIAL PROTECTION	-39	+39	£0
+ OTHER	-15	+15	£0


Round 1 of 3

Restart

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<http://www.iprsurvey.com/PoliticorUK/DemoTest.aspx?CB=kpArp>

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Some Key Findings

- Public preferences for the overall size and composition of deficit reduction are similar to the plan presented by HM Treasury in March 2011:
 - A gradual deficit reduction (£41B/year), slowing down if the economy falters
 - A 40/60 split between tax increases/spending reduction
 - Largest spending cuts on ‘other’, social protection, and defence
 - Smallest cuts to health and education
 - Largest tax increases on highest earners, corporations, and middle income earners
 - Smallest tax increases on lowest earners, VAT, and council tax
 - Cutting foreign aid, number of government employees, housing benefits
 - Means testing child benefits
 - The Conservatives stand alone in preferring increases to university fees
 - The differences in preferences within the coalition are, on average, much larger than those between the Lib Dem and Labour supporters

Top Line: The People's Budget

Gradual deficit reduction

(1) The People believe the £150 billion deficit should be decreased by an average of £41 billion in the 2011-12 budget. Of the four deficit reduction scenarios offered (£25, £33, £50 and £75 billion) the more rapid £50 billion was most popular among Conservatives, while all other voters prefer a more gradual reduction (£33b) in this year's budget.

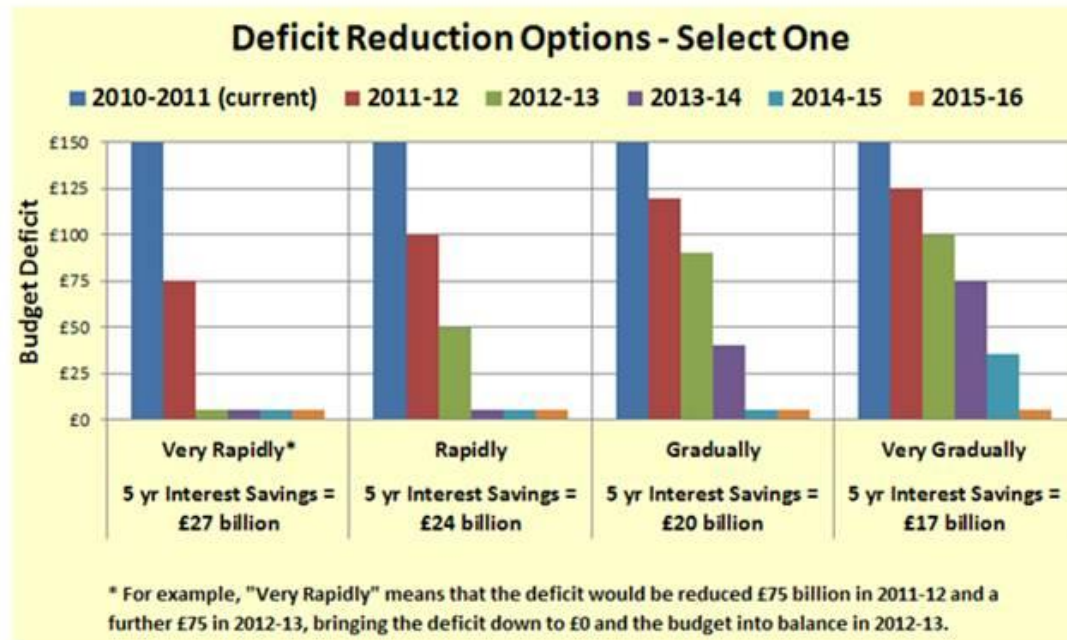
Fund the reduction with a 40/60 Tax increase/Spending reduction mix

(2) The People prefer 62% of the deficit reduction to come from expenditures and 38% from tax increases. Conservatives favour spending reductions (69%) over revenue increases (31%) more than Labour voters, who choose 56% spending reductions and 44% revenue increases. Lib Dems fall between but are more similar to Labour (60% vs. 40%).

What people said about how quickly the deficit should be reduced: -£41b for 2011-12

The current government budget deficit for 2010-11 is approximately £150 billion. Now assume that the goal of government policy is to bring the budget into balance over the next five years. How quickly would you prefer to see this happen? Note that interest saving on the debt will be larger the faster the deficit is reduced to zero. Consider the following options and please select the one you most prefer.

(Please select only one).

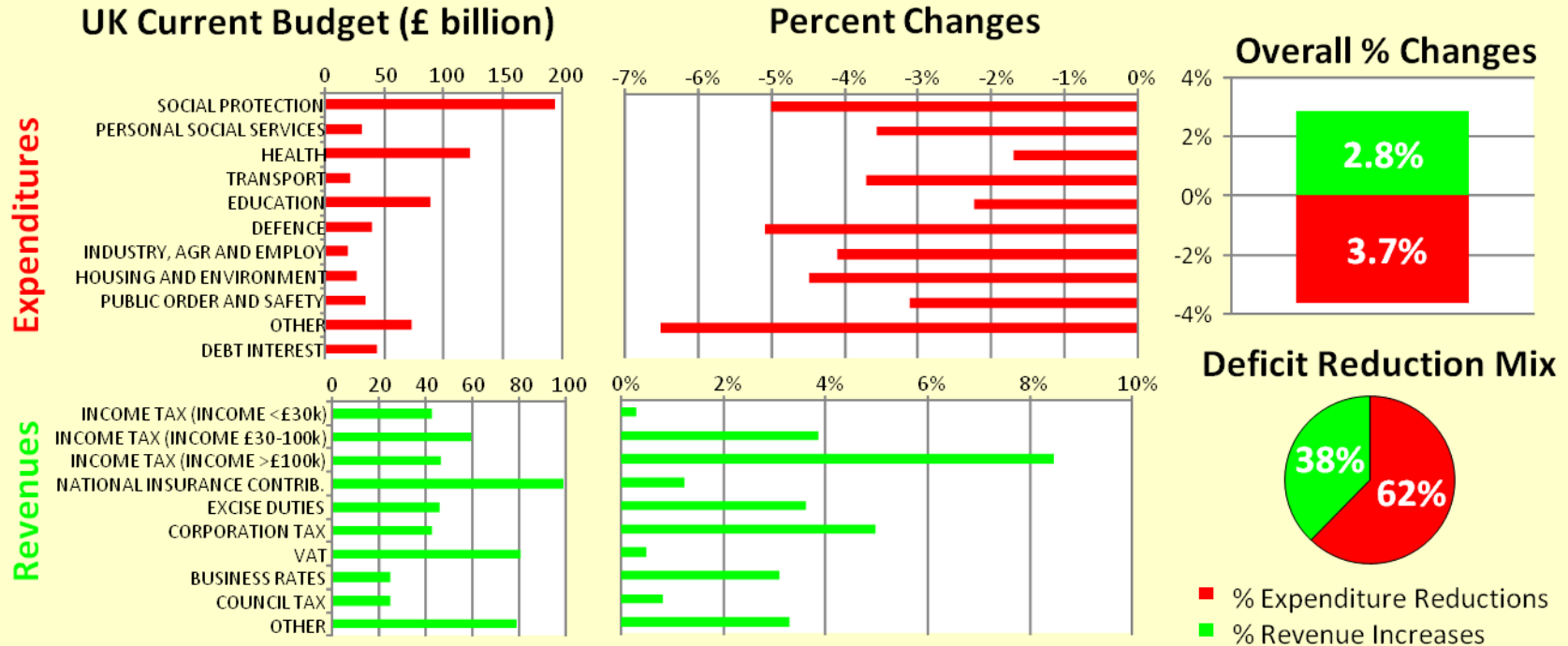


	Deficit Reduction (£b)	Percent Selecting
Very Rapidly	75	11%
Rapidly	50	27%
Gradually	33	48%
Very Gradually	25	14%
Weighted Average	41	

	Labour	Lib Dem	Conservative	Others	Don't Know/None	Total
Very Rapidly (£75b in year 1)	3%	9%	18%	14%	14%	11%
Rapidly (£50b in year 1)	14%	25%	44%	25%	24%	27%
Gradually (£33b in year 1)	57%	59%	34%	47%	47%	48%
Very Gradually (£25b in year 1)	26%	7%	4%	14%	15%	14%

The People's Budget: Funding the Deficit Reduction, -£41b (2011-12)

UK Deficit Reduction Scenario: -£41 billion



Spending Cuts

General consensus on cuts - Other, Social Protection, and Defence

(3) The People want to save in 3 areas most significantly:

- The “Other” category of recreation, culture and religion, international services, public service pensions etc. All parties agree on about 7% decrease here.
- Social Protection (Cash benefits for incapacity, disability, housing, unemployment, maternity etc.) - an average 5% saving preferred. Conservatives favour this source of savings (-6.2%) more than Labour (-4.3%), with Lib Dems again falling between but more similar to Labour (-4.9%).
- Defence should be cut by 5.1%. Lib Dems lead the preference for defence savings (-7.1%), with Conservatives trailing the pack (-3.5%). Labour takes the central position at -5.2%.

Protected categories: Health, Education, and Public Order and Safety

(4) There is very little appetite for reducing spending on Health (-1.7%), Education (-2.2%), and Public order and safety (-3.1%).

