Changing the world of work for good

A new deal: TUC statement on the spending review

Introduction and summary

Britain desperately needs a new deal for workers. Our economy is weak, our public services are struggling after years of cuts, and our labour market leaves too many workers underpaid and insecure.

Instead of fixing these problems, the government is threatening to inflict huge damage on working people's livelihoods through a no deal Brexit that will derail the economy and damage public services.

Without ruling out a no deal Brexit and the damage it will cause, the Chancellor cannot begin the vital work of rebuilding Britain.

The TUC's most urgent demand of government is therefore to rule out a no deal Brexit and find a solution to the Brexit crisis which protects jobs, rights and peace in Northern Ireland.

But this is just the first step needed to rebuild an economy that works for everyone. The government should:

- **Invest in the modern infrastructure Britain needs to deliver a fairer, cleaner economy, with at least £15bn of new infrastructure investment, and a plan to deliver a just transition for workers including through a new skills entitlement.**
- **Set out a ten-year funding plan to deliver world class public services, reversing the effects of a decade of cuts.**
- **Tackle Britain's unfair labour market and deliver a new deal for workers by introducing new trade union rights, raising the minimum wage to £10 as quickly as possible, investing in labour market enforcement, including the creaking employment tribunal system, and banning zero hours contracts.**
- **Address sky high levels of in-work poverty with an end to Universal Credit, including the five-week wait, bringing an immediate end to the benefit freeze, and investing in making work pay.**

The threat from a no-deal Brexit

There is widespread consensus that a no-deal Brexit would hurt working people's livelihoods, leading to a fall in economic growth, job losses, and a reduction in wages. A no deal Brexit will also damage public services, diverting much needed funds into preparation, and disrupting the economy's capacity to deliver the sustainable tax revenues that fund them.

A no deal Brexit would severely derail the economy

The government's own long-term economic analysis (covering 15 years from exit point) suggests a negative impact on GDP of between 5 and 10 percent (averaging 7.6 per cent), with variations across regions[1].

In the more immediate term, the OECD has estimated that a no-deal could reduce UK GDP by up to 2 per cent over two years[2]. The OBR, in its Fiscal Risks Report, used IMF projections to suggest by mid-2021 GDP could be up to 4 per cent lower relative to March 2019 and similarly the Bank of England has estimated GDP, in a no-deal scenario could be between 4 and 7.5 per cent lower relative to May 2016.

The uncertainty of Brexit has already impacted business investment with the CBI reporting in 2017 that 40 per cent of the businesses they surveyed stated investment decisions had been negatively affected by Brexit uncertainty[3].

The Financial Times showed a fall in foreign 'greenfield' investment of 30 percent in the three years since the referendum – compared to the same period pre-June 2016. The OECD suggested in 2016 that FDI inflows could decline in the long run by between 10 per cent in the most optimistic scenario and 45 per cent in the most pessimistic scenario[4]. More recently, NIESR have stated that in a no-deal scenario, FDI is likely to reduce in the long run by an average of 24 per cent, and overall business investment by 3.5 per cent[5].

[1] HMG, EU Exit – Long-term Economic Analysis, November 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis__1_.pdf

[2] OECD, Economic Outlook for UK, volume 2018, issue 2 https://www.oecd.org/eco/outlook/economic-forecast-summary-united-kingdom-oecd-economic-outlook.pdf

[3] GLA, Preparing for Brexit, January 2018, https://www.london.gov.uk/sites/default/files/preparing_for_brexit_final_report.pdf.

[4] OECD, The Economic Consequences of Brexit: A Taxing Decision, Economic Policy Paper, April 2016, No.16 https://doi.org/10.1787/5jm0lsvdkf6k-en

[5] National Institute for Economic and Social Research, Monetary and fiscal options in the event of a 'no deal brexit', National institute economic Review No. 249 August 2019, https://www.niesr.ac.uk/sites/default/files/publications/commentary%20August%202019.pdf

A no-deal Brexit would mean fewer jobs, lower wages and a fall in incomes

In a no deal scenario, the GLA has estimated that up to 482,000 jobs could be lost by 20306.

The Bank of England in its 'unprepared Brexit scenario' modelling has suggested the unemployment rate could peak at 5.5 per cent in 2021 and the OBR has estimated 200,000 job losses due to no-deal7. OBR predictions also suggest lower employment could impact income tax and national insurance receipts by £4 billion at its worse in 2021/228.

Real wages are almost certain to fall, with the OBR projecting they will be 2.5 per cent lower by the start of 20249. The government's own long-term analysis suggests real wages could fall by 10 per cent in the event of a no deal10.

On income, the OECD estimated in their 2016 report that as a result of a 3 per cent reduction in GDP in the immediate aftermath of a no-deal, household income could fall on average by £2,200. By 2030, they estimated that household income could have reduced by between £3,200 and £5,00011. Operation Yellowhammer' recognises that there is likely to be increases in food, energy and fuel costs which will disproportionately affect low-income groups[12].

A no deal Brexit would damage public services

A weaker economy as a consequence of a no-deal Brexit would disrupt the sustainable tax revenues that fund public services.

And the spending on preparations for no-deal will diverting valuable funds that could be invested in public services now. According to the government's long-term analysis, by 2035-36 net public borrowing, as a result of their modelled no-deal, could see an increase

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6 GLA, Preparing for Brexit, January 2018, https://www.london.gov.uk/sites/default/files/preparing_for_brexit_final_report.pdf.
7 Bank of England, EU withdrawal scenarios and monetary and financial stability – November 2018. https://www.bankofengland.co.uk/-/media/boe/files/report/2018/eu-withdrawal-scenarios-and-monetary-and-financial-stability.pdf?la=en&hash=B5F6EDCDF90DCC10286FC0BC599D94CAB8735DFB
8 Office for Budget Responsibility, Fiscal Risks Report, July 2019
9 Office for Budget Responsibility, Fiscal Risks Report, July 2019
10 HMG, EU Exit – Long-term Economic Analysis, November 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis__1_.pdf
11 OECD, The Economic Consequences of Brexit: A taxing Decision, Economic Policy Paper, April 2016, No.16
https://doi.org/10.1787/5jm0lsvdkf6k-en
12 The Times, 'No-deal Brexit preparations: the leaked Operation Yellowhammer document', https://www.thetimes.co.uk/edition/news/no-deal-brexit-planning-assumptions-the-leaked-operation-yellowhammer-document-797qxkrcm?wgu=270525_54264_15662945685777_b838081910&wgexpiry=1574070568&utm_source=planit&utm_medium=affiliate&utm_content=22278

of between +2.5 per cent and 3.8 per cent (£96.4 billion - £141.5 billion), as a percentage of GDP[13]. Former Chancellor Phillip Hammond also suggested the costs of mitigating a disorderly no-deal could by up to £90 billion.

In the shorter term, Chancellor Sajid Javid has announced an additional £2.1 billion in funds (£6.3 billion in total now set aside) to help mitigate some of the immediate challenges of no-deal Brexit. As we set out further below, the money set aside for no deal should be used to support stretched public services.

A new approach

- **The Government should rule out the possibility of a no-deal Brexit and find a solution to the Brexit crisis which protects jobs, rights and peace in Northern Ireland. Without ruling out a no-deal Brexit, the Chancellor cannot begin the vital work of rebuilding Britain's economy and public services.**

[13] HMG, EU Exit – Long-term Economic Analysis, November 2018 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/760484/28_November_EU_Exit_-_Long-term_economic_analysis__1_.pdf

Rebuilding our broken economy

UK economic growth is now among the weakest of all major economies. The global revival that supported the economy after the referendum has retreated, and there are growing fears of global recession, Uncertainties as a result of the Brexit process leaves the UK particularly vulnerable. In the first half of 2019, GDP growth was lower than the UK in only Mexico and Italy.

