A TUC submission to the 2016 Autumn Statement

“A country that works for everyone”

Introduction and summary

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Section one

Introduction and summary

1.1 The debate on the referendum exposed stark divisions across the country, in wealth, prospects and security. The divisive nature of the debate both before and after the referendum also threatens to stoke tensions around national identity and immigration, driving people further apart at a time of political and economic uncertainty. The key task after the referendum is therefore to build a new national consensus, based on the need for a fairer economy and a stronger society. Unions have a key role to play in delivering this vision alongside government and employers.

1.2 The Prime Minister's speech to the Conservative Party conference set out an intention to build '*A country that works for everyone*'. The Autumn Statement will be the first test of whether this commitment will be backed by action and spending commitments. The TUC's submission sets out the areas where the Government could best make progress towards meeting this aim.

Getting the best out of Brexit

1.3 The Government's ability to delivering a country that works for everyone will depend on the state of the economy in the wake of the vote to leave the EU, and the outcome of the negotiations about the shape of our future trading relationships. The TUC's first priority is to ensure that working people do not pay the price of the decision to leave the European Union. That means government needs to take action now to prevent the uncertainty generated by the vote resulting in an economic slowdown which increases unemployment and decreases wages.

1.4 In the longer term, the shape of the deal we strike with our European trading partners will be critical for the future health of our economy. The TUC wants to see a deal that preserves Britain's ability to:

- Enforce the highest regulatory standards in Europe, including when it comes to workers' rights
- Export our goods to the EU tariff free;
- Provide British people with the opportunities to work, live and study unrestricted in the EU;
- Provide services in other EU countries without restrictions; and
- Prioritise the EU as our largest trading partner.

1.5 At present, we believe that seeking a new relationship with the EU that includes membership of the single market offers the best chance of protecting workers' jobs, rights and investment for the future. The Autumn Statement is an opportunity for Government to set out how it intends to ensure that we maintain a strong economy both throughout and after the negotiating period.

Investment in infrastructure and public services

1.6 The shape of the post Brexit deal will be vital to our future economic prospects. But action is also needed at a domestic level to build an economy that can better deliver decent jobs across the country.

1.7 The British economy was far from perfect before the vote. Growth has been weak, and dominated by the low paid service sector. And while record employment levels are to be applauded, the UK is still suffering from the largest fall in real wages of any developed economy except Greece. That has both hit working people's living standards and meant that the Government has consistently failed to meet its targets for reducing public debt. The latest figures show that nearly half way through the year, borrowing figures have fallen at only a quarter of the pace needed to meet the

OBR's end of year target set out in their March forecast, with lower income tax and national insurance receipts than expected.[1]

1.8 There is now a widespread global consensus that governments should be investing to support economic growth. As the OECD has put it, countries should "*use fiscal space provided by low interest rates to boost growth and equity*" and in particular, "*restructure their spending and tax policies towards a more growth friendly mix by increasing hard and soft infrastructure spending…*"[2]

1.9 Increased spending on physical infrastructure would help stabilise the economy and business investment in the wake of the Brexit vote, as well as boosting productivity for the long term.

1.10 Alongside investment in our physical infrastructure, we desperately need investment in the social infrastructure provided by our public services, including in the National Health Service. The Health Foundation say that "*the NHS is currently halfway through the most austere decade in its history*".[3] Despite the best efforts of NHS staff, this is having a clear impact on the quality of service, with the proportion of people waiting for more than four hours for treatment in A&E rising from two to ten per cent between 2010 and 2016.

Reforming the economy to deliver for working people

1.11 To deliver a better deal for working people, the economy needs not only investment but reform. The TUC welcomed the announcement that workers would be given a place on company boards. We believe that this commitment could be on the statute book within a year. This is a necessary but not sufficient step to ensuring that greater employee involvement in the workplace can help tackle Britain's pressing productivity challenge. Boosting workers' voice in the workplace, specifically through collective bargaining and collective consultation, has a direct impact on skills utilisation, work organisation and workforce motivation, all of which play an important role in raising productivity. Tackling excessive executive pay is also a key test of whether the new government is serious about standing up to highly paid but low performing bosses to deliver a fairer deal for working people.

1.12 Alongside reform at the company level, Government also needs to deliver an overarching industrial strategy that sets out how government action can shape the economy to deliver better jobs across the country. The name change of the reformed BEIS department is a start. But we expect the Autumn Statement to set out a timeline for Government action in this area, explain how it will involve unions and business in

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[1] http://budgetresponsibility.org.uk/monthly-public-finances-briefing/

[2] http://www.oecd.org/economy/oecd-warns-weak-trade-and-financial-distortions-damage-global-growth-prospects.htm

[3] *Staffing matters – Funding Counts*, Health Foundation, July 2016

developing its approach, and take immediate action to support steel and science jobs currently under threat.

Giving working people a pay rise

1.13 Investment and reform, including by expanding collective bargaining, are vital to deliver better jobs in the long run, but working people need a pay rise now. Workers across the economy are still £20 a week in real terms worse off than before the financial crisis. The Autumn Statement is a clear opportunity for Government to start to redress this.

1.14 First, the Chancellor should make clear that the Government remains committed to the National Living Wage, and will not hold back from increases this April that at least keep pace with the target it set of a wage that reaches 60 per cent of median earnings by 2020. Second, the Government should help the five million people affected by six years of pay restraint, and lift the public sector pay cap.

1.15 Third, the Chancellor should take the opportunity to reverse planned Universal Credit cuts that are set to make millions of working people worse off.

Enforcing existing rights

1.16 The Government's intention to look at how rights at work could be improved is welcome. But more is needed to enforce people's hard won rights now. New Employment Tribunal fees have meant that far fewer people have been able to challenge injustice at work, with the number of tribunal cases falling by almost 70 per cent since their introduction. If the Prime Minister is serious about delivering for working people, these fees should be abolished.

1.17 For those at the sharpest end of the labour market, the ability of enforcement agencies to root out abuse is critical. Additional investment in enforcing the national minimum wage has started to deliver results in terms of a significant increase in the amount recovered for underpaid workers. It is time to build on this, with investment both in HMRC and in the agencies enforcing employment rights, including the Gangmasters Licencing Authority, Employment Agencies Standards Inspectorate, and Health and Safety Executive.

Boosting retirement incomes

1.18 Finally, action is still needed to ensure that those who have worked throughout their lives have a decent income in retirement. Auto-enrolment has been one of the great policy successes of recent years, but reform is needed to ensure it benefits low-income workers and delivers on its potential. The Chancellor should lower the earnings threshold at which people are 'opted in' to contribute to a workplace pension, and set out a plan to increase contribution rates.

In summary, to demonstrate its commitment to a country that works for everyone, Government should:

Ensure that working people don't pay the price of Brexit

- Set out a plan for a post Brexit deal that protects workers jobs and rights. The TUC believes this would best be achieved by remaining within the single market.

Stabilise the economy and deliver more sustained and balanced growth through investment in infrastructure and public services

- Announce a significant and sustained programme of infrastructure spending, with a strong regional dimension. This should include measures to tackle the UK housing crisis, and to help meet our climate change commitments, as well as action to improve the connectivity of the UK economy through transport and broadband improvements.
- Invest in the vital social infrastructure delivered through public services, through investment in the NHS, social care and Local Government, and an end to the damaging and unnecessary proposals for grammar schools.
- Expand the funds available to help communities facing the greatest pressures from migration.

Reform the economy to deliver a sustainable increase in better jobs

- Maintain the pledge to deliver three million new apprenticeships through the apprenticeship levy, building the skills that Britain needs to succeed.
- Deliver on the commitment to include workers on company boards within a year, and build on this with a plan for more employee involvement in delivering higher productivity workplaces.
- Ensure that these commitments are backed with action to tackle excessive executive pay.
- Set out a timetable for consulting with unions and business on an industrial strategy that delivers more and better jobs, in line with our climate commitments, and set out an immediate action plan to support British steel.
- Recognise the importance of science to any future industrial success, and ensure that the decision to leave the EU does not affect its continued success.

Give working people a pay rise

- Stick to the commitment that the National Living Wage will reach 60 per cent of median earnings by 2020, and extend it to workers aged 21-24. The TUC believe that the aim of the Low Pay Commission should be to get the National Living Wage to £10 as soon as possible.
- End the public sector pay cap, and allow public service wages to be determined according to the needs of each sector through collective bargaining between employers and unions, or through genuinely autonomous and independent Pay Review Bodies where appropriate.
- Reverse planned cuts to Universal Credit that will leave working families with children £1,300 a year worse off.

Ensure that working people can realise their rights

- Abolish the employment tribunal fees that are stopping workers from tackling injustices at work.
- Increase the budget for enforcing the national minimum wage and employment law, through increasing funding to HMRC and the agencies enforcing employment rights, including the Gangmasters Licencing Authority, Employment Agencies Standards Inspectorate, and Health and Safety Executive.

