TUC response to spending review consultation 2025

Changing the world of work for good

1. Introduction

This submission provides a brief overview of TUC spending review priorities and the current economic context. It then sets out detailed TUC proposals for government spending.

We share the ambition set out in the *Plan for Change* of rising living standards across the country. This will need not only stronger growth but a new approach to securing it – where good jobs and rising incomes are recognised both as growth drivers and measures of success.

A changed approach is needed to break the cycle of poor growth in GDP and productivity, leading to years of falling living standards, that has characterised the UK economy for over a decade. Growth must deliver quality jobs in the places that need them, and people must be equipped with the skills and support to undertake these roles. For years, Conservative governments made false promises to working people – while important public services that support our health, education and local infrastructure were decimated and the little growth we saw failed to deliver improved jobs and incomes.

We support the Chancellor's difficult decision to levy higher National Insurance Contributions on employers. Improved public services are essential to secure a stronger economy and improve working people's lives. They support a healthy population, where people are well enough to stay in work, have chances to learn and build their skills and can raise families in secure, safe homes. But instead we face historically high NHS waiting lists[1], substantial falls in adult skills and education provision[2] and rising numbers of children growing up living in temporary accommodation.[3] Over a decade of underinvestment has left us spending too much on the crisis interventions and too little on support that can enable more people to contribute their experience to growing our economy.

The government's economic ambitions hinge on the strength and resilience of our public services. To achieve improved service quality, increased productivity and enhanced efficiency within public services, the government must act to better support them – including through funding fair real pay rises for public sector workers, delivering on insourcing commitments and stabilising local government funding.

The last 14 years has also seen a failure to support the measures that we need to boost productivity, and employment policies that have meant a race to the bottom. But this approach flies in the face of the evidence. The OECD and the IMF have set out that the discredited orthodoxy of an inevitable equity and efficiency trade-off between

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[1] https://www.nhsconfed.org/news/nhs-waiting-lists-rise-despite-staff-providing-more-care
[2] https://ifs.org.uk/news/plans-will-leave-spending-adult-education-and-apprenticeships-25-below-2010-levels-2025
[3]https://england.shelter.org.uk/media/press_release/record_159000_children_homeless_in_temporary_accommodation__up_15_in_a_year_

improved rights at work and employment levels is simply outdated. The UK has fallen well behind our international competitors in terms of the security and rights people have at work. The consequence is that our labour market remains characterised by a 'long-tail' of low productivity firms with high levels of insecure work and years of falling living standards.

It is time to base labour market policy on the facts, rather than the siren voices lobbying for the status quo which has failed millions of working people.

For example, research shows that as well as protecting working people from debt and financial precarity when they are ill, sick pay from day one will save employers money and help build a stronger economy.[4] Where workers come into work ill, they spread sickness and are more likely to develop long-term conditions and to cease work altogether – when they are more likely to start claiming out of work benefits. Without decent protections, employer turnover is higher and productivity is reduced. Making workers wait for sick pay, and denying it to the lowest paid, brings worse outcomes for individual businesses, the wider economy, people at work and their families.[5] And yet many are still protesting this important change.

Similarly, where contracts are so insecure that people do not know from day to day whether they will be working, they cannot plan for the long-term or think beyond balancing the day-to-day household budget. Firms are incentivised to develop business models based on using people as disposable labour, rather than investing careers, skills and retention.

The OECD has shown that "fair wages, benefits, and good working conditions enhance worker well-being, while also improving productivity and innovation. Quality jobs also reduce inequality, foster social cohesion, and prioritise health and safety, which benefit both individuals and communities. Countries must therefore prioritise job quality as well as increasing overall employment."[6] Other recent analysis of the evidence in the UK has reached similar conclusions, pointing out that among our peer group of medium-sized, richer-than-average, OECD economies we are an outlier which should "be enough to put to bed the zombie idea that Britain faces a trade off between growth and equality: being 'more normal' means becoming more prosperous and more equal"[7].