Tax Increases

General consensus on Tax Increases: Tax highest earners; Corporations, and Middle income earners

(5) All three parties agree that tax increases should derive largely from the same three sources:

- Income taxes on highest incomes (>£100,000)- an 8.5% increase being chosen on average. Conservatives prefer a 7.1% increase, and Labour and Lib Dems agree on >8.5%.
- Corporation tax should be increased by 5.0%. Again Conservatives choose a lower increase (3.9%), Lib Dems 4.8% and Labour 5.8%.
- Income taxes on middle incomes (£30,000-£100,000) - 3.9%. The same pattern of preference is reflected here: Conservatives 3.3%, Lib Dems 4.0% and Labour 4.5%. Again Lib Dems choose more similarly to Labour than to Conservatives

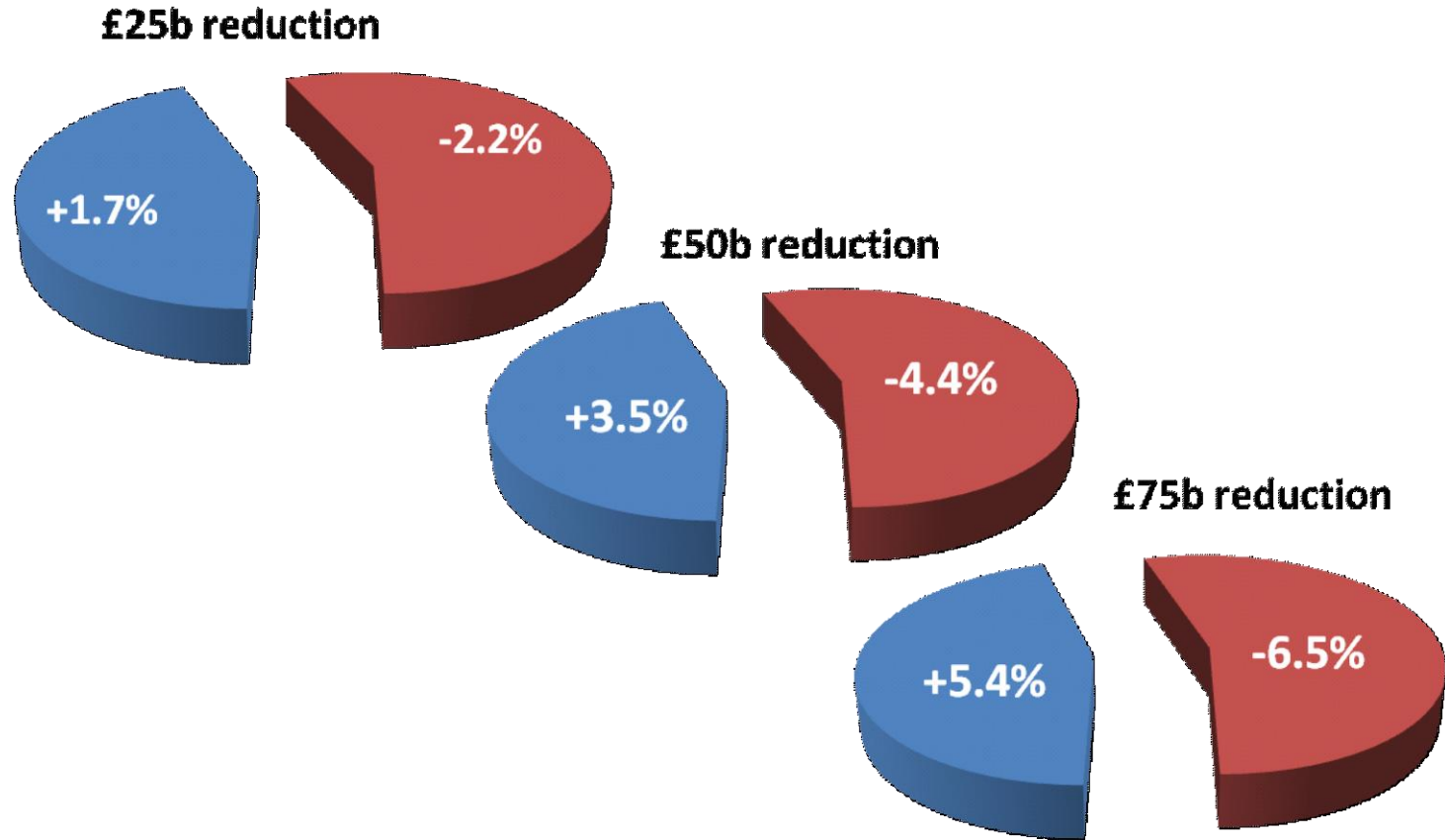
Increasing Tax on lowest earners, VAT, and Council taxes very unpopular

(6) Tax increases on incomes <£30,000, VAT, and council taxes are very unpopular. Parties differ little here and none of these sources of revenue yields more than a 1.2% increase (Labour's choice on Council Tax).

Deficit Cutting Mix by Scenario

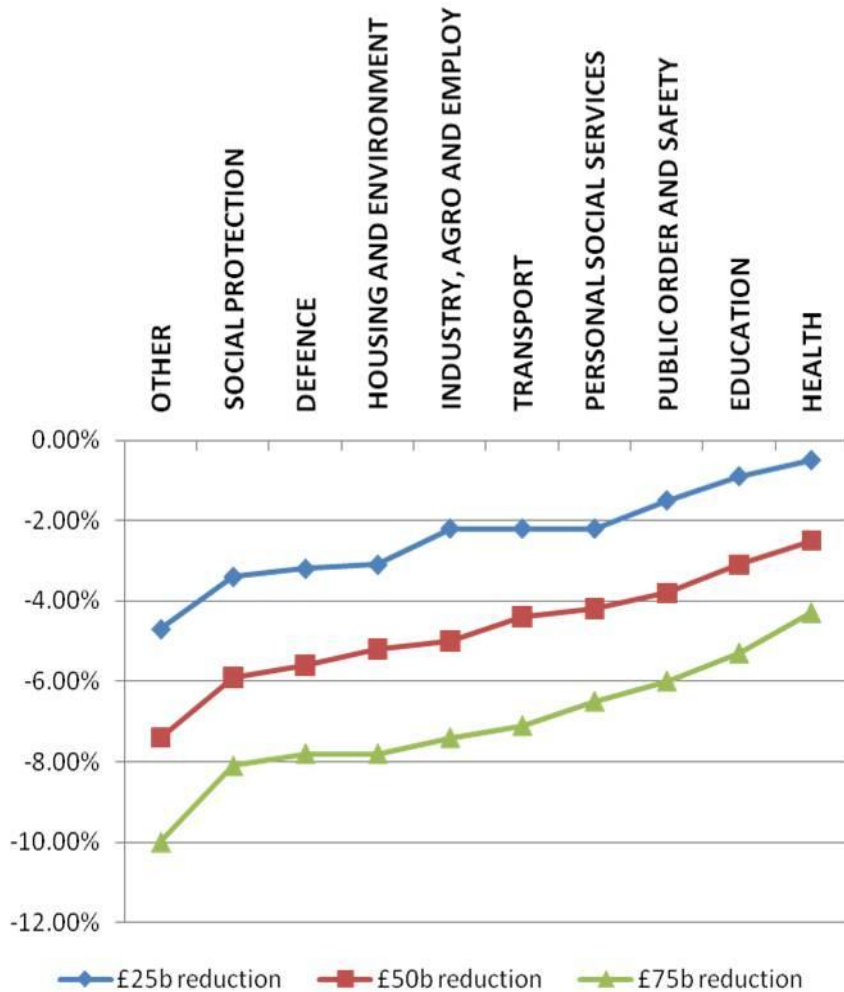
%Revenue Increase and %Expenditure cuts by scenario

