

SLIM - *Comment*

Budget 2009 – Skills and Jobs

28/04/2008

A busy week for those of us who dabble in employment and skills. Last week not only saw the eagerly awaited recession budget from the Chancellor, Alistair Darling, but latest unemployment figures showed a rise to the highest levels since Labour came to power in 1997. And if that were not enough, last week saw the publication of “New Industry New Jobs: Building Britain’s Future”.

Specific announcements aside, of course most pressing is the public debt burden that can only spell years of impending frugality for publicly funded services. Alistair Darling admitted that the underlying health of the public finances was much weaker than had been thought. The Institute of Fiscal Studies predicted that it would require two full “parliaments of pain” of intensifying austerity to get government borrowing back to acceptable levels.

It went on to forecast that the Exchequer will collect in perpetuity a net £90bn a year less than otherwise because of lost tax revenues and higher social security costs: partly as a result of smaller tax receipts on the back of lower share and house prices; and, partly because of the shrinking financial services industry, previously a big contributor to Treasury coffers.

So what does that mean for public spending? Again according to IFS, £6bn of extra efficiency savings will be delivered by the public sector in 2010–11. A large proportion of these savings will be delivered by just two departments: Health and Children, and Schools and Families, who have announced new efficiency savings of £2.3bn and £0.7bn respectively – equivalent to 2.2% and 1.3% of their current budgets. Local Government and Defence have also identified large efficiency savings, of £0.6bn and £0.45bn respectively, but the Treasury has labelled these as ‘recyclable savings’ – meaning that these departments will not actually have their resources budgets cut by this amount in 2010–11.

With many papers predicting a return to 1970’s austerity packages and unemployment, these are serious times. Clearly those of us working in the skills and employment fields will be feeling the pressure more than most. So what’s in store?

I hope you find this *SLIM-Comment* useful.

Chris Evans

Chris Evans
Director, SLIM

Andrew Dean

Dr Andrew Dean
Editor – South West Skills Newsletter
a.dean@exeter.ac.uk

Budget Summary

In brief the Budget delivers:

- Government support for economy to protect 500,000 jobs
- Statutory redundancy pay will increase from £350 to £380 a week
- Extra support for people who have been out of work for 12 months through the Flexible New Deal with an additional £1.7bn investment to support core Jobcentre Plus provision and the delivery of Flexible New Deal
- A guarantee for 18 to 24 year olds claiming Jobseeker's Allowance (JSA) for 12 months of a job, work placement or work-related skills training for at least six months with extra money on top of benefits for those in training
- £260m of new money for training and subsidies to help young people obtain the skills and experience needed by sectors of the economy with prospects for strong future demand
- Funding for Care First, offering 50,000 traineeships for young people in the care sector
- Funding for local authorities and partners to take forward the creation of 100,000 new jobs in socially useful activity; 10,000 of these will be green jobs
- Funding for local authorities to provide a further 50,000 jobs in areas of high unemployment across the country, to support communities most affected by rising unemployment
- £250m this year and £400m in 2010-11 - extra investment to ensure that every 16 and 17 year old who wanted to stay in education or training could do so.

Ben Bradshaw, Regional Minister for the South West, said: "I welcome the measures announced in this Budget to invest in businesses and individuals to drive economic growth. The Budget balances the need to invest in the short-term to drive economic growth and the need to ensure the long-term stability of the UK economy."

Yvette Cooper, Chief Secretary to the Treasury, said: "This Budget is about jobs in the South West region, helping people and businesses right now. It also prepares the South West for the recovery - encouraging business investment, developing a low carbon economy and promoting a fairer society. "

The full Budget report and associated notices are available from HM Treasury at:

http://www.hm-treasury.gov.uk/bud_bud09_index.htm

A Budget for Jobs?

Last week's unemployment figures showed that 270,000 people became redundant in the UK in the three months to February, the highest figure since comparable records began in 1995. It also emerged last week that the number of NEETs – young people not in employment, education or training – has risen – reversing a downward trend.

In the South West, the narrower claimant count measure (which covers the number of people out of work and claiming jobless benefits) stood at 96,045 in March, up by 4,506 on the previous month. This brings the regional jobless rate to 3.1%, the highest since February 1998. This compares to the UK rate of 4.0%.

In response to rising unemployment, the Budget delivered an extra £3.1bn to help people looking for work. This includes a guaranteed offer of work or training to every 18-24 year old.

Government will fund 250,000 jobs in the public and private sector, including 150,000 new jobs created through the Future Jobs Fund. The Fund is intended to enable local authorities and third sector groups to submit innovative bids for jobs that will improve their local community. Work starts this week with councils and voluntary groups on developing new jobs through the Future Jobs Fund. The intention is that by January next year, every 18 to 24 year old who is approaching 12 months unemployment or more will be guaranteed a new job, training or paid work experience place. These opportunities will come on line from the autumn, and will be paid at least at National Minimum Wage. These will be targeted primarily at 18-24 year olds, but some will also be available for other disadvantaged groups and unemployment hotspots.