Giving workers the right to a regular hours contract, with reasonable notice of shifts and the right to compensation where shifts are cancelled at short notice will drive up productivity, living standards and our wider economic performance. These changes should be celebrated as opportunities to improve and strengthen our economy and the lives of the working people whose labour will grow it, not derided by those fixated on opposing every business cost regardless of the gains that investment brings. As

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[4] https://wpieconomics.com/publications/ssp-reform/
[5] https://wpieconomics.com/publications/ssp-reform/
[6] https://www.oecd.org/en/topics/policy-issues/job-quality.html
[7] Bell, T (2024), *Great Britain?*, page 229.

Treasury Minister Torsten Bell MP has concluded: "making our economy less reliant on cheap labour is the prerequisite for these sectors becoming more productive – incentivising firms to invest in kit rather than just sweating their workers….if a business can only survive by exploiting its workers it should not be heralded as an economic success…better quality work could also boost labour supply, but helping stem the shift to short-hours working by lower earners".[8]

Under the last Labour government, we saw significant improvements in rights at work – delivered at the same as substantial employment growth. Even recent Conservative governments concluded that higher minimum wages, which impose direct costs on employers, increased the incomes of low wage workers with negligible employment effects.[9] Their review concluded: "There is good evidence that the labour market is not always characterised by a simple, perfectly competitive supply and demand framework. Rather, firms appear to have a degree of wage setting power." It also found productivity gains followed from wage rises, including from reduced workers turnover and improved investment in training.

The government's plan to Make Work Pay will set us back in the right direction. Ensuring it is delivered in full, with sufficiently well-funded enforcement and support structures to enable effective implementation, will be key to success.

Investment in infrastructure has also been another substantial failing of previous recent governments.

Public investment alongside private investment matters for creating the assets and infrastructure that can grow our economy and create extra capacity for the future; as the OBR recently set out: "[Public investment] can have a significant impact on the supply potential of the economy. As with private investment, public investment affects economy-wide potential output principally via its impact on the stocks of assets that support economic activity. These assets include infrastructure assets (such as the transport, energy, and water networks), public service assets (such as schools, hospitals, and public housing), and intangible assets (such as those created by research and development)."[10]

In 2018, TUC analysis showed overall UK investment third from bottom of all OECD countries, and coming in the bottom half of OECD countries for all broad categories of investment: dwellings, other buildings and structures, transport equipment, ICT equipment and intellectual property product.[11] Others have published updated analysis to show the dismal performance continuing. The IPPR show business investment

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[8] Ibid, page 149.

[9] https://www.gov.uk/government/publications/impacts-of-minimum-wages-review-of-the-international-evidence

[10] https://obr.uk/public-investment-and-potential-output/

[11] https://www.tuc.org.uk/news/uk-near-bottom-oecd-rankings-national-investment

“ranking a lowly 28th among 31 OECD countries” and the lowest in the G7 for three years running to 2022.[12]

Low investment is a key driver of low UK productivity, which in turn holds back living standards. High growth economies are far more likely than others to see high investment rates, and investment growth is also vital for wider policy goals, not least decarbonising our economy.

The government has made an important start to turning this around, recognising both the need for an industrial strategy and making significant new public investment commitments. It is now urgent that these ambitions are delivered, with a focus both on growing our productive potential and – crucially - maximising the creation of good quality jobs in every region and nation of the UK.

The growth mission’s ambition of seeing higher living standards in every part of the United Kingdom will only be met with higher employment rates and higher real earnings. Employment rate gaps will need to be closed across all parts of the country, and more people with disabilities and health conditions supported into work. Good jobs with secure hours will again be central to success - and the industrial strategy has an important part to play in delivering these aims.

But without actively targeting policies for good work, the industrial strategy could fail to prioritise businesses that create jobs, or end up supporting those who actively offshore jobs or pursue growth at the expense of their workforces. So support must be conditional upon companies meeting job quality standards and good quality work must be a central industrial strategy success measure.

Finally, we know that strong economies are underpinned by decent safety nets and support for those who need it most. Working age benefits play an essential role in improving living standards and providing income security. To start rebuilding the social security system, immediate action is needed to remove the two-child limit which restricts access to Universal Credit to the first two children in a family.

[12] https://www.ippr.org/articles/rock-bottom

2. Economic Context

The context for the Spring forecast and spending review is likely to be ongoing economic uncertainties in the UK and around the world. In the UK growth outcomes are weaker than previously forecast and jobs numbers may now be falling.

