Time for a new plan:

TUC Submission for HM Treasury October 2021 Spending Review

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1. Introduction and summary

The pandemic showed us that when government, unions and business work together we can make a real difference. The Coronavirus job retention scheme, forged through social partnership, helped save nearly 12 million jobs. But the current chaos in our energy markets, at our petrol pumps, and in our increasingly erratic climate shows what happens when government fails to plan for the future. Working families face a cost-of-living crisis. And job losses, price hikes, and shortages hit those on lowest incomes hardest.

This spending review is a chance for government to learn the lessons of the pandemic and to plan for the future. Our submission sets out how government needs:

- A plan for decent jobs and equality
- A plan to deliver skills
- A plan to address the climate emergency and deliver a just transition
- A plan for strong and resilient public services; and
- A plan for real security – in and out of work.

We know that delivering on those plans is the best way to ensure a strong economy, and sustainable public finances. Working people and their unions are ready to play their part to deliver this. It's time for the government to step up.

A plan for decent jobs and equality

Government must protect jobs, deliver decent work, and tackle the class, racial, gender and disability based inequalities exposed throughout the pandemic. In the spending review it should:

- Continue with sector specific support for those industries like aviation, which offer good jobs and are of strategic importance to the country, ensuring that any government support is conditional on protecting jobs and skills.
- Begin consultation with unions and business on the design of a permanent short-time working scheme.
- Tackle labour shortages by improving pay and conditions across industries, working with unions and business to deliver this, as well as introducing stronger laws to tackle unfair practices like zero hours contracts. Exploitative migration policies and removal of protections for workers will not address the problems created by poor conditions at work.
- Raise the minimum wage to at least £10 an hour now, and extend it to young workers.
- A sectoral fair pay agreement for care workers

- In line with existing duties, embed conscious consideration of equality in decision making at every level to ensure that spending reduces inequalities rather than entrenching them, publishing the results of equality impact assessments, with cross departmental plans on tackling race, gender and disability inequality, mandatory ethnicity and disability pay gap reporting, and increased funding for the EHRC to take enforcement action.

A plan to deliver skills

Government must end the short-sighted under-funding of the skills sector, with a co-ordinated plan to upskill the country. This should include

- a clear commitment to boost investment in skills over the long-term and to prevent a return to making this part of the departmental budget first in line for any potential reductions in the future.
- expanding existing skills entitlements and establishing a new "right to retrain". These entitlements should be incorporated into lifelong learning accounts and accompanied by new workplace rights, including a new right to paid time off for learning and training for all workers
- expanding access to high quality apprenticeships for young people
- a new national social partnership on skills and restoration of funding for the successful Union Learning fund
- a plan to tackle the long-term decline in pay for the college workforce, and ensure they are valued and empowered.

A plan to address the climate emergency and deliver a just transition

Government must show its commitment to climate action and a just transition ahead of the COP26 talks in November. This must include

- delivering the recommendations of the government's Green Jobs Taskforce
- bringing green infrastructure spending in line with its G7 peers, by allocating £42 billion a year for the next two years to shovel-ready projects that create jobs and deliver compliance with climate targets.
- Government should contribute its fair share of the global commitment to $100 billion in climate finance to address climate change related needs of poorer countries, with an emphasis on climate adaptation and on grant funding (not loans).
- This must be on top of restoring funding for spending 0.7 per cent of GNI on overseas development assistance.

A plan for strong resilient public services

Public services were weakened by a decade of needless austerity. Government must now put in place a plan to ensure that we have the strong resilient services we need to face the future. This must include:

- Reversing the cuts to the value of public sector pay that took place over the period 2010/11 to 2020/21
- Creating 600,000 new jobs in public services,
- Investing in an NHS for today and tomorrow, setting out a fully funded workforce strategy.
- A new funding settlement for social care based on equalising the rates of capital gains tax with income tax.
- A significant boost to the funding of justice to address backlogs and excessive workloads.
- Restoring spending in education to 2010 and 2015 levels and introducing a comprehensive programme of investment to reverse the damage to pupil's learning as a result of the pandemic
- The government should demonstrate a firm commitment to the protection of public service pension schemes in line with the 25-year commitment following revisions to public sector pensions from 2015

A plan for real security, in and out of work

Social security, including universal credit, sick pay and pensions allows families to plan for the future. Reducing social security levels still further damages our collective health and security.

- The Chancellor must immediately reverse the decision to cut Universal Credit and Working Tax Credit by £20 a week; the basic level of universal credit should be raised to £260 a week.
- Decent sick pay must be available to all. This means removing the lower earnings limit which means that two million people miss out on sick pay, raising sick pay to at least the level of the real living wage (£330 per week), and ensuring that sick pay is available from day one for everyone.
- The Chancellor must reverse the decision to suspend the state pension earnings link for 2022 and commit to maintaining the triple lock until the state pension reaches an adequate level.

Delivering on these plans is the best way to deliver a strong economy and sound public finances. Fair taxation, including an increase in capital gains tax to help pay for an expanded social care system, can help deliver new and improved public services. But there must be no return to the austerity that damaged our collective health, security and wellbeing over the past decade. This spending review is a chance for the government to live up to its promise to build back better with a new plan.

2. The economic situation we face

This section of our submission looks at the economic situation facing the country as we head into the spending review. It briefly reviews the position on

- GDP and the economy
- Jobs and pay
- Inflation, and current supply chain pressures; and
- The inequalities exposed and exacerbated by the pandemic.

It shows that while there are encouraging signs of economic recovery, the UK's comparative experience is poor, and there are still real risks to jobs. Widespread reports of labour shortages are not yet translating into pay, and workplace inequalities based on class, race, gender and disability remain unaddressed.

GDP and the economy

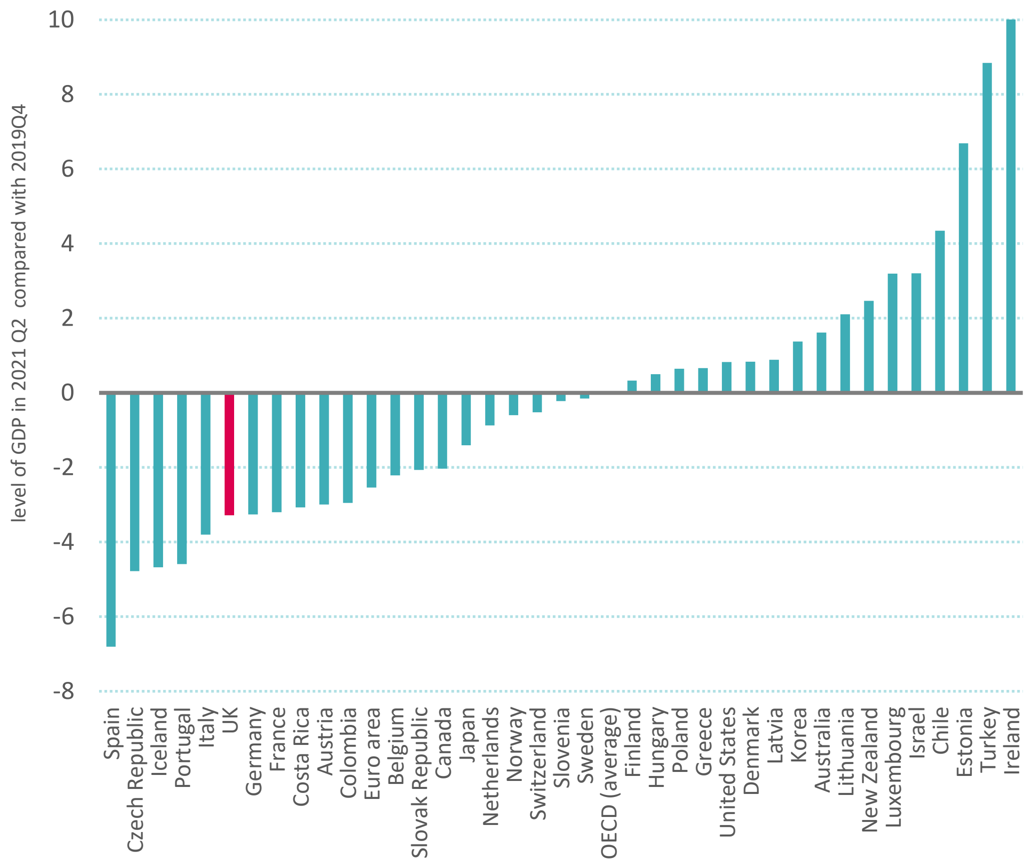
The economy has recovered as the second lockdown has eased. In July 2021 GDP was only 2.1% below the pre -crisis level, and GDP is expected to go beyond the pre-crisis level at the end of the year.[1]

But there are many uncertainties. After its September meeting, the Bank of England's Monetary Policy Committee warned that economic growth is now slower than expected. There is still a wide variation in economic conditions dependent on how exposed industries have been to the virus, and demand in the economy is too dependent on household and government expenditure, with trade and investment heavily down. International comparisons show that growth in the. UK is weaker than in any other economies, suggesting deeper rooted concerns,

In quarterly terms (and so lagging slightly the July figure), GDP quarterly growth was a vigorous 5.5% in 2021 Q2. While the Treasury highlighted the quarterly growth rate compared to other countries, the UK appears to have more ground to make up. Comparing with the pre-crisis level, the UK is down 3.3% - one of the biggest shortfalls of all advanced economies.

[1] Source: Bank of England August *Monetary Policy Report*

Figure 1: GDP international comparison, 2021Q2 level compared with pre-pandemic peak in 2019Q4



Source: OECD; the figure for Ireland is 20.7%

Looking ahead the Bank of England anticipate slower growth than originally expected in the third quarter, reflecting the emergence of supply constraints on output. Even now an industry breakdown still shows steep declines in some sectors (between January 2020 and July 2021) in agriculture (-11%), mining and quarrying (-17%), transport and storage (-10%), accommodation and food (-6%), administration and support services (-11%), education (-8%), arts and recreation (-20%) and other services (-23%). The main gains are in health (+5%) and retail (+4%).

Data for the second quarter of 2021 show a varying picture by demand components, with gains across the board after the renewed deterioration into the first quarter (Figure 2). However, recovery is seen as strongly dependent on government, with 8% growth in Q2 to stand 8% above the pre-crisis level (though there are measurement uncertainties here). Household demand rebounded by 7% in the second quarter, but still stood down 6% on the pre-crisis level. Business investment remains steeply down by 13% on pre-crisis level. In the second quarter trade flows remained severely disrupted, with imports down 14% and exports down 21% on pre-crisis levels. The latter figure for exports exaggerates the decline because 2019Q4 was erratically strong, but the underlying decline is still at least10%.