■ Revenue Increase ■ Expenditures Cut

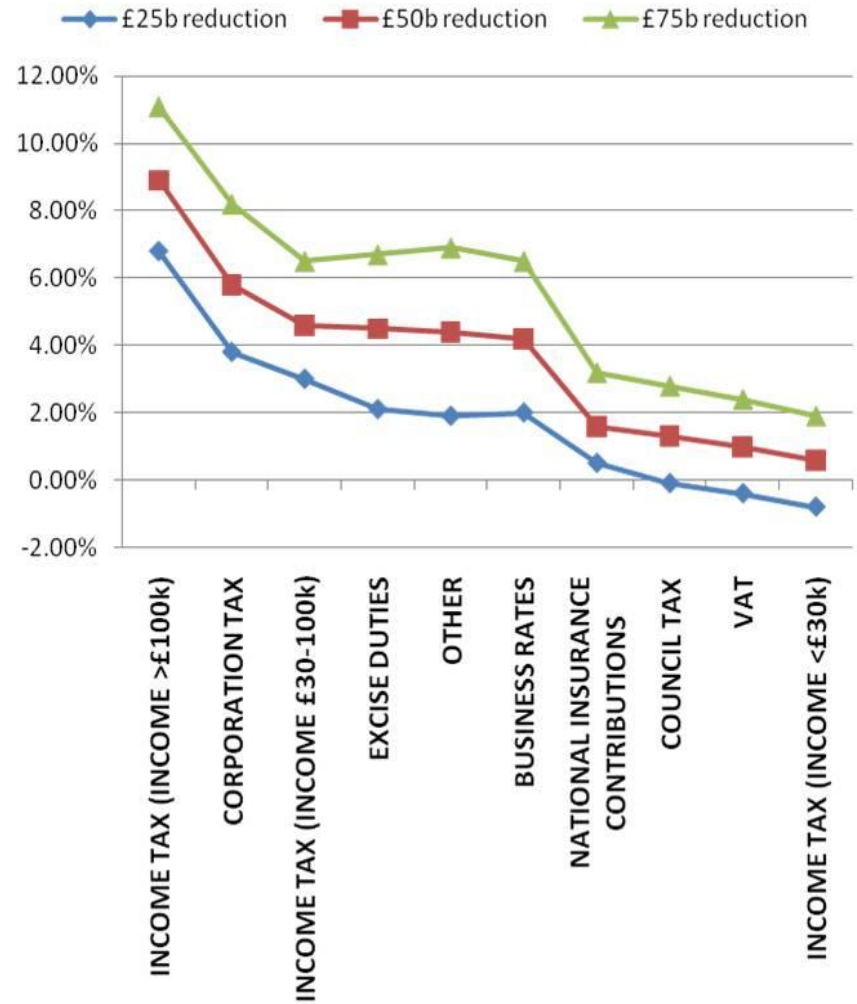


Changes by Budget Category by Scenario

Expenditures



Revenues



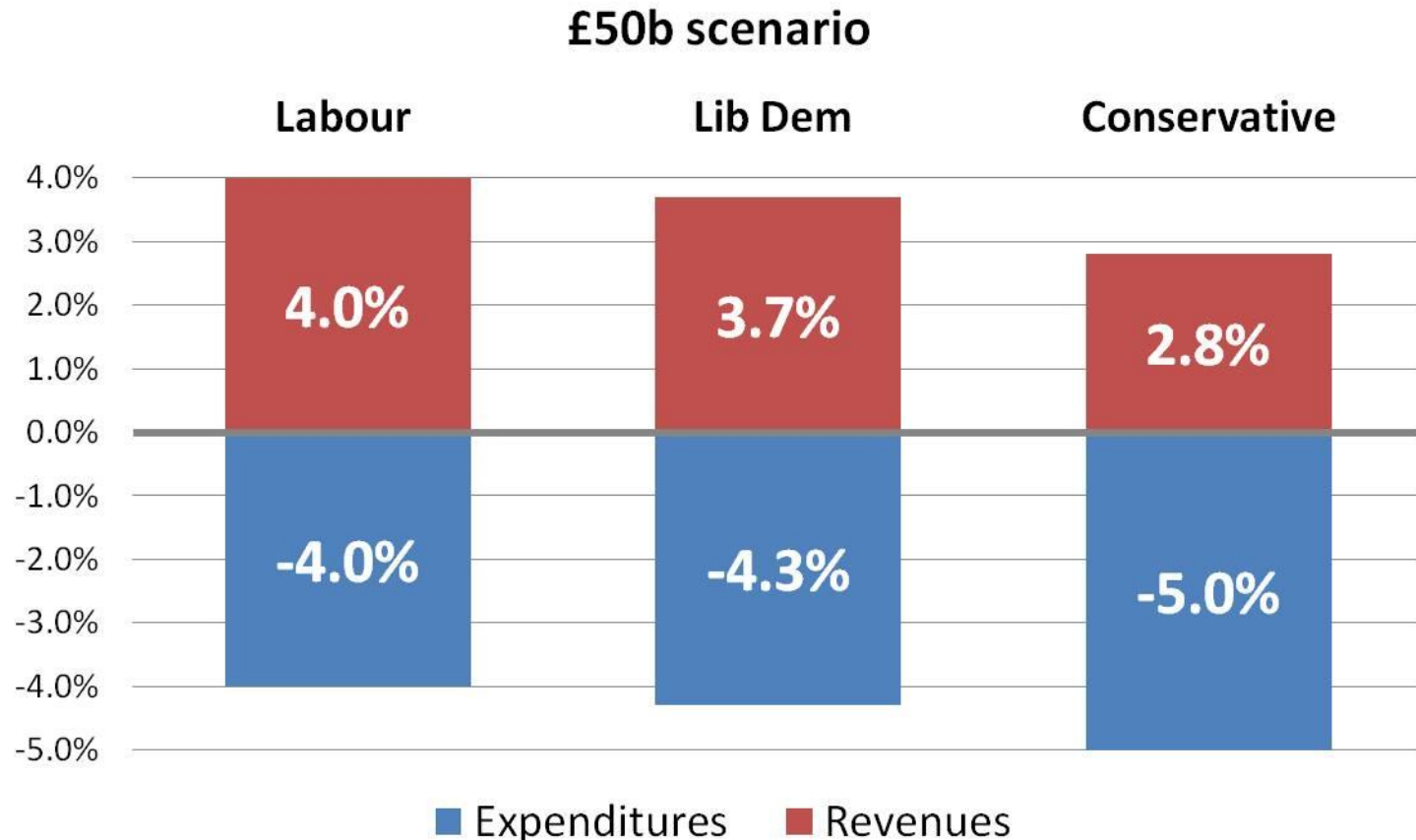
Results by Party Affiliation

- Preferences **do** differ by party affiliation. Conservatives want more of the deficit reduction funded via expenditure cuts, but they also support revenue increases. Labour prefers larger revenue increases and smaller expenditure cuts. Lib Dems' preferences lie in the middle, closer to Labour's than those of their Coalition partners.

£50b scenario	Labour (n=659)	LibDem (n=166)	Conservative (n=528)
Expenditures	-4.0%	-4.3%	-5.0%
Revenues	4.0%	3.7%	2.8%
% Expenditures	56%	60%	69%
% Revenues	44%	40%	31%

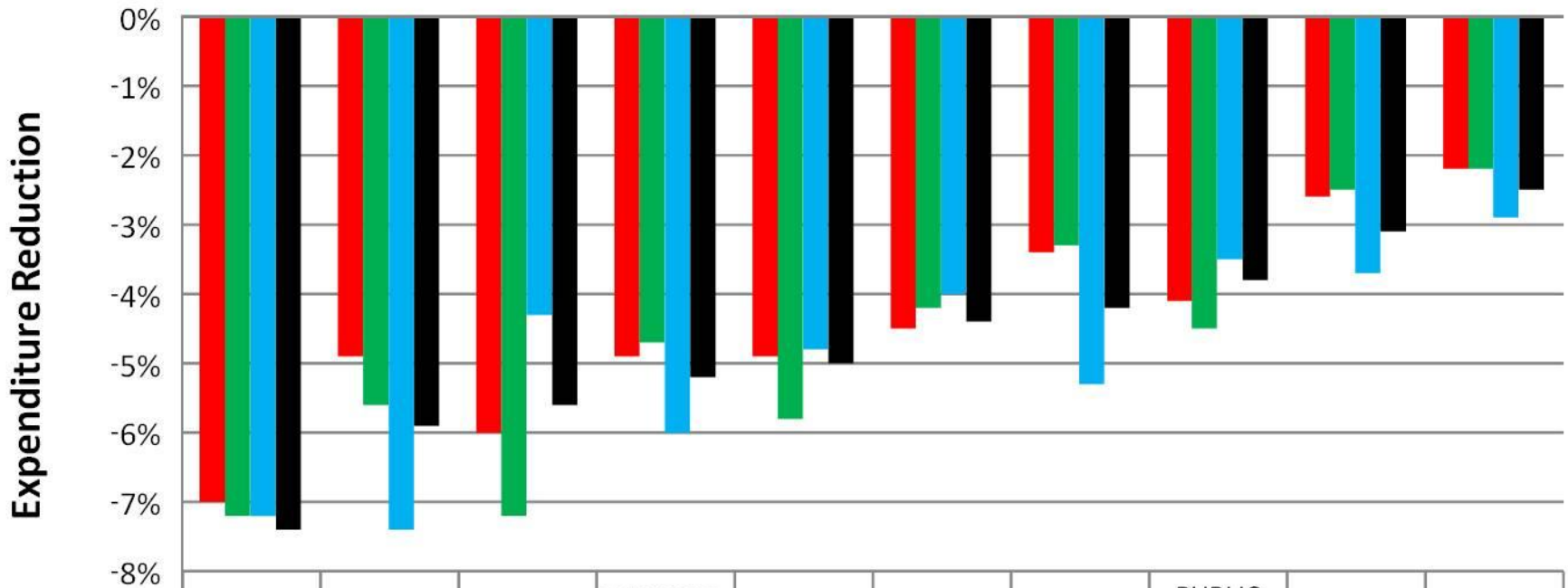
Results by Party Affiliation: Funding the Deficit Reduction

- Preferences **do** differ by party affiliation



Expenditure Changes by Party Affiliation

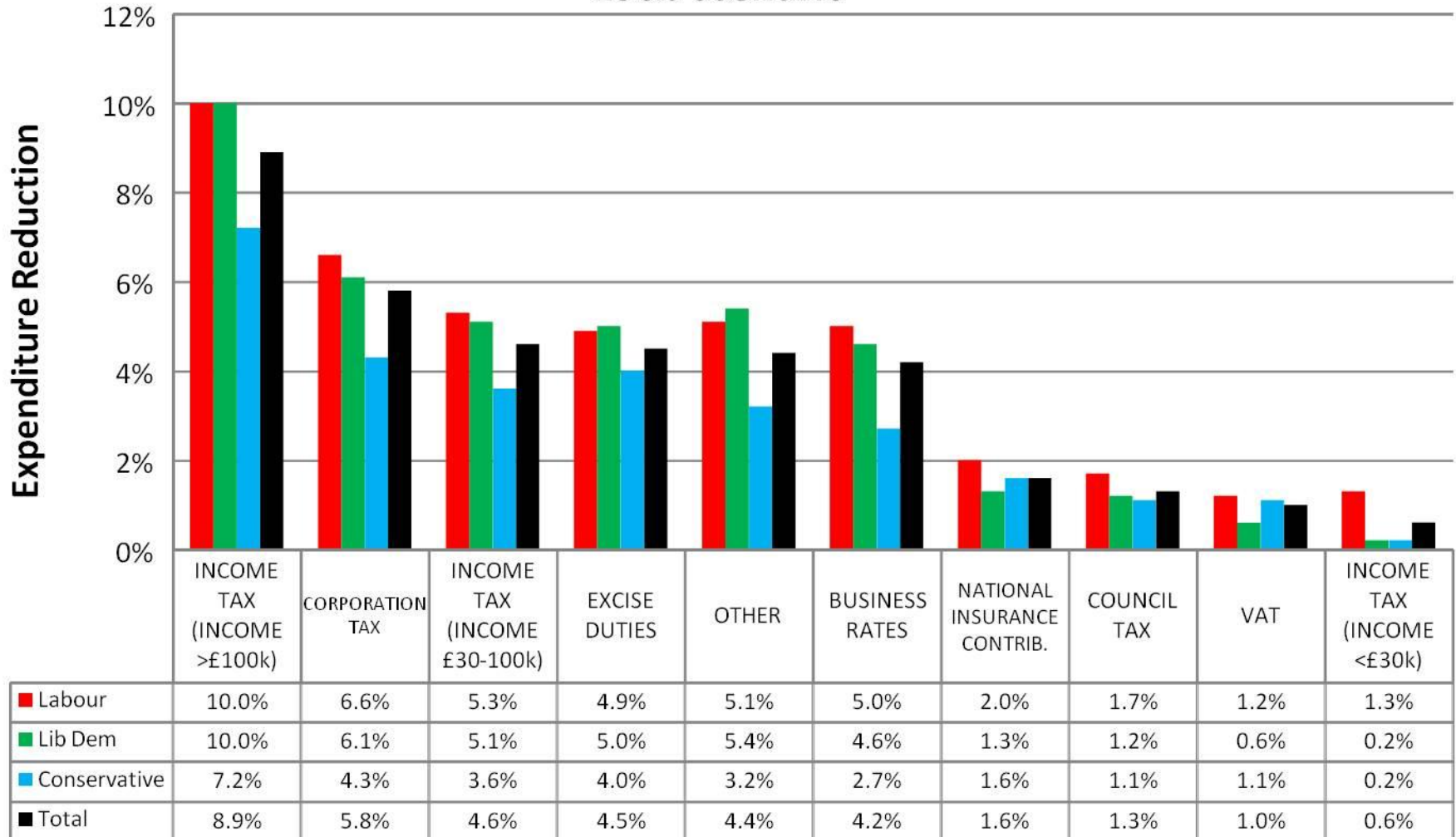
£50b scenario



	OTHER	SOCIAL PROTECTION	DEFENCE	HOUSING AND ENVIRONMENT	INDUSTRY AGRO AND EMPLOY	TRANSPORT	PERSONAL SOCIAL SERVICES	PUBLIC ORDER AND SAFETY	EDUCATION	HEALTH
■ Labour	-7.0%	-4.9%	-6.0%	-4.9%	-4.9%	-4.5%	-3.4%	-4.1%	-2.6%	-2.2%
■ Lib Dem	-7.2%	-5.6%	-7.2%	-4.7%	-5.8%	-4.2%	-3.3%	-4.5%	-2.5%	-2.2%
■ Conservative	-7.2%	-7.4%	-4.3%	-6.0%	-4.8%	-4.0%	-5.3%	-3.5%	-3.7%	-2.9%
■ Total	-7.4%	-5.9%	-5.6%	-5.2%	-5.0%	-4.4%	-4.2%	-3.8%	-3.1%	-2.5%

Revenue Changes by Party Affiliation

£50b scenario



Other Issues Addressed

- Party loyalty
- What to do if the economy falters
- Student university fees
- Number of government employees/civil servants
- Pay and pensions of public sector employees
- Housing benefits
- Foreign aid
- Child benefits

Party Loyalty & Economy

Party loyalty - Lib Dem supporters lose faith

(7) Of people who deem themselves affiliated to a particular party, there is a high degree of loyalty among Conservatives and Labour. 75% and 80% respectively would vote for their own party in an election held tomorrow. Only 45% of Lib Dems would stay loyal to their party, while, if an election were held tomorrow, 20% would vote Labour, 7% Conservative, and 22% wouldn't vote at all.

