FACT SERVICE

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Bad news Budget

Chancellor Philip Hammond introduced his second Budget with bad news.

Referring to the Office for Budget Responsibility's (OBR) *Economic and fiscal outlook*, Hammond said the 2017 forecast for economic growth had been slashed to 1.5% from 2% in his March Budget.

And forecasts for 2018, 2019, 2020 and 2021 have been revised down by the OBR to 1.4%, 1.3%, 1.3% and 1.5% respectively.

The OBR has forecast that CPI inflation will peak at the end of this year, averaging 3.0% in the final quarter of the year. It is then expected to ease over 2018, averaging 2.4%, as the effect of sterling's depreciation wanes. Inflation then remains steady in 1.9% to 2.0% range until the end of the forecast period in 2022-23.

The Budget documents also give forecasts for RPI inflation and this is expected to average 3.6% in 2017 and then forecast to fall back to 3.3% next year, followed by a further fall to 2.8% the year after. In the final three years of the forecast period it is expected to rise again to 2.9%, 2.9% and 3.0%.

Average earnings growth is expected to be 2.3% this year and forecast to stay at the figure for the next two years. By 2020, growth is expected to be up to 2.6%, rising further to 3.0% in 2021 and 3.1% in 2022.

Workers' livings standards will, therefore, continue to be hit if RPI inflation is used for comparison with earnings growth. However, if CPI is used there will be some improvement in living standards.

A TUC analysis of official figures published for the Budget shows that wages are now set to be worth £800 less per year in 2021 than had been expected at the Budget in March.

TUC general secretary Frances O'Grady said: "The news for workers gets worse and worse. This Budget won't give Britain the pay rise it so badly needs."

On the public finances, Hammond said that annual government borrowing will be £49.9 billion this year, £8.4 billion lower than forecast in his March Budget.

Borrowing is forecast to fall in real terms in the subsequent five years from £39.5 billion in 2018-19 to £25.6 billion in 2022-23.

However, projected borrowing has been revised up for 2019-2020, 2020-2021 and 2021-22, compared to March, due to the weaker economic outlook and expected lower tax yields

Public sector net borrowing is forecast to fall from 3.8% of GDP last year to 2.4% this year, then 1.9%, 1.6%, 1.5% and 1.3% in subsequent years, reaching 1.1% in 2022-23.

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Debt will peak at 86.5% of GDP this year, then fall to 86.4% next year; then 86.1%, 83.1% and 79.3% in subsequent years, reaching 79.1% in 2022-23.

Universal Credit The chancellor announced a £1.5 billion package to "address concerns" about the delivery of Universal Credit.

In other changes, the seven-day initial waiting period for processing of claims to be scrapped and claimants will get 100% advance payments within five days of applying from January.

However, the wait for the first payment is only to be cut from six to five weeks.

Alison Garnham, chief executive of the Child Poverty Action pressure group, said: “This should have been the Budget that ushered in much needed structural reform of Universal Credit to revive the central promise to strengthen the rewards from work – and that didn’t happen.”

Public sector pay cap There was little or no mention of an end to the public sector pay cap. Hammond did, however, say that to protect frontline services in the NHS, the government was committing to fund pay awards as part of a pay deal for NHS staff on the Agenda for Change contract, including nurses, midwives and paramedics.

But, as Frances O’Grady said: “The chancellor has raised hopes in the NHS, but has left other public sector workers out in the cold.”

“The chancellor should have done the right thing, and properly funded a real pay rise across the public sector.”

www.gov.uk/government/topical-events/autumn-budget-2017

http://cdn.budgetresponsibility.org.uk/Nov2017EFOwebversion-2.pdf

www.tuc.org.uk/news/bad-budget-news-will-hit-workers-%C2%A3800-year-2021-says-tuc

www.cpag.org.uk/content/budget-2017-rescue-package-universal-credit-no-structural-reform-keep-promise-greater-reward

Factory output rises

UK factories boosted their output in September, official figures show.