Figure 2: GDP – demand, levels, 2019 Q4 =100

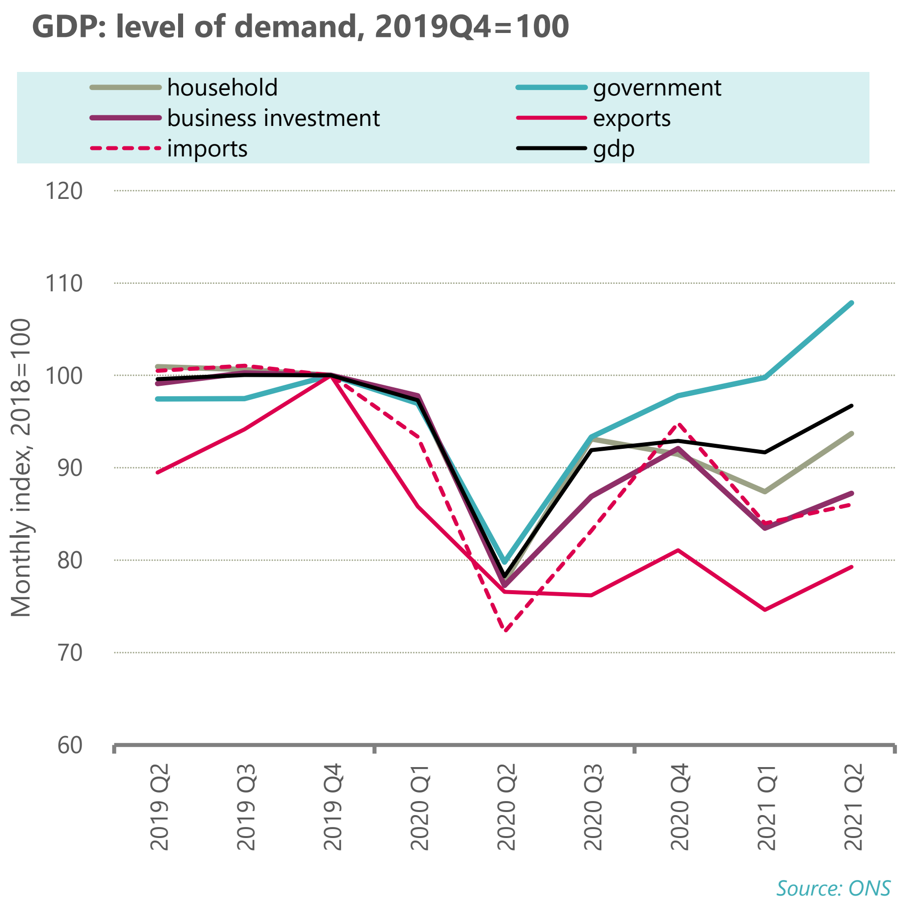
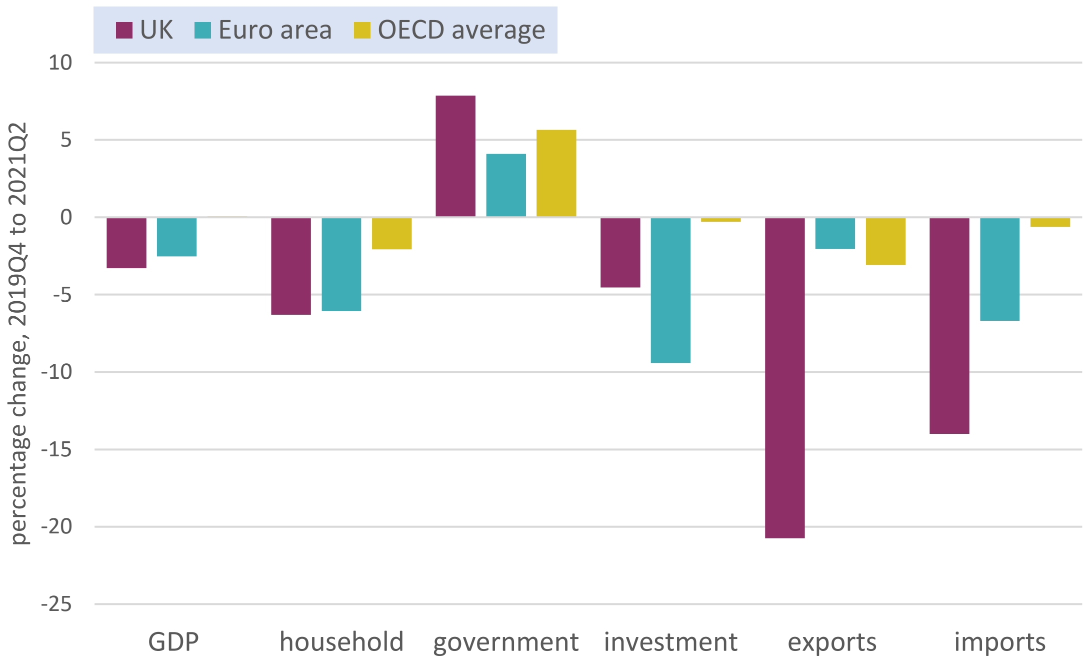


Figure 3 shows an international comparison of the demand position between 2020Q2 and 2019Q4, with as above the UK GDP decline worse than both the EU and an average across OECD countries – and the latter showing activity just back to pre-crisis level. The UK and the country groups were all supported by government expenditure; the UK and Euro area still show reduced consumer demand and investment than in both cases the OECD average (the investment figure includes government and housing as well as business investment). Even with an adjusted figure in mind for exports, the UK position on trade is greatly worse than for the country groups.

Figure 3: The expenditure measure of GDP, 2021Q2 compared with 2019Q4



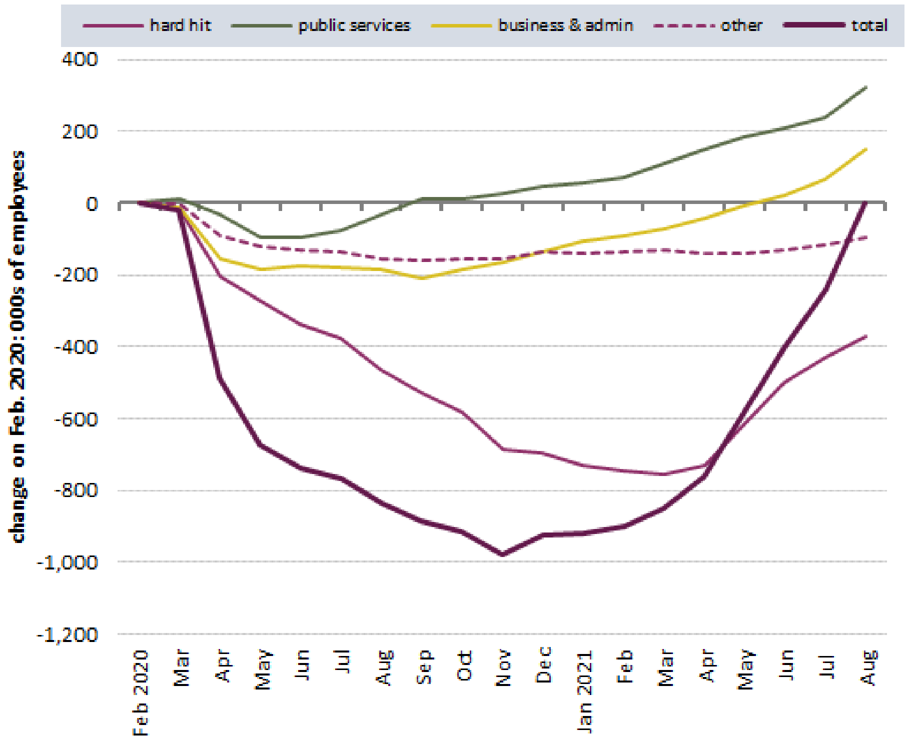
source: TUC analysis of OECD data

Jobs

The job retention scheme has helped to protect against job losses, and the recovery in GDP is echoed by the revival in jobs. Vacancies are topping one million for the first time on record. And the unemployment rate has dropped to 4.6 per cent in May-Jul 2021 from the recent peak of 5.2% at the end of 2020.

But the headline figures do not tell the full story, and several industries are still facing severe difficulties (Figure 4). The total number of payrolled employees began to recover at the end of last year (when the number of employees was down by almost a million), but this was largely driven by a small group of industries. In part, this was those critical to the response to the pandemic (health especially). The fuller recovery began in spring this year. Employment in hard-hit industries (manufacturing, wholesale and retail, accommodation and food, and arts and entertainment) had continued to deteriorate through to March 2021 (by 750,000 in total) and only began to pick up from April. This recovery has continued through to August, but jobs in hard-hit industries are still down by 370,000 on pre pandemic level. In contrast public services and business and administration are up 470,000.

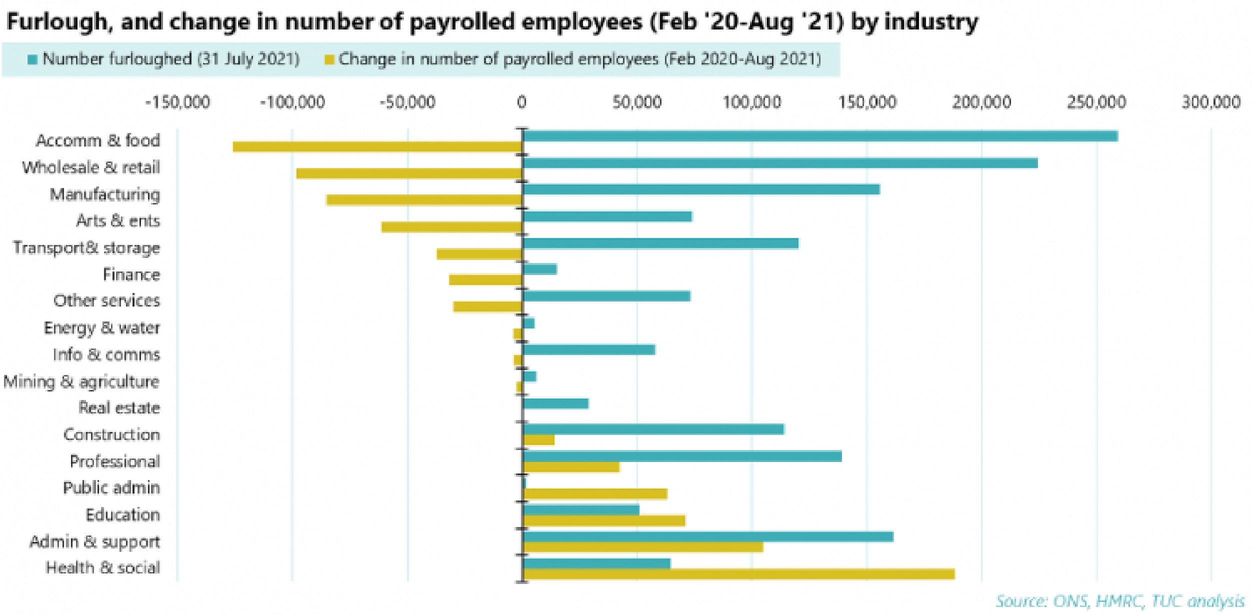
Figure 4: Jobs through the pandemic by industry, change on February 2020



Source: ONS, HMRC and TUC calculations

The number of jobs on furlough also fell fast over 2021, from a recent peak of 4.9 million at the end of January 2021 to 1.6 million in July. However, the pace of reduction has slowed a little in recent months, given the scheme ends this week (on the 30th September) there remain significant concerns that many people will lose their jobs. Those industries hit hardest by the pandemic that have already seen the biggest hit to employee numbers also have high numbers of employees furloughed (Figure 5), suggesting that there may not be scope for furloughed workers to return to jobs in these sectors.