Boost retirement incomes

- Lower the earnings threshold at which workers are automatically included in workplace pensions.
- Set out a plan to increase contribution rates to ensure a decent retirement income.

Section two

The state of the economy

2.1 This section sets out a brief assessment of the economic situation faced by the Chancellor as he prepares for the Autumn Statement. Subsequent sections describe the action we believe he should take to improve Britain's economic performance in order to deliver better jobs and pay across the country.

The impact of the decision to leave the EU

2.2 Since the 23rd June, the economy has mainly been viewed through the lens of the decision to leave the European Union.

2.3 The TUC believes that the Bank of England's decisive action in August, expanding quantitative easing, cutting interest rates, and introducing a 'term funding scheme' to ensure that those interest rate cuts are passed onto banks, has had a stabilising effect on the economy for now.

2.4 In the medium term however, the high level of uncertainty about the impact of the vote has the potential to lead to further damage the economy, as businesses pause investments and new hires. When we spoke to trade union convenors in private sector companies across the country in the wake of the vote they described employers as in 'wait and see' mode.[4] Official projections suggest a similar picture: growth for 2017 is now expected by independent forecasters to come in at 0.7 per cent for 2017, a significant downgrade in pre-referendum projection of 2.1 per cent.[5]

2.5 This has real implications for working people, with a rise in unemployment forecast that could mean 200,000-250,000 more people out of work, and a slowdown in real wage growth to just 0.2 per cent in 2017.[6] As we set out below, a key priority for the Chancellor must be to inject a dose of confidence into the economy through fiscal policy that prevents workers from paying the price of the decision to leave.

2.6 But the state of the economy was far from perfect before the 23rd of June. The TUC have long argued that spending cuts in the UK and the rest of the world have led to a weak and unbalanced recovery that has failed to deliver decent jobs and pay.

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[4] TUC (2016) *Taking the temperature of the post-Brexit economy.*

[5] HM Treasury (2016) *Forecasts for the UK economy: a comparison of independent forecasts* June and September editions.

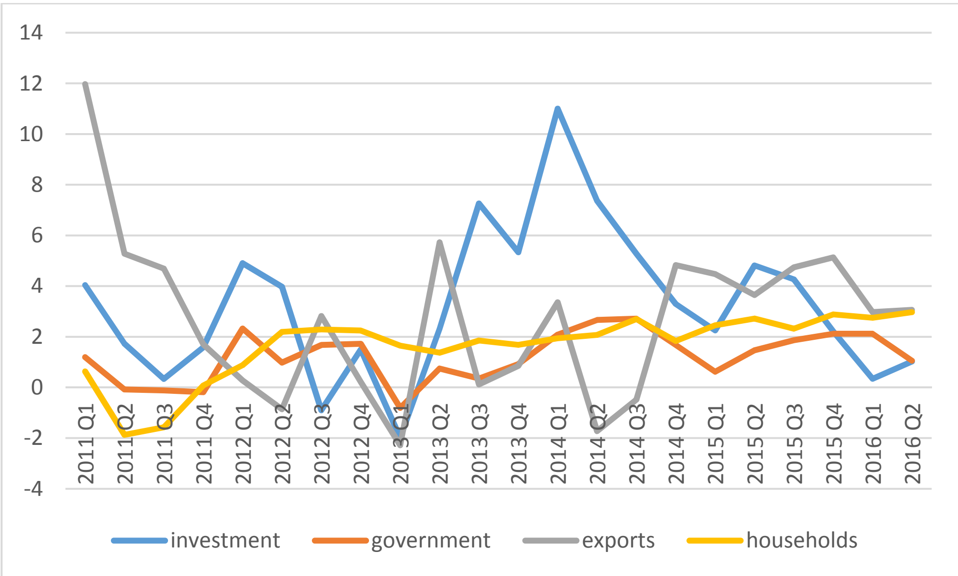
[6] HM Treasury (2016) *Forecasts for the UK economy: a comparison of independent forecasts* September.

A weak and unbalanced recovery

2.7 Since 2010 economic outturns have repeatedly disappointed against expectations. Our estimate is that (nominal) GDP growth over 2010- 2015 averaged 3.9%, against a forecast of 5.0% - corresponding to a total cash shortfall of £140bn.7 The referendum was held as growth was weakening for the second year in a row, following stronger growth in 2014. And while GDP quarterly growth for 2016 Q2 is now estimated at 0.7 per cent, the strength was partly driven by a (likely) erratic manufacturing figure. In a recent speech, Michael Saunders argues that "economic growth in Q3 probably did slow", in part because of this erratic movement.

2.8 The growth that has come has been unbalanced. First, the main element of demand has come from households, with a weak performance on both investment and trade. In the year to Q 2 2016, household spending accounted for 1.8 percentage points of the annual GDP growth of 2.2 per cent, with investment accounting for only 0.2 ppts and net trade subtracting -0.6 ppts. In terms of growth, at 3.1 per cent, household consumption is outstripping all other components of demand. In particular, even before the referendum, investment growth had slowed to a virtual standstill, with business investment declining by -0.8 per cent in the year to Q2. The annual decline in 2016 is the first since 2010, at the back end of the global recession.[8]

Demand growth, quarter on a year ago

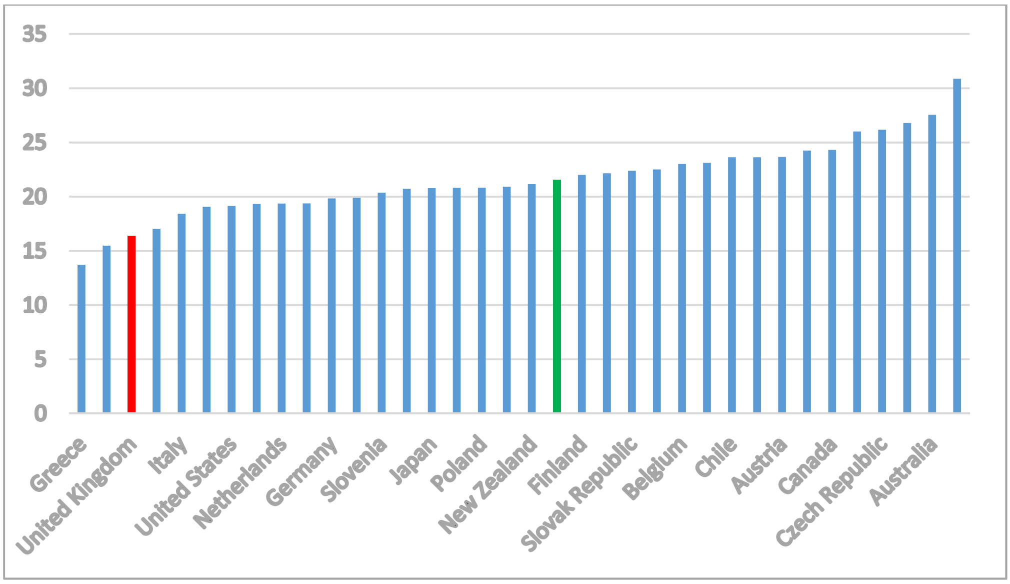


7 TUC (2016), Budget Statement. https://www.tuc.org.uk/economic-issues/budget/tuc-budget-statement-2016

8 Total investment is supported mainly by stronger growth of 4.8 per cent in the erratic government investment series; housing investment has also slowed to annual growth of only 1.4 per cent.

2.1 As the TUC analysis shows, the UK investment performance measured as a share of GDP is third from the bottom of all OECD countries.

Total investment as % of GDP (annual average, 2010-14)



2.2 Second, from the perspective of production (apart form the latest quarter), growth has been increasingly unbalanced towards services industries, shifting the UK further towards a lower wage model of employment. Manufacturing output is still nearly five per cent below the pre-crisis peak. Construction finally attained the pre-crisis peak over the first two quarters of this year, but growth has been slowing significantly, to -0.1 per cent in the year to Q2.

2.3 Other imbalances are also clear. The current account deficit is still at unprecedented lows; price growth in asset markets (including housing) is worryingly vigorous; and private debt remains at a high level relative to income.