The sum of the parts is heavy pressure on households. These pressures are being intensified not resolved by higher interest rates, and recent economic data makes the strong case for further cuts throughout 2025.

But regardless of the decisions made by the Bank of England, government spending cuts would not be the right response. As Andrew Haldane, former chief economist at the Bank of England, has recently warned:

> *"It would be deeply counterproductive to both growth and to the fiscal position if that led to a cutting back on investment and indeed in spending more generally. Then I think you really are into a doomed loop between debt and growth. And that's a situation to avoid at all costs*."[13]

Just as the public finances can only be resolved through higher growth, higher growth is also essential to resolving the cost of living crisis. The Autumn Budget took the right decision on funding public services and investing in our infrastructure, and over 2025 these will improve economic outcomes.

Even on the immediate horizon, the policies have been assessed positively, with the IMF revising up their forecast for UK growth in 2025 to 1.6 per cent while downgrading prospects for France, Germany and Italy. In response to a press question, chief economist Pierre-Olivier Gourinchas explained:

> *"Now, some of that revision is reflecting the fact that we have some continued pickup in real incomes and in consumption in the UK, but it also reflects some of the effect of the fiscal measures that have been announced by the authorities in their October budget that are expected to lead to higher public investment, in particular, that will support economic activity"*.[14]

He also stressed: "Of course, some of that budget is financed by increase in taxes, national insurance contributions have been increased, and various other taxes. That could weigh down. But the net effect in our assessment is still positive for growth for the UK economy in 2025".

But the Bank of England have now taken a more pessimistic view, revising by half their growth forecast for 2025 to ¾ per cent from 1½ per cent. Notwithstanding the February cut to 4.5 per cent, TUC has urged that they must keep moving with interest rate reductions. While there has been an uptick in recent months, inflation is still some

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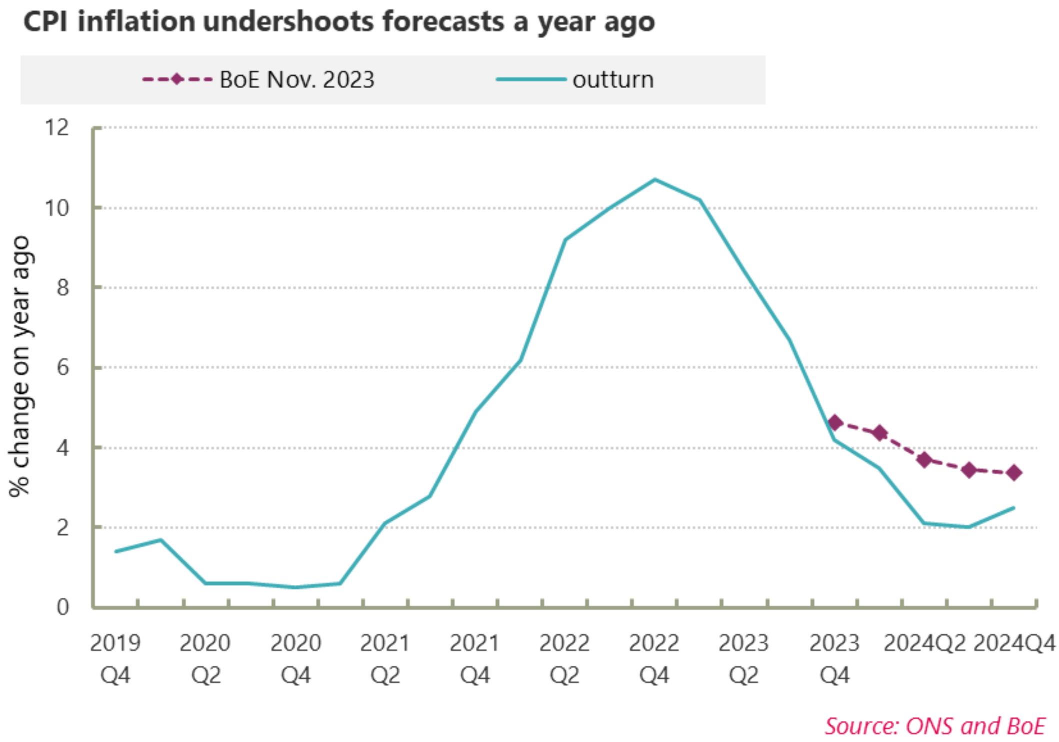
[13] Though the doom loop has long been a reality: https://www.tuc.org.uk/research-analysis/reports/doom-loop-economy-work-not-wealth