Weak growth is a consequence of the government's own decisions including prolonged austerity and the continued threat of a no-deal Brexit. But there is nothing inevitable about Britain's weak economy. Investment in the skills and infrastructure Britain needs to transition to a cleaner fairer more productive economy would also boost economic growth and deliver better jobs.

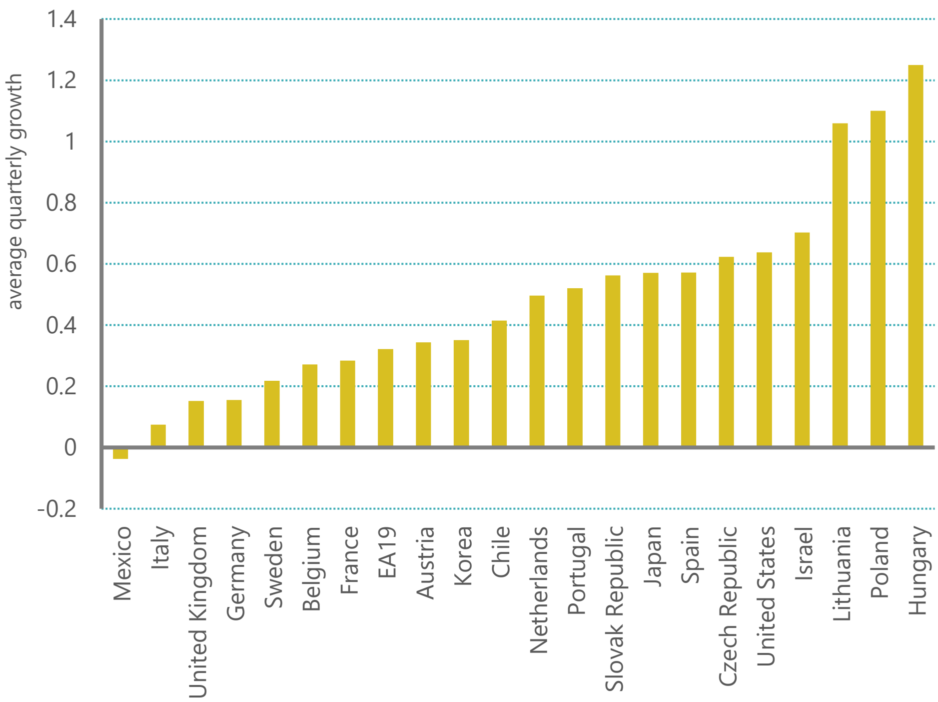
The situation we face: a decade of weak growth

For the whole of the past decade, UK economic growth has been significantly weaker than long-term norms, with a further downwards step-change since the referendum. Since 2010 annual growth has reduced by a third, averaging 1.9 per cent compared to annual growth of 2.9 per cent ahead of the crisis. Growth in 2019 is weaker still. Quarterly figures are so far distorted by developments related to the original Brexit date of 31 March, in particular stockpiling and changed timing of closures in motor vehicle manufacturers. While GDP fell by 0.2 per cent in quarter two, this followed a erratically high rise of 0.5 per cent in quarter one; the Governor of the Bank of England expects "stagnant" (i.e. zero growth) into Q3.[14] Four quarter growth into quarter two is 1.2 per cent, and was last lower at the high of austerity in 2012.

The UK performance in 2019 amounts to one of the weakest of all advanced economies. The chart below shows average quarterly growth across the first two quarters of the year: at less than 0.2 per cent, UK quarterly growth is well below the average of 0.5 per cent and third from last in the overall ranking (of countries available so far).

[14] 'The Growing Challenges for Monetary Policy in the current International Monetary and Financial System', speech at the Jackson Hole Symposium, 23 August 2019

Average quarterly GDP growth in the first half of 2019

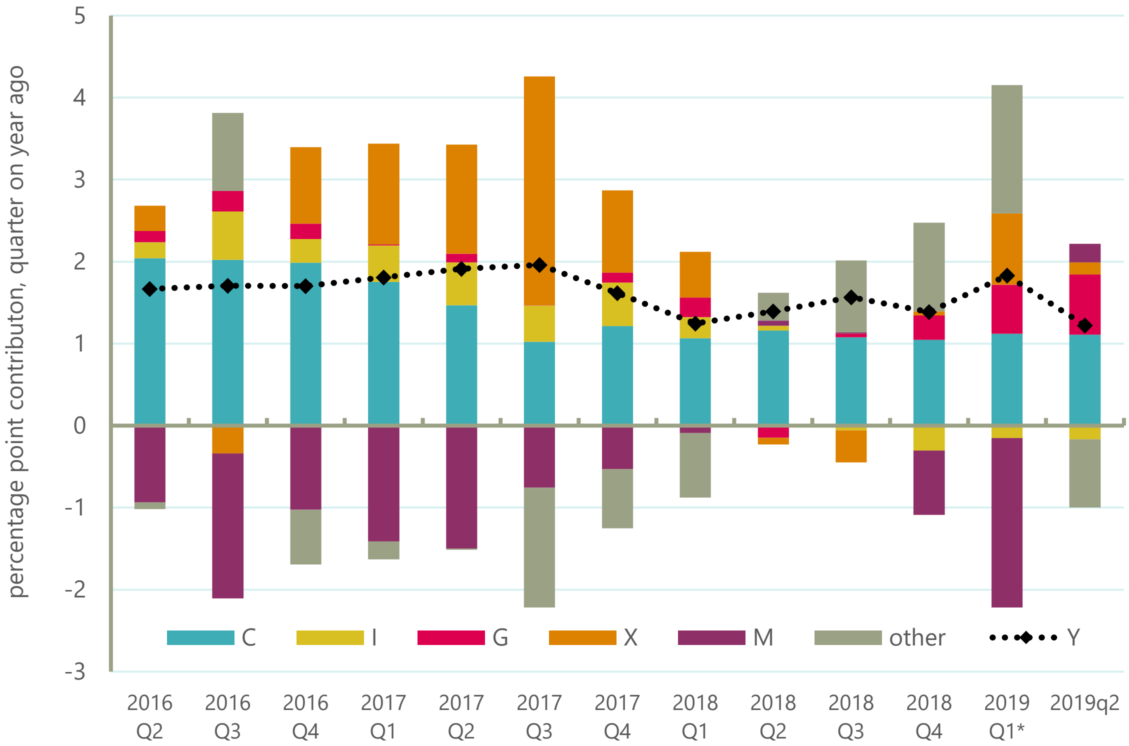


Source: OECD

The following chart shows how the composition of (steadily lower) growth has shifted.

- Stronger export growth (X, orange) particularly over 2017 has evaporated from 2018 Q2.
- Household consumption (C, turquoise) has weakened since the middle of 2017 when higher inflation (driven by the fall in het exchange rate) kicked in
- Into Q3 2018 weak investment growth (I, yellow) became negative investment growth.
- Over the last three quarters, government spending (G, crimson) has supported activity; to this point such support was conspicuous by its absence.

Expenditure measure of GDP, contributions to four quarter growth



Source: ONS and TUC calculations; 19Q1 is adjusted for imports (M) of non-monetary gold

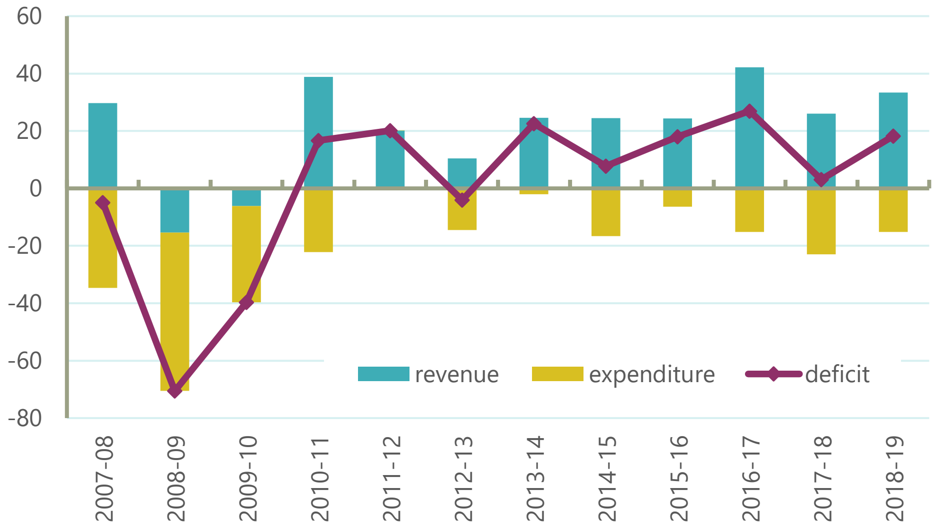
As we set out above, a no deal Brexit would pose an immediate threat to the economy.