General consensus - slow reduction program if economy falters

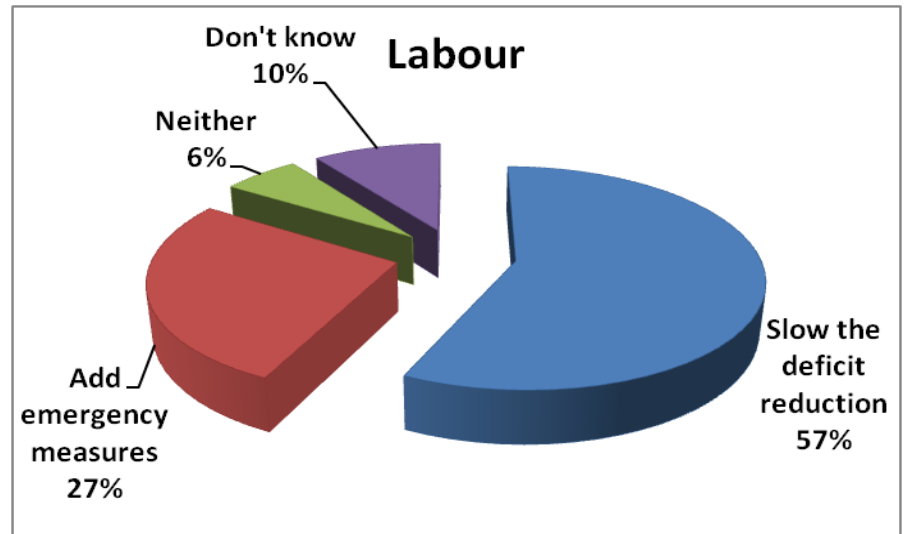
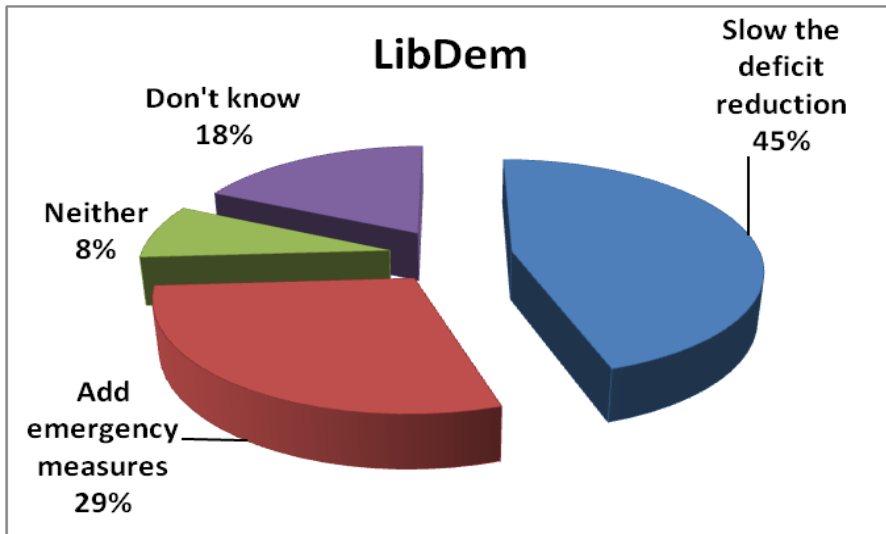
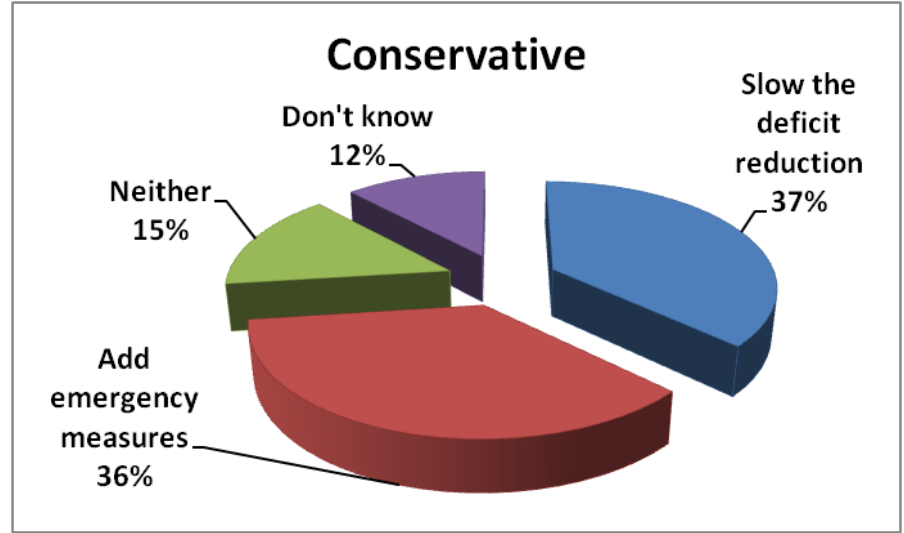
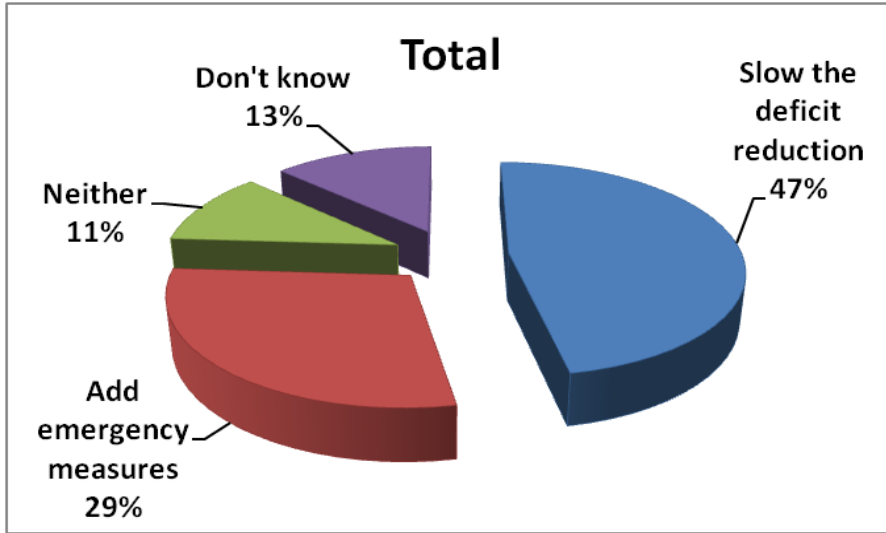
(8) The People believe that if the economy falters badly the reduction programme should be slowed (47%). The alternative of introducing “emergency” temporary taxes to fund infrastructure building projects and create employment is significantly more appealing to Conservatives (36% of them) than to Labour (27%). Again Lib Dems are closer to Labour (29%) in preferences.

Participants by party, and party most likely to support if a general election were held “tomorrow”

If an election were held tomorrow, which part would you vote for?

Percent of Total	Party identified with					Total
	Labour	Lib Dem	Conservative	Others	Don't know/ None	
	32%	12%	29%	3%	24%	
Would vote for						Share
Labour	80%	20%	2%	10%	18%	34%
Lib Dem	2%	45%	3%	3%	6%	8%
Conservative	5%	7%	75%	7%	18%	28%
Others	4%	6%	9%	72%	18%	11%
Don't know/ Would not vote	9%	22%	11%	8%	40%	19%

What if the economy falters?