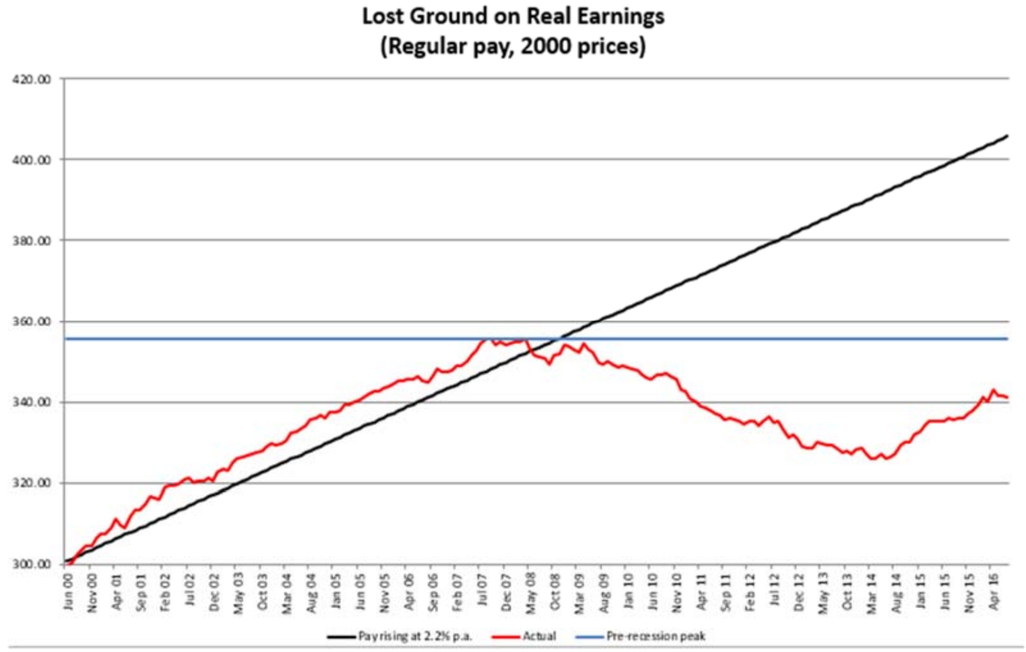
The impact on jobs and pay

2.4 In May to July, the employment rate - 74.5 per cent - was the highest since records began in 1971. There were 190,000 fewer unemployed people than a year earlier and the unemployment rate was at its lowest level since 2006. The improvements have, however, been slowing down and the latest Treasury round-up of independent forecasts for the UK economy showed an average forecast unemployment rate in Q4 2017 of 5.6 per cent, which (as set out above) would equate to an extra 200 – 250,000 people looking for work.[9] Lloyds Bank's latest *Business in Britain* survey reported "[f]or the first time since 2012, the net balance of firms

[9] HM Treasury (2016) *Forecasts for the UK economy: a comparison of independent forecasts* September.

expecting to increase their staffing numbers fell in negative territory, to -1%"[10] and the Bank of England's regional agents reported that employment intentions in manufacturing, business services and consumer services were all adverse for the first time since February 2010.[11]

2.5 Insecure work is also becoming more common: according to the ONS, 903,000 people were working on "zero-hours contracts" in April to June - 2.9 per cent of all people in employment, up from 2.4 per cent 12 months previously.[12] Britain suffered the largest fall in real wages of any developed economy except Greece following the financial crash,[13] and pay growth continues to be feeble. The chart below uses the useful data on average weekly earnings (regular pay) in 2000 terms to provide a measure of real earnings, the red line is actual earnings, the blue line is the pre-recession peak and actual weekly earnings are £14.57 below this in 2000 terms, about £20 in 2016 terms. The black line is where pay would stand now if it had continued go rise at the 2.2 per cent per year average for the pre-recession years – actual pay is £124 a week below this.



2.6 Many have attributed Britain's low pay to its poor productivity performance, and that in turn to supply side weaknesses. The TUC believes that the British economy does require significant reform to deliver better-paid jobs around the country, as we set out below. But poor productivity performance also needs to be seen as a

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[10] http://www.lloydsbankinggroup.com/globalassets/documents/media/press-releases/lloyds-bank/2016/160919-business-in-britain-report.pdf

[11] Bank of England (2016) *Agents' Summary of Business Conditions, 2016 Q3*

[12] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/earningsandworkinghours/articles/contractsthatdonotguaranteeaminimumnumberofhours/september2016

[13] TUC (2016) *Taking the temperature of the post-Brexit economy.*

consequence of fiscal policy choices. The labour market has adjusted to weak GDP, resulting from the larger than expected impact of demand on spending cuts, through a fall in wages (price) rather than a fall in employment (quantity). Interpreting weakness as only a consequence of supply allows policymakers to see weakness as a result of 'structural weaknesses', rather than a consequence of policy. The same inference means policymakers are also under-estimating the extent of spare capacity in the economy.[14] In their *World Economic Outlook* (subtitled 'subdued demand – symptoms and remedies'), the IMF see the likelihood that "economic slack is greater than estimated in some countries".

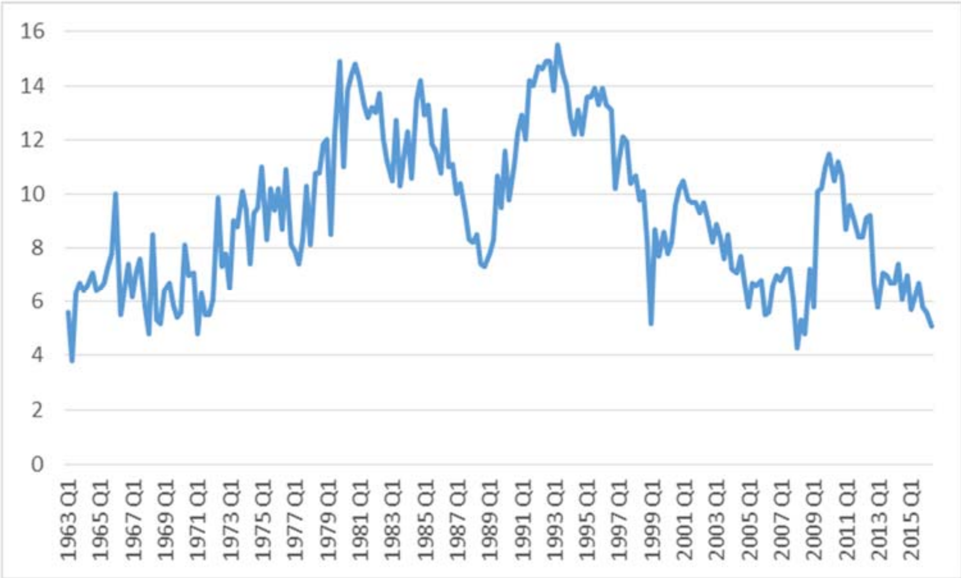
2.7 As the IMF argue, economic slack and changes in commodity prices are the main drivers of low inflation across the world; they are now warning of the threat of global deflation. In the UK inflation has persistently come in below target, and at zero per cent in 2015 CPI inflation was the lowest since the 1930s. While there are upside risks from the sterling exchange, the underlying weakness of aggregate demand is the key feature of the UK and global economies.

The impact on saving

2.8 Weak pay growth is also inhibiting households ability to save. In Q2 2016 the household saving ratio was 5.1 per cent, the lowest since the start of the financial crisis; a long run of figures from 1963 show saving very rarely lower than the present position.

[14] Geoff Tily (2016), 'The productivity fallacy', *Royal Economic Society Newsletter*, July: http://www.res.org.uk/view/art5aJul16Features.html

Saving ratio, per cent



The impact on the public finances

2.9 The impact of austerity and an over-reliance on monetary policy has been weak and unbalanced growth, low wages, and a reduction in households' ability to save.

2.10 But in addition to this, there has been no reward for these hardships in terms of (what the government has seen as) the 'bottom line'. The government originally expected a deficit of £20bn for 2015-16; the outturn is estimated at £76 billion, nearly four times higher. Public debt as a share of GDP (on the Maastricht basis) rose to 87.7 % in 2015/16 from 87.2 % in 2014/15; it was originally expected to be falling from a peak of 85.5% in 2012/13 and the projected reduction into the current year follows only from a fire sale of public sector assets. Low pay means lower tax and national insurance receipts and the OBR figures show that half way through the financial year, borrowing figures have fallen at around a quarter of the rate needed to meet the end of year target set out in their March forecast.

2.11 The need for a new economic approach that delivers better-paid jobs around the country is clear. Giving Britain a pay rise is vital to boost both working people's living standards and the public finances. The next sections set out the steps the Chancellor can take in the Autumn Statement to start delivering on this goal.

Section three

Investment in infrastructure and public services

3.1 There is now widespread consensus that a new approach to fiscal policy is needed to boost growth. As the OECD has put it, countries should "*use fiscal space provided by low interest rates to boost growth and equity*" and in particular:

3.2 "*restructure their spending and tax policies towards a more growth friendly mix by increasing hard and soft infrastructure spending…"*[15] *As they go on to make clear, boosting growth is the best way to improve the public finances:* "Easing of the fiscal stance through well-targeted growth-friendly measures is likely to reduce the debt-to-GDP ratio in the short term" as growth boosts the tax revenues that are currently falling short.