This weak growth is in large part a consequence of a decade of austerity, which damaged growth and inhibited improvements in the public sector finances. .

The coalition government inherited an economy that was recovering from the global financial crisis: increased GDP meant increased government receipts and so a turnaround in the public finances.

The following chart shows how the annual change in the deficit (public sector net borrowing) is made up of changed government revenues and expenditure (yellow: in this accounting presentation, scoring as negative). The worsening public finances during the global recession reflected a collapse in revenues rather than greatly increased expenditures. The improved finances in 2010-11 were then caused by a vigorous revival in government revenues not a reduction in government expenditure. The initial severity of austerity policies threatened to terminate both the recovery in GDP and the public finances, with revenue gains greatly down over 2011-12 and 2012-13. With austerity moderated (and wider monetary stimulus) revenues began to pick up again.

Changes in public finances, £ billion



But even in moderated form, austerity policies have continued greatly to contain economic growth throughout the coalition and the conservative governments. This has been increasingly problematic since the referendum as other sources of growth have faded. With weak growth sustained for a decade, improvements in the public finances have fallen greatly short of original plans.

The most obvious measure of the shortfall in terms of revenues is the public sector debt which is now reckoned to have peaked in 2016-17 at 85 per cent of GDP (£1.8tn) when it was originally expected to peak in 2013-14 at 70 per cent of GDP (£1.2tn).

Not least since the referendum, the government has failed to deliver a strategy that prioritises growth and the economy.

Rebuilding Britain: a new approach

The first step for the government must be to rule out a no-deal Brexit which would damage economic growth and find a solution to the Brexit crisis which protects jobs, rights and peace in Northern Ireland.

But a change of approach more broadly is needed to deliver a stronger economy that can secure greater jobs and wages across the country. As we set out above, the government's approach to austerity has held back growth. And we show below how more funds are desperately needed to deliver stronger public services.

Government must also invest in the modern infrastructure we need to deliver the transition to a cleaner economy, and meet the commitment to net zero carbon emissions by 2050.

At present, Britain's investment as a share of GDP lags behind our major competitors. For total investment, in Q1 2019 the UK share was 17.0 per cent of GDP, against a OECD average of 22.2%. Of advanced economies, only Greece has a lower investment share (11.6%).

Raising UK public investment from 2.7% to the OECD average of 3.5% of GDP, so that the UK has the infrastructure needed to attract business and create well-paid jobs would require a £15bn boost to spending.

- **As a first step, the Chancellor should set out a plan to raise investment to the OECD average, and show how this will be used to help meet the target of net zero emissions.**

This transition to a cleaner economy can deliver better jobs, including in the places where they're needed most. But this won't happen automatically. Government needs to ensure a just transition including by:

- **Setting up a cross-party commission on long-term energy and energy usage strategy,** involving affected workers, unions, industries and consumers, to plan a path that will deliver a just transition to a clean, affordable and reliable energy supply for the future alongside reductions in emissions. As part of its remit, this commission should carry out a study of the social impacts of such a transition, its regional impacts and necessary mitigation measures.
- **Using its procurement powers to ensure that jobs generated benefit workers in the local community and throughout the supply chain.** It must also insist that jobs created provide workers with trade union recognition, and that employers have fair recruitment, industrial relations and pay policies for all workers. Companies winning government contracts must adhere to agreed standards of corporate behaviour; for example, contracts should not go to companies based in tax havens and companies must be registered in and pay tax in the UK.

Government must also invest in a major upgrade of Britain's skills infrastructure.

Under-investment in adult learning and skills by government and employers has been a perennial and depressing feature of the UK labour market for many years. The scale of the skills crisis is growing apace due to the legacy of this under-investment and the major challenges arising out of the impacts of automation, Brexit and other significant trends.

Investment in Further Education (FE) and adult skills has declined dramatically. According to the Augar Review total government spending fell by 45% in real terms between 2009/10 and 2017/18 and there has been a 35% reduction in the number of adult learners during the latest 5 years.

Not surprisingly we compare very poorly with other European countries on adult skills, e.g., 40% of our 25-year olds do not progress beyond GCSE (or vocational equivalent) skills level.

There has also been a long-term decline in employer-led training with one research study[15] showing that the total volume of training halved between the end of the 1990s and the beginning of the current decade. The TUC commissioned Professor Francis Green of UCL to

[15] Green, F. et al (2016) "The Declining Volume of Workers' Training in Britain", *British Journal of Industrial Relations*, vol. 54 (2)

update this analysis. His new research[16], drawing on analysis of Labour Force Survey data, finds that the volume of workplace training fell by a further 10% between 2011 and 2018.

However, for some groups facing the brunt of an increasingly precarious and insecure jobs market, the rate of decline has been much greater. For example, since 2011 the amount of training that workers with the lowest-level qualifications (below GCSE/Level 2) are accessing has declined by 20% and for younger workers aged 16-34 the reduction was 16%.

There are a number of policy recommendations in the Augar Review that the TUC supports and which we believe would go some way to empowering more people to achieve an adequate skills level or to retrain for new jobs and careers. These include proposals to: establish skills entitlements for all adults to attain their first Level 2 and 3 qualifications; provide more maintenance grants and bursaries to lower-income FE students; increase operational and capital funding for colleges; and, deliver a new deal for the FE workforce.

While these recommendations are a good starting point and should be taken forward by government, the TUC is of the view that the challenges confronting us require a much more ambitious approach. In addition to a major funding boost for FE adult skills, we are calling on the government to:

- **Set an ambition to increase investment in both workforce and out of work training to the EU average within the next five years**
- **Introduce a comprehensive package of adult skills entitlements that could be accessed through an expanded National Retraining Scheme and the introduction of lifelong learning accounts**
- **Give workers an entitlement to a mid-life skills/career review to consider their employment and skills trajectory going forward**
- **Reform the existing right to request time to train so that it is transformed into a new strengthened entitlement to paid time off for education and training.**

[16] Green, F. and Henseke, G. (2019) *Training Trends in Britain*, TUC (unionlearn research paper, no. 22)

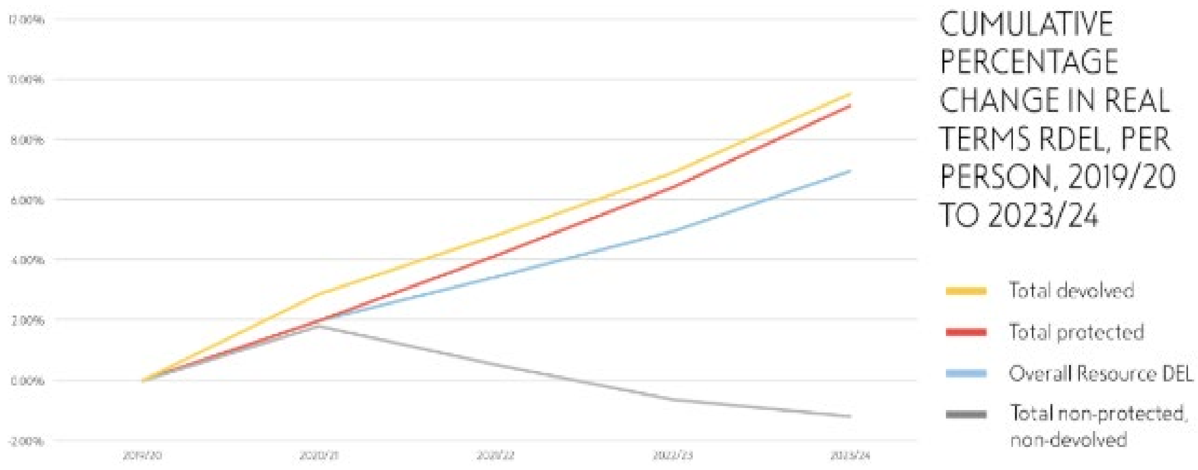
Rebuilding decent public services

After a decade of austerity, this one-year spending review and the subsequent budget and multi-year spending review that follow are crucial for the future of our public services. From health and social care to prisons and schools, our members who deliver public services know that they are being stretched to breaking point. Cuts hurt everyone that relies on those services, but the most vulnerable are disproportionately impacted. Those that stand most to lose from a no-deal Brexit are the same communities that have lost most through the deterioration of their public services.