[14] https://www.imf.org/en/News/Articles/2025/01/17/tr011725-january-2025-world-economic-outlook-update

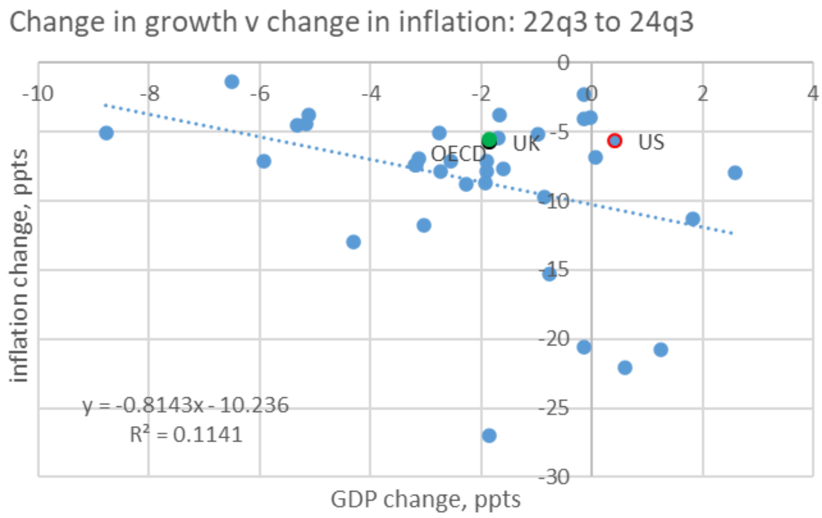
way below where the Bank thought it would be a year ago – in 24Q4 rather than 3.4 per cent, CPI inflation was 2.5 per cent, as the chart below shows. The Bank are right to stress that the newly projected increase to 3.7 per cent in the third quarter of 2025 is driven by external factors, and should not affect domestic inflationary pressures. At the February Monetary Policy Committee meeting it was striking that all nine members voted in favour of cutting rates.[15]



A growing number of commentators are also starting to call for more action on interest rates; for example Goldman Sachs have argued "UK interest rates have a long way yet to fall". They suggest that rates cannot "stay above 4% persistently … without materially weakening the economy and thus inflation".[16]

Importantly, international evidence also suggests that countries that sustained higher growth have been no less effective at reducing inflation. The chart below compares over the past two years the reduction in inflation on the vertical axis with the reduction in growth. Relative to the OECD average (where the UK sits), the countries that did better on growth (the ones to the right of the chart) generally did *better* on reducing inflation. In fact, all the countries where growth picked up saw inflation reduced by more than the OECD average – most obviously the United States.

[15] https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2025/february-2025
[16] UK interest rates have a long way yet to fall, says Goldman Sachs



In the case of the UK, a vital factor behind weak growth has been weak household consumption. In our Budget submission[17] we showed since the pandemic UK household demand fifth weakest of all advanced economies. The CBI recently reported "Retailers [cited] weak demand and downbeat sentiment as continuing strains on business conditions".[18] Higher pay growth is urgently needed to support spending and support the economy overall. We remain concerned that the OBR and the Bank of England's models underplay the relationship between spending / demand and the economy. In the medium term, the relation between the OBR and Bank of England modelling processes should be reviewed. [19]

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[17] https://www.tuc.org.uk/research-analysis/reports/tuc-submission-treasury-autumn-budget-2024
[18] https://www.cbi.org.uk/media-centre/articles/retail-sales-slump-continues-into-january/
[19] An additional layer of complexity follows from the arrangements under the quantitative easing / tightening programme; at the Treasury Committee (on 29 Jan.) the Governor said the relation between these cash flows and the fiscal rules was "important" and urged discussion with the relevant experts in government accounting.