3.3 This is particularly important in the UK in the wake of the referendum. Business confidence and willingness to invest, is likely to be affected by uncertainty for some time; government investment can provide a welcome boost to confidence. The Chancellor has been clear that the misguided commitment to achieve a Budget surplus by 2020 has been dropped, and suggested that the Government intends to revise its approach to fiscal policy. The TUC believes that the government should bring forward investment in both physical infrastructure, and in the vital social infrastructure provided by public services.

Investing in the infrastructure we need for growth

3.4 Investment in infrastructure will boost confidence and growth now. But it also has the potential to improve the productive potential of the economy, including by addressing regional inequalities. In work for the TUC, the National Institute for Economic and Social Research has estimated that in the long term, infrastructure spending has the potential to create a permanent increase in GDP of up to 0.5 per cent.[16]

3.5 The TUC believes that the Chancellor should use the Autumn Statement to announce a significant and sustained programme of spending, with a strong regional dimension. This should include measures to tackle the UK housing crisis, and to help

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[15] http://www.oecd.org/economy/oecd-warns-weak-trade-and-financial-distortions-damage-global-growth-prospects.htm to be footnoted properly – it's their shorter report from journalists.
[16] National Institute of Economic and Social Research, Macroeconomic Impacts Of Infrastructure
Spending – report to Trades Union Congress, p6
www.tuc.org.uk/sites/default/files/tucfiles/infrastructure_spending.pdf

meet our climate change commitments, as well as action to improve the connectivity of the UK economy through transport and broadband improvements. Specifically the Chancellor should announce:

- a construction programme for affordable homes to rent and buy, including a significant proportion of council housing. In addition to supporting skilled jobs growth, this will have the additional benefit of supporting the aspirations of a generation of young people who have given up on the prospect of a home of their own.
- further expansion of high-speed rail, including detailed plans for Crossrail 2 and HS3, and additional support for HS2
- the go-ahead for a new runway at Heathrow, in line with the recommendation of the Airports Commission
- a plan to roll-out ultra-fast broadband across the UK and other spending on information and communication infrastructure
- a full-scale carbon sequestration programme for power and industry, focussed on carbon capture pipeline and storage infrastructure (CCS) in key industrial regions.
- An increase in the proportion of UK expenditure on renewable energy sources, likewise aimed at the industrial heartlands
- an expansion of domestic energy efficiency programmes, including community energy projects.

Investment in vital public services

3.6 The Chancellor should also take advantage of the new approach to fiscal policy to deliver the resources desperately needed by hard pressed public services, including the NHS. Below we set out the priorities for health and social care, education, and local government.

Health and Social Care

3.7 The NHS and social care services are facing financial crises as a result of an unprecedented squeeze on funding which is set to last until the end of this parliament at the earliest. Evidence from Sustainability and Transformation Plans suggests that financially-led reconfiguration of services will lead to closures and additional service rationing in a number of areas of the country as the NHS struggles to find ways to find efficiency savings within a context of flat-lining funding.

3.8 Research from the Health Foundation points out "the NHS in England is currently halfway through the most austere decade in its history" with the £4.5bn real terms increase in health funding provided in the 2015 Spending Review meaning that real terms annual increases will have been an average of 0.9 per cent from 2009/10 to 2020/21 – "the lowest ever rate of funding growth over a 10 year period"[17]. This

[17] *A perfect storm; an impossible climate for NHS providers' finances?,* Nuffield Trust, March 2016

contrasts with rising healthcare costs of 4 per cent and an historic average increase for the NHS of 3.8 per cent.

3.9 This has been reflected by a sharp increase in NHS provider deficits, reaching a record £2.45bn at the end of 2015/16 with 95 per cent of acute trusts in the red. Much of this can be attributed to rising staff costs, particularly agency costs, to meet shortfalls in safe staffing ratios and reductions in average tariff payments.

3.10 The outlook does not look much better this year, with 47 per cent of trusts surveyed by the Kings Fund forecasting a year end deficit, including many that are already in receipt of Sustainability and Transformation Fund money. Just under a quarter of CCGs also expect to overspend – the highest level since the Kings Fund surveys began. Over 90 per cent of trust finance directors stated that their year-end forecast position depended on additional financial support.[18]

3.11 Despite the best efforts of NHS staff, the deterioration in NHS provider finances has led to adverse impacts on the quality of services. This has impacted on a wide range of services, with nearly 4 million patients on waiting lists and worsening performance across a range of services including A&E, cancer care and mental health services:

- Just over 2 per cent of patients waited over 4 hours for treatment in A&E in early 2010. Today, this number has risen to around 10 per cent[19]. In January of this year, A&E performance reached its worst level on record, with ambulances frequently queueing over 30 minutes and record numbers of patients waiting for hours on trolleys[20].
- Since 2006, patients have expected to be treated within 62 days of an urgent cancer referral from their GP. NHS providers are expected to meet this target for 85 per cent of patients. The figure has dropped from 86.7 per cent in April 2010 to 82.1 per cent this summer, with the NHS missing the target for six consecutive quarters now.[21]
- Since 2009 there has been a 12 per cent reduction in the number of beds available to mental health patients, the Royal College of Psychiatrists said that on one day in 2014 there were no beds available at all in England. 'Out of area placements' rose 23 per cent last year with patients facing journeys of up to 370 miles for beds[22]. Alongside the reduction of in-patient care, there has been a reduction in community based services, while referrals have increased by 23 per cent.

[18] *Quarterly Monitoring Report*, King's Fund, September 2016
[19] *Quarterly Monitoring Report*, King's Fund, September 2016
[20] *A&E performance sinks to new low*, The Guardian, 21 January 2015
[21] Provider-based cancer waiting times for Q2 2016/17, NHS England
[22] *NHS mental health care pushed to breaking point by lack of beds*, The Guardian, 1 February 2015
[23] *Fewer mental health patients seen in the community despite rising demand*, HSJ, 26 October 2015

3.12 Social care funding has fared even worse. Between 2009/10 and 2014/15, adult social care received a real terms funding cut of 9 per cent. This has led to a fall of more than 25 per cent in the numbers of people aged over 65 receiving community-based, residential and nursing care services. That's 400,000 fewer older people getting the paid-for care that they need and forced to turn to over-stretched NHS services or informal care instead[24].

3.13 Local authority funding is set to decline still further as a result of the Spending Review, with very different outcomes for local authorities with low council tax and business rate incomes, who may be more dependent on the central government grants that will be halved by 2020. The 2 per cent social care precept to council tax will, at best, raise £2bn by 2020 – against a predicted funding gap twice that size[25]. Local authorities with high levels of council tax income could increase their social care spending by up to four times as much as more grant-reliant authorities through the precept.

3.14 The TUC believes that the Chancellor should use the Autumn Statement to review funding for health and social care, providing a new sustainable financial settlement, while providing the resources and working with the sector to deliver reforms and improvements to health and social care based on clinical rather than financial needs.

Education

3.15 In spite of a consensus about the real challenges facing schools, the government is intent on pursuing a massive and unnecessary programme of structural change that will lead to an expansion of selective education and further damaging fragmentation of our school system. There has been widespread criticism of the decision to expand grammar schools, including by the Chief Inspector of Ofsted, the previous Secretary of State for Education, and the Head of Education at the OECD. The indisputable facts are that expanding selection will benefit wealthier families, discriminate against poorer families, and undermine the status and capacity of other schools in the locality. It is also of huge concern that the consultation paper setting out these proposals does not make any reference at all to children with special educational needs and disabilities.

3.16 Even before this latest announcement schools were facing an onslaught of damaging reforms resulting from implementation of the Education and the Adoption Act and the measures set out in the Education White Paper, *Educational Excellence Everywhere*. The government was forced into a major U-turn earlier this year because of widespread opposition to a policy that would require all state schools in England to become academies by 2022 and strip local authorities of their long-standing role in education. However, independent analyses suggest that the modified policy approach

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[24] Spending Review Submission, King's Fund, September 2015
[25] *Social care funding: 2014 state of the nation report*, Local Government Association and Association of Directors of Adult Social Services, October 2014

will still result in the vast majority of maintained state schools having to become academies in the coming years, largely through an intensification of the government's regime to enforce schools to become academies.

3.17 There is simply no evidence to back up the government's claim that expanding the number of academies will drive up pupil attainment and progression but the policy approach is hugely expensive. In its response to the White Paper the LGA highlighted that only 15% of the largest multi-academy trusts perform above the national average when it comes to how much progress students make, compared to 44% of councils. More recently the LGA has estimated that the ongoing programme of converting maintained schools into academies will cost in the region of £320 million.