The Chancellor must act to undo the damage inflicted on services over the last ten years. Not just for one year but with a plan to invest in world class public services over the medium to long term. Not just ending cuts but reversing them, bringing investment back to the levels we need to maintain quality and meet demand. And while the TUC would support efforts to invest in our NHS, the government also needs to invest in the 'unprotected' areas like local government, criminal justice and social care that have suffered among the worst impacts of austerity.

The situation we face: Austerity continues

Research by the New Economics Foundation shows that, under current spending plans set out in the Spring Statement in March 2019, we can expect to see further real terms cuts of around 1.2 per cent per capita to 2022/23 outside of the protected areas like the NHS, defence and overseas aid[17].

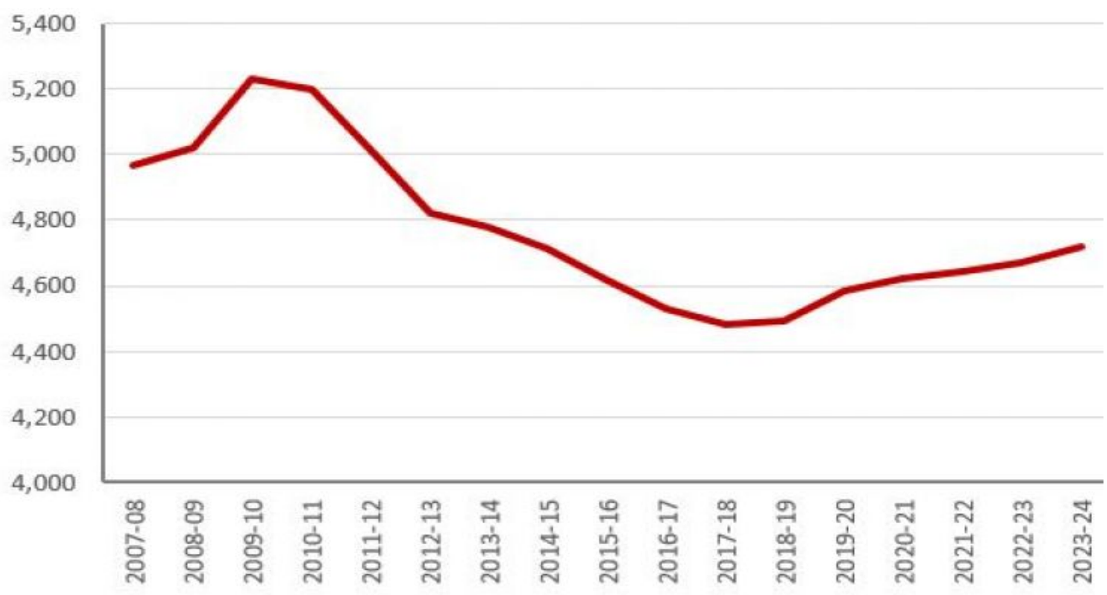


SOURCE: NEF DEPARTMENTAL SPENDING MODEL USING OBR ECONOMIC AND FISCAL FORECASTS (MARCH 2019) &PESA 2018

[17] *Austerity still biting unprotected departments*, New Economics Foundation, March 2019

Despite the Government announcing the end of austerity in the Autumn budget of 2018, real terms cuts will continue and planned increases in spending are dwarfed by the scale of cuts to date. Under current spending plans, only one percentage point of lost ground will be recovered each year through to 2023/24 by which time real departmental spending will have been cut by 10 per cent or £500 per person[18].

Departmental spending, £ per head



Source: OBR

Impact on services

A snapshot across a range of public services, shows the negative impact that the cuts have had on service users and communities.

Health

Despite real terms increases in spending, the spending settlements for the NHS in England have been much tighter in the 2010s than in the previous decades. This has had adverse impacts on service provision: for example, the number of patients on the waiting list for non-urgent treatment who were waiting over 18 weeks rose from 445,000 to 556,000 between December 2017 and December 2018 – the highest in 10 years19.

[18] TUC analysis, March 2019
[19] NHS England

Adult social care

Since 2009/10, 400k fewer older people received publicly funded social care and Age UK estimates that there are 1.4m people aged over 65 that do not receive the care and support they need with essential living activities[20].

Early years

Funding for Sure Start has been cut by two thirds since 2010 with the closure of 500 centres, 170 of which were in the poorest 30 per cent of neighbourhoods – despite analysis from the Institute for Fiscal Studies that has demonstrated the positive health and education benefits provided by government funded Sure Start centres, with benefits being "strongest for children in disadvantaged areas"[21].

Schools

Per pupil funding has been cut by 8 per cent in real terms since 2015[22]. In that period, the number of pupils in state primary, secondary and special schools has increased by 315k, while the number of teachers has fallen by 3.5k. 13 per cent of pupils in primary and secondary schools are now taught in classes with over 30 pupils, the highest levels in over 15 years[23].

Prisons

Despite rises in recent years, the number of core operational staff in public prisons has declined by 15 per cent since 2009/10. Linked to this has been an alarming escalation in prison violence. In 2017/18 there were more than 9,000 assaults on prison staff, with the frequency of assaults almost tripled since 2009/10. The frequency of serious assaults against staff has risen even faster – from 289 in 2009/10 to 892 in 2017/18. There were 22,374 prisoner-on-prisoner assaults in 2017/18 – nearly double the number that took place in 2009/10[24].

Local government and neighbourhood services

Neighbourhood services have seen spending cuts of up to 40 per cent, with severe outcomes in the most deprived authorities. APSE report that in the most deprived fifth of local authorities support for bus services is down by two thirds, spending on crime reduction, safety and CCTV down by a half, road safety and school crossings down by a third and food and water safety down by a quarter. APSE describe services "being dismantled … changing the very nature of local government" with worrying implications for too many abandoned communities around the country[25].

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[20]*Key challenges facing social care sector in England*, Kings Fund, September 2018
[21] *The health effects of Sure Start*, IFS, June 2019
[22] Institute for Fiscal Studies, July 2018
[23] Pupil Characteristics and Workforce Census, Department for Education, 2015 and 2018
[24] *Performance Tracker*, Institute for Government, October 2018
[25] *Redefining neighbourhoods, beyond austerity*, APSE, April 2017

The number of libraries declined by 14 per cent between 2009/10 and 2016/17, with 34 per cent fewer library staff employed by local authorities. Over the same period, the number of councils providing weekly waste collection has reduced by 40 per cent. Between 2009/10 and 2016/17 the total number of annual health and safety visits carried out in Great Britain declined by 59 per cent[26].

This is backed up by the general public. Polling by Survation found that 42 per cent of the public perceived a decline in local services in their area, compared to just 16 per cent who said that services had improved.