Figure 5: Furlough, and change in number of payrolled employees (Feb ‘20 – Aug ’21) by industry



Supply bottlenecks, pay and inflation

As the economy has gained lost ground, concerns about recession and unemployment crisis have been overtaken by concerns about inflation first as spending in the economy was expected to ramp up and now following bottlenecks in supply chains - both domestic and international. At home the supply chain impact is most obvious in the prices of wholesale gas and the crisis of HGV driver recruitment, now hitting smaller gas providers and the forecourts of petrol stations.

Much attention has therefore been directed towards consumer price inflation figures, with the CPI rising to 3.2% in August 2021 from a low point in August 2020 of 0.2 per cent (the RPI rose to 4.8% from 0.5% over the same period). ONS have drawn attention to the role of ‘base effects’, with for example the latest figure distorted by the very low figure last year when ‘eat out to help out’ was introduced. While warning of a “further rise in the near term, to slightly above 4% in 2021 Q4, owing largely to developments in energy and goods prices”, the Monetary Policy Committee’s judgement remains that these price effects will prove temporary.[2]

Nonetheless higher inflation will hit workers in the pockets unless pay rises compensate. And inflation is one of a number of factors likely to affect pay.

The solution to bottlenecks in supply chains is to begin to rectify poor pay and conditions that dominate in too many industries. We set out more detail on how to

[2] https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2021/september-2021

achieve this below. Workers are well overdue a payrise; if pay had grown at its pre-crisis rates after 2008, workers would be on average around £5,900 a year better off.[3]

But for the moment official figures are offering misleading signals on the position with pay. While the headline average earnings index for the whole economy in July 2021 shows pay growth of 6.8%, the ONS again warn of distortions related for example to the lower wages of workers on furlough. They offer an adjusted figure for "underlying regular earnings growth rate of between 3.6% and 5.1%". [4] Going further than the ONS, in their August *Monetary Policy Report* the Bank of England estimated underlying annual pay growth was 3.3%

Even these adjusted figures still greatly outstrip pay settlements data from XpertHR: these show the median basic pay award between May and July 2021 worth 2%, unchanged on the figure seen in each of the three previous rolling quarters.

Widened inequalities

While there has been some economic recovery, the inequalities exposed and exacerbated by the pandemic have not been addressed.

Class inequality

Class divides still mark the UK, with research by Britain Thinks for the TUC showing that the high paid have emerged from the pandemic more financially comfortable than before, while the low-paid have been thrust into financial difficulty:

- Low-paid workers (those earning less than £15,000) are almost twice as likely as high-paid workers (those earning more than £50,000) to say they have cut back on spending since the pandemic began (28 per cent compared to 16 per cent)
- High earners are more than three times likely than low-paid workers to expect to receive a pay rise in the next 12 months (37 per cent compared to 12 per cent).

This Covid class divide isn't just apparent on personal finances. The polling also shows how low-paid workers are markedly more likely to get low or no sick pay compared to higher earners:

- Low-paid workers are four times more likely than high-paid workers to say they cannot afford to take time off work when sick (24 per cent compared to six per cent).
- Only a third (35 per cent) of low-paid workers say they get full pay when off sick compared to an overwhelming majority of high-paid workers (80 per cent).

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[3] The pay figure is derived from annual average weekly earnings figures for regular pay in real terms (at constant 2015 prices). Rather than declining into 2009 as in the published series, figures are projected forwards using the pre-crisis annual average growth rate of 1.9% derived over 2000 to 2008.

[4] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/averageweeklyearningsingreatbritain/latest

This lack of decent sick pay is compounded by the fact that low-paid workers are more than three times more likely than high-paid workers to say they their job means they can only work outside the home (74 per cent compared to 20 per cent).[5]

Government plans to cut £20 a week from Universal Credit will widen these inequalities, with two million low paid workers set to lose out, and half a million people pushed into poverty.[6]

Inequalities based on race, gender and disability were also exposed during the pandemic.

The experience of BME workers

Since the current records began in 2001, the BME unemployment rate has consistently been higher than the white unemployment rate. Throughout this time, the BME unemployment rate has never dropped below 69 per cent higher than the white unemployment rate. The pandemic has had a disproportionate impact on BME unemployment, especially BME women.

In Q1 2020, when the pandemic began, the BME unemployment rate was 6.2 per cent. A year later (Q1 2021), it had risen to 8.8 per cent – a 42 per cent rise in the unemployment rate[7]. Across the same period, the white unemployment rate rose from 3.6 per cent to 4.2 per cent. This means that not only was it already lower pre-pandemic, but it was also rising slower during the pandemic (a 17 per cent rise, compared to 42 per cent).

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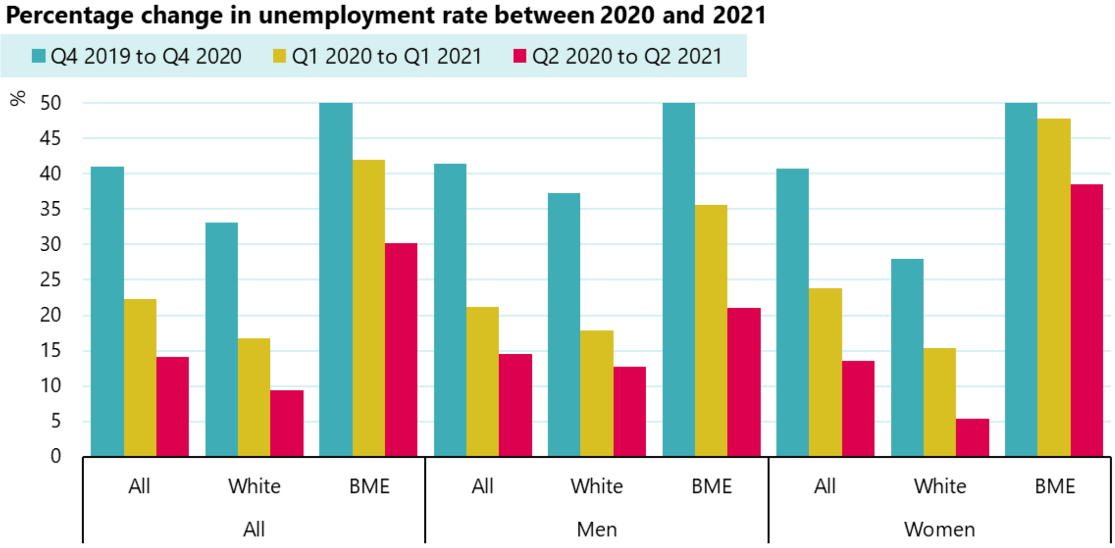
[5] See TUC (2021) '"A tale of two pandemics" - TUC calls for urgent economic reset to tackle huge Covid class divide' at https://www.tuc.org.uk/news/tale-two-pandemics-tuc-calls-urgent-economic-reset-tackle-huge-covid-class-divide

[6] See https://www.jrf.org.uk/press/keep-the-lifeline-open-letter-to-the-prime-minister

[7] Ethnicity unemployment rates are taken from ONS spreadsheet *A09: Labour market status by ethnic group*. Available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/labourmarketstatusbyethnicgroupa09

Figure 6: BME and white unemployment rate



Source: TUC analysis of ONS dataset A09

BME women saw the starkest rise across all three periods mentioned, and the unemployment rate for BME women hit as high as 10.9 per cent in Q4 2020.

BME workers are more likely than white workers to be in insecure work.[8] 14.1 per cent of BME workers are in insecure work, compared to 10.7 per cent of white workers[9]:

- Nearly one in six (15.7 per cent) of BME men are in insecure work
- 12.4 per cent of BME women are in the same position
- Among employees (excluding the self-employed) BME women are the most likely group to be subjected to insecure work
- 2.5 per cent of white men are on zero-hours contracts (ZHCs), compared to 4.1 per cent of BME men. 4.5 per cent of BME women are employed on ZHCs, compared to 3.2 per cent of white women

A TUC call for evidence in June 2020 asked BME workers about their experience of work during the pandemic. BME workers told us about being singled out for higher risk work, denied access to PPE and appropriate risk assessments, unfairly selected for redundancy and furlough and hostility from managers if they raised concerns. Workers repeatedly said that the fact that they were agency workers or did not have permanent contracts was exploited through threats to cancel work or reduce hours, both to silence them and force them to work in higher risk situations.

These findings reflect previous work on the experience of racism in the workplace. A poll of BME workers carried out on behalf of the TUC just before the pandemic revealed

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[8] The TUC definition of insecure work includes those on ZHC, agency, casual and seasonal workers (but not those on fixed-term contracts), and the low-paid self-employed.

[9] Statistics on insecure work are taken from *Jobs and recovery monitor - Insecure work,* TUC (2021). Available at: https://www.tuc.org.uk/research-analysis/reports/jobs-and-recovery-monitor-insecure-work

that nearly half (45 per cent) were given harder or less popular work tasks than their white colleagues[4].

And the poll found that racism was rife in the workplace:

· Just over three in ten (31 per cent) BME workers told us they had had been bullied or harassed at work.

· A similar percentage (32 per cent) had witnessed racist verbal or physical abuse in the workplace or at a work organised social event.

· Over a third (35 per cent) reported being unfairly turned down for a job Around a quarter (24 per cent) had been singled out for redundancy

· One in seven (15 per cent) of those that had been harassed said they left their job because of the racist treatment they received

Gender inequality

Job losses have been relatively evenly spread across the pandemic, with the furlough scheme potentially helping to support women to retain jobs. Women's employment has also held up in part due to their concentration in public sector roles, such as health and education, where women make up 70 per cent of the workforce.[10] And as the Resolution Foundation note, while women's employment and working hours appear to have held up overall so far, this is likely to also reflect pre-pandemic trends of women working longer hours to protect stagnant household incomes.[11]

Longstanding gender inequalities remain unaddressed. The gender pay gap is currently 15.5 per cent, meaning that the average female worker is paid 15.5 per cent less than the average male worker[12]. This gap has been narrowing over time, but it still remains far too high. Even if the gap continues to narrow at the same rate it has been for the past five years, it won't close for another two decades.