Manufacturing output in the three months to September increased by 1.1% on the previous three-month period ending June. The August rise was 0.7%, according to the Office for National Statistics.

Seven out of the 13 subsectors posted increases including a 9.0% increase in textiles and clothing, 8.9% in electrical equipment and 5.8% in computers and electronics.

Offsetting these increases were falls of 2.8% in coke and refined petroleum products and 2.3% in rubber and plastic products.

Factory output was up by 2.7% on the same period a year ago. The August rise was just 2.3%.

The more volatile monthly figures show a 0.7% increase in output in September compared wiith the previous month and a 2.7% increase on the same month a year ago.

The production industries (mining and utilities as well as manufacturing) saw output increase by 1.1% in the three-month period ending September compared with previous three-month period.

Production output was up by 1.8% on the same period a year ago.

In September, the monthly increases for production were 0.7% on previous month and 2.5% on the same month 2016.

www.ons.gov.uk/economy/economicoutputandproductivity/output/bulletins/indexofproduction/september2017

MPs' draft Bill on gig economy exploitation

A draft Bill to close loopholes that allow companies to use bogus “self-employment” status as a route to cheap labour and tax avoidance in the gig economy has been published jointly by two MP’s select committees.

The Work and Pensions and Business, Energy and Industrial Strategy Committees published the Bill, saying the law must not allow willingness to exploit workers to be a competitive advantage. If the Bill was passed and became law, it would assume a “worker by default” status, meaning employers would have to offer basic rights such as sick pay and holiday pay.

Frank Field, chair of the Work and Pensions Committee, said: “It is time to close the loopholes that allow irresponsible companies to underpay workers, avoid taxes and free ride on our welfare system.”

Rachel Reeves, chair of the Business, Energy and Industrial Strategy Committee, said: “Uber, Deliveroo and others like to bang the drum for the benefits of flexibility for their workforce, but currently all the burden of this flexibility is picked up by taxpayers and workers. This must change.

"Recent cases demonstrate a need for greater clarity in the law to protect workers. Responsible businesses deserve a level-playing field to compete, not a system which rewards unscrupulous businesses."

The two committees also published a joint report into the gig economy.

The view of the committees on employment status was that the current situation puts an unacceptable burden on workers to address poor practice through an expensive and risky court case while the companies themselves operate with relative impunity.

Legislation to protect the legitimately self-employed and a new presumption of "worker by default" would require companies to provide basic safety net standards of rights and benefits to their workers—or prove that their working practices are genuinely reflecting of self-employment.

An obligation on employment tribunals to consider the increased use of higher, punitive fines and costs orders if an employer has already lost a similar case, and enabling use of class actions in disputes over wages, status and working time, would reduce the chance and opportunity for employers to simply "wait and see" whether individuals are willing to risk pursuing their rights.

Workers should not be faced with a choice between not working or working for below the minimum wage. The government should rule out introducing any legislation that would undermine the National Minimum Wage/National Living Wage.

The loophole that enables agency workers to be paid less than permanent employees doing the same job must also be closed, the committees said.

And companies should either guarantee hours that reflect the periods worked each week, or compensate workers for uncertainty.

In relation to enforcement, the committees found that employers need only fear an inspection of their labour practices "once every 500 years", and receive only paltry fines if they are found to be breaking the law.

The report said that enforcement bodies and the director of Labour Market Enforcement urgently need more resources — paid for by a significant increase in fines for offending employers — to root out bad practice.

There should be regular naming and shaming of companies that flout the law. In the longer term, embargoing of goods from non-compliant businesses has potential as a "very strong incentive" for retailers to promote compliance in their supply chains

Enabling enforcement bodies to issue punitive fines for noncompliance would also help ensure that the risks of being caught outweigh the gains companies stand from illegal pay and practices.

Finally, the committees call for concentrated "deep dives" by all the enforcing bodies into industry sectors and geographic areas, where there is evidence of abuse, which should become a regular part of the armour to protect vulnerable low-paid workers.

https://publications.parliament.uk/pa/cm201719/cmselect/cmworpen/352/352.pdf

Fight over universities pension scheme

The University and College Union (UCU) is gearing up to fight the closure of the universities superannuation scheme.