University Fees & Government Employees & Their Pay/Pensions

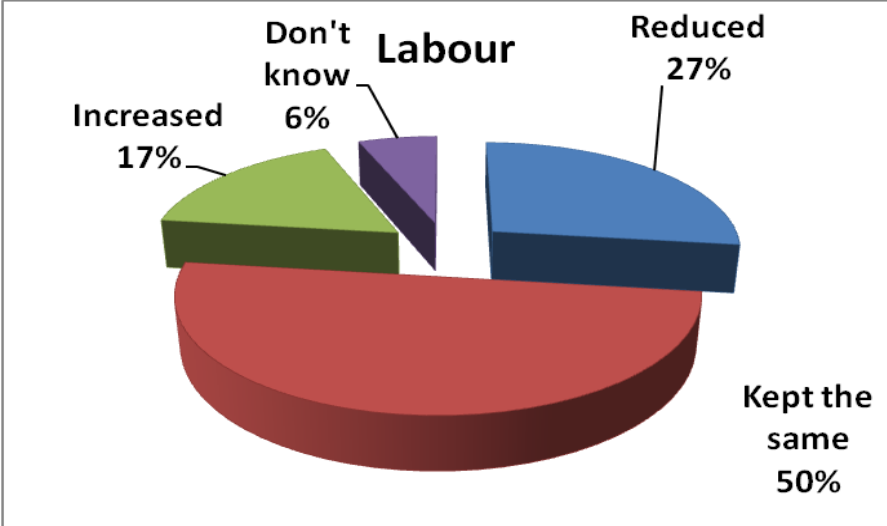
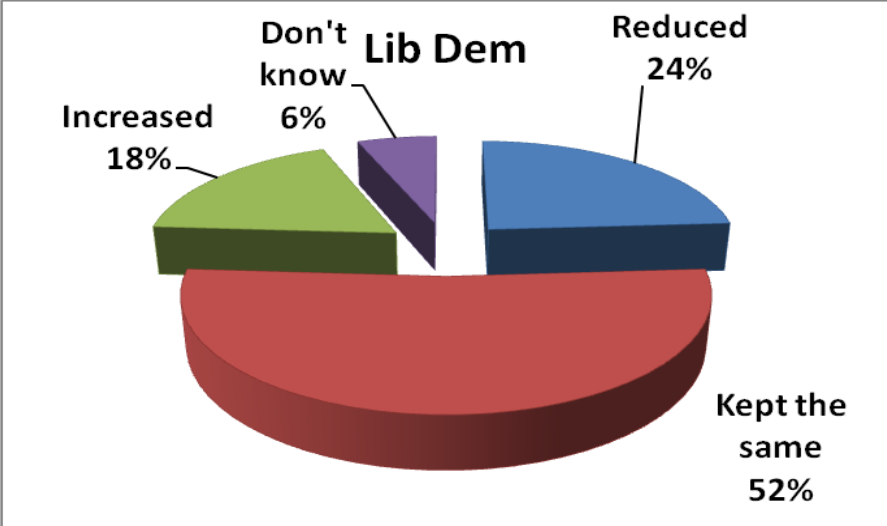
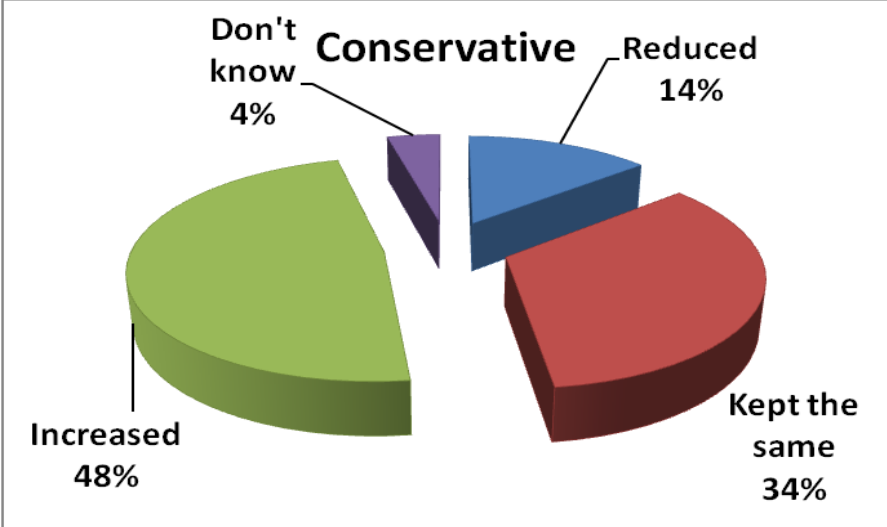
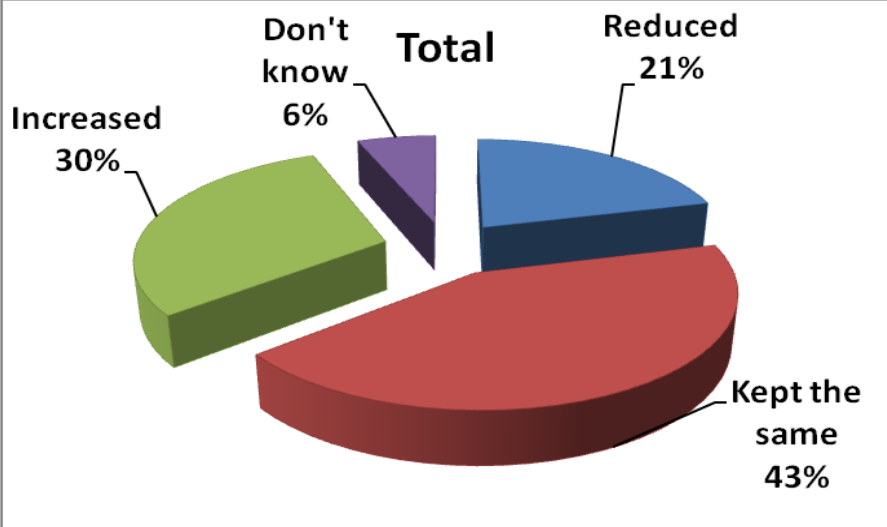
University fees - Conservatives stand alone

(9) Conservatives are alone in thinking university fees should be increased (48%). Only about 17% of Labour and Lib Dems support an increase. The People believe that the fees should remain unchanged (43%) - Labour 50%, Lib Dems 52%, Conservatives 34%.

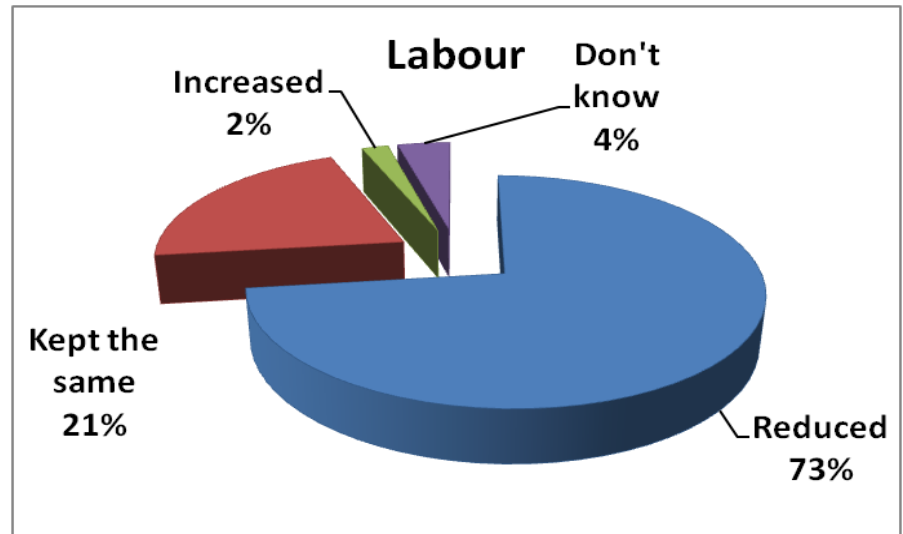
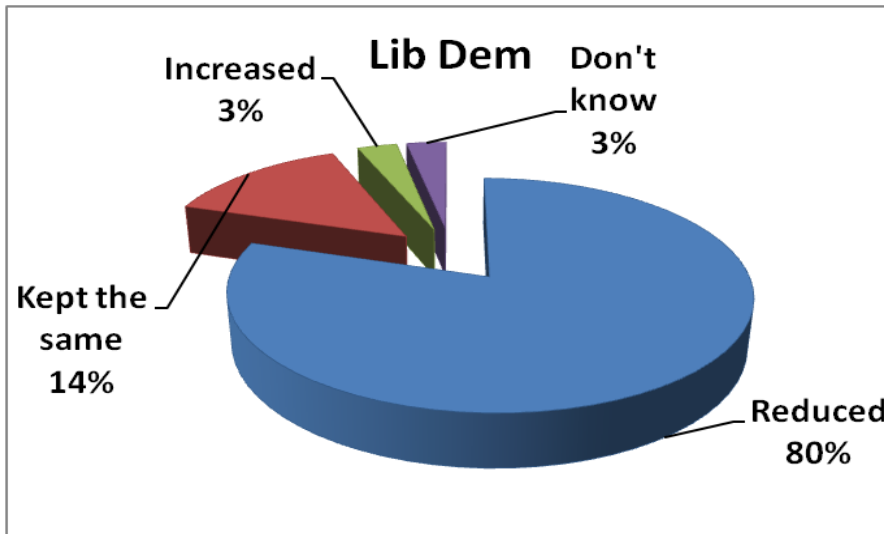
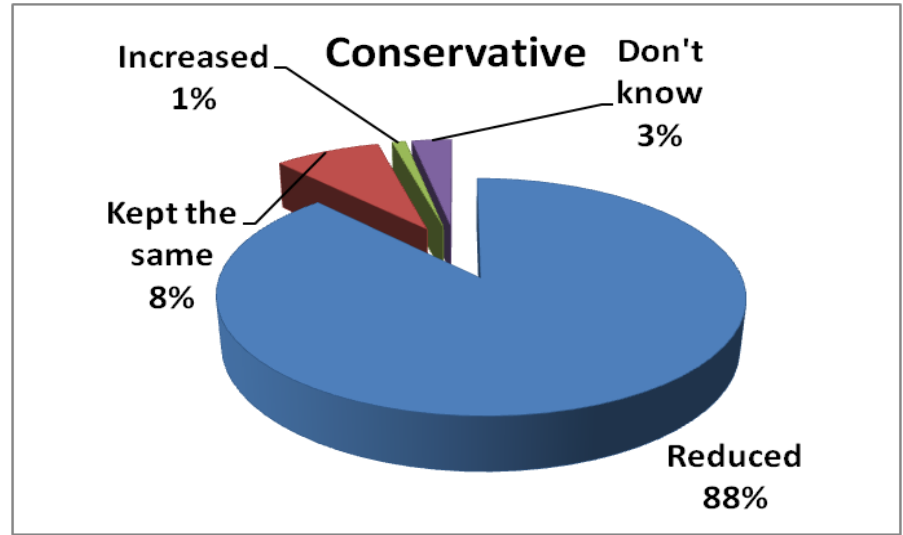
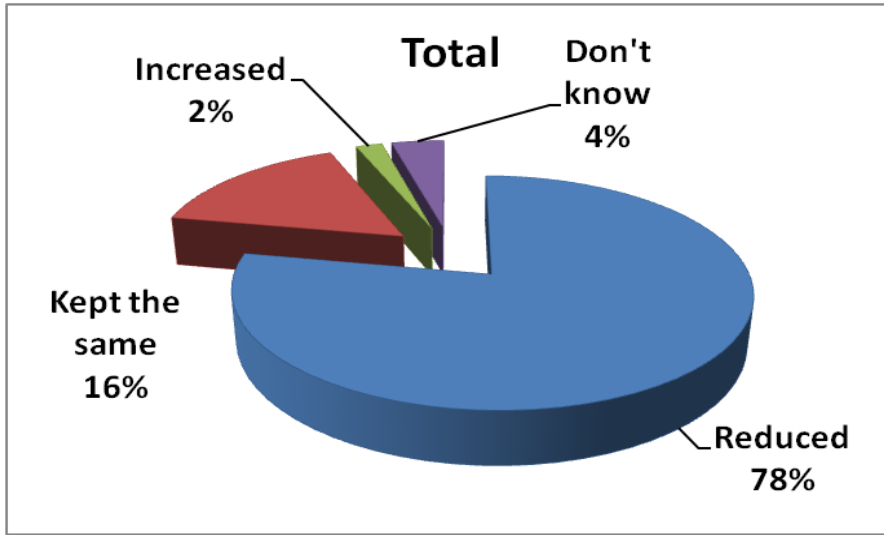
Cut number of government employees but guard their pay and pensions

(10) The People believe the number of government employees and civil servants should be reduced (78%) - almost certainly meaning non-front line employees. While The People believe the pay and pensions of these employees should remain as they are (48%), Conservatives believe they should be reduced (58%). Labour and Lib Dems are clear that these should remain unchanged (57% and 60% respectively).