Structural discrimination in the labour market means that low pay still mostly affects women. Women make up 50 per cent of employees, but 59 per cent of employees who are paid below £10 per hour[13]. That's true for key workers too: 41 per cent of female key workers are paid less than £10 per hour, compared to 32 per cent of male key workers.

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[10] *'Shecession' predictions wide of the mark as women's working hours fall a third less than men's'*, Resolution Foundation (2021). Available at: https://www.resolutionfoundation.org/press-releases/shecession-predictions-wide-of-the-mark-as-womens-working-hours-fall-a-third-less-than-mens/

[11] Ibid.

[12] *Gender pay gap in the UK: 2020,* ONS (2020). Available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/bulletins/genderpaygapintheuk/2020

[13] *A £10 minimum wage would benefit millions of key workers*, TUC (2020). Available at: https://www.tuc.org.uk/research-analysis/reports/ps10-minimum-wage-would-benefit-millions-key-workers

Importantly, not all women have had the same experience during the pandemic, with mothers' working hours down 24 per cent in July 2020, versus a fall of only 6 per cent for working fathers, and 13 per cent for non-parents. While that gap had closed by January 2021, a fifth of working mothers have adjusted their working patterns to accommodate childcare or homeschooling.[14]

Well-funded, accessible, affordable wrap around childcare is an essential enabler of women's employment. Before the pandemic, the childcare system was already struggling to meet the needs of parents and children, and the economy. Prior to the pandemic just over half of local authorities had enough childcare provision for parents working fulltime, just over a fifth had enough provision for parents working atypical hours, and underfunding was already threatening the sustainability of many providers, particularly in economically deprived areas.[15] The pandemic has compounded this issue. Between April 2020 and March 2021, the number of childcare providers fell by 2,940,[16] and Ofsted data suggests that in the six months to March 2021 there were over 14,000 fewer childcare places.[17] A third of respondents to a recent survey also told us that their monthly childcare costs are more than their rent or mortgage payments.[18]

Any recovery plan must address the ongoing challenges in the childcare sector and recognise that quality, well-funded, affordable and accessible childcare is not only an essential part of a child's development, but also a vital enabler of women's economic participation.

Disabled workers

The inequalities faced by disabled people were horribly exposed during the coronavirus pandemic, when they faced significantly higher rates of death.[19] These inequalities are widespread in the workplace: disabled people face both a significant disability employment gap and a significant disability pay gap.

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[14] Ibid

[15] Losses in childcare sector, Women's Budget Group, (2021). Available at: https://wbg.org.uk/analysis/uk-policy-briefings/losses-in-the-childcare-sector/

[16] Ibid

[17] Childcare providers and inspections as at 31 march 2021, Ofsted, (2021). Available at: https://www.gov.uk/government/statistics/childcare-providers-and-inspections-as-at-31-march-2021

[18] Womens Budget Group, (2021): https://wbg.org.uk/analysis/reports/mega-survey-of-uk-parents-shows-that-childcare-is-failing-families/

[19] ONS (2021)
Updated estimates of coronavirus (COVID-19) related deaths by disability status, England: 24 January to 20 November 2020 see https://www.ons.gov.uk/peoplepopulationandcommunity/birthsdeathsandmarriages/deaths/articles/coronaviruscovid19relateddeathsbydisabilitystatusenglandandwales/24januaryto20november2020

In 2019/20, the employment rate for disabled people was 53.7 per cent, compared to 82.0 per cent for non-disabled people. This an employment gap of 28.4 percentage points (ppt), which is slightly narrower than in the previous year[20].

While the disability employment gap was narrowing in 2019/20, the disability pay gap was widening. In 2018/19, non-disabled workers earnt £1.65 (15.5 per cent) more per hour than disabled workers. In 2019/20, this increased to £2.10 (19.6 per cent).

Disabled women face the biggest pay gap, being paid £3.68 an hour less than non-disabled men.

Not only are disabled workers underpaid, but they also face significant difficulties in accessing reasonable adjustments. All employers have a legal duty under the Equality Act 2010 to proactively make reasonable adjustments to remove, reduce or prevent any disadvantages that disabled workers face. The law recognises that to secure equality for disabled people work may need to be structured differently, support given, and barriers removed.

Before the pandemic, over four in 10 (45 per cent) of disabled workers who asked for reasonable adjustments failed to get any or only got some of the reasonable adjustments they asked for put in place and one-fifth (20 per cent) who had identified reasonable adjustments had not asked for them. This means that more than half of disabled workers (55 per cent) who identified reasonable adjustments were not getting all the reasonable adjustments they needed.[21]

The barriers for disabled workers in getting and keeping reasonable adjustments continued during the pandemic with almost half (46 per cent) of those who requested reasonable adjustments failing to get all or some of the different/additional reasonable adjustments they needed to work effectively and, three in 10 disabled workers (30 per cent) who needed a reasonable adjustment had not asked for them.

A plan for decent jobs must address these inequalities – ensuring decent work for all.

3. A plan for decent jobs and equality

The government's 'Plan for jobs' published last summer recognised that government action was vital to protect jobs. Working together with unions and business,

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20 The disability pay gap and disability employment gap is calculated by a TUC analysis of Labour Force Survey statistics from 2019 Q3 and 4, and 2020 Q1 and Q2. More details can be found in *Disability pay and employment gaps*, TUC (2020). Available at: https://www.tuc.org.uk/research-analysis/reports/disability-pay-and-employment-gaps

21 *Disabled workers' experiences during the pandemic,* TUC (2021). Available at: https://www.tuc.org.uk/research-analysis/reports/disabled-workers-experiences-during-pandemic

government extended the furlough scheme, and invested in some additional support for young people through the Kickstarter scheme.

Supporting jobs is vital, and this support must continue. But we need a similar approach to making sure that these are decent jobs, with fair pay, secure terms and conditions, and equality embedded in working practices. A failure to plan for decent work lies behind the widespread labour issues that the UK is currently facing.

Supporting jobs

The furlough scheme that union helped to develop has been vital in protecting jobs, with nearly 12 million workers accessing the scheme at some point. While we all hope that the need for the scheme due to pandemic related restrictions is receding, some sectors are still facing considerable restrictions; over half of workers in aviation remained on furlough at the end of July, as did 28 per cent of those in the arts. The government should continue with sector specific support for those industries like aviation, nd other sectors of strategic importance to the UK's future growth, from foundation industries such as steel to arts and culture and childcare services which offer good jobs and are of strategic importance to the country, ensuring that any government support is conditional on protecting jobs and skills.

In addition to these immediate problems facing key sectors, there remain a number of potential challenges and shocks that the UK labour market may be facing in the coming period. This could include resurgence of the pandemic or new variants, disruption caused by climate change and transition and major technological changes that could cause displacement. One of the major lessons to absorb from the pandemic is that rapid intervention, through a ready-made and well-designed programme is key to protecting jobs and businesses.

We therefore believe that the, alongside sector-specific support, the UK should build on the success of furlough, designed with unions and business, and put in place a permanent short-time working scheme to deal with future periods of economic turbulence - as exist in a number of other OECD countries. We have set out detailed proposals[22] and believe the government should now begin consulting with unions and business on the design of a permanent scheme.

[22] TUC (2021) *Beyond furlough: why the UK needs a permanent short-time work scheme* at https://www.tuc.org.uk/sites/default/files/2021-08/PermanentFurloughReport.pdf

Ensuring decent work

The sectors currently reporting labour shortages, including haulage, meat and poultry processing, and hospitality, are those where poor working conditions, insecure hours, low and unfair pay and experiences of discrimination have been rife for years. This reflects ever more complex supply chains, widespread casualisation, and the systematic transfer of risk onto the shoulders of workers.

Collective bargaining and stronger rules

The best way to ensure decent work, and workers who are happy to work in these jobs, is through collective bargaining through workers and employers – a flexible way to drive up conditions, discuss recruitment and training, and ensure fair pay. This approach has been common across Europe for decades, and Governments across the world from the US to New Zealand, are now recognising the benefits with New Zealand introducing new fair pay agreements to regulate pay and conditions across sectors through bargaining.[23]

Short term fixes such as short term visas - which are likely to lead to exploitation of workers[24] - and relaxation of rules designed to protect drivers' safety will not fix this issue.

The government's long delayed employment bill offers a further opportunity to support this approach through strong legislation, including a ban on zero hours contracts, and fair scheduling rules to ensure decent notice for shifts, payment for cancelled shifts, and a right to guaranteed hours.

Better planning around our future relationship with the EU is also vital, and the structures set up must include workers' voices. Government must ensure adequate resources are earmarked for the establishment of and continued support for the monitoring bodies foreseen in the Trade and Cooperation Agreement with the EU as well as other trade agreements, such as domestic advisory groups and civil society fora. Adequate resources should also be provided to ensure border checks required by the Withdrawal Agreement and TCA are carried out.

Higher minimum wages

Fair pay must be a part of decent work. The TUC believes we need a minimum wage of at least £10 an hour now for all workers. 32 per cent of key workers across the private and public sectors are paid below £10 an hour.[25] Fair pay is not only necessary but an

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[23] See https://www.mbie.govt.nz/business-and-employment/employment-and-skills/employment-legislation-reviews/fair-pay-agreements/ for more details

[24] See TUC (2019) *Building solidarity, stopping undercutting: A trade union response to the Immigration and Social Security Coordination Bill* at https://www.tuc.org.uk/research-analysis/reports/building-solidarity-stopping-undercutting?page=2

[25] TUC analysis of Labour Force Survey, Q2 2021

important part of ensuring a strong economy, supporting demand amongst those most likely to spend any extra income.

The government's target is for the National Living Wage (NLW) to reach two thirds of median earnings by 2024. After a cautious NLW increase last year (from £8.72 to £8.91 – 2.2 per cent), the government need to get back on track to achieving a minimum wage of at least £10 an hour now and hitting 66 per cent of median wages by 2024.

It is important that the NLW keeps up with pay growth in order to reach these goals. Last year's low increase meant workers on the minimum wage received almost no real pay rise while other workers saw their pay increase. This has been a disappointing experience for many key workers.

Young workers would also benefit from higher minimum wage rates. In the years before the pandemic, employment rates held steady while absorbing a rising wage floor. There is little evidence that higher wages for younger workers have had a detrimental impact on employment prospects.

The TUC's view is that all workers should receive the standard rate of the minimum wage, regardless of age. We welcomed the expansion of the National Living Wage eligibility to those aged 23 and over. Further expansion should proceed as planned to include those aged 21 and over. The TUC also believes the 16-17 rates and 18-20 rates should not be allowed to lag behind growth in the NLW. This is unfair for younger workers and will make it more difficult to equalise rates in the long-term.