A new approach; long term investment for decent public services

An end to further cuts is not, in itself, enough. For all our communities to benefit from an end to austerity, we need the government to commit to real terms funding increases in future years but also a restoration of funding lost since 2009/10 in order to address the deterioration in services, capacity and quality that is impacting on service users and the staff delivering them.

This will require significant investment and below we have set out some key areas to show the kind of funding that will be required to truly put an end to austerity and equip our public services to meet increasing demand and support communities facing an uncertain future. This is not an exhaustive list but illustrates the scale of the funding challenge that the government must address.

Public sector pay

In 2015, the TUC set out five tests for a fair pay deal for public sector workers, including funded increases, fair pay awards across all public services, freedom for collective bargaining and genuinely independent Pay Review Bodies, tackling low pay through the real Living Wage and the restoration of earnings lost since 2010.

Analysis carried out by the New Economics Foundation for the TUC set out the real-terms increases needed to departmental budgets over the next four-year period in order to fund fair pay rises. The research found that additional annual funding of £3.55bn will be needed next year to ensure pay rises of 1% above RPI inflation, rising to £10.6bn by 2022/23 for similar restorative rises each year[27].

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[26] *Performance Tracker*, Institute for Government, October 2018
[27] New Economics Foundation and TUC, July 2019

Additional funding compared to baseline 2% rise: CPI inflation + 1%	
2020-21	£1.73 bn
2021-22	£3.44 bn
2022-23	£5.13 bn
Additional funding compared to baseline 2% rise: RPI inflation plus 1%	
2020-21	£3.55 bn
2021-22	£7.10 bn
2022-23	£10.64 bn

The figures represent the additional funding that would be required on top of an increase of 2% – the current average pay rise across the public sector. This would ensure that public sector pay rises both keep up with the cost of living and commence restoration of lost wages since the public sector pay cap was introduced in 2010.

Public sector workers are still earning significantly less in real terms than they were in 2010 – for example, TUC analysis shows that a teacher working outside of London is likely to be earning 12 per cent less in real terms than they were in 2010[28].

Pay restoration is essential not only out of fairness to public servants, whose wages have been pegged back for a decade, but also to address the growing recruitment and retention crisis across the public sector.

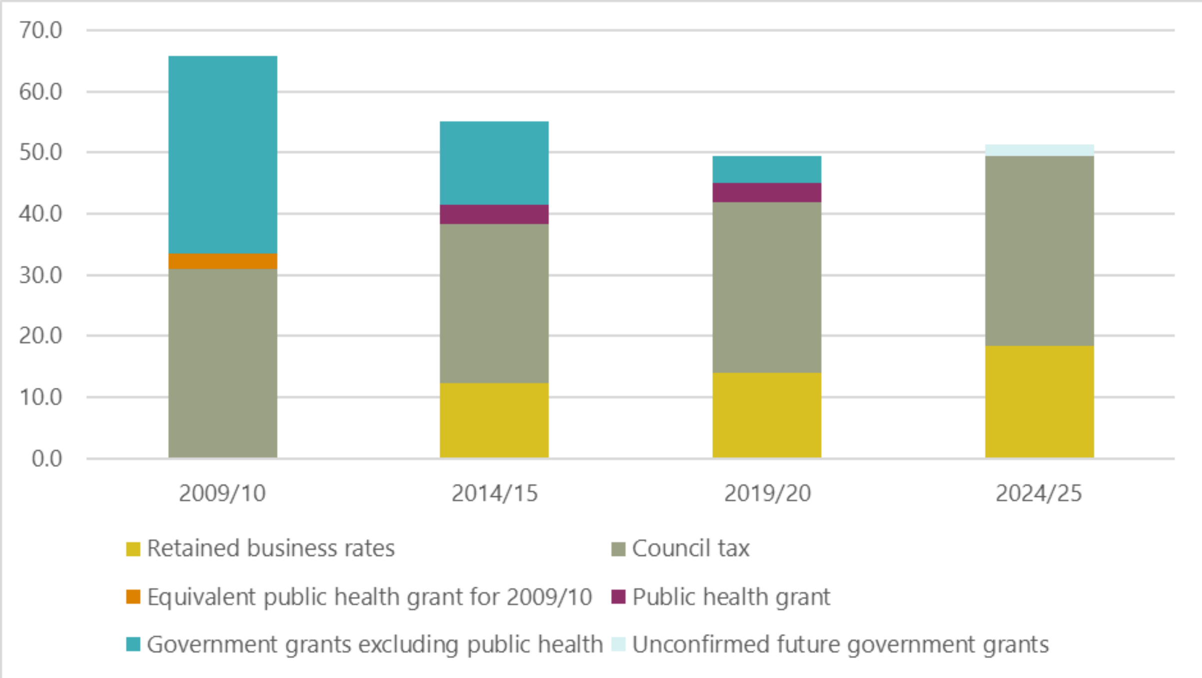
The research estimates that nearly half of this additional investment would be returned to the government in the form of direct taxes paid by public sector workers, reduced in-work benefits and indirect taxes through the growth stimulus in the wider economy.

Local government

Local government has been particularly hard hit through austerity. Central government funding via the Ministry of Housing, Communities and Local Government fell by 86 per cent in real terms since 2009/10. While some of this was made up through greater retention of business rates, council tax increases and ring-fenced grants at the local level, this was insufficient to address the loss of central government funding so that core spending power of local authorities decreased significantly from 2009/10 to the present day. Furthermore, funding is currently set to flatline moving forward over the next 5 years, as the following chart shows.

[28] TUC analysis, July 2019

Change in local authority core spending power and public health grants between 2009/10 and 2024/25 (£ billion, 2019-20 prices)



Source: New Economics Foundation

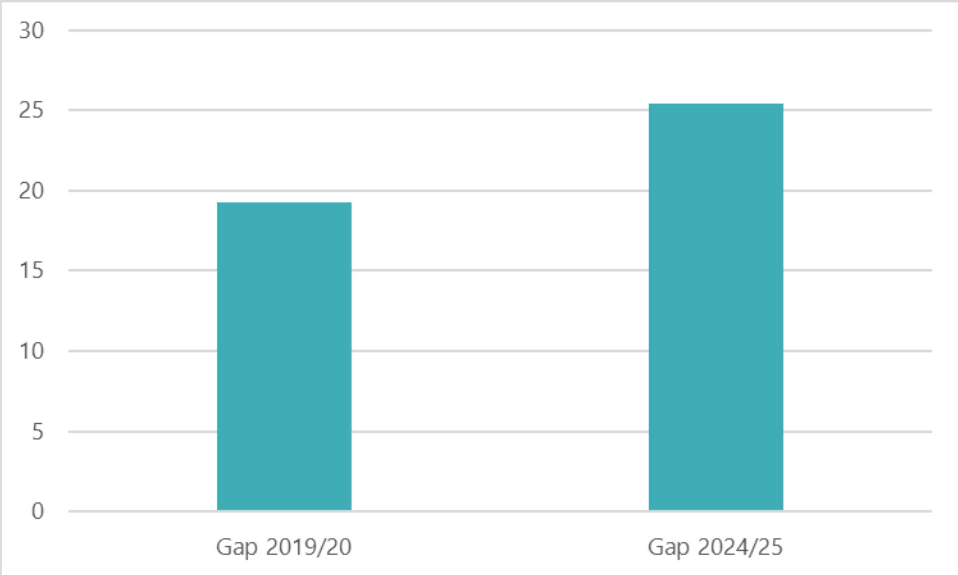
Behind the aggregate figures there are significant regional variations, with those local authorities that were most grant-dependent, less equipped with assets and revenue raising capacity, including business rates base and with less reserves suffering disproportionately larger cuts.

While funding is set to increase marginally over the next 5 years, this will neither restore funding lost since 2010 and, perhaps more significantly, will fail to keep track with the increased demand resulting from a growing and ageing population, leading to a growing funding gap.