Universities UK, the representative body for UK universities, has proposed closing the superannuation scheme to future accrual and moving members to a defined contribution arrangement in order to tackle the scheme's deficit and the rising cost of future pensions.

Three hundred and fifty higher education employers, which are part of the scheme, are keen to avoid any costs being passed on to members, as well as any changes that might impact funds being allocated away from areas such as teaching and research, but remain committed to maintaining their total 18% contribution to the scheme.

According to Universities UK, its proposal would work towards decreasing the scheme's financial deficit and potentially any future costs while ensuring that it continues to offer members an attractive pension benefits package.

Members' accrued pensions would not be affected by the changes to the USS benefit structure, with changes only relating to future benefits.

However, the UCU said proposals to remove the guaranteed level of pension benefits for hundreds of thousands of university staff were a bolt from the blue and that it would ballot members for industrial action in a ballot that will open 27 November and close on 19 January.

The union pointed to analysis commissioned by the superannuation scheme that shows that most universities have the ability to pay extra in order to safeguard existing benefits.

Meanwhile, a study by financial advisors Tilney estimated that, given the same lifetime contributions, a defined contribution scheme would lead to a final pension worth only around 20% of that in the best defined benefit schemes.

UCU general secretary Sally Hunt said: "'These plans would remove members' guarantees in retirement and leave them facing years of stress about whether their pension investments are returning enough income to live on. If universities continue to pursue this action, they will face disruption on campus of a kind never seen before."

She called on university vice-chancellors to "face up to their responsibilities to staff and students and work with UCU to protect the hard-earned pension benefits of their staff".

Nine out of 10 (87%) of UCU members who voted in a consultative ballot that closed last month said they would be prepared to take industrial action in order to defend the benefits of the superannuation scheme.

www.ucu.org.uk/article/9074/UCU-warns-of-chaos-on-campus-if-pension-row-not-resolved

Tribunal fees refund scheme rolls out

All those eligible for employment tribunal fee refunds can now apply, following a successful opening phase of the scheme, the Ministry of Justice has announced.

The refund scheme was introduced after ministers agreed to reimburse those who had paid employment tribunal fees following the Supreme Court judgment that the fees were unlawful.

The opening stage of the phased implementation scheme was launched in October, with around 1,000 people given the chance to complete applications. This first phase has now been successfully completed, and anyone who thinks they may be eligible for a refund can now apply on GOV.UK – follow the link below.

www.gov.uk/employment-tribunals/refund-tribunal-fees

Pay cap hit for workers

The public sector pay cap has reduced spending power in England by £8.5 billion this year according to new analysis by the TUC.

Since the pay caps began in 2010, public sector workers have had £48 billion less to spend in local economies, the TUC says.

England's 50 poorest parliamentary constituencies alone have seen a combined loss in spending power of £3 billion since 2010, or £544 million this year.

Every English region has seen big falls in spending power because of the cap. The North East and North West - which have the highest share of public sector workers - have seen falls of £2.1 billion and £7 billion respectively since the start of the decade.

The analysis shows that public sector workers are earning, on average, over £2,000 less today than if their pay had risen in line with inflation (CPI).

Recent TUC polling shows that one in seven (15%) public sector workers skipped meals this year to make ends meet. And one in four (24%) say they couldn't pay an unexpected bill of £500.

Recent research by the IPPR think tank has revealed that raising public sector pay would boost spending in local economies. And it would help the public purse by raising tax revenues and reducing the cost of in-work benefits.

TUC general secretary Frances O'Grady said: "The public sector pay squeeze has driven up in-work poverty. And that means less money spent on high streets and in local businesses.

"The pay cap is a false economy. The chancellor must use the Budget to give all public sector workers the pay rise they have earned, and end these artificial pay restrictions."

www.tuc.org.uk/news/public-sector-pay-squeeze-has-reduced-spending-power-england-%C2%A385bn-year-finds-tuc-0

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