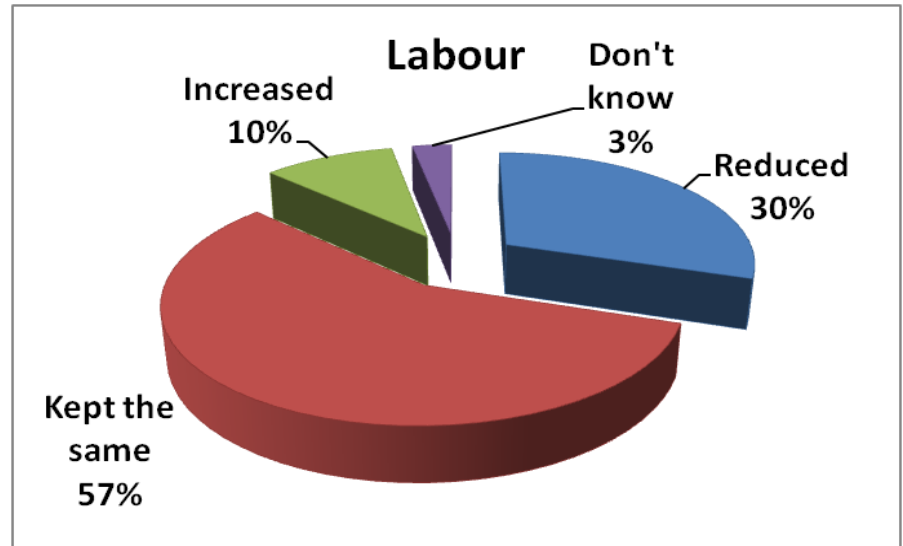
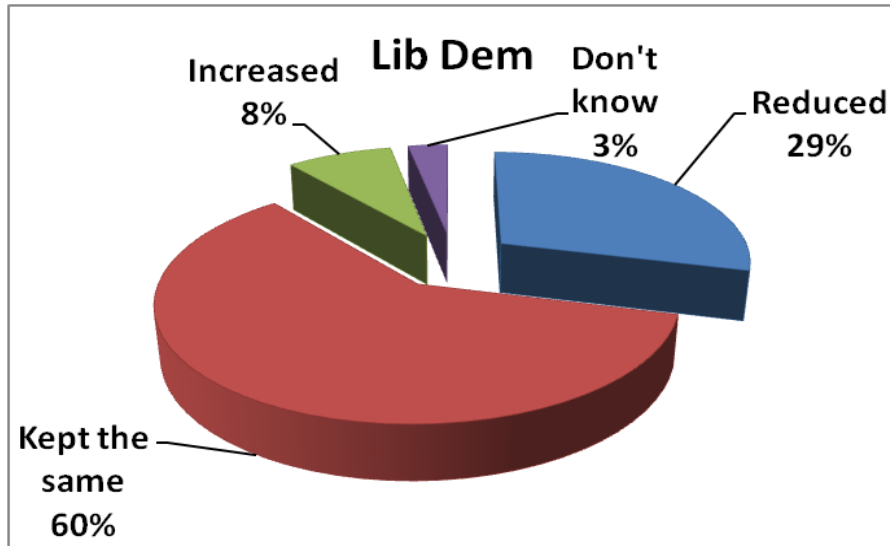
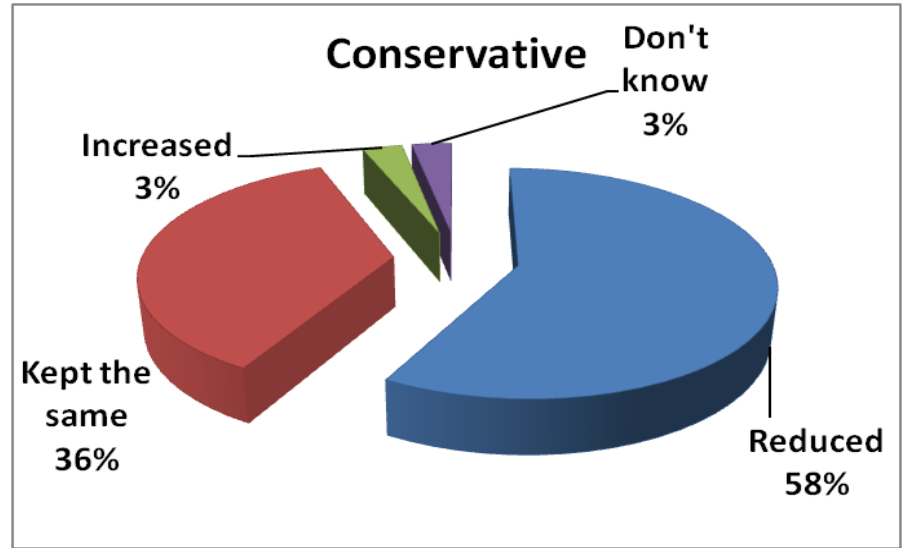
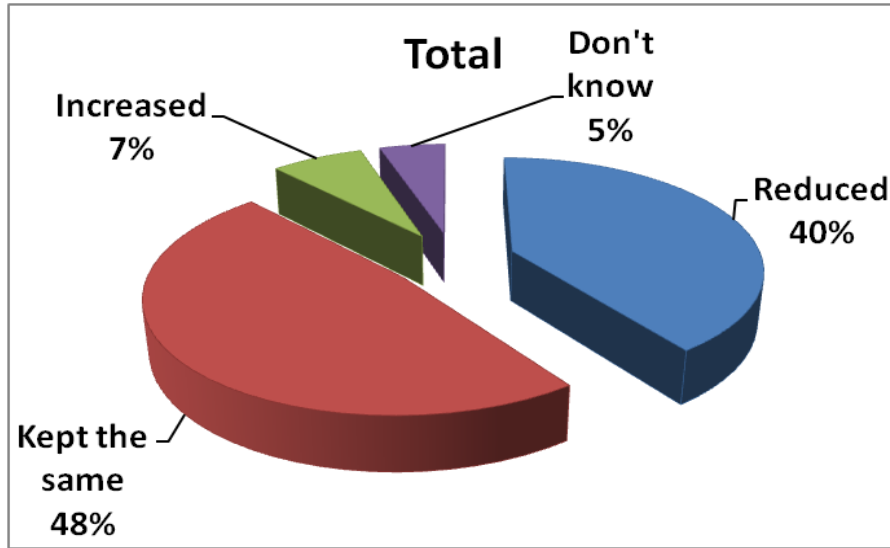
Do you think University fees should be...



Do you think the number of government employees/civil servants should be ...



Do you think the pay and pensions of government employees should be ...



Housing Benefits, Foreign Aid, Child Benefits

Reduce Housing benefits

(11) The People want to reduce housing benefits (61%), with Conservatives most strongly in favour (79%). Only 49% of Labour prefer to reduce the benefits. Again Lib Dem preferences (59%) are between the two major parties but nearer to Labour.

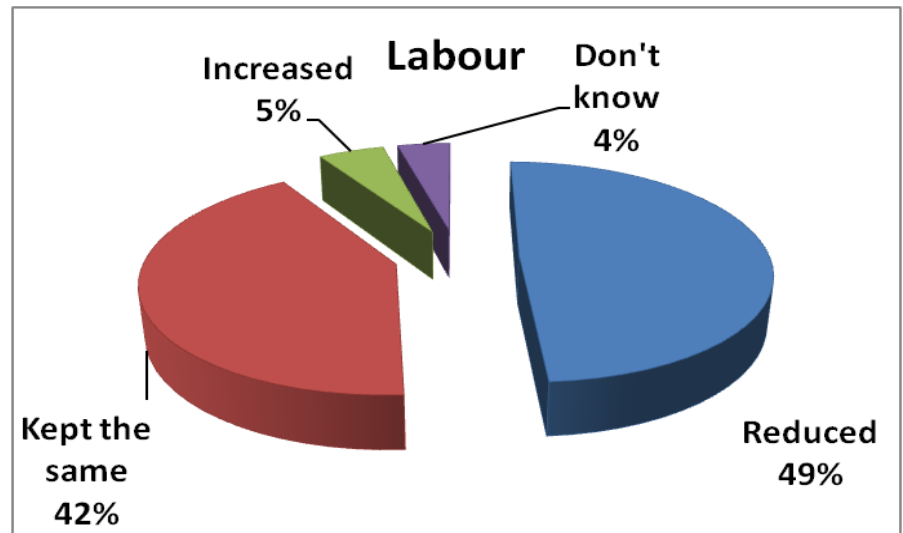
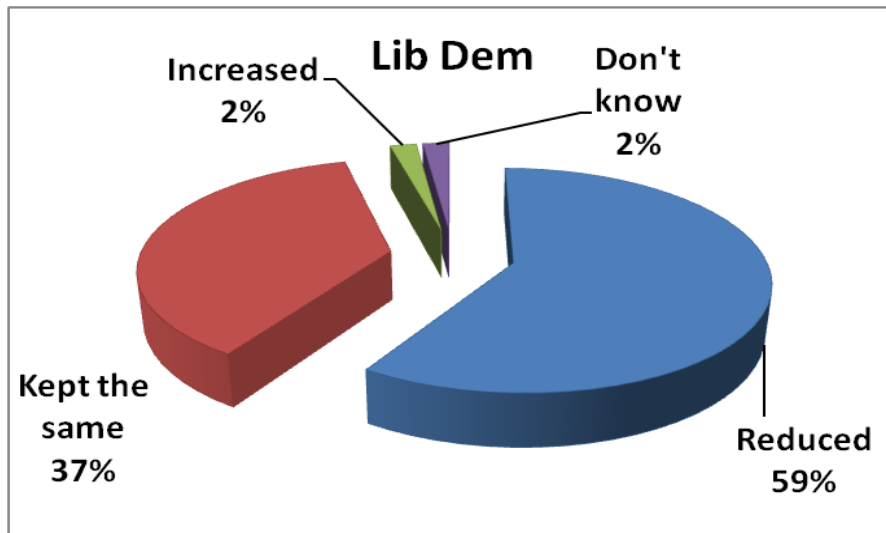
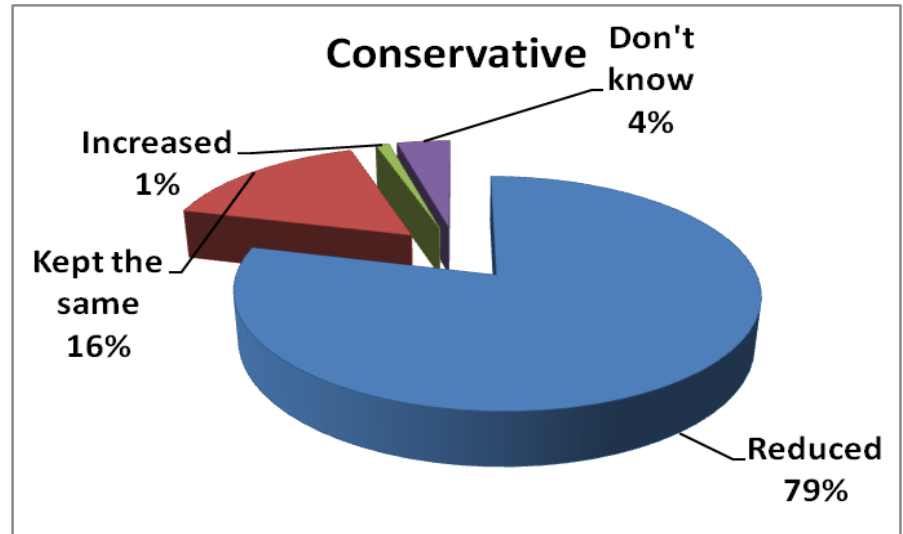
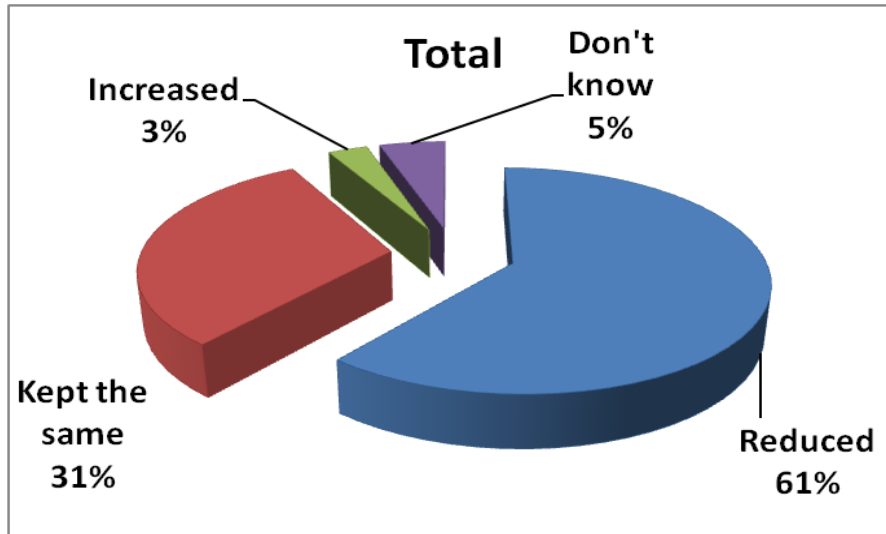
Cut Foreign aid