Research by the New Economics Foundation for the TUC estimates growth in demand for services, through tracking changes in key demographic groups, combined with increases in prices to calculate the cost of providing services at the same scale, access and quality as in 2009/10. This analysis shows a likely funding gap in 2019/20 of £19.3bn, rising to £25.5bn by 2024/25[29].

[29] New Economics Foundation, August 2019

Estimates of the funding gap between expected revenue and need, in terms of 2009/10 level service access and quality, in 2019/20 and 2024/24 (£ billion, 2019-20 prices)



To meet rising demand and maintain quality services, local authorities will need an additional 51 per cent funding on top of current projections.

School funding

Research undertaken on behalf of the National Education Union, The Association of School and College Leaders, the National Association of Headteachers and the cross-party F40 group of lowest-funded local authorities has calculated the funding required to restore pupil funding to 2015/16 levels while meeting school cost pressures going forward.

Using government figures, they employed a cost index covering schools and early years, including pay, pension, national insurance, national minimum wage, apprenticeship levy and non-staff spending, uprated by inflation to calculate funding requirements over the next four years.

They found that an additional £12.6bn would be required by 2022/23, set out in the following table[30].

[30] NEU, NAHT, ASCL, F40, July 2018

	Actual funding for 2019/20	Necessary funding by 2022/23	Additional funding by 2022/23
Schools & Central Services block	£36.08bn	£41.86bn	£5.79bn
High needs	£6.33bn	£9.45bn	£3.12bn
Early Years	£3.54bn	£4.11bn	£0.57bn
Pupil premium	£2.42bn	£2.98bn	£0.57bn
16 - 19	£5.67bn	£8.26bn	£2.59bn
Total revenue	£54.04bn	£66.67bn	£12.63bn

In addition, in their report The True Cost of Education, the Association of School and College Leaders carried out its own analysis, in which it proposes an additional investment of £5.4bn over the following two years, from 2023/24 to 2024/25, to meet the basic expectation on schools and ensure that every child is taught by a qualified teacher in classes of no more than 30 pupils.

The organisations involved have set out an implementation schedule, starting with an immediate £3bn injection in the current year, followed by increases as follows:

Year	Phased increase in revenue funding to cancel cuts and then fund basic entitlement	Additional funding required on actual 2019/20 allocation (£54.04bn)
2019-20	£57.04bn	£3.00bn
2020-21	£60.41bn	£6.37bn
2021-22	£63.75bn	£9.71bn
2022-23	£66.67bn	£12.63bn
2023-24	£70.79bn	£16.75bn
2024-25	£75.14bn	£21.11bn

- **After ten years of austerity, the government now needs to set out a ten year plan for how to restore our public services to world class standards, with long term funding commitments. This must go beyond schools and hospitals, vital as they are, to cover the whole public sector, and include fair pay rises for all public sector workers.**

Delivering a new deal for workers

Years of austerity and a failure to regulate the labour market have left workers facing the longest pay squeeze for 200 years, and an epidemic of insecurity at work. Rising employment has not been enough to tackle in-work poverty, and levels of household debt are rising.

Workers in Britain badly need a new deal. That starts with giving workers the power to negotiate better terms and conditions in their own workplaces with expanded trade union rights. But government must play a role too, with a higher minimum wage, more funding for enforcing the rights we have, and fair social security.

The situation we face: a pay crisis and insecure work

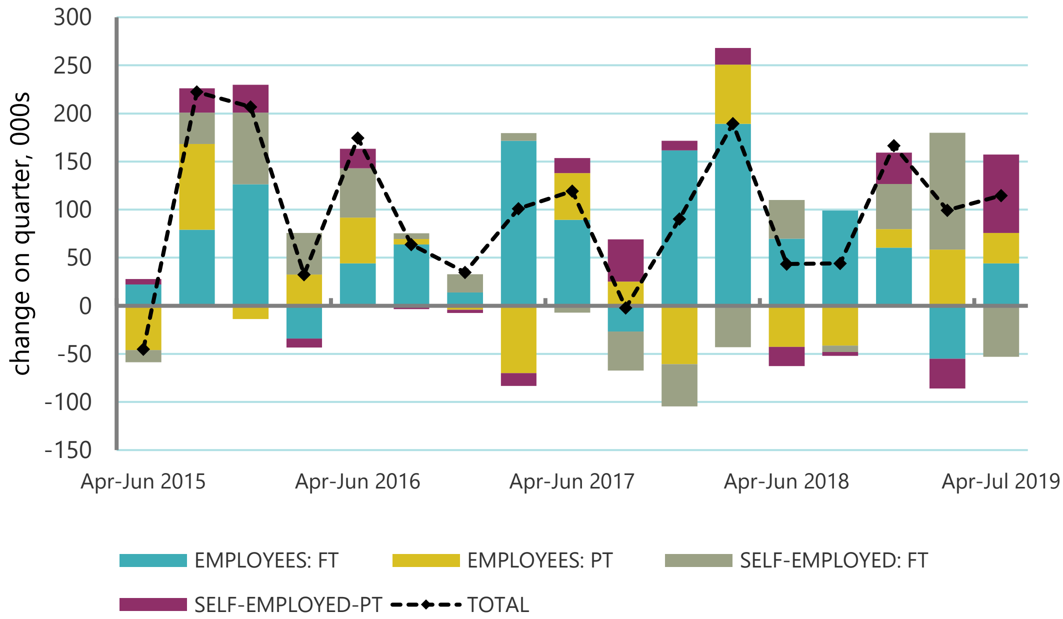
Failed austerity policies have hit hard people at work, with the worst pay crisis for 200 years and a structural shift to more insecure work. Jobs growth may have been strong, but financial pressures on households have intensified not reduced. A record 8 million people are in poverty despite being in a working family.[31] Earlier this year an United Nations 'rapporteur' issued a damning report, confirming TUC warnings that "even full-time employment is no guarantee against in-work poverty".[32]

On top of these deep-rooted trends, the slowdown in the economy may now be feeding through to the labour market, though the picture is still mixed. While full-time employee jobs drove employment growth over 2016 to 2018, over the last three quarters the great part of the increase has been in self-employed and part-time employee posts. The self-employed now make up 15 per cent of the workforce, some 5 million people. Almost half of self-employed adults aged over 25 are earning less than the minimum wage of £8.21 an hour.

Moreover, the latest set of zero hours contracts data showed an increase of over a 100,000 people over the year, confounding expectations of gradual reductions. TUC analysis also shows the share of full-time employee jobs in the labour market is still lower than it was in 2008, with a shortfall of around half a million jobs.

[31] https://www.tuc.org.uk/blogs/our-broken-economy-has-locked-millions-workers-poverty-heres-how-fix-it
[32] https://www.tuc.org.uk/blogs/government-out-excuses-devastating-un-report-lambasts-austerity-policies

Contributions to net employment growth



Source: ONS, TUC calculations

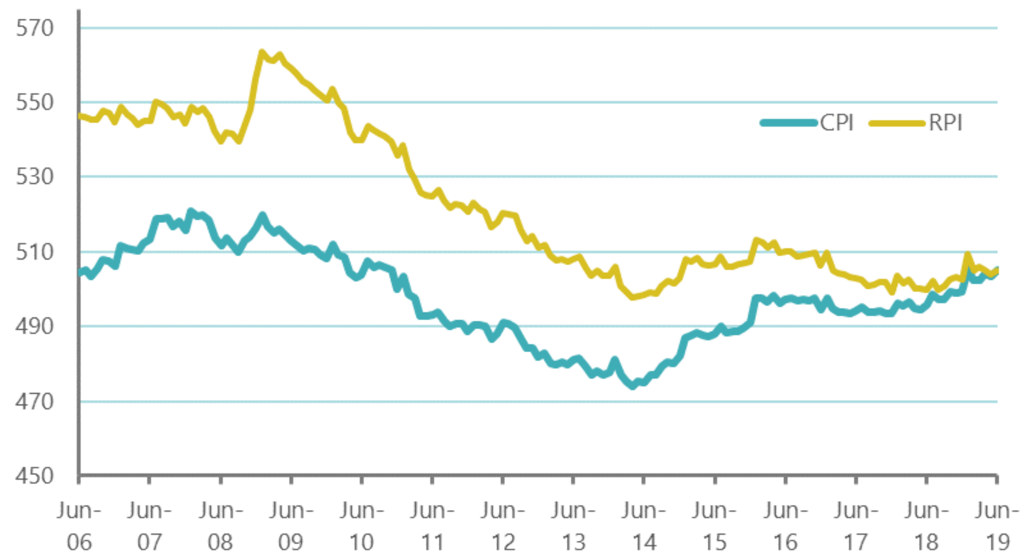
Also indicative of a slowing labour market, the number of vacancies has fallen throughout 2019. The last time such a sustained fall happened was in 2011.