The Future Jobs Fund also plans to offer 100,000 job opportunities, again primarily for long term unemployed young people in the sectors of the future. This recognises that, despite the recession, many sectors still have vacancies and others will continue to grow. This will provide the unemployed with work experience for the long-term.

50,000 jobs in the caring sector through the establishment of Care First: providing specifically tailored pathways into social care jobs, with a £1500 recruitment subsidy offered for sustained employment and training.

50,000 jobs (with pre-employment training and £2000 recruitment subsidy) dedicated to other growth sectors, such as hospitality – it will be a flexible fund so we can help stimulate demand for jobs and give young people a start in careers that will expand in the future.

The guarantee, which will be fully in place by early 2010, will include training places lasting up to 6 months plus community work placements for those who do not take up the other options.

On top of the £1bn committed to guaranteeing young unemployed work and training, an additional £1.7bn will be invested in more help for all jobseekers, through Jobcentre Plus and the Flexible New Deal, which gives people out of work for more than a year intensive help through private or voluntary providers. It was also pledged that every person under 25 who has been out of work for 12 months would be offered a job or further training by the beginning of next year so that they are not "abandoned to a future on the scrap heap".

For those who are being made redundant, Alistair Darling announced an increase in the maximum statutory redundancy payment. An employee's statutory redundancy pay is calculated by using a formula that takes into account their age and length of service. This formula results in a number of weeks' pay, which is then multiplied by the employee's weekly pay subject to a maximum of, currently, £350 per week. This figure will now rise to £380.

Trade unions have been calling in recent weeks for the figure to be £500 a week, arguing that the increasing numbers of people losing their jobs meant action was urgent. To help the unemployed stay in their homes the existing level of support for out-of-work home owners will be extended for six months to help them keep up with mortgage payments.

A Budget for Skills?

In addition to the measures highlighted above, some additional funding to plug shortfalls:

Additional FE Capital funding

The Budget announced additional capital funding of £300m in the current CSR period which will allow the LSC to give approval to a limited number of projects starting in 2009-10. Recognising the long-term nature of capital projects, there will be a planned continuing FE capital investment programme of £300m a year from 2011-12 to 2013-14 to be confirmed at the next Spending Review. This provides a provisional £1.2bn in total to 2013-14.

The LSC has welcomed the additional funding and will be writing to all college principals shortly to explain what this means for the overall capital funding programme. The letter will set out the proposed new draft criteria and the process for prioritisation.

Martin Doel, Association of Colleges Chief Executive, welcomed the pledge of extra support for College building projects at such a difficult time but emphasised that the challenge was now how to ensure that funds are spent in the most effective manner – which will include helping colleges who have been put in financial difficulties by the freeze on building projects.

Additional 16-18 learner allocation funding

An additional £655m funding was announced to be spent over the next two years on 16-18 learner allocations. This was announced in response to the increasing numbers of learners and concerns about the availability of funding to support them. This will enable the LSC to fund 54,500 extra learners each year in schools, colleges and independent providers beyond the numbers in the Grant Letter and in addition to the already announced growth in Apprenticeships.

The LSC has confirmed that it will be writing to schools and colleges by the end of April to give them the immediate reassurance they will receive the funding for learners they have already planned for and the next steps.

Again the AOC welcomed this announcement as “excellent news... expected to cover the shortfall. Two thirds of these students are in College so this announcement is very welcome.”

At the same time the Budget signified a range of Department budget cuts, mainly met from “efficiency savings”, such as the following:

Department for Children, Families and Schools (DCFS)

- £307m of savings in schools through applying a one per cent efficiency saving against cost pressures to free up resources to support more personalised learning
- 3 per cent efficiencies in the programme expenditure of Non-Departmental Public Bodies (NDPBs)
- £650m additional savings without adversely affecting the quality of key services, including through further efficiencies across NDPBs and DCSF; and Economies of scale arising from the growth in post-16 learner numbers over the next two years, which will mean that learning places can be delivered with greater efficiency after this year.

Department of Innovation, Universities and Skills (DIUS)

- £118m through increasing the effectiveness of research activities funded by the Research Councils by reducing administration costs and refocusing spend on new research priorities
- £50m of savings from improved procurement and better estates management in the Higher Education sector
- £400m of savings through a renewed efficiency drive in Further and Higher Education (the use of benchmarking data, greater contestability, particularly in commissioning new programmes and services, reduced expenditure through lower than previously expected rates of inflation and the strategic reprioritisation and re-phasing of programmes, and an additional £106m of savings delivered by the Research Councils within the science and research budget to be re-invested within that budget to support key areas of economic potential).