(12) There is widespread support for reducing Foreign aid (86%). 93% of Conservatives would choose this, 84% of Labour and 79% of Lib Dems - more evidence of the differences between the coalition parties.

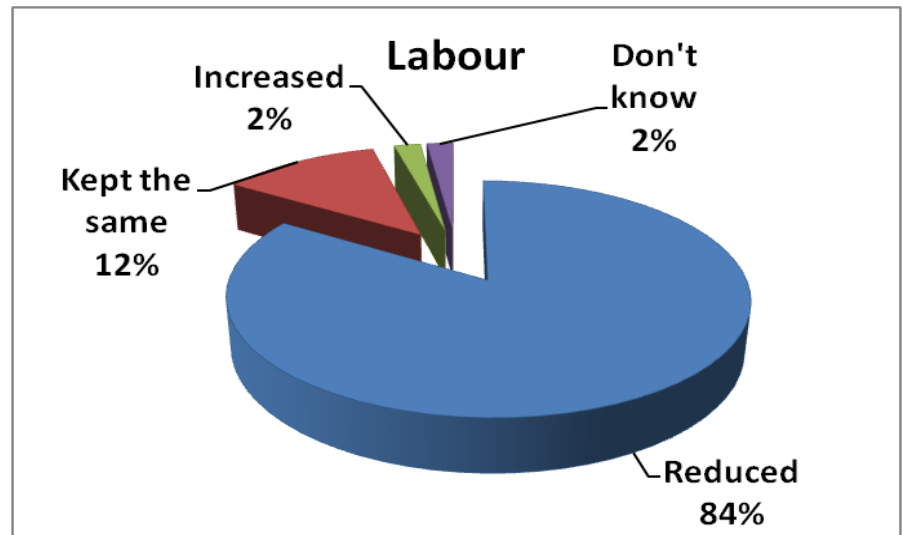
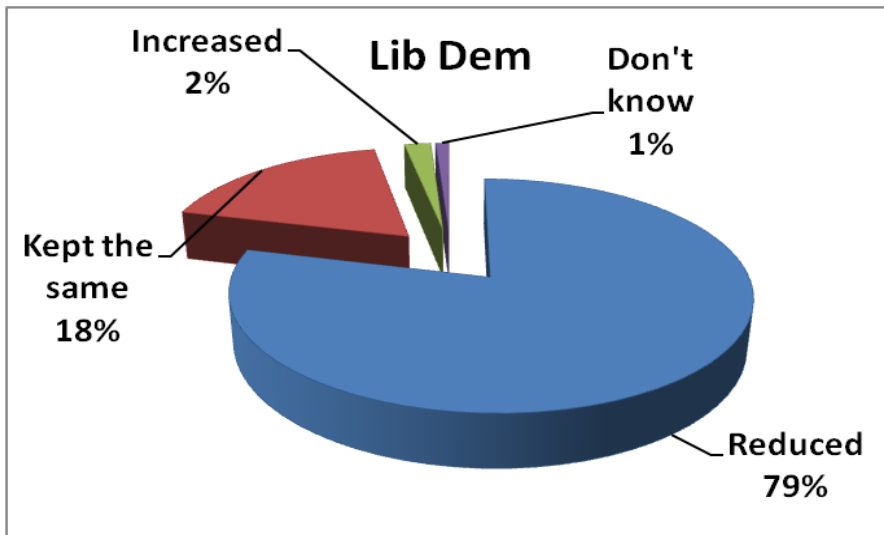
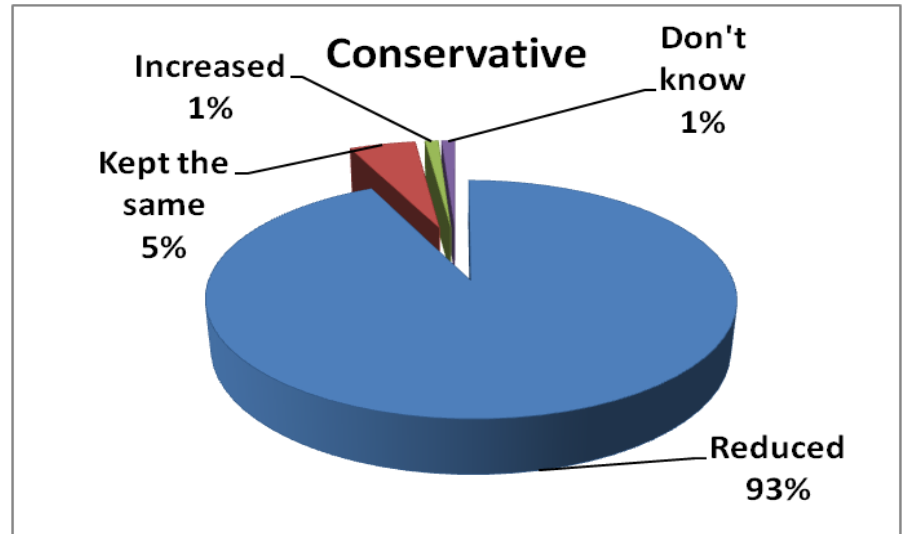
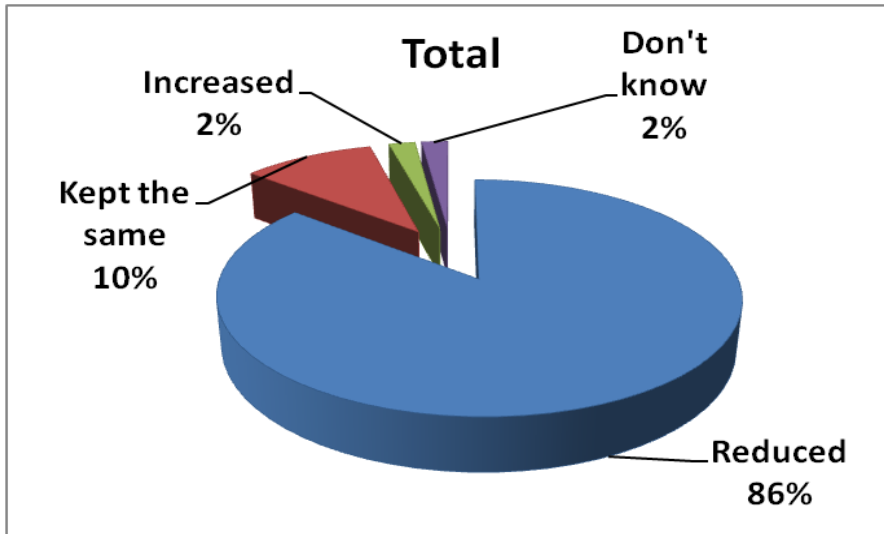
Means test child benefits

(13) Child benefits should be means tested (76%). Lib Dems are the most strongly in favour of means testing (87%). Only 70% of Labour support the policy. At 78%, Conservative support lies near the People's average.