Wages growth has picked up over the past two years. Average earnings growth of 3.9 per cent in the in the second quarter of 2019 was the highest for a decade. With (CPIH) inflation moderating, real earnings are also up – though not at post-crisis peaks. However, most commentators – not least the Bank of England - expect growth to slow in coming months.

Moreover, a decade on, real pay remains below the pre-crisis peak. Recent gains fall far short of repairing the worst pay crisis for two centuries, with weekly earnings still down £16 on the pre-crisis peak (using CPI; £59 using RPI[33]).

[33] The government have so-far failed to respond to the House of Lords Economic Affairs Committee report 'Measuring Inflation', which goes some way to redeeming the RPI measure of inflation.

Real average weekly earnings (regular pay), Jun 2019 prices



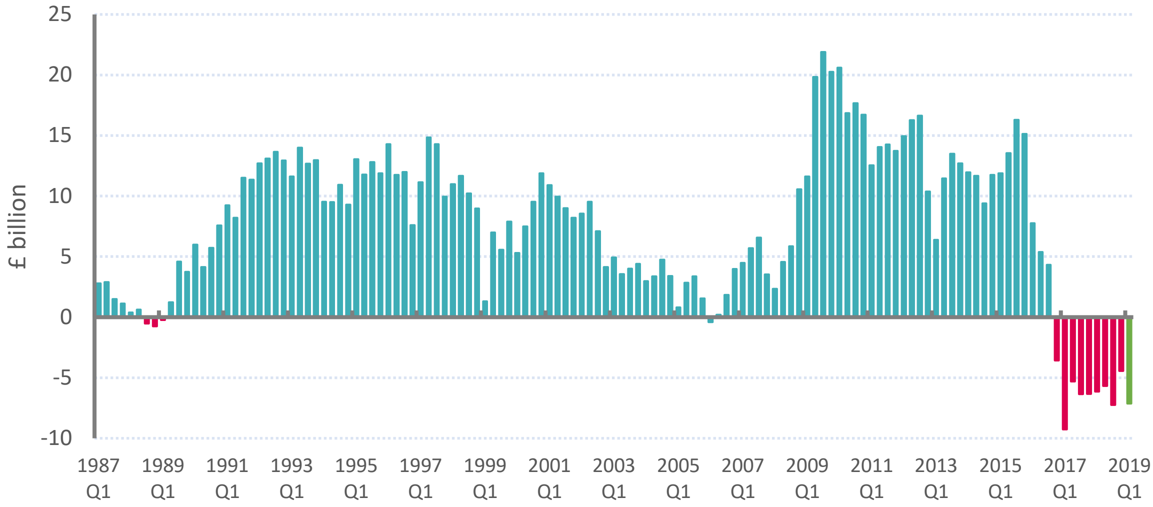
Source ONS, TUC calculations

Moreover in spite of these pay gains there has been a material deterioration in household finances over the past two years (in part as support from investment income has faded).

TUC analysis shows household outgoings outstripping income in every quarter since the end of 2016. The total shortfall is now £61 bn across all households – an average of over £2,200 per household.

This hasn't been driven by excessive spending, but by stagnant incomes. Thanks to almost a decade of austerity, people simply aren't earning enough to get by.

Household shortfall, £ billion



Source: ONS net lending / borrowing of household sector

Our analysis also showed the repercussions on personal debt. In 2019 Q1 unsecured borrowing per household was at an all-time high of £15,880.[34] Unsurprisingly the evidence suggests that the greatest pressures are at the lower end of the income distribution. The National Audit Office reported that 8.3 million individuals are struggling with unsecured debts.[35]

A new deal for workers

There is nothing inevitable about the current poor conditions that workers face. International evidence shows that countries with strong trade unions and collective bargaining deliver better jobs and higher pay, alongside tackling inequality.[36] The first step for any government interested in improving the quality of work should be to empower workers to negotiate better pay and conditions through their trade unions.

- **Government should abolish the Trade Union Act 2016, introduce new rights for unions to access workplaces, strengthen workplace bargaining rights, and allow trade unions to negotiate pay and conditions across sectors.**

But government can also play a direct role in driving up pay and conditions in the workplace through increasing the national minimum wage, improving rights and better

[34] Forthcoming TUC analysis.
[35] https://www.nao.org.uk/press-release/tackling-problem-debt/
[36] OECD (2018) Good Jobs for All in a Changing World of Work, The OECD Jobs Strategy, OECD Publishing, Paris, https://doi.org/10.1787/9789264308817-en

funding enforcement bodies, and ensuring that social security plays its role in tackling in-work poverty.

Increasing the minimum wage.

Raising the NMW rapidly towards £10 would help to stimulate demand, investment and productivity at a time when it is characterised by high personal indebtedness, low disposable income and weak demand.

- **The TUC believes the national minimum wage should rise to £10 an hour as quickly as possible.**
- **21-24 year olds should be included in the highest rate (the 'National Living Wage'), the gap between rates should be narrowed, and the apprentice rate should be increased match to the youth rate.**

Increasing the minimum wage can be expected to generate a modest but welcome boost in spending. Low-wage workers are likely to spend a high proportion of any pay increase with much of it ploughed into their local area.

But a higher NMW will only help working people and the broader economy if the law is properly enforced.

There is evidence of a worrying trend towards underpayment. The Low Pay Commission estimates that as of April 2018, 439,000 individuals were underpaid, including 369,000 who were paid less than their entitlement under the National Living Wage (NLW); or 23 per cent of all individuals entitled to this rate. This was a two-percentage point rise in the share of workers entitled to the rate.[37]

A key lesson from the NMW is that increasing the funding for proactive enforcement has had a substantial positive impact.

Successive governments have substantially increased the budget for enforcement, with the result that arrears recovered for underpaid workers has increased from around £3.5 million in 2014/15 to £15.6 million in 2017/2018.

Recent history shows that investment in pro-active enforcement is money well spent. As part of this the government must restart naming and shaming bad bosses who cheat their workers out of pay.

At the last Budget, the government announced that it would seek to end low pay.

- **The TUC supports the goal of raising the minimum wage to two thirds of median earnings, and believes this should be achieved swiftly.**

[37] https://www.gov.uk/government/publications/non-compliance-and-enforcement-of-the-national-minimum-wage-april-2019

Improving employment rights and enforcement

The increase in the number of people in work has failed to tackle rising insecurity, with 3.7 million people, one in nine, still in some form of insecure work. Government urgently needs to introduce new employment rights to help stamp this out. Government should introduce:

- **a ban on zero-hours contracts and bogus self-employment**
- **a decent floor of rights for all workers and the return of protection against unfair dismissal to millions of working people**
- **ensuring workers enjoy the same basic rights as employees, including redundancy pay and family-friendly rights**
- **Enforcement mechanisms are failing workers who are attempting to exercise their rights.**
- **For example, analysis by the TUC has found that two million UK workers, one in 14, are not getting their legal holiday entitlement.38**

There is a great need to improve the effectiveness of state-led enforcement activity, by making sure that agencies are sufficiently resourced. This is particularly true of the Employment Agency Standards Inspectorate which has an annual budget of just £750,000 to regulate nearly 23,000 recruitment agencies.[39]

The TUC would like to see the licensing model currently used by the Gangmasters Labour Abuse Authority (GLAA) in the shellfish-gathering, agriculture and horticulture sectors, extended further across the labour market. Licensing requires organisations to prove that they can comply with minimum employment standards through initial and ongoing inspections.