3.18 Against this backdrop of structural change that has little support, the government is failing to address the real challenges facing schools, including a recruitment and retention crisis fuelled by low morale, increasing workload demands, poor pay prospects, real-term cuts to school budgets and unnecessary and poorly implemented changes to assessment and the curriculum.

3.19 The Autumn Statement is a chance for the Government to step back from these damaging, unnecessary and expensive plans.

3.20 The cut to Revenue Support Grant (RSG) means that local government has borne a particularly heavy burden in the government's austerity drive, with a 37 per cent real terms cut in government funding between 2010/11 and 2015/16[26] and a further real terms cut in grant funding of 24 per cent over the spending review period to 2019/2027 - should projections on the growth of the local share of business rates be realised.

3.21 This has led to significant cuts to services, directly impacting on communities across the country. A Financial Times[28] report last year showed the damaging effects that cuts were having in local government, including a 28 per cent cut in older people receiving home care, a seven-fold increase in the number of children staying in bed and breakfast and hostels for over six weeks and a 81 per cent decrease in meals on wheels provision. According to UNISON's Austerity Audit, since 2010 there has been the closure of 578 children's centres, 467 libraries, 361 police stations and 33 fire stations[29].

3.22 This is of particular concern given the unequal distribution of spending cuts that have already taken place across local authorities since 2010. Under the coalition government, councils in the top 10 per cent most deprived areas had an average cut

[26] Impact of funding reductions on local authorities, NAO, November 2014
[27] http://www.local.gov.uk/spending-review/-/journal_content/56/10180/7586753/NEWS
[28] http://www.ft.com/cms/s/2/5fcbd0c4-2948-11e5-8db8-c033edba8a6e.html#axzz3gQH1pAxc
[29] Austerity Audit, UNISON, May 2015

of £228.23 per person compared to £44.91 per person in the top 10 per cent of least deprived councils.[30]

3.23 The situation is set to continue in the current Spending Review period. The table below[31] shows that from 2015/16, central government will retain increasingly more from the central share of business rates while continuing to cut RSG, retaining a surplus of over £10bn by 2019/20.

	2013/14	2014/15	2015-16	2016-17	2017-18	2018-19	2019-20
	£m	£m	£m	£m	£m	£m	£m
Central share of Business Rates	10898.554	11110.864	11323.173	11417.533	11642.097	11985.548	12368.627
Revenue Support Grant	15175.402	12674.555	9435.365	7183.929	4981.794	3573.308	2283.950
Central Share Surplus	-4276.848	-1563.691	1887.808	4233.604	6660.303	8412.239	10084.677

3.24 In response to the 2015 spending review, the LGA stated that "today's Spending Review has handed down a difficult £4.1 billion funding cut over this Spending Review period for our residents and comes on top of almost £10 billion in further demand-led cost pressures facing councils by the end of the decade. The consequences for our local communities who will suffer as a result should not be underestimated. Even if councils stopped filling in potholes, maintaining parks, closed all children's centres, libraries, museums, leisure centres and turned off every street light they will not have saved enough money to plug the financial black hole they face by 2020."[32]

3.25 Analysis from UNISON shows that pattern of inequality between councils is also set to continue. In the ten most deprived local authorities, the average cut in RSG per dwelling between 2013/14 and 2019/20 will be £863.78. This is more than twice the cut in the ten least deprived areas where the average cut in RSG per dwelling between 2013/14 and 2019/20 will be £361.34.[33]

3.26 This situation could well be exacerbated beyond 2020 when local government moves to a system of 100 per cent retention of business rates. The TUC has serious concerns about the government's proposed model which will provide greater growth incentives to wealthier areas. We also share concerns raised by the LGA and CBI that business rates will fail to provide sufficient revenue to meet the increasing demands in social care and other services.

3.27 The TUC is also concerned that the government aims to ensure a "fiscally neutral" approach to 100 per cent retention by requiring councils to use retained

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[30] University of Sheffield Political Economy Research Institute, 2014
[31] UNISON analysis of the Local Government funding settlement 2016/17
[32] http://www.local.gov.uk/spending-review/-/journal_content/56/10180/7586753/NEWS
[33] UNISON, 2016

rates to fund an increasing number of central government services. The TUC believes that the first call on retained business rates should be addressing that funding gap, a position shared by the LGA which states that "at the outset, it is important to emphasise that newly retained business rates must be used to address the projected funding gap facing local government by 2020, before any further responsibilities are considered. Our estimate of this gap amounts to at least £5.3bn in 2019-20, including a shortfall for adult social care alone of £1.3bn"[34]

3.28 The TUC believes that the Autumn Statement should signal a review of local government funding proposals with the aim of providing a more sustainable and fair funding settlement based on meeting the needs of communities.

Helping communities manage the impact of migration

3.29 Migrants are beneficial to our country as a whole. For example, EU migrants who arrived since 2001 have contributed £20 billion more in taxes to our economy than they have consumed in public services. But the money doesn't always end up where it is needed and centrally allocated funding can be based on out-of-date census data. A sudden influx of people can put strains on local communities and services, such as schools and GP surgeries, for which additional resource is required.

3.30 Britain is likely to see significant inward migration irrespective of what happens on Brexit – as migration of non-EU citizens is larger than migration of EU citizens- and therefore does not need to wait until after the Brexit negotiations are finished. We need significant new resources to help communities which will channel resources rapidly to the places where it is needed most. We urge the Government to expand this funding in November's Autumn Statement.

[34] https://www.lgcplus.com/politics-and-policy/finance/plug-financial-gap-with-5bn-extra-business-rates-lga-says/7010611.article

Section four

Reform the economy to deliver better jobs

The recovery from the financial crisis has not only been weak but unbalanced, with a shift towards the low paid service sector, and an increase in less secure forms of work. Britain saw the largest fall in real wages following the financial crisis of any developed economy except Greece, and the weakest productivity performance of any G7 country except Italy.[35] Growth in the UK is also exceptionally unequal; the gap between the richest and poorest region in terms of GDP per capita is the fifth largest in Europe.[36]

4.2 Delivering an economy that works for everyone will require a new approach from Government, that delivers not only investment but reform. A sustained strategy for better jobs around the country requires Government both to invest in skills, and to ensure that companies use the skills and talents of their workers effectively, making use of the potential of Trade Unions to improve workplace performance and deliver fair rewards. It will also require Government to make good on its promise of a new approach to industrial strategy, working with both unions and business to deliver more balanced growth. Below we set out the steps the Chancellor should take in the Autumn Statement to show that the Government is serious about this agenda.

Investing in skills

4.3 The TUC has welcomed the general thrust of some ongoing reforms of apprenticeships, especially the introduction of regulatory measures – the apprenticeship levy and new procurement regulations - to address long-term under-investment by UK employers. We have also supported many of the recommendations of the Independent Panel on Technical Education chaired by Lord Sainsbury, including the need for a significant boost to funding to ensure that colleges can deliver high quality technical education under these planned reforms. After the vote to leave the EU, it is vitally important that we make a serious investment in skills and the government should ignore calls for the reform of apprenticeships and technical education to be delayed or watered down, especially implementation of the levy in April 2017.

4.4 However, a major priority in the coming months must be to ensure that implementation of the apprenticeship levy next year leads to a significant improvement in the quality of apprenticeships as much as expanding provision in line with the three million target. The establishment of the Institute for Apprenticeships and Technical Education presents a real opportunity to adopt the

[35] ONS (2016) International comparisons of productivity, Table 3

[36] http://stats.oecd.org/Index.aspx?datasetcode=REG_DEMO_TL2

principles of social partnership that govern similar bodies in other European countries, where employers and unions agree the standards for apprenticeships and wider technical education. It is therefore vital that unions are represented on the Institute's Board and the occupational/sectoral subgroups that will undertake much of the detailed work on standards.

4.5 Whilst the 2015 Spending Review included a degree of protection for the adult FE and skills budget during the remainder of this Parliament, the legacy of major cuts since 2010 has resulted in a greatly contracted college sector. In addition, further rationalisation is expected in the near future, with a number of college closures and mergers likely to be triggered by the ongoing Local Area Reviews. The government will be making major savings to its skills budget over the coming years as apprenticeship funding (approximately £1.5B per annum) is wholly replaced by revenue from levy-paying employers. There is a strong case for using these saving to boost opportunities for adults to retrain, especially people on a low income who are averse to taking out a FE student tuition loan (these are now mandatory for an increasing number of college courses aimed at adults).

Expanding worker voice and ensuring fair rewards

4.6 Boosting workers' voice in the workplace, specifically collective bargaining and collective consultation, has a direct impact on skills utilisation, work organisation and workforce motivation, all of which play an important role in raising productivity.