Department of Business, Enterprise and regulatory Reform (BERR)

- £5m savings from delivering capital investment in assisted areas through the Selective Finance for Investment in England scheme, which focuses on higher value projects and provides better value for money through higher levels of additionality than the previous Regional Selective Assistance scheme.
- £1.4m savings from the Competition Commission Council's fundamental review.

Department of Works and Pensions (DWP)

- £15m through DWP's Shared Services organisation
- £300m through increases in staff productivity
- £28m through the Information Flows Programme which is delivering real improvements to the administration of Housing Benefit and Council Tax Benefit
- £30m from the modernisation of DWP's estate and improving overall workspace utilisation.

Responding to the Budget announcement, Rick Trainor, President of Universities UK, said: "The additional £400m cuts identified by the Treasury as efficiency savings for DIUS will be very challenging for the sector."

"This budget's commitment to improving the UK's skills base during the current downturn is welcome. Universities will play a key role in delivering on areas such as green technology, creative industries and life sciences, identified as priorities by the Chancellor in his statement. Maintaining the existing commitment to increasing the science budget by 6 per cent is also welcome."

"We note the commitment to fund extra sixth form and FE places, as well as the further support for 18-24 year olds seeking to retrain or enter the workforce. However, we are disappointed there has been no rethink on the current restriction on student places in higher education."

"The £50m as part of the new Strategic Investment Fund to enable the Technology Strategy Board (TSB) to increase its capacity to support innovation is a positive step – as is the £2m investment on additional support to widen post-16 participation in physics and mathematics."

Reactions and Comment

As Alistair Darling drew the battle lines in preparation for the next election, so reactions to the budget were expectedly divided.

Institute for Fiscal Studies (IFS)

Robert Chote, Director of the IFS, said he was "surprised" by the scale of the economic problem that the Treasury has admitted to in its economic forecasts. IFS believe that most of the £175bn Alistair Darling needs to borrow this financial year is "essentially impervious" to economic recovery.

ING

Another City economist, James Knightley of ING, said that Darling's forecasts were much too upbeat. "The next budget will see further tax rises, which will typically lower economic activity, or even higher borrowing".

Engineering Employers Federation

Chief Economist, Steve Radley, said the government was being shortsighted by not offering more help. "With today's figures showing manufacturing job losses accelerating, it is disappointing that government has not felt able to back companies' efforts to avoid redundancies, especially given the help available in other countries. This risks loss of more key skills than is necessary and will hamper companies' efforts to take advantage of the upturn."

The British Retail Consortium

Announced: "This 'budget for jobs' has done little to help under-pressure retailers keep people in work," said a spokesman, adding: "Few share the chancellor's optimism that the economy will be growing again by the end of this year."

CBI

Welcomed the additional funding for Jobcentre Plus.

TUC

Welcomed the help for the young unemployed. Commenting on the employment programme for young people announced in the Budget, TUC General Secretary Brendan Barber said: "The Chancellor's announcement of a £2bn programme to offer a guarantee of training or work for young people unemployed for more than a year is very welcome. It is very close to what the TUC has been urging ministers to do... But while this scheme is welcome, its timescale is not urgent enough. It needs to start this year - not 2010 - so that it can help the tens of thousands of young people who are unemployed now."

So, whilst generally supportive, the TUC has suggested the government was not helping the unemployed with the same determination it had employed to save the banks.

Inclusion (Centre for Economic and Social Inclusion)

Broadly welcomed government's budget proposals. Announcing that government would not repeat the errors of past recessions by doing 'too little, too late' and that 'short term job loss should not be allowed to lead to a lifetime on benefits'. However, they were disappointed that the call for targeted action to be taken in areas of high unemployment to provide young people

out of work with a temporary job and/or training, combined with job-search support, once they have been unemployed for six months had not been taken up.

The Work Foundation

Were concerned that the Budget “fell short of the sizable stimulus that the economic crisis demands and what is affordable.” Pointing to the fact that overall levels of indebtedness remain below many of our international competitors while, according to the government, growth is expected to return towards the end of the year. It welcomed the recognition of the need for decisive action to protect jobs and help the unemployed.

Local Government Association

In response to the Budget, Cllr Margaret Eaton, Chairman of the Local Government Association said: "The Government has recognised what councils have been calling for months, which is that local authorities are key to the creation of jobs in the public and private sectors. It's good news that ministers have listened to what council leaders have been telling them. Councils must now be given freedom to use the extra money pledged in the Budget to help local people... The state of the public finances will have a significant impact on councils' finances in the coming years and town halls will be bracing themselves for tight times ahead."