Official figures show that the backlog in employment tribunal cases is rising much faster than new cases. The outstanding caseload was up 39 per cent in the first quarter of this year compared to the year before. And the mean age of cases at disposal was 33 weeks, six weeks more than in January to March 2018.[40]

Meanwhile, a recent survey by the Employment Law Association found long delays in claims being processed, lengthy delays in listings, the regular cancellations of preliminary and full hearings, telephones going unanswered for hours and overworked administrative staff.[41]

Delays cause problems for employers, workers and unions and can have a detrimental impact on employment relations. The Ministry of Justice needs urgently to identify additional resources, notably for administration, to ensure that working people and employers can secure swift resolution of workplace disputes.

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[38] https://www.tuc.org.uk/news/2-million-workers-not-getting-legal-holiday-entitlement-warns-tuc
[39] https://www.gov.uk/government/publications/employment-agency-standards-eas-inspectorate-annual-report-2017-to-2018
[40] https://www.gov.uk/government/statistics/tribunal-statistics-quarterly-january-to-march-2019
[41] https://www.elaweb.org.uk/resources/surveys/employment-tribunals-ela-survey-results-revealed

It should not be thought that reintroducing tribunal fees in some form is the solution. In July 2017, our affiliated union UNISON secured a landmark legal victory, with the Supreme Court deciding that the employment tribunal fees system was unlawful as they limited access to justice and meant that working people no longer had access to effective remedies where employers breached the law.

It would further aid workers seeking to enforce their rights if the government reinstated the power for employment tribunals to make recommendations where employers are found to have breached employment standards.

Parts of UK employment law already provide for joint and several liability arrangements. The TUC wants this approach to be extended, so that organisations who transfer their obligations to other parties, can still be found liable for any breaches of the core employment rights of the people who do work for them.

- **Government should double the funding for the employment agency standards inspectorate, and invest sufficient resources in the employment tribunal system to clear the backlog and ensure that the system has enough resources to deal swiftly with ongoing cases.**

A fair social security system

The social security net is becoming increasingly frayed by Government cuts and plans to plough ahead with the introduction of Universal Credit (UC) will bring misery to millions.

The problems with UC are well documented; difficulties in registering a UC claim online, excessive payment delays, housing arrears, financial hardship and increased use of foodbanks. And it is not just the delivery of UC; there are serious issues embedded within the new system. This includes the rigidity of the monthly assessment periods which works against some claimants, financial cuts to UC which have made it less generous than the previous system, unfairly penalising the self- employed, and there are questions on the notion of 'making work pay'.

The spending review provides an opportunity to take immediate steps to get much needed money in to the hands of working people by removing the 5 week wait for first payment. There is no justification for the 5 five week wait for the first payment. The 5 week wait policy has fundamental consequences, people fall in to poverty and debt, we have witnessed the rising numbers being referred to foodbanks, and there is an increased risk of homelessness.

- **The TUC believes Universal Credit should be stopped and scrapped. And the government should help families immediately by removing the five week wait for Universal Credit to be paid.**
- **The Government should reverse the cuts to the UC work allowance in full, the removal of the first child premium in UC, and the unfair 'two-child' policy.**

The current benefit freeze has capped most working age benefits since 2016, saving £4.4 billion up to 2019/20.[42] The saving has been more than expected due to inflation being higher during the forecast period.

According to the Joseph Rowntree Foundation, 400,000 people will have been pushed in to poverty by the time the freeze finally ends in April 2020. By then, it will have affected 27 million people (including 11 million children) – the vast majority of whom come from working families with children[43]

This four-year freeze comes on top of earlier real cuts to benefit uprating, including capping benefit uprating at 1 per cent from 2013 until 2016. The link between inflation and the uprating of benefits has become distorted creating a disconnect between income and actual living costs, and pushed people in to poverty. The link between inflation and benefit uprating needs to be restored.

- **The Government should scrap the benefits freeze immediately.**

Ensuring fair pensions

Pensions are deferred pay, and those who face insecurity and low pay in their working life, are more likely to face inadequate pensions in retirement.

It is a longstanding principle that the state support retirement saving through upfront tax relief.

There should not be a shift away from the important principle of providing upfront relief for pension saving, nor a reduction in the overall support given to savers.

However, more needs to be done to stop the complexity of the system disadvantaging some groups. Many low-paid workers who do not pay income tax are missing out on tax relief because their employer enrolled has them in a net pay scheme.[44]

Meanwhile, other workers, including many middle-income workers, are being caught by a complex set of annual and lifetime allowances for tax relief.

[42] https://www.resolutionfoundation.org/app/uploads/2019/02/Living-Standards-Outlook-2019.pdf
[43] https://www.jrf.org.uk/report/end-benefit-freeze-stop-people-being-swept-poverty
[44] https://www.thisismoney.co.uk/money/pensions/article-6632629/Low-paid-workers-failed-pensions-lottery-says-TUC-boss.html

Summary of recommendations

Ruling out the possibility of a no-deal Brexit

- The Government should rule out the possibility of a no-deal Brexit and find a solution to the Brexit crisis which protects jobs, rights and peace in Northern Ireland. Without ruling this out, the Chancellor cannot begin the vital work of rebuilding Britain's economy and public services.

Fixing the broken economy

- The Chancellor should set out a plan to raise investment to the OECD average, and show how this will be used to help meet the target of net zero emissions.
- This must be used to deliver a just transition for workers. Government should:
    - Set up a cross-party commission on long-term energy and energy usage strategy
    - Use its procurement powers to ensure that jobs generated benefit workers in the local community and throughout the supply chain
    - set an ambition to increase investment in both workforce and out of work training to the EU average within the next five years
    - introduce a comprehensive package of adult skills entitlements that could be accessed through an expanded National Retraining Scheme and the introduction of lifelong learning accounts
    - give workers an entitlement to a mid-life skills/career review to consider their employment and skills trajectory going forward
    - reform the existing right to request time to train so that it is transformed into a new strengthened entitlement to paid time off for education and training.

Rebuilding public services

- After ten years of austerity, the government now needs to set out a ten year plan for how to restore our public services to world class standards, with long term funding commitments. This must go beyond schools and hospitals, vital as they are, to cover the whole public sector, and include fair pay rises for all public sector workers.

Delivering a new deal for workers

- **Government should abolish the Trade Union Act 2016, introduce new rights for unions to access workplaces, strengthen workplace bargaining rights, and allow trade unions to negotiate pay and conditions across sectors.**
- **The TUC believes the national minimum wage should rise to £10 an hour as quickly as possible, and agree that the minimum wage should meet a target of two thirds of median earnings on a swift timescale.**
- **21-24 year olds should be included in the highest rate (the 'National Living Wage')**
- **Government should improve employment rights with:**
    - **a ban on zero-hours contracts and bogus self-employment**
    - **a decent floor of rights for all workers and the return of protection against unfair dismissal to millions of working people**
    - **ensuring workers enjoy the same basic rights as employees, including redundancy pay and family-friendly rights**
- **Government must also improve the enforcement of rights, and should double the funding for the employment agency standards inspectorate, and invest sufficient resources in the employment tribunal system to clear the backlog and ensure that the system has enough resources to deal swiftly with ongoing cases.**
- **The TUC believes Universal Credit should be stopped and scrapped. The government should help families immediately by removing the five week wait ofr Universal Credit to be paid.**
- **The Government should reverse the cuts to the UC work allowance in full, the removal of the first child premium in UC, the unfair 'two-child' policy.**
- **The Government should scrap the benefits freeze immediately.**