4.7 At its most simple, mechanisms for collective voice aid the good management of workplaces, with less time lost to accidents, sickness, stress and staff turnover in unionised workplaces. This facilitates a more efficient allocation of resources, including working hours, and boosts output per worker. In addition, there is the broader impact on morale and motivation that stems from people having a greater sense of employment security, enjoying higher wages, and feeling that their interests are better protected than is the case in most non-unionised workplaces. This engenders greater loyalty, commitment and boosts morale, all of which translate into improved organisational performance.

4.8 Where unions negotiate with employers over training, not only are training rates significantly higher, but there is also an impact on the critical area of skills utilisation, with research showing a direct association with higher wages, better job security and improved organisational performance. Union learnings reps have significantly raised the training levels in their workplaces, especially for lower-skilled workers, who have perennially received a lower share of training budgets than their higher-skilled colleagues. This enhances the ability of workers to undertake their current role but is also playing a vital role in boosting the level of skills across the economy as a whole. Thus addressing the economic drag of low skills and low productivity should include a focus on boosting collective voice among workforces that are often badly paid and insecure.

4.9 The commitment to put workers on company boards is an important first start to increasing worker voice. The TUC have set out detailed proposals for how this could be on the statute books within a year, including proposals for elections to the position.[37]

4.10 Better boardroom representation, including on remuneration committees could help to tackle excessive executive pay, and show that the Government is serious about taking on overpaid and under-delivering bosses. The median total pay (excluding pensions) of top FTSE 100 directors increased by 47% between 2010 and 2015, to £3.4 million. By contrast, average wages for workers rose just 7% over the same period and are still way down in real terms on the pre-crash level. Government should set out measures to require firms to disclose full information about employee pay across the company, and the ratio between the CEO's pay and the average worker in the business.

4.11 But it is important that this is the start of the process of expanding worker voice rather than the end of it. The TUC believes that measures to strengthen information and consultation rights, so that all workers have the right to be informed and consulted collectively on matters regarding their workplace, would bring considerable benefits both to working people and the organisations that employ them.

4.12 Government should also examine the potential for new industrial bodies in low paid sectors, drawing on lessons learned from the old wages councils as well as the current Low Pay Commission, to help boost pay and productivity across large sectors of the economy. The International Labour Organisation has set out clearly the evidence that collective bargaining coverage is strongly associated with lower wage inequality.[38] The Chancellor should use the Autumn Statement to show that he understands the important role that Unions play in delivering a fairer economy, and that this will form a key element of the Government's approach.

Industrial strategy

4.13 The Government has taken a step towards the development of an industrial strategy with a departmental name change. The Autumn Statement is an opportunity to set out how it intends to put the flesh on the bones of that initial announcement.

4.14 The TUC is clear that the aim of an industrial strategy must be to deliver better jobs around the country, in line with our climate change commitments. We have previously called for a strategy to develop high value, high skill industries, producing products and services that we can export to growing economies. Those calls remain: our latest policy document, 'Powering Ahead', demonstrates how Germany and Denmark have used active government and a social partnership approach to develop world-beating green technologies, with obvious lessons for the UK. Unions have much to contribute to this agenda, and must be around the table

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[37] TUC (2016) *All aboard: making worker representation on company boards a reality* https://www.tuc.org.uk/economic-issues/corporate-governance/workplace-issues/all-aboard-making-worker-representation

[38] https://iloblog.org/2015/03/03/want-to-tackle-inequality-shore-up-collective-bargaining/

with employers and government as the industrial strategy is developed. The Chancellor should demonstrate the Government's commitment to this approach.

4.15 Developing this strategy will require a detailed understanding of the sectors which have most potential to deliver new high skill high pay jobs, as well as a plan for how jobs can be improved in the lower paid service sectors where most people currently work. But in two areas there is a particular level of urgency for government action now.

- First, Government should set out an action plan for how it will support UK steel. This should include the immediate announcement of a smart procurement strategy, so that key infrastructure investments, defence and security procurement and public spending used strategically to support industry.
- Second, science funding is at currently threatened by the decision to leave the EU. In particular, whilst the commitment of the Treasury to safeguard the UK's participation in current science projects funded by Horizon 2020, the EU's research and innovation programme is welcome, UK involvement in the successor programme to Horizon 2020 is essential. Failure to safeguard our participation risks a decline in UK research and innovation capability in the medium-to-longer term, as well as a strong disincentive to young people study science subjects at GCSE, 'A' Level and as undergraduates, outcomes that would have disastrous economic consequences in years to come.

Section five

Give working people a pay rise

5.1 Reform is needed to deliver a sustainable increase in better jobs. But there is more that Government can do to deliver the pay rise that working people need now. The commitment to the National Living Wage should be strengthened. And Government should end the public sector pay freeze which has seen the pay of the average public sector fall by over £2,000 in real terms since 2010.

5.2 Millions of low paid working people rely on tax credits to boost their take home pay. Last year saw the Government row back from its plan for sharp cuts. But when Universal Credit replaces tax credits, the hit to working people's incomes is set to return. This Autumn Statement is an opportunity to put that right.

National Minimum Wage

5.3 The TUC welcomed the introduction of a minimum wage target of rate 60 per cent of median earnings by 2020 for workers aged 25 and above, also expressed by government as a rate of £9.00 per hour. However, we also cautioned that the age threshold should have remained at 21 and that the government would need to be very careful to ensure that younger workers were not left behind. The TUC also believes that the aim of the Low Pay Commission should be to get the National Living Wage to £10 as soon as possible.

5.4 Some voices in the business community have recently been heard to argue that this minimum wage target for older workers (dubbed the "national living wage") should be watered down, postponed or simply dropped because of uncertainty about the future course of the UK economy. The TUC regards these calls as ill-founded and opportunistic. The UK currently has record employment levels and jobs growth was faster in the low paying sectors than for the whole economy. These are good grounds for the government to hold its nerve on this important target. And as we set out further below, the government must not only stick to the target, but ensure that the new wage rates are enforced.

Public Sector Pay

5.5 Public sector workers are over half way through a decade of government-imposed pay restraint.

5.6 The 5 million people delivering our public services, from job centres to hospitals, schools to local councils, have seen six years of pay freezes and pay caps that means the average public sector workers' pay has been cut by over £2,250 in real terms[39].

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[39] https://www.tuc.org.uk/industrial-issues/public-sector/pay-fair-campaign/public-sector-workers-lose-out-%C2%A32245-under

5.7 In 2011/12, the government imposed a two year pay freeze which was followed by a 1 per cent pay cap on the public sector pay bill until 2015/16. All public sector employers have been required to adhere to this, either through conditions placed on negotiations between employers and unions, such as in the civil service, or through conditions placed on independent Pay Review Bodies that determine pay awards in areas like health, education and the prison service.

5.8 In the Summer Budget 2015, the government announced that it will "fund public sector workforces for a pay award of 1 per cent for 4 years from 2016/17". While CPI inflation is currently running at 0.5 per cent and RPI at 1.6 per cent, OBR forecasts inflation growth back to near 2 per cent by 2017, suggesting further real terms pay cuts within the next five years.

5.9 In a letter of August 2015 to Pay Review Bodies, then Treasury Minister Greg Hands MP stated that "the government expects pay awards to be applied in a targeted manner to support the delivery of public services, and to address recruitment and retention pressures. This may mean that some workers could receive more than 1 per cent while others could receive less; there should not be an expectation that every worker will receive a 1 per cent award".[40]

5.10 At the same time, increases to the National Minimum Wage from April 2016 will put pressure on public sector employers that are subject to the pay cap and who have large numbers of low paid staff. This is particularly the case in local government where over 80,000 employees in local government will be covered by the government's "National Living Wage" as we progress towards to the 60 per cent of median earnings target in 2020[41]. Increasing numbers of NHS staff will also require significant uplift from next year[42].

5.11 With the existing cap on the total pay bill, there is the real potential for thousands of public sector staff caught in the middle to be facing zero wage growth in the lifetime of this parliament.

5.12 Pay restraint has already had a significant impact on public sector workers' living standards, with average public sector workers' pay cut by more than £2,245 in real terms.

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[40] Chief Secretary to the Treasury letter to Pay Review Bodies, August 2015
[41] *The pay agenda in local government*, Simon Pannell, Principle Adviser (Employment and Negotiations), LGA, 15 September 2016
[42] Joint staff side submission to NHS PRB, October 2016

Real terms pay cuts for public service workers 2010 - 2016[43]

Type of worker	Pay in 2010	Pay in 2016	2010 pay increased in line with RPI inflation	Real terms pay cut (2010 pay increased in line with RPI inflation, minus 2016 pay)	2010 pay increased in line with CPI inflation	Real terms pay cut (2010 pay increased in line with RPI inflation, minus 2016 pay)
Midwife	34,189	35,225	40,197	4,972	38,394	3,169
Home carer	20,858	21,745	24,523	2,778	23,423	1,678
Refuse collector	16,440	17,169	19,329	2,160	18,462	1,293
Occupational therapist	27,534	28,462	32,372	3,911	30,921	2,459
School teacher	31,552	33,160	37,096	3,937	35,433	2,273

5.13 Other commentators on public service pay have reached similar conclusions, from Pay Review Bodies to expert policy analysts and public sector employers.