Decent jobs for keyworkers

These policies would particularly benefit keyworkers: four in ten earn less than £10 an hour, and many face insecurity and poor terms and conditions – for example, around one in four care workers are on a zero hours contract. But specific measures are needed to tackle some of the issues particular to key workers in the public and outsourced sectors. These include:

- *A sectoral fair pay agreement for care-workers*. Analysis for the TUC shows that an immediately higher minimum wage for care workers is affordable. The gross cost of a £10 minimum wage is £434 million, with a net cost of £227 million because of increased tax revenue and reduced benefit spend. Recent TUC analysis showed that it takes care workers in the private sector an average of 12 weeks to earn what the average highest paid director at some of the biggest providers earns in just one day. Ending the profiteering and for-profit model in care is important to make sure that the money invested in the system goes to those receiving and delivering care. Given their overrepresentation in the lowest paid areas of care women, black and ethnic minority (BME) workers and care workers in the West Midlands, North West and South East.[26] In his spending review of November 2020, the Chancellor

[26] See TUC (2021) *A new deal for Social Care: A new deal for the workforce* at https://www.tuc.org.uk/research-analysis/reports/new-deal-social-care-new-deal-workforce

announced a pay freeze impacting almost half of the public sector workforce for 2021/22 including teachers, police and civil servants. Pay rises offered to workers in the NHS, local government and those paid below £24k remain below headline inflation of 3.2%. And many still earn less in real terms than they did in 2010, following a decade of government-imposed pay restraint. Many key workers in the public sector are excluded from these awards, including outsourced NHS staff such as cleaners and porters. The forthcoming comprehensive spending review is the Chancellor's opportunity to put this right and give key workers the pay rise they need.

- *Payrises for outsourced workers, and an end to outsourcing:* Many key workers in the private sector are engaged in delivering core public services, including social care workers and those providing auxiliary services in the NHS, schools and public transport. A large proportion of these workers will not benefit from the pay rise offers that only extends to directly employed staff. The TUC believes that the NHS, local authorities and other government departments should be provided with the funding to ensure that outsourced workers providing work under contract to public services are able to benefit from pay rises that provide parity with directly employed staff or, at the very least, pay the real living wage.

Embedding equality

Measures that tackle insecure work and low pay will help those workers, including women, BME workers and disabled workers, who are trapped in these jobs through structural inequality. But specific action is needed to embed equality into government policy making and spending decisions, and the Treasury should play an active role in ensuring that this is a key principle within the spending review. This action should include:

A cross departmental action plans

The government should create and publish a cross-departmental action plan, with clear targets and a timetable for delivery, setting out the steps that it will take to tackle the entrenched disadvantage and discrimination faced by BME people, with regular updates published and reported to parliament.

The governments vision for disability equality should be built around the social model of disability and developed with the full involvement of disabled people. It should move away from the voluntarism of Disability Confident, to an approach based on mandatory requirements.

The Government Equalities Office should review and where necessary redraft the gender equality roadmap to reflect the current context and challenges working mums face, including a clear timetable for acting on the findings.

Strengthened pay gap reporting

The government should strengthen the gender pay gap reporting requirements, and introduce mandatory ethnicity and disability pay gap reporting.

All pay gap reporting measures should require employers to publish actions plans on what they are doing to close the pay gaps they have reported.

Ensure compliance with equality legislation

The government must comply with its existing public sector equality duty (PSED) and proactively consider equality impacts at each stage of any policy-making process with a view to promoting equality and eliminating discrimination. Not retrospectively, to assess the extent of damage that has been done or provide justification for a particular approach. Although equality impact assessments are not a specific requirement, they are tangible evidence of meaningful engagement with the PSED and as such should be published and impacts monitored on an ongoing basis.

Properly resource an independent equality regulator

The Equality and Human Rights Commission (EHRC) should receive additional, ringfenced resources so that they can use their unique enforcement powers as equality regulator to effectively. identify and tackle breaches of the Equality Act in the workplace.

Reasonable adjustments

The EHRC should receive additional ring-fenced resources to conduct targeted enforcement of workers' right to reasonable adjustments and develop practical guidance for, and with, employers to increase their understanding and confidence in using the positive action provisions permitted in the Equality Act to address under-representation of disabled people.

4. A new plan for skills

The TUC is calling for a new national lifelong learning and skills strategy based on a vision of a high-skill economy, where workers are able to quickly gain both transferable and specialist skills to build their job prospects. A strategic approach could be delivered at pace by a National Skills Taskforce that would bring together employers, unions and other key stakeholders along with government

Massive cuts in funding and the abolition of adult skills entitlements over the last decade have led to a sharp decline in lifelong learning and training. At the same time economic and social trends are requiring workers to upskill and retrain more than ever before. While the impact of the pandemic is of course the immediate priority, there are significant skills challenges arising out of the impacts of Brexit, automation/AI and the transition to a greener economy. The Green Jobs Taskforce[27] highlights that one in five

[27] Green Jobs Taskforce Report, www.gov.uk/government/publications/green-jobs-taskforce-report

jobs in the UK (approximately 6.3 million workers) will require skills for new green occupations and to upskill and retrain those in high-carbon jobs.

Those most in need of upskilling and retraining are also least likely to access this from their employer and this has been amplified further by the pandemic. A recent analysis by the Learning & Work Institute (L&WI)[28] found that employer investment in training fell more sharply during the pandemic than following the last global financial crisis. The groups facing the sharpest fall in training include adults with lower-level qualifications, young workers in the private sector and apprentices. This includes a large proportion of those in relatively low-paid work who which have borne the brunt of the employment crisis triggered by Covid-19.

We have a poor record in supporting more young people and adults to progress to intermediate and higher-level technical skills. While there is broad support for developing quality post-school pathways to apprenticeships and technical qualifications that have the same esteem as the HE route, we have a long way to go to achieving this. While many of our apprenticeships are world-class, too many young people are not enjoying the quality employment and training experience that is the norm in apprenticeship systems in other countries. We also compare poorly when it comes to offering both school leavers and adults the opportunity to progress to higher-level technical qualifications that have an equal status to university degrees.

A boost to skills investment

State and employer investment in skills, in particular for adults, has been in long-term decline for many years. According to analysis by the Institute for Fiscal Studies (IFS) government funding for adults attending college courses was cut by a half in the last decade and new spending on the National Skills Fund will only reverse one third of this reduction.[29] There are similar trends of concern affecting young people in post-16 education and training, with IFS predicting that an extra £570m per annum will be required by 2022-23 just to maintain spending per student in real terms for 16-18-year-olds in colleges and sixth forms.[30]

TUC research[31] has highlighted that job-related training provided by employers has been in decline since the mid-1990s and this trend intensified during the pandemic. The L&WI research referred to above shows that UK employers invest just half the EU average in training and that there would be an additional £6.5 billion spent each year if investment per employee just equalled the EU average.[32]

A national lifelong learning and skills strategy should contain an explicit boost to FE and skills funding over a multi-year period and this long-term funding picture should

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[28] Learning & Work Institute (2021) *Learning at Work: employer investment in skills*
[29] IFS (2021) *Big Changes Ahead for Adult Education Funding? Definitely maybe*
[30] IFS (2021) *Further education and sixth form spending in England*
[31] F. Green & G. Henseke (2019) *Training Trends in Britain*, TUC unionlearn
[32] Learning & Work Institute (2021) *Learning at Work: employer investment in skills*

be updated regularly. As set out below, this increase in state investment could fund a much wider range of skills entitlements for upskilling and retraining. We also believe that the introduction of lifelong learning accounts and new "training rights" for workers would in turn trigger increased investment by employers.

Skills entitlements and workplace rights

With 80 per cent of the projected 2030 workforce already in the labour market and out of formal education, it is self-apparent that we need to empower many more workers to access learning and training. The government's very limited proposal is a "lifetime skills guarantee" that is actually more restrictive than the adult skills entitlements that were abolished nearly ten years ago. The guarantee only applies to a prescribed list of level 3 qualifications and many adults are completely excluded from retraining because they have already achieved this level of attainment. The TUC agrees with the recommendations of the Education Select Committee[33] that there should be a much broader range of adult skills entitlements that fund free courses, including restoring the adult level 2 entitlement. Many adults need access to free courses for foundation and level 2 qualifications in order to progress to take-up of the level 3 entitlement. It Is also absurd and inequitable that adults in need of retraining should be barred from the lifetime skills guarantee on the basis that they have an old level 3 qualification, in some circumstances from decades ago.

The TUC is calling for a package of measures to give a real boost to lifelong learning for adults. This would involve in the first instance establishing a wider range of skills entitlements for adults and also a new "right to retrain". Over time these entitlements would be incorporated into lifelong learning accounts that would facilitate additional workplace learning, including encouraging co-investment by employers. We should also follow the examples of other countries that have introduced rights for workers to guarantee them paid time off for education and training and access to regular skills reviews in the workplace. OECD research[34] has shown that combining initiatives, such as lifelong learning accounts, with new workplace training rights has proved an effective response in countries adopting this approach.

Apprenticeships and young people

While investment in apprenticeships has been boosted by the levy, the number of opportunities has been declining in recent years, especially among the youngest apprentices and disadvantaged groups. According to a recent analysis[35] by the IFS the number of 16- and 17-year-old apprentices fell by 30 per cent between 2019 and 2020 and only 3 per cent of this group took up an apprenticeship in 2020.

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[33] House of Commons Education Select Committee (2020) *A Plan for an Adult Skills and Lifelong Learning Revolution*

[34] OECD (2019) *Indinidual Learning Accounts: design is key for success*

[35] IFS (2021) *Further education and sixth form spending in England*

The forthcoming review of the apprenticeship levy offers an opportunity to tackle these challenges. The TUC will be calling for changes to enable employers to use this funding in a much more flexible way. For example, there is a strong case for allowing employers to use levy funding for innovative pre-apprenticeship programmes and other initiatives aimed at boosting take-up and widening access to under-represented groups. But we will also be calling for wider policy reforms beyond the remit of the levy. There is a pressing need for government to enforce existing regulations and introduce new requirements of employers and training providers in order to tackle the continuing high incidence of poor-quality training, exploitative employment practices, low wages, and limited progression routes.

Social partnership and union learning

A recent review[36] has highlighting consistent findings from the OECD and others that we lack the institutional partnership of employers and unions that effectively govern quality skills systems in other countries. This finding was also emphasised by the Industrial Strategy Council in one of its last reports looking at skills.[37] It said that many other countries instil "a greater role for employer representative and employee representative organisations (i.e. social partners) than exists in the UK" and that this is of great benefit to the stability and quality of their skills system. Despite these findings there is not one mention of unions in the skills white paper. There is also little mention of the strategic role of Combined Authorities and the significant strategies that are under development in some parts of the country, in collaboration with unions and employers, to link skills strategies with Fair Employment Charters.