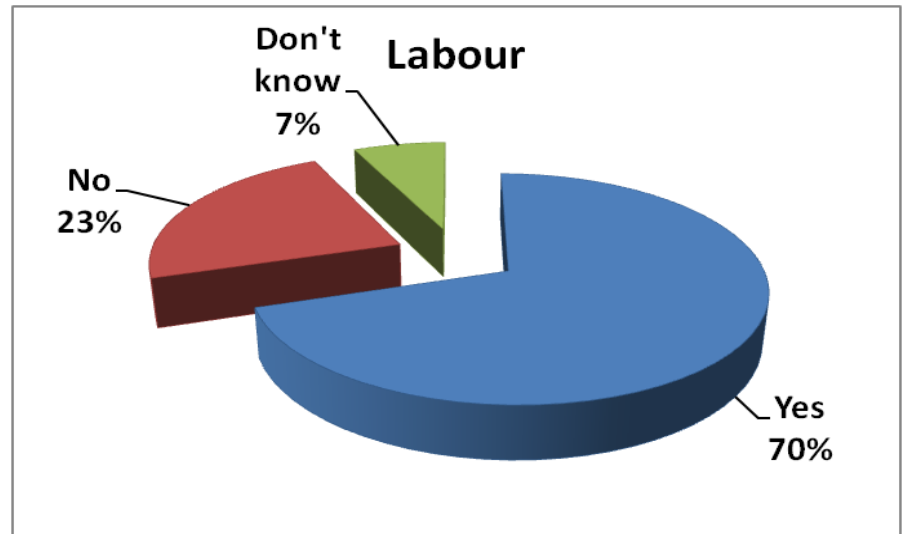
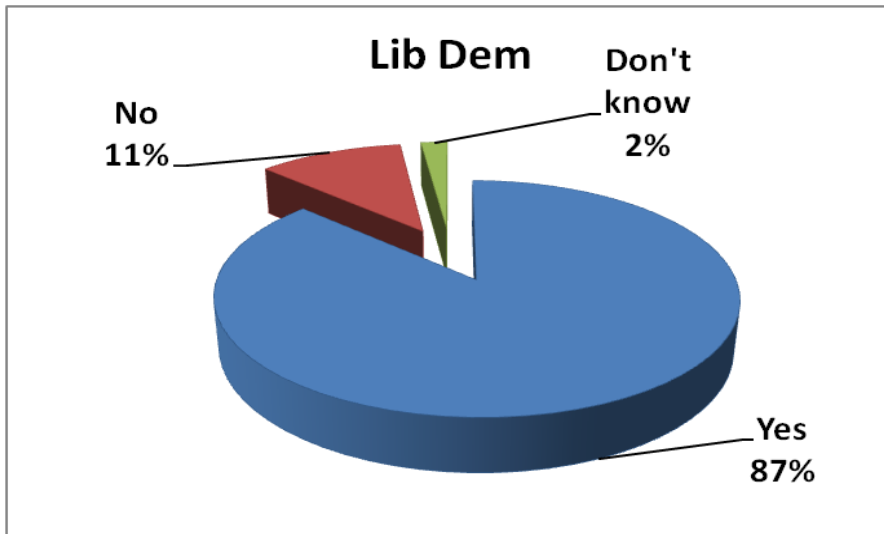
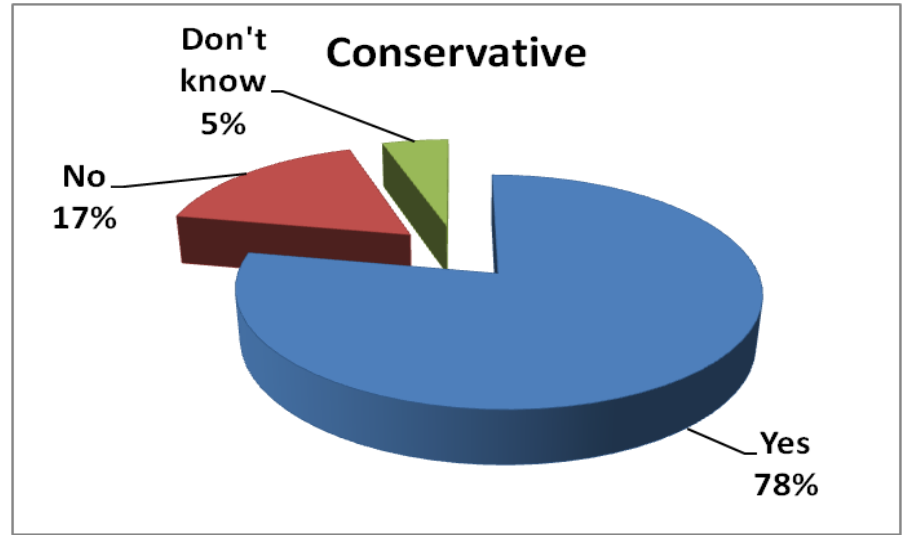
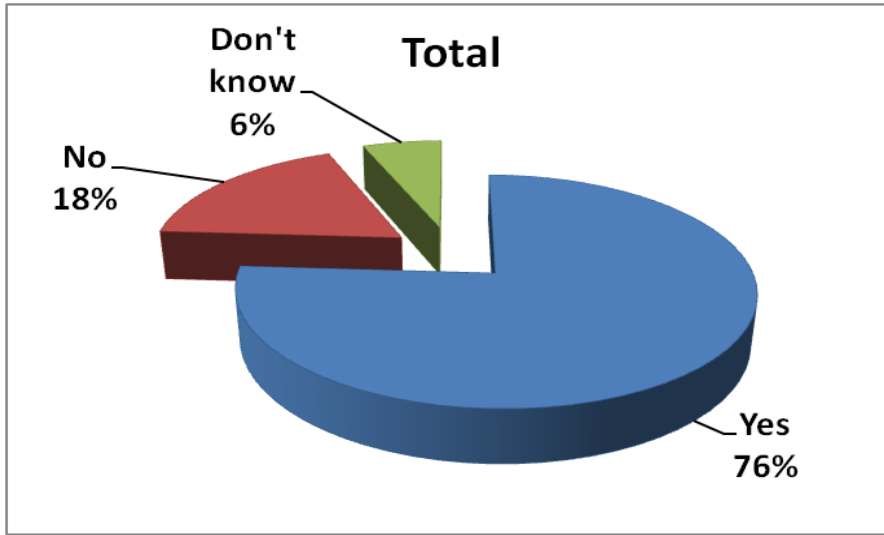
Do you think housing benefits should be ...




Do you think foreign aid should be ...



Do you think child benefits should be means tested?



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Comparison of HM Budget (March 2011) and Voters' Budget (IPR Survey, March 2011)

Voters prefer a larger deficit reduction in 2011-12

(14) The People (Voters' Budget) want a £36b reduction in the deficit in 2011-12 compared to the £24b reduction called for in the Government's March 2011 Budget. Voters prefer a 3.7% reduction in expenditures compared with the 2.4% reduction in the Government Budget.

	Actual ¹ 2010-11	Gov't Budget ¹ 2011-12	Change	Voters' Budget ² 2011-12	Change	Voters' Budget – Gov't Budget 2011-12
Nominal GDP (£ billion)	1473	1544	4.8%	1544	4.8%	
Budget, Percent of Nominal GDP:						
Total managed expenditure	47.1%	46.0%	-2.4%	45.4%	-3.7%	-1.3%
Public sector current receipts	37.2%	38.1%	2.4%	38.3%	2.8%	0.4%
Public sector net borrowing	9.9%	7.9%		7.1%		
Budget (£ billion)						
Total managed expenditure	694	710	16	701	7	-9
Public sector current receipts	549	589	40	591	43	2
Public sector net borrowing	146	122	-24	110	-36	-12

¹ HM Treasury Budget 2011, HC 836, March 2011

² "Reducing the Budget Deficit: The People's View", IPR Corporation, March 2011

Comparison of HM Budget (March 2011) and Voters' Budget (IPR Survey, March 2011)

Voters prefer a larger cut in spending on social protection

(15) The People (Voters' Budget) prefer that spending on social protection be £9b less than what is included in the Government's March 2011 Budget.

Total Managed Expenditures (£ billion)	Actual ¹ 2010-11	Gov't Budget ²		Voters' Budget ³		Voters' Budget – Gov't Budget 2011-12
		2011-12	Shares	2011-12	Shares	
Social Protection	194	200	28.2%	191	27.2%	-9
Personal Social Services	32	32	4.5%	32	4.6%	0
Health	122	126	17.7%	124	17.7%	-2
Transport	22	23	3.2%	22	3.1%	-1
Education	89	89	12.5%	90	12.9%	1
Defence	40	40	5.6%	39	5.6%	-1
Industry, Agriculture, and Employment	20	20	2.8%	20	2.8%	0
Housing and Environment	27	24	3.4%	27	3.8%	3
Public Order and Safety	35	33	4.6%	35	5.0%	2
Other	73	73	10.3%	71	10.1%	-2
Debt Interest	44	50	7.0%	50	7.1%	0
TOTAL EXPENDITURES	698	710	100%	701	100%	-9

¹ HM Treasury Budget 2010, HC 61, June 2010 ² HM Treasury Budget 2011, HC 836, March 2011

³ "Reducing the Budget Deficit: The People's View", IPR Corporation, March 2011

Comparison of HM Budget (March 2011) and Voters' Budget (IPR Survey, March 2011)

There is very little difference between the Voters and the Government on the mix of Revenues...

Public Sector Current Receipts (£ billion)	Actual ¹ 2010-11	Gov't Budget ²		Voters' Budget ³		Voters' Budget – Gov't Budget 2011-12
		2011-12	Shares	2011-12	Shares	
Income Tax	150	158	26.8%	159	27.8%	1
National Insurance Contributions	99	101	17.1%	102	17.8%	1
Excise Duties	46	46	7.8%	49	8.5%	3
Corporation Tax	43	48	8.1%	46	8.0%	-2
VAT (Ring Fenced in Govt Budget)	81	100	17.0%	100	14.4%	0
Business Rates	25	25	4.2%	26	4.6%	1
Council Tax	25	26	4.4%	26	4.5%	0
Other	79	85	14.4%	83	14.5%	-2
TOTAL RECEIPTS	548	589	100%	591	100%	2

¹ HM Treasury Budget 2010, HC 61, June 2010 ² HM Treasury Budget 2011, HC 836, March 2011

³ "Reducing the Budget Deficit: The People's View", IPR Corporation, March 2011

Adjustments Made for Comparison

We adjusted the (£41b deficit reduction) “People’s Budget” resulting from our budget survey to make it comparable to the HM budget of 23 March 2011:

1. We adjusted the 2010-11 baseline total spending and total revenues to account for “normal” growth, using the same nominal GDP growth (4.8%) used in the HM budget.
2. We applied the total spending percent change (-3.7%) and the total revenue percent change (+2.8%) from our “people’s budget” to these adjusted baseline totals to obtain adjusted total spending and adjusted total revenue.
3. We aligned and froze debt interest (£50b) and VAT revenue (£100b) in line with the March HM budget. VAT revenue in the HM budget increased from £81b in 2010-11 to £100b in 2011-12, reflecting the tax increase in Jan 2011. Survey respondents were aware of this increase and we interpret their selections as reflecting a collective preference to freeze VAT even though we used the pre-VAT increase 2010-11 budget as a baseline.
4. We applied the “People’s Budget” spending mix, excluding frozen debt interest, to the overall adjusted spending level described in step 2.
5. We applied the “People’s Budget” revenue mix, excluding frozen VAT revenue, to the overall adjusted revenue level described in step 2.

Contact Information

For detailed information about the accompanying Excel-based deficit reduction simulator and additional detailed analysis by specific categories (e.g. age, gender, region, income, education, voting intent, speed of deficit reduction, etc.) please contact:

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