5.14 In their Green Budget in February 2016, the Institute for Fiscal Studies commented that "the government's announced 1% limit on annual pay increases for a further four years from 2016–17 is therefore expected to reduce wages in the public sector to their lowest level relative to private sector wages since at least the 1990s. This could result in difficulties for public sector employers trying to recruit, retain and motivate high quality workers, and raises the possibility of (further) industrial relations issues."[44]

5.15 In July 2016, the School Teachers Pay Review Body (STRB) found that recruitment and retention was problematic, with increasing vacancies in all core subjects, difficulties in recruiting for initial teacher training and a significant increase in the number of teachers resigning from the profession. The STRB stated that "the relative position of teachers' earnings has deteriorated further this year and they continue to trail those of other professional occupations in most regions" exacerbating existing recruitment and retention problems – leading the STRB to

[43] Pay figures are for top of pay scale for these jobs 2010 and 2016. RPI is the more common measure used in pay negotiations. We have calculated RPI using the OBR's 2016 CPI forecast + 1ppt. The government's preferred measure of inflation is CPI, which increased by 21.3 per cent from April 2010 – April 2016. We have used both in this table

[44] Green Budget, IFS, February 2016

argue that “there is a case for an uplift higher than 1% to the national pay framework”.[45]

5.16 In March 2016, the NHS Pay Review Body (NHSPRB) noted “shortages and recruitment and retention problems already emerging for particular groups in the NHS”, stating that “resolving these, so that the NHS continues to offer a good service to patients, will hinge in large part on the quality of the employment proposition, of which pay is one of many factors.”[46]

5.17 In their submission to the NHSPRB, NHS Employers stated that “over the longer term it will be important to balance affordability considerations with the risk that the value of the NHS employment proposition will erode. This may eventually have some impact on staff engagement as well as employers’ ability to recruit and retain skilled staff from wider labour markets.”[47]

5.18 Danny Mortimer, the Chief Executive of NHS Employers warns that “the demand by government to continue to limit pay costs across the public sector hampers the ability to reform and improve contracts, and the junior doctors’ dispute is an example of what happens when you take people for granted.”[48]

5.19 The Health Foundation states that “there is a risk that continuing to constrain pay through national public sector pay restraint will backfire as it will undermine the ability to use pay to recognise, reward and motivate NHS staff and encourage them to work productively”[49]. While the Nuffield Trust comments that “the effect of five years of pay restraint, growing demand for health care services and increasing complexity of patient need has left the NHS workforce feeling undervalued” with “many NHS organisations struggling to recruit and retain clinical staff”. They call on the government to prioritise “reconnecting with the NHS workforce and ensuring staff feel valued in their work.”[50]

5.20 The TUC believes that the government’s policy of holding down public sector pay has had its time.

5.21 It is penalising public sector workers who are facing a decade of real terms pay cuts, harming morale even further across a workforce facing massive job cuts and increasing pressure at work to meet demand.

5.22 It is damaging public services as over-stretched organisations find it increasingly hard to recruit and retain skilled workers, particularly when those jobs becomes uncompetitive in the relation to rising private sector pay.

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[45] Report of the STRB, July 2016

[46] Report of the NHSPRB, March 2016

[47] NHS Employers submission to NHSPRB, October 2015

[48] *We must not take NHS workers for granted*, Danny Mortimer, The Guardian, 26 January 2016

[49] *Staffing matters – Funding Counts*, Health Foundation, July 2016

[50] *Health and social care priorities for the Government: 2015–2020,* The Nuffield Trust, June 2015

5.23 It is damaging local economies by taking wages out of public sector workers' pockets, cash that could be purchasing goods and services from businesses in those communities.

5.24 The TUC believes that the government should work with public service employers and trade unions to:

- Lift the public sector pay cap and allow public service wages to be determined according to the needs of each sector through collective bargaining between employers and unions or through genuinely autonomous and independent Pay Review Bodies where appropriate.
- Reform Pay Review Bodies to ensure that relevant trade union and employer voices are included within board membership and that PRBs are able to look at a wider range of issues than affordability – focussing on recruitment, retention, market comparisons, staff morale and the impact on services.
- Develop fair and sustainable pay structures that are easy to explain, understand and operate, with shorter pay bands and that guarantee progression based on transparent and objective appraisal systems, agreed in partnership between employers and unions.

Universal Credit

5.25 According to the latest Households Below Average Incomes statistics,[51] 66 per cent of children in poverty and 64 per cent of working age adults in poverty live in households where at least one adult is in employment. This means that benefits and tax credits to supplement the incomes of low-paid workers will be at the heart of any strategy to tackle poverty and improve the living standards of those struggling in work. And, as Damian Green, the Secretary of State, told the Conservative Party conference Universal Credit "sits at the heart of our welfare reforms". [52] Although UC's full implementation has repeatedly been postponed it is still scheduled to replace means-tested benefits and tax credits for working-age claimants by 2021.

5.26 In the 2015 Summer Budget Mr Osborne announced a number of changes to UC (he also announced equivalent changes to tax credits but, after widespread opposition, these were withdrawn), due to cut spending by 2020-1 by £4,887m.[53] These include:

- Very substantial reductions in the work allowances (the amount that can be earned before UC is 'tapered' away);
- Limiting the child element to two children for new claims and births; and

[51] https://www.gov.uk/government/statistics/households-below-average-income-199495-to-201415
[52] http://press.conservatives.com/post/151336048820/green-speech-to-conservative-party-conference
[53] http://researchbriefings.files.parliament.uk/documents/CBP-7667/CBP-7667.pdf

- Removing the first child premium for new claims.

5.27 The reduced (by £360 - £4,044 p.a.) work allowance will reduce the incentive to move into employment and increase working hours as the very high UC taper rate (65 per cent of earnings net of tax and National Insurance) will apply at a lower level. The Resolution Foundation calculates that gains from starting work will be reduced by up to £1,250. [54]A Commons Library briefing paper gives the example of a lone parent aged over 25 with two children working 22 hours a week at the minimum wage; without the Summer Budget 2015 changes, working 12 hours a week less would reduce her weekly income by £90; with these changes (even though she would now earn the National Living Wage) this falls by £40.[55]

5.28 The IFS estimates that, by 2020-1, the two child limit will increase the number of children in both absolute and relative poverty.[56] They argue that the 50 per cent increase in child poverty they expect over the next five years will be "concentrated" in families with three or more children – the proportion of children in such families who are poor will rise from 20 to over 30 per cent and just under 5 percentage points of that increase will be due to the two child limit.

5.29 An analysis by the Resolution Foundation found that, despite the withdrawal of tax credit changes planned for this April, the post-2020 reforms would leave 2.6m families still worse off than if the 2016 Summer Budget measures were withdrawn; working households on UC are expected to be £1,000 a year worse off, for those with children this rises to £1,300.[57] The Institute for Fiscal Studies has calculated that workless couples with children and unemployed lone parents will, on average, be more than £3,000 a year worse off and lone parents in work more than £2,000. Childless couples will be slightly better off but all other family types – including other working families – will be worse off by up to £1,500.[58]

5.30 The Universal Credit cuts will hit work incentives, make low-income working families worse off and are likely to increase child poverty. The Government should use the Autumn Statement to reverse these cuts so that Universal Credit works for everyone.

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[54] http://www.resolutionfoundation.org/wp-content/uploads/2015/11/Tax-credit-event-slides-Full.pdf
[55] http://researchbriefings.files.parliament.uk/documents/CBP-7446/CBP-7446.pdf
[56] http://www.ifs.org.uk/uploads/publications/comms/R114.pdf
[57] http://www.resolutionfoundation.org/publications/the-tax-credit-crunch-how-to-limit-the-losses-for-low-income-families/
[58] http://www.ifs.org.uk/uploads/publications/budgets/Budgets 2015/Autumn/Browne_Distributional_analysis.pdf

Section six

Ensure that working people can realise their rights

6.1 Statutory employment rights such as the minimum wage, paid holidays, the right not to be unfairly dismissed, rights to time off after having a child and rights not to be discriminated against bring important social and economic benefits. They ensure decent standards of living, job security and equality of opportunity. They also help ensure a committed and engaged workforce, with lower sickness absence and reduced staff turnover and can therefore bring productivity gains. But they will not deliver these benefits if rights are not properly enforced and access to justice for workers is denied.

6.2 The priority for Government should be to reverse the damaging increases in Employment Tribunal fees that are denying justice to those facing unfairness at work. Further investment in the agencies that enforce rights at work, including the right to the National Minimum Wage, is also vital to deliver fairness for working people.