Trade unions and their union learning reps have years of expertise and experience that could be drawn on to boost take-up of new skills entitlements in the workplace. The Green Jobs Taskforce has recognised this in its new report, calling on more employers to recognise "union learning representatives, in order to increase access to training for hard-to-reach employees" needing upskilling and retraining. It is also notable that the latest annual skills analysis by the OECD[38] refers to the work of unionlearn and union learning representatives as an outstanding example of "proactive initiatives undertaken in OECD countries to engage low-skilled adults to participate in adult learning". The government should reinstate support for the Union Learning Fund.

FE workforce

The skills white paper does include a section on supporting the development of the FE workforce but there is no acknowledgement that years of pay cuts and growing casualisation have demoralised college workers and undermined their status. On pay,

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[36] Learning & Work Institute (2021) *Levelling up Skills after Coronavirus: the role of trade unions and social partnership in workforce training*
[37] Industrial Strategy Council (2020) *Rising to the UK's Skills Challenges*
[38] OECD (2021) *OECD Skills Outlook 2021: Learning for Life*, page 138

the latest statistics show that there is a £9,000 pay gap between teachers in schools and colleges and the FE unions have highlighted that all college staff have suffered a real-terms pay cut of 30% since 2009. The issue of FE pay has been highlighted as a priority by the two most important independent reviews of FE in recent years, the Augar Review and the Independent Commission on the College of the Future. The commission recommended a new starting salary of £30,000 for teaching staff in colleges to tackle the pay gap with schools. It also called for a national social partnership between government, the Association for Colleges and trade unions to look at long-term strategic challenges facing the whole FE workforce.

5. A plan to address the climate emergency

The spending review takes place only days before COP26. The failure of governments to plan to tackle the climate emergency and deliver a just transition to a net zero future has resulted in the International Panel on Climate Change issuing 'a code red for humanity'.[39] The Spending Review must show that government recognises the scale of the challenge, with a significant plan for investing in the just transition we need.

Green infrastructure

The government's Green Jobs Taskforce recommended that government scale up its green recovery programmes in line with G7 peers and extended to 2030.[40] However, the UK's investments in green infrastructure are lagging far behind its G7 peers', according to TUC research in June 2021. Scaled by population, the UK green investment plans are only 26% of France's, 21% of Canada, 13% of Italy's and 6% of the USA's.[41] [42]Taking into account public transport investment, the UK is still lagging far behind.

Direct government investments into green infrastructure detailed in the 2021 Budget total £161 million towards projects including hydrogen production, energy storage and a rail testing complex. More than half of this is financed through the previously announced Net Zero Innovation Portfolio. In effect, only £69 million constituted new funding for green infrastructure.[43]

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[39] See https://www.bbc.co.uk/news/science-environment-58130705

[40] https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/1003570/gjtf-report.pdf

[41] Trades Union Congress (2021) *'Ranking G7 Green Recovery Plans and Jobs'* https://www.tuc.org.uk/research-analysis/reports/ranking-g7-green-recovery-plans-and-jobs

[42] Green Jobs Taskforce (2021) *'Report to Government, Industry and the Skills Sector'* Green Jobs Taskforce report - GOV.UK (www.gov.uk)

[43] Geoff Tily (2021) 'Workers lose as the Chancellor gambles on recovery', *TUC* https://www.tuc.org.uk/blogs/workers-lose-chancellor-gambles-recovery

The government's Green Jobs Taskforce recommended greater public investment to decarbonise and retool UK industry and supply chains, to protect local jobs and economies and maintain international competitiveness.[44]

Falling behind peer nations in green investment risks creating a situation where manufacturing jobs are offshored from the UK to places with better infrastructure and government support. TUC research estimates that up to 660,000 manufacturing and supply chain jobs could be at risk of offshoring due to failures of climate policy or lack of investment in future-proofing industries.[45] Sectors including steel and iron, cement, ceramics, and refining will depend on supportive policy and investment to retain UK production and jobs. Many of these jobs are in held-back regions in need of levelling up.

Analysis by Transition Economics for the TUC in 2020 identified twenty shovel-ready infrastructure programmes where £85 billion in public investment could create 1.24 million jobs for the following two years.[46] The potential projects include electrification and speed upgrades for the rail network, improving walking and cycling infrastructure and broadband connections, and retrofitting the UK's social housing stock. Allocating £42 billion a year for shovel-ready green infrastructure would move the UK up into 3rd position in the G7 league table.

The Green Jobs Taskforce concluded that scaling up green recovery spending in line with our G7 peers creates opportunities for the UK to go further than its current plans in areas including nature restoration, energy efficiency retrofit, electric vehicle charging infrastructure, zero carbon home construction, and sustainable agriculture. Each has high employment multipliers and can be mobilised very quickly by, for example, building on existing schemes such as the Local Authority Delivery Scheme within the Green Homes Grant programme.

This investment to build back greener could be spread evenly across the UK mirroring the widespread nature of the downturn brought about by the Covid-19 pandemic - or be targeted at regions experiencing persistently higher unemployment or disproportionality impacted by the Covid-19 pandemic, in support of the government's levelling up agenda.

The Green Jobs Taskforce also recommended that government should integrate a principle to support green job creation across its major net zero investments and

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[44] Green Jobs Taskforce (2021) *'Report to Government, Industry and the Skills Sector'* Green Jobs Taskforce report - GOV.UK (www.gov.uk)

[45] Trades Union Congress (2021) *Safeguarding the UK's manufacturing jobs with climate action: carbon leakage and jobs* https://www.tuc.org.uk/research-analysis/reports/safeguarding-uks-manufacturing-jobs-climate-action-carbon-leakage-and-job

[46] Transition Economics (2020) *Can an infrastructure stimulus replace UK jobs wiped out by COVID19 crisis?* https://www.tuc.org.uk/sites/default/files/TUC%20Jobs%20Recovery%20Plan_2020-06-17_proofed.pdf

should use its net zero funding to support quality job creation, skills, equality & diversity and development of local supply chains. [47]

Government should bring green infrastructure spending in line with its G7 peers, by allocating £42 billion a year for the next two years to shovel-ready projects that create jobs and deliver compliance with climate targets.

Climate adaptation funding

At the 2009 Copenhagen climate negotiations, developed nations committed to provide scaled up, new and additional, predictable and adequate funding to meet a goal of mobilizing jointly US$100 billion per year by 2020 to address climate change related needs of developing countries. In December 2020, the Independent Expert Group on Climate Finance, mandated by the UN Secretary-General, concluded that the US$100 billion goal for climate finance for developing countries would not be met in 2020. Significant extra effort by rich countries is needed, and more support needs to go to climate adaptation, as most finance is currently directed to mitigation projects.

Countries need to agree on a comprehensive and effective loss and damage financing instrument. Finally, there is an urgent need to impose strict climate finance criteria that guarantee that financial support is additional and with no strings attached. The tendency to more and more 'blended' finance (less grants and more loans) needs to be stopped.

Government should contribute its fair share of the global commitment to $100 billion in climate finance to address climate change related needs of poorer countries, with an emphasis on climate adaptation and on grant funding (not loans).

This must be in addition to immediately restoring the 0.7 per cent of GNI funding for overseas development assistance. Decent work must be central to the FCDO's new international development strategy, with adequate funding provided to deliver this.

6. A plan for strong and resilient public services

This comprehensive spending review is crucial for the future of our public services, which went into the pandemic weakened by years of cuts, pay restraint and privatisation. The communities that were worst affected by the pandemic, have lost most through the deterioration of our public services. Now we need a new plan to ensure our public services our strong and resilient to face the challenges ahead.

In the NHS, the scale of the backlog of care and treatment is overwhelming. Services are stretched to breaking point.

- 5.6 million people are waiting to start consultant-led elective treatment[48]

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[47] Green Jobs Taskforce (2021) *'Report to Government, Industry and the Skills Sector'* https://www.gov.uk/government/publications/green-jobs-taskforce-report

- In June 2021, the number of people having to wait more than 52 weeks to start treatment was 304,803, more than six times the number waiting in June 2020[49]
- People living in the most-deprived areas in England are nearly twice (1.8 times) as likely to experience a wait of more than one year for hospital care than those who live in the least-deprived areas.[50]

In social care, government inaction, chronic lack of investment, privatisation and deregulation have created a crisis in care, exacerbated by the rising in care needs stemming from the pandemic.

- 1.4 million adults have unmet care needs[51]
- There are 112,000 vacancies in the care workforce[52]

In education, the evidence suggests the cumulative impact of disruptions to learning during the pandemic combined with sustained cuts to schools' budgets are having a disproportionate impact on disadvantaged pupils.

- School spending per pupil in England fell by 9 per cent in real terms between 2009–10 and 2019–20. This represents the largest cut in over 40 years[53]
- Over a third (34%) of heads say the funding they get for poorer pupils is being used to plug general gaps in their school's budget – a rise from 23% in 2019[54]

Local government resilience has been hugely undermined by government cuts since 2010, relying on inadequate and short-term cash injections rather than a long-term, sustainable funding settlement.

- Non ringfenced government grants to local authorities have fallen from £32.2 billion in 2009/10 to £4.5 billion in 2019/20 and are expected to be cut further by 2024/25[55]
- Local councils have been forced to close 14 per cent of public libraries, slashing weekly bin collections by 40 per cent and cut funding for parks, environmental services and local transport by 40 per cent – with the biggest impacts in working class communities

The Covid-19 pandemic has exacerbated a growing backlog of cases waiting to be tried in the criminal courts system.

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48 NHS England (2021) RTT-statistical-press-notice-Jul21-PDF-415K.pdf (england.nhs.uk)
49
50 Kings Fund; Healthwatch England (2021) People living in the poorest areas waiting longer for hospital treatment | The King's Fund (kingsfund.org.uk)
51 Care UK
52 Skills for Care (2020) The state of the adult social care sector and workforce 2020 (skillsforcare.org.uk)
53 IFS (2020) 2020 annual report on education spending in England - Institute For Fiscal Studies - IFS
54 Sutton Trust (2021) One in three head teachers using funding for poorer pupils to plug general budget gaps - Sutton Trust
55 TUC (2019) Councils in crisis | TUC

- The backlog of outstanding cases in the courts and tribunals has increased significantly since the start of the pandemic: from 595,659 in March 2020 to 704,046 in June 2020[56]
- The number of people held on remand has increased. At the end of September 2020, 12,274 people were held on remand, 28 per cent more than in September 2019. Those waiting for a trial had increased 34 per cent.[57]

If the government want to deliver on a levelling up agenda, they must invest in the public services our communities rely on.

You can't level up while holding down public sector pay

Over the last ten years, public sector workers have seen their real pay fall – by up to £3000 a year in some cases – as a result of cumulative below inflation pay increases. Pay restraint slows down economic growth, affects the living standards of public sector workers and worsens regional inequalities.