NIACE

Have welcomed the increased public investment to help jobless people back into work but questions why younger people under 25 are offered a guarantee of a job or training place while older people are not: "In earlier recessions people over 50 were among the hardest hit, with many destined never to work again... The missed opportunity to target specific support for older workers is all the more short-sighted given the country's changing demographic profile."

Association of Learning Providers

Welcomed measures in the Budget which will specifically help young people being hit by the recession, but remain deeply concerned that no assurances were offered on funding urgently needed now for unemployed youngsters wanting to join a key government training programme, 'Entry to Employment'.

South West RDA

The RDA especially welcomed the Budget's focus on skills, the green economy and help for businesses struggling in the recession but warned that the region must ensure it can capture its fair share of the benefits on offer. Commenting on today's Budget, Nigel Jump, RDA Chief Economist, said: "Today's Budget included a number of measures that we can welcome in the region - some of these are short-term measures and some long-term. Moreover, whilst our unique business (a high proportion of SMEs) and household structure (an older population) suggests some measures will have an impact here, the real question is how we capture, at least, our fair share of the benefits on offer."

White Paper

The government has moved tentatively towards giving England's major conurbations some of the powers enjoyed by the mayor of London and his administration, with announcement to create pilot city-region "compacts" around Leeds and Greater Manchester.

However, as the Guardian speculates, whether senior ministers – crucially, in the business and employment departments - are prepared to let go and devolve functions from Whitehall to alliances of local councils is still open to question.

As someone who worked for the Association of Metropolitan Authorities as the metropolitan counties were abolished in 1986, the new concept for the Leeds and Greater Manchester areas, looks for all intents and purposes like their recreation. More pilots could follow and this development opens the way for a significant shift in regional structures and governance, subject of course to the outcome of the next election

The policy statement "Building Britain's Future - New Industry, New Jobs" identifies key areas where Government action can have most impact, investing in growth to speed recovery and building manufacturing and services essential to ensure British people and businesses can compete successfully for the jobs of the future.

Key areas identified for immediate action and reform are centred on innovation, skills, finance, infrastructure and trade. They include:

- making sure high growth, high innovation firms have access to finance
- more support for exporters by enhancing the role of UK Trade and Investment and the Export Credits Guarantee Department
- more support for turning bright ideas into products that win in the marketplace by building the Technology Strategy Board into a world leader
- improving the ability to identify the skills needed for future success and making sure the education and training system delivers them
- smarter, more joined-up Government that understands the importance of creating wealth and uses its buying power to support innovation and skills
- a coherent strategy for making sure Britain has the modern infrastructure and networks, from energy to broadband, that will be the foundation of future prosperity
- concerted action to back businesses in markets and sectors, from pharmaceuticals through aerospace, nuclear to business services, life-sciences to plastic electronics where Britain has strength.

SLIM Comments on the Budget

Whoever wins the next election seems faced with an unenviable task, with pressure already being placed on existing budgets across many areas of Government activity. There are plenty of mentions of cuts, or rather 'savings', within this most recent Budget. But, in a Budget of few major announcements, it remains Education that stands out for new funding and ideas. This results from the major emphasis given to education in recent documents such as 'New Industry, New Jobs' launched by Peter Mandelson early last week, and from a continued unwillingness to consider market interference in any aspect other than skills provision. Indeed Government may start to see employers' unwillingness to train as not being the only area of potential market-failure, following the Credit Crunch. But when it comes to addressing the recession, skills and education remain the Government's panacea of choice.

Funding for schools keeps rising and there is confirmation of the extra money for capital build in colleges. The extra money for Jobcentre Plus is also needed, particularly following the closure of some smaller branches. The extra money for teachers of STEM (up to £5m over the next two years) fits a major regional priority.

The commitment to Leitch continues (to the pleasure and expectation of some and the increasingly loud gnashing of teeth from others), with Train to Gain still to the fore alongside sector compacts, more money for SMEs and the expanded apprenticeship programme. There is also additional money for HE by way of the Economic Challenge Investment Fund where Universities are expected to provide support for employers and individuals. There is more money for the creative industries via Business Links and £50m to support innovation in advanced and low-carbon manufacturing.

The additional support through Flexible New Deal and, in particular, the new programme to support a work preparation or placement programme for 18-24 year olds who have been out of work for a year is particularly welcomed, but could be needed sooner.

The Care Sector stands out as one with vacancies (for the considerable future), so the offer of 50,000 traineeships for young people in that sector is a useful development.



Funded by the South West of England Regional Development Agency, Regional Skills Partnership and the Competitiveness Programme. Written and compiled by the [Skills and Learning Intelligence Module](#). The views expressed within this Slim-Comment© are solely those of the Marchmont Observatory. Written and compiled by SLIM, part of the South West Observatory. © Marchmont Observatory, University of Exeter 2008.