Employment tribunal fees

6.3 Since the introduction of employment tribunal fees in July 2013, there has been an almost 70% fall in the number of cases going to tribunal. The Chair of the Justice Select Committee, following its recent review of tribunal fees concluded "the timing and scale of the reduction following immediately from the introduction of fees can leave no doubt that the clear majority of the decline is attributable to fees." He also stated that "where there is conflict between the objectives of achieving full cost recovery and preserving access to justice, the latter must prevail".[59]

6.4 The remission scheme which the government said would mitigate the impact of tribunal fees on low-paid workers has been of limited benefit. Fewer than one in five tribunal claimants[60] have been able to claim a reduction or exemption from paying fees under the scheme (even fewer than the one in four the government predicted).[61]

6.5 The introduction of early conciliation has not replaced the need for the ultimate backstop of access to a tribunal. According to figures from ACAS for the year to

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[59] https://www.parliament.uk/business/committees/committees-a-z/commons-select/justice-committee/news-parliament-20151/courts-and-tribunals-fees-report-published-16-17/
[60] Figures calculated from Annex D: Employment Tribunal Fees Tables (April to June 2015) available at: https://www.gov.uk/government/statistics/tribunals-and-gender-recognition-certificate-statistics-quarterly-april-to-june-2015
[61] MoJ Impact Assessment (30/05/2012)

March 2016, out of the 91,585 cases they received for early conciliation, an early settlement was reached in 17% of cases, 18% progressed to tribunal but 65% were unresolved.[62] This means tens of thousands of workers with potential employment rights breaches are being left with nowhere to go once they exhaust workplace procedures for resolving disputes and early conciliation.

6.6 More resources should be provided for the employment tribunal service so that tribunal fees can be abolished and access to justice restored.

Gangmasters and Labour Abuse Authority

6.7 The TUC cautiously welcomed the expansion of the remit of the Gangmasters Licensing Authority to enable it to tackle worker exploitation across the whole economy. But, as we stated in response to the government's consultation on labour market enforcement, the new Gangmasters and Labour Abuse Authority would fail without a substantial increase in resources to reflect its new task.

6.8 The GLA currently licenses labour providers in the agriculture, horticulture and food processing sectors, which account for about 1% of the total UK workforce. Even if the new GLAA focuses on using its new investigatory and enforcement powers in the sectors that it has identified as being high risk (construction, hospitality, warehousing, logistics, cleaning and retail), this will be a substantial increase in its remit as these sectors account for about a third of the UK workforce.

6.9 In 2014/15, the GLA had a budget of £4.4m and 69 staff. Its action prevented more than 3,000 workers being exploited in the sectors that it currently regulates. It recovered £3.5m that was owed to workers and identified £5.1m in proceeds of crime. This shows that tackling worker exploitation effectively not only helps protect workers but it ensures taxes and wages are paid.[63]

6.10 The TUC believes that the government must greatly increase the resources available to the GLAA to match the task that it has set for the new body. It must also ensure adequate funding for other statutory agencies responsible for enforcing basic rights at work like the Employment Agencies Standards Inspectorate and Health and Safety Executive.

Enforcing the National Minimum Wage

6.11 A rising minimum wage that is set to cover an additional two million people is certain to pose some challenges for enforcement. It is very important that the national minimum wage continues to be effectively promoted and enforced, including the implementation of a prosecution strategy that will see the worst offenders taken to court. Achieving these goals will demand a sustained increase in every year through to 2020 in the resources allocated for this work.

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[62] http://www.acas.org.uk/index.aspx?articleid=5741
[63] http://www.gla.gov.uk/media/1558/gla_annual_report_accounts-2014-2015.pdf

6.12 The government has already seen the value of investing in enforcing the minimum wage, as this work helps to lift low paid people out of poverty and establishes a level playing-field for employers, as the budget for this work has increased again this year.[64]

6.13 The budget for minimum wage enforcement rose from £9.2 million in 2014-2015 to £13.2 million in 20145-2016, which was a 43.3% increase. Interim results from HMRC suggest that the amount recovered for underpaid workers may have doubled during the year 2015-16. Whilst there is still more to do, it is already clear that increasing investment in enforcing the minimum wage is a policy that works and it supports the case for investing more resources in the other agencies responsible for enforcing rights at work.

[64] The budget for 2016-17 is £20 million (source: Report by the Comptroller and Auditor General "ensuring that employers comply with the national minimum wage regulations", May 2016, paragraph 9.

Section seven

Boost retirement incomes

7.1 Automatic enrolment into workplace pensions has been one of the great policy successes of recent years. It has led to six million workers being enrolled into workplace pensions with an employer contribution and opt-out rates have been far lower than anticipated.

7.2 Modelling by the Department for Work and Pensions suggests that automatic enrolment will halve the number of people retiring with no private pension at all from 27 per cent to 12 per cent in 2050. This reverses a prolonged trend of falling pension saving. The wide consensus that supported the roll-out of automatic enrolment also appears to be holding. However, for the policy to reach its potential to provide the bedrock for retirement savings for the current generation of workers, further reform is needed. The review of auto-enrolment planned for 2017 is an opportunity to build that consensus, but there is action that Government can take now.

Include more low paid workers in workplace pensions

7.3 As it is currently constituted, many low-paid and part-time workers are missing out on workplace pensions. Women and those from certain ethnic minorities are most likely to fall into this category. Contribution levels remain inadequate for a decent standard of living in retirement.

7.4 TUC analysis of official data shows that the eligibility criteria for automatic enrolment has a particularly dramatic effect on the eligibility of part-time workers and shows that this overwhelmingly means women. Of the 26.4 million employees in the UK, 4.6 million (or 17.6 per cent) earn less than the £10,000 trigger level. Of these, 3.4 million (around three quarters of the total number of workers earning less than the trigger level) are women. Indeed, more than a quarter of female employees earn less than the auto-enrolment trigger.

7.5 The problem is particularly acute for part-time workers. More than half – 56.8 per cent – of part-time workers earn less than £10,000. Their number includes more than three million female part-time employees compared to fewer than one million men. The problem has been caused by linking the earnings trigger to the threshold for paying income tax. This threshold has been raised substantially in recent years as a deliberate government policy aimed at helping low-paid workers.

7.6 Contribution rates also remain inadequate. The PPI has found that at minimum contribution rates savers are unlikely to amass enough savings for a decent income in retirement. A lower earner has a 63 per cent probability of achieving their target replacement income, compared to 49 per cent for a median earner and 40 per cent for a higher earner.

7.7 A particular difficulty is caused by the decision to apply contributions to a band of earnings, rather than base them on a full salary. This means that even when contribution rates increase in future years, the amount being contributed will be far less than the headline 8 per cent.

7.8 There is mounting evidence that feared "levelling down" – employers reducing payments to the pensions of existing staff to the auto-enrolment minimums – is coming to pass. DWP analysis found that 13 per cent workers had contributions levelled down in 2014.

7.9 We would like to see:

- Abolition of the earnings threshold for employer contributions.
- Simplification of the system of band earnings.
- A pathway to increase contribution rates with serious consideration given to an additional flat-rate contribution and auto-escalation.

Pensions tax relief

7.10 The government should take a cautious approach towards any reform of pension's tax relief, including a future move towards a taxed, exempt, exempt policy for retirement savings. The TUC believes that improvements could be made to the current system and more support provided to lower and middle earners. But there should not be a shift away from the important principle of providing upfront relief or a reduction in the overall support given to savers.

7.11 It is vital that the government supports, and is seen to support, pension saving in partnership with employers and individual workers. The best way to foster responsibility is to ensure it is easy for an individual to make good decisions by placing them within a system of decent value, well-governed workplace pensions. An essential part of this is up-front tax relief that provides an incentive to save for some, and support in building retirement savings for many.

7.12 We believe that moving to a system where contributions were paid from taxed income with the intention of making payments tax-exempt would be a mistake. Implementation would be complicated and costly. It is also potentially regressive. Currently, 48 per cent of pensioners pay no income tax in retirement.

7.13 Any reform should not undermine defined benefit schemes, including funded and unfunded public service pensions, which remain key recruitment and retention tools for the state sector.

7.14 Given the importance of supporting pensions saving, the overall level of tax relief used to support pension saving should be maintained. Using reform as a revenue saving measure would send a signal that the government does not value pension saving. It would also make it harder for workers to amass pension savings and make it more likely that they suffer hardship in later years.

Trades Union Congress
Congress House
Great Russell Street
London WC1B 3LS

www.tuc.org.uk

contact: Kamaljeet Gill
Policy and Campaigns Support Officer
020 7 467 1206
KGill@TUC.org.uktuc.org.uk

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