Reducing the disposable income of public sector workers harms local economies and regional recovery, particularly in regions in the North, Midlands and South West where there is higher reliance on public sector employment.[58]

New analysis by the TUC and Landman Economics models the economic impacts of reversing cuts to the value of public sector pay that took place over the period 2010/11 to 2020/21.[59] The move would make 4.3 million public sector workers better off – in some cases by thousands of pounds a year.

If the chancellor restored median public sector pay by 3.2 per cent, in line with CPI inflation, the economy would benefit from a £3.3 billion boost. Reversing pay cuts would boost England's regional economies by:

- £157 million in the North East
- £471 million in the North West
- £322 million in Yorkshire and the Humber
- £330 million in the West Midlands
- £243 million in the East Midlands
- £288 million in the South West
- £741 million in the London
- £313 million in Eastern England
- £461 million in the South East

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[56] NAO (2021) Ministry of Justice Departmental Overview 2019-20 (nao.org.uk)
[57] ibid
[58] NEF (2012) The economic impact of local and regional pay in the public sector | New Economics Foundation
[59] TUC (2021) Economy to get £3.3 billion boost if the Chancellor reverses key worker pay cuts | TUC

If the Chancellor restored median public sector pay by 10.1%, in line with RPI inflation it would boost the economy by £10.5 billion.

The Covid-19 crisis has shown us how essential our public services – and the staff delivering them - are to the country and our economy. An investment in the staff delivering them is one of the most effective ways to deliver growth and restore public finances.

A public sector jobs drive to power economic recovery

The success of the furlough scheme demonstrates how effective an investment that protects people's jobs is for protecting the economy. Now the government needs to go further, not only protecting jobs but creating them.

A public sector jobs drive will create decent, higher skilled and better paid work, and can help tackle the persistent race, class, gender, disability, regional and wider inequalities the UK has faced for decades.

The TUC is calling on the government to create 600,000 new jobs in public services, including:

- 135,000 in health
- 220,000 in adult social care
- 110,000 in local government
- 80,000 in education
- 50,000 in the civil service and public administration

Creating good quality, secure jobs in the public sector supports spending in the economy and revives private sector activity. The government's spending on a jobs drive will be recouped by higher government revenues as the economy recovers and multiplier effects kick in.

Health service recovery and resilience

The TUC is calling for sustainable long-term investment in our health services. Additional funding raised by the new Health and Social Care Levy will go some way towards this but the funding must be targeted effectively. That means addressing the staffing crisis that is undermining our health system. And far more is needed if we are to enable the NHS to meet day-to-day demands, address backlogs in the NHS and the ongoing challenge of the Covid-19 crisis.

Even before the pandemic hit there were persistently around 100,000 vacancies across the health service in England. Despite the best efforts of staff, these shortages are impacting patient care. There are more than 5 million people waiting for routine hospital care, and 1 in 8 people waiting for a social care needs assessment have been doing so for more than 6 months.[60]

Unfilled vacancies put additional strain on those left trying to fill the gaps in the face of increasing demand. A report on staff burnout from the House of Commons Health and Social Care Committee found that burnout is widespread and excessive workloads due to understaffing is a key driver.[61]

Investment in retaining these staff is vital if the NHS is to prevent a worsening of the staffing crisis. This investment should be set out in a fully funded workforce strategy that has a joint focus on recruitment as well as retainment, addressing issues of pay, pensions and conditions for the current workforce.

High-quality care and high-quality employment for those who provide care

A new funding settlement for social care is long overdue. Our social care system is based on a fragmented provider market - driven by the bottom line rather than community need, encouraging short-term commissioning and leading to poorer care outcomes for those in receipt of care.

Plans to raise additional funds for social care through the new Health and Social Care levy further entrench inequality and unfairness in our care system. Unlike income tax, rates of national insurance contributions fall as income rises, meaning the cost of the new level falls disproportionately on low paid workers.

Over half of the estimated £5.4 billion raised by the new Health and Social Care Levy will be diverted to the new cap on care, set at £86,000.[62] While this is an important step in protecting people from the high cost of care, it disproportionately protects those with savings and assets over this amount compared to those for whom £86,000 is close to all they have.

The cap does little to address the structural issues that are the root cause of the crisis in care. Staffing remains the single biggest challenge facing adult social care. At any one time, the sector has approximately 112,000 vacancies.[63] The recruitment and retention crisis in social care is inextricably linked to low pay and poor terms and conditions. TUC analysis shows seven out of 10 care workers earn less than £10 per hour.[64] 24 per cent of the sector are employed on zero-hours contracts.[65] But only £500,000 million of the new Health and Social Care Levy has been committed to addressing workforce issues. New analysis by the TUC shows the introduction of a sectoral pay agreement delivering

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[60] NHS England (2021) Statistics » Consultant-led Referral to Treatment Waiting Times (england.nhs.uk)
[61] House of Commons (2021) How can we tackle staff burnout in the health and care sectors? (shorthandstories.com)
[62] House of Commons Library (2021) Health and Social Care Levy Bill 2021-22 - House of Commons Library (parliament.uk)
[63] Skills for Care (2020) The state of the adult social care sector and workforce 2020 (skillsforcare.org.uk)
[64] TUC (2020) 4 in 10 key workers earn less than £10 an hour | TUC
[65] TUC (2020) Fixing social care | TUC

at least £10 per hour would transform the lives of one in three care workers, 580,000 workers in total.[66]

If we began to tax wealth at the same rate as we tax income by equalising Capital Gains Tax rates with income tax rates and removing exemptions, the Treasury could raise, on average, up to £17bn a year.[67] Ensuring those with the broadest shoulders pay their fair share towards social care would transform the lives of those receiving and delivering care and be a down payment on future change.

Lessons for education

The education system faces two challenges that need urgent attention in this comprehensive spending review. The first is investment to ensure reverse the damage to children's learning caused by the pandemic. The second is investment to restore spending on education to 2010 and 2015 levels.

Research by the Education Policy Institute shows disadvantaged pupils were already 18 months behind their peers going into the pandemic.[68] The disruption to learning caused by successive lockdowns has widened this gap further. In primary education, all year groups were believed to have lost around two months in reading and three months in mathematics. Schools with high levels of disadvantage experienced higher levels of learning loss than other schools, particularly in secondary. Almost a quarter of A-Level students from working class backgrounds had insufficient access to devices, the internet or a space to study.[69]

Educational inequalities had been exacerbated by serious and sustained cuts to schools funding, particularly since 2015. Cuts to 16-19 education and school buildings began in 2010. School spending per pupil in England fell by 9 per cent in real terms between 2009–10 and 2019–20.[70] This represents the largest cut in over 40 years.

These cuts must be reversed and funding restored. Calculations by the National Education Union project that spending on education for children aged 2 to 19 requires an additional £7.3 billion in revenue funding in 2021-22 to restore funding to 2015-2016 levels, based on the current £39.6 billion of spending.[71]

In addition, the EPI recommends a three-year funding package totalling £13.5bn to reverse the damage to pupils' learning stemming from the pandemic. Without this sustained investment in recovery, the Prime Minister and his government will be unable to deliver on their promise that "no child will be left behind."

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[66] TUC (2021) A new deal for Social Care: A new deal for the workforce | TUC
[67] ibid
[68] EPI (2021) Education recovery and resilience in England - Education Policy Institute (epi.org.uk)
[69] Sutton Trust (2021) www.suttontrust.com | 524: A timeout occurred
[70] IFS (2020) 2020 annual report on education spending in England - Institute For Fiscal Studies - IFS
[71] NEU (2021) Submission to CSR

Justice delayed is justice denied

A decade of austerity had a serious impact on the prison service and our criminal justice system. The courts system, judiciary, prisons and probation were all impacted by significant budget restrictions. The resulting delays and backlogs these cuts caused led to a case backlog of over 37,000. It is now 59,000.[72] Without additional funding, HMPCI expect it to take ten years to clear the backlog.[73]

The backlogs have impacted victims and witnesses of crime. In cases going to trial, victims are spending around 50 per cent longer waiting, compared to pre-pandemic.[74] The CPS faced a budget reduction of over 30 per cent during the last decade,[75] with prosecutions of serious crimes such as rape falling to a record low. Home Office figures suggest that rape complainants now have a 1 in 70 chance that a complaint made to the police will even result in a charge, let alone a conviction.[76] For many victims, the criminal justice system is therefore not experienced as a site of protection, but as a site of harm that compounds trauma.

Backlogs have had significant impacts on defendants, some of whom are held in custody on remand. In 2019, the Justice Committee reported that "the prison system in England and Wales is enduring a crisis of safety and decency" and noted the poor condition of many prisons, particularly a backlog of maintenance estimated at £900 million.[77] Self-harm in prisons has reached record highs. Incidents of self-harm in prison rose to 61,153 incidents in the year to June 2020, representing a 48 per cent increase in three years.[78]

Probation is a critical part of the criminal justice system, of rehabilitating clients and protecting the public, but has suffered significantly from budget cuts and needless reforms. The TUC welcomes the government's decision to reverse the Transforming Rehabilitation (TR) reforms that led to a fragmented, part-privatised probation system. While efforts are under way to reunify the probation service, a comprehensive package of investment is urgently needed in all areas of the criminal justice system to address staff shortages, excessive workloads and fair pay for probation staff that are driving the backlogs and delays.

Public sector pensions

The government should demonstrate a firm commitment to the protection of public service pension schemes in line with the 25-year commitment following revisions

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72 MoJ (2020) Criminal Justice System Statistics Quarterly: April to June 2020 (publishing.service.gov.uk)
73 HMPCI (2021) CPS response to COVID-19: dealing with backlogs (justiceinspectorates.gov.uk)
74 Victims Commissioner (2021) Courts backlog: Justice delayed is justice denied - Victims Commissioner
75 HMPCI (2021) CPS response to COVID-19: dealing with backlogs (justiceinspectorates.gov.uk)
76 Home Office (2021) Crime outcomes in England and Wales 2020 to 2021 - GOV.UK (www.gov.uk)
77 Justice Committee, First Report of Session 2019, Prison Governance, HC 191
78 NAO (2021) Ministry of Justice Departmental Overview 2019-20 (nao.org.uk)

to public sector pensions from 2015. This includes the symmetrical cost control mechanism that means members are guaranteed improved pensions or lower contributions if the value of their benefits falls below a certain point as a result of changes to member-borne costs such as earnings or longevity assumptions.

The government should also ensure that the cost of remedying the age discrimination in public service pensions identified in the McCloud case does not fall on members through this cost control process. Any increase in employer costs as a result of the remedy must be funded centrally, rather than coming out of existing departmental budgets.

7. A plan for real security

Working people can't plan for their own futures if the system pushes them into poverty in unemployment or retirement. Government plans to cut £20 from Universal Credit and remove the triple-lock that protects pensioners' incomes undermine working people's security, their ability to live today and plan for the future, and are a false economy that weaken our collective protection.

The failure to deliver decent sick pay has been one of the most short-sighted action of the pandemic. No-one benefits when people can't afford to take time off work when sick – either to self-isolate due to coronavirus, or to prevent other illnesses spreading at work. A plan for better health and security must include decent sick pay for all.

Universal Credit

The planned £20 cut in Universal Credit and Working Tax Credit will result in real hardship. A letter signed by 100 organisations prior to the cut warned that the £20 a week reduction would push 500,000 people into poverty.[79]

The government has justified this cut by saying its focus is to move people into jobs, but this misses the point. Many of those on Universal Credit (40 percent of claimants) are already in work. 2.3 million low paid workers will be worse off as a result of the cut to Universal Credit. A worker on the national living wage paying tax and national insurance would have to work an extra nine hours to earn an additional £20 a week.[80]

Even with the increase in the rate by £20 a week – the basic rate of Universal Credit is worth around a sixth of average weekly pay. That wasn't enough to live on before, during, or after the pandemic. The TUC calls on raising the basic level of universal credit and legacy benefits, including jobs seekers allowance and employment and support allowance, to at least 80 per cent of the national living wage (£260 per week).

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79 https://www.jrf.org.uk/press/keep-the-lifeline-open-letter-to-the-prime-minister

80 https://www.resolutionfoundation.org/press-releases/universal-credit-hours-worked/

The Chancellor must immediately reverse its decision on the £20 cut to Universal Credit and Working Tax Credit; the basic level of Universal Credit should be raised to £260 a week.

Sick pay

A lack of decent sick pay has held back the government's response throughout the coronavirus crisis and will continue to do so throughout the winter. The TUC is calling for sick pay to be reformed so that:

- The lower earnings limit rule is removed, allowing the lowest paid workers to qualify for statutory sick pay for the first time. Research shows that this would cost a maximum of £150m a year.
- The rate of SSP is raised to at least the level of the real living wage (£330 per week).
- Sick pay remains a day one right for those self-isolating due to coronavirus, and becomes a day right for those experiencing other conditions.

Restoring the Triple lock

The decision to suspend the state pension earnings link for 2022 means the full Basic State Pension will be up to £8.00 a week lower than it would otherwise have been and the full New State Pension will be £10.42 lower. With pensioner poverty rising by almost a third since 2013-14 and two in five women pensioners now living in poverty,[81] the TUC believes we cannot afford to break the triple lock. The decision means that next years state pension increase will be lower than underlying earnings growth, stripping out this year's unusual base and compositional affects.

The UK state pension remains one of the lowest among comparable countries, replacing just 28.4 per cent of earnings for an average worker – less than half the OECD or EU average replacement rates.[82] Even when taking into account voluntary retirement saving the UK average replacement rate of 61.0 per cent is significantly below the OECD and EU rates of 65.4 and 67.0 percent.

UK spending on the state pension is also considerably lower than most comparable countries. At 4.7 per cent of GDP, UK spending is more than a third lower than the OECD average of 6.5 per cent.

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[81] https://www.ageuk.org.uk/latest-press/articles/2021/number-of-pensioners-living-in-poverty-tops-two-million/

[82] Pensions at a Glance 2019, OECD - https://www.oecd-ilibrary.org/sites/b6d3dcfc-en/1/2/5/7/index.html?itemId=/content/publication/b6d3dcfc-n&_csp_=a8e95975da55b0299df9e90b37215621&itemIGO=oecd&itemContentType=book

If this year's suspension sets a precedent, the effect on future generations would be particularly harsh. Modelling has shown that removing the triple lock would push an additional 700,000 pensioners a year into poverty by 2050.[83]

The TUC believes this year's earnings link suspension should be lifted to prevent more pensioners falling into poverty and the government should make a strong commitment to the triple lock to ensure today's workers have an adequate state pension.

Reforms are also needed to the system of automatic enrolment into workplace pensions in order to ensure security in retirement. Modelling by the Pension Policy Institute shows more than 90 per cent of workers in defined contribution pension funds are currently at risk of not accumulating enough in their pension to maintain their standard of living in retirement.[84] To address this, government should:

- Implement the recommendations made in the DWP's 2017 Automatic Enrolment review to lower the age threshold for auto-enrolling workers to 18 and scrap the lower earnings limit so contributions are calculated from the first pound of earnings
- Phase out the £10,000 earning threshold so the low paid, part-time workers and multiple job holders are not excluded from the workplace pension system
- Set out plans to increase employer contributions from their current level of 3 per cent so that more workers can meet the combined contribution level of at least 15 per cent needed to achieve a decent retirement income
- Fix the net pay tax relief issue that means an estimated 1.5 million workers earning below £12,700 have to contribute 25 per cent more than colleagues for the same pension. The TUC supports proposals set out by the Net Pay Action Group to address this issue.[85]

8. A plan for the public finances

While the public finances have deteriorated, government measures to support jobs and the economy prevented far worse. The same remains true as we – hopefully – move into the recovery phase. As the OECD warned in their September (interim) *Economic*

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83 700,000 reasons to keep the state pension triple lock, TUC - https://www.tuc.org.uk/blogs/700000-reasons-keep-state-pension-triple-lock

84 Have we saved enough?, Centre for Ageing Better - https://ageing-better.org.uk/sites/default/files/2021-06/Have-we-saved-enough.pdf

85 Pensions net pay arrangements: giving tax relief to lower paid workers. NPAG - https://www.litrg.org.uk/sites/default/files/NetPayActionGroup_BudgetRep_Jan2020.pdf

Outlook, "Macroeconomic policy support remains necessary whilst the near-term outlook is still uncertain and labour markets have not yet recovered … A premature and abrupt withdrawal of policy support should be avoided whilst the near-term outlook is still uncertain".[86]

The strength of the public finances will continue to depend on the strength of the economy, and that strength can only be secured if the government continues to support aggregate demand. Yet in spite of the disastrous failures of austerity policies in the 2010s,[87] the Chancellor has reverted to the same language: "We should be clear-eyed … Covid has severely damaged our public finances … If we want to continue to meet our commitments in the future, both at home and overseas, we must act now to rebuild our fiscal resilience."[88]

Indicative of this mindset, the suggestion from Office for Budget Responsibility figures is of previous planned public spending increased gradually eroded into the future (Figure 7). The spending remains in theory on an expansionary course. But with this course now at a lower level than planned ahead of the pandemic, the spending will be inadequate to support the recovery going forwards let alone to repair the damage to public services of the past decade. The same has been true of investment spending, with average public sector net investment as a share of GDP from 2021-22 to the end of the forecast period reduced from 3.0% in March 2020 to 2.9% in November 2020 to 2.8% in March 2021.[89]

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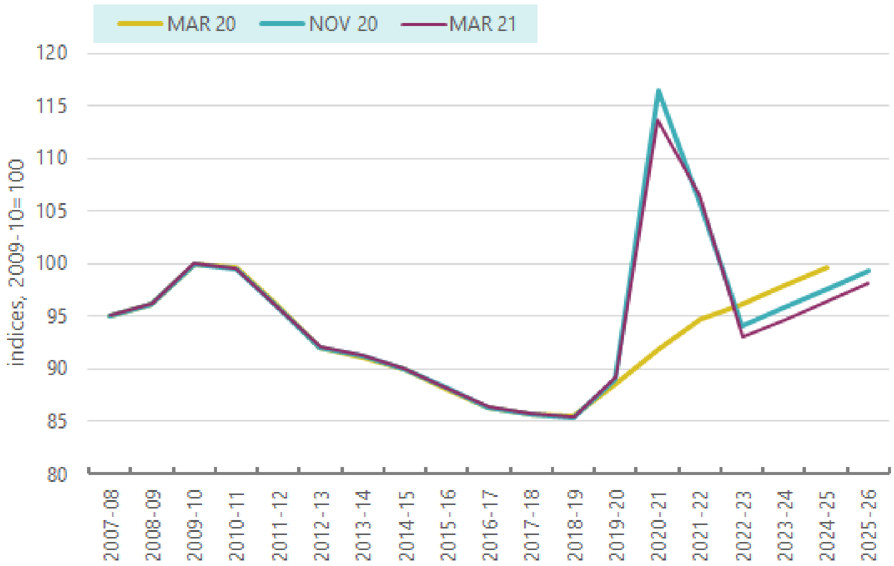
86 https://www.oecd.org/economic-outlook/

87 See TUC (2019) 'Lessons from a decade of failed austerity': https://www.tuc.org.uk/research-analysis/reports/lessons-decade-failed-austerity#:~:text=A%20decade%20on%20from%20the,no%2Ddeal%20Brexit%20remains%20high

88 https://www.ft.com/content/e05b3ff5-8914-4eb8-8e68-e2af10f02331

89 Source: consecutive OBR *Economic and Fiscal Outlook* documents.

Figure 7: Departmental spending per head in real terms, indices 2009-10=100



Source: OBR and TUC calculations

As we set out in our plans to raise taxes on wealth in order to fund an expanded social care system, fair taxation has an essential role to play in supporting decent public services.

But the best way to restore the public finances to health is to support the economic growth that delivers decent wages, and decent tax receipts across the board.

The macroeconomic argument for supporting demand is widely recognised. This January in an overview of remarks from academic economists, IMF, OECD and ECB the *Financial Times* conceded: "That consensus can be wrong was on display after the 2008 financial crisis, when many organisations — including this newspaper — advocated fiscal retrenchment". More specifically they pointed out: "Inflation, economic growth and interest rates failed to recover as anticipated after the financial crisis ... demonstrate that cutting spending may have had a bigger negative impact than expected".[90,]

Going further, the Biden administration advocates 'running the economy hot', so that stronger aggregate demand strengthens the supply side.[91] They justly argue "even our debt situation will be more not less stable if we seize with vision and purpose".[92]

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 'A fiscal policy for all seasons', the Editorial Board, 13 Jan. 2021: https://www.ft.com/content/7b6242c5-8a25-4d98-ba0a-f9d9bd046085

91 Some justify 'running hot' through bolder "notions of multiple equilibria and complex systems", for example the OECD's New Approaches to Economic Challenges initiative. Discussed by Meghan Greene in 'Joe Biden's experiment could revolutionise economic thinking', *Financial Times*, 6 May 2021: https://www.ft.com/content/4c7048ee-4336-43f9-9ecb-5718eccec5f1

92 Speech as president elect, 14/1/21: https://www.wsj.com/articles/biden-to-propose-1-9-trillion-covid-19-package-11610661977

As we set out in our 2020 report on [93] we should be inspired by the record of the post-war Attlee government, building back better to a welfare state, the NHS, education and housing for all. Policies that create jobs and support family incomes, address the climate emergency, support trade unions and resolve inequalities can be the foundations of building back better today. As the Attlee government showed, building back better is not only better for society but also better for the economy.

93 https://www.tuc.org.uk/sites/default/files/2020-05/TUC%20Report%20%27A%20Better%20Recovery%27.pdf