3. Public Sector Workforce and Services

The government's ambitious *Plan for Change* hinges on the strength and resilience of our public services. To achieve improved service quality, increased productivity and enhanced efficiency within public services, the TUC recommends the government use the comprehensive spending review to:

1. Fund fair pay rises for public sector workers over the next three years to reverse the damaging impact of 14 years of real-terms pay cuts and stabilise staffing across the sector.
2. Deliver on insourcing commitments to drive public sector productivity gains, end the extraction of profit from the public purse and guarantee decent working conditions for those delivering essential services.
3. Stabilise funding for local government, protecting frontline jobs while ensuring communities have access to vital services.
4. Re-establish the Public Services Forum or a similar mechanism to ensure meaningful engagement with workers and their representatives in all public sector reform discussions, including AI implementation. Leveraging the expertise of the workforce enables effective policy development and genuine efficiency gains, avoiding costly and ineffective reforms.
5. Reinstate and expand union led learning programmes to unlock skills, boost productivity, and drive economic growth.

Fund fair pay

Public sector workers are the lifeblood of services. They are the educators teaching children, the healthcare workers caring for loved ones, the probation officers keeping communities safe and countless others who work tirelessly to serve the public good. Improvements to services will be driven by these workers. Addressing the critical recruitment and retention issues facing the sector is not only about fairness and equity; it is essential to ensuring the government can deliver on its six missions and fuel economic growth.

- There are 108,000 vacancies in the NHS[20]
- One in ten of all qualified teachers left the state-funded sector in 2022/23[21]
- There are 131,000 vacancies in social care, a vacancy rate of 8.3%[22]

Staff shortages hinder productivity improvements and the realisation of efficiency savings. Asking public sector workers to continue doing more with less is unsustainable after 14 years of deep cuts. These high vacancy rates place immense pressure on remaining staff, who struggle to cover the gaps, leading to excessive workloads and long hours. The resulting burnout, absenteeism and attrition further exacerbates the problem. Beyond the immediate strain on services, this turnover represents a significant

[20] NHS digital (2024). NHS vacancy statistics
[21] Department for Education (2024). School workforce in England
[22] Skills for Care (2024). The state of the adult social care sector and workforce in England

long-term cost to the public finances. The loss of institutional knowledge and experience, coupled with the increased reliance on expensive agency staff, recruitment, onboarding, and training undermines efficiency and adds to public expenditure.

Deliver insourcing to boost productivity

The TUC welcomes the government's ongoing commitment to reduce privatisation of public services through insourcing. As the Chancellor identified in 2021, this shift has the potential to significantly benefit the public purse and the economy by addressing the costs associated with outsourcing.

> *"… we can't tolerate waste when it comes to public spending. Especially when it comes to the wasted money that goes to outsourcing companies. So I promise you that the next Labour government will carry out the biggest wave of insourcing in a generation."*[23]

Outsourcing allows private companies to extract profit from essential public services, often through substantial shareholder dividends.[24] This profit-driven model has led to a decline in worker pay, terms, and conditions as companies compete to lower costs. These negative impacts disproportionately affect low-paid workers, women, and Black and minority ethnic (BME) workers, who are overrepresented in frequently outsourced areas of public services like cleaning, catering, and security. Therefore, the lower pay and poorer conditions resulting from outsourcing exacerbate existing gender and racial inequalities.

Outsourcing creates "two-tier workforces" in public services. New hires under a contracted supplier receive inferior terms and conditions compared to existing staff transferred under TUPE regulations. This disparity undermines morale, increases staff turnover, and contributes to a general decline in pay, pensions and working conditions.

Furthermore, TUC analysis of Office for National Statistics (ONS) data suggests that outsourcing contributes to low public sector productivity. While public sector output has rebounded to pre-pandemic levels, productivity remains an estimated 8.5% below pre-pandemic levels due to faster growth in inputs during 2023 and the first part of 2024. More detailed ONS figures (up to 2021) indicate that this productivity decline is largely driven by increased intermediate consumption (procurement) rather than employment levels. This suggests that outsourcing, and the associated procurement processes, could be a significant factor in the public sector's productivity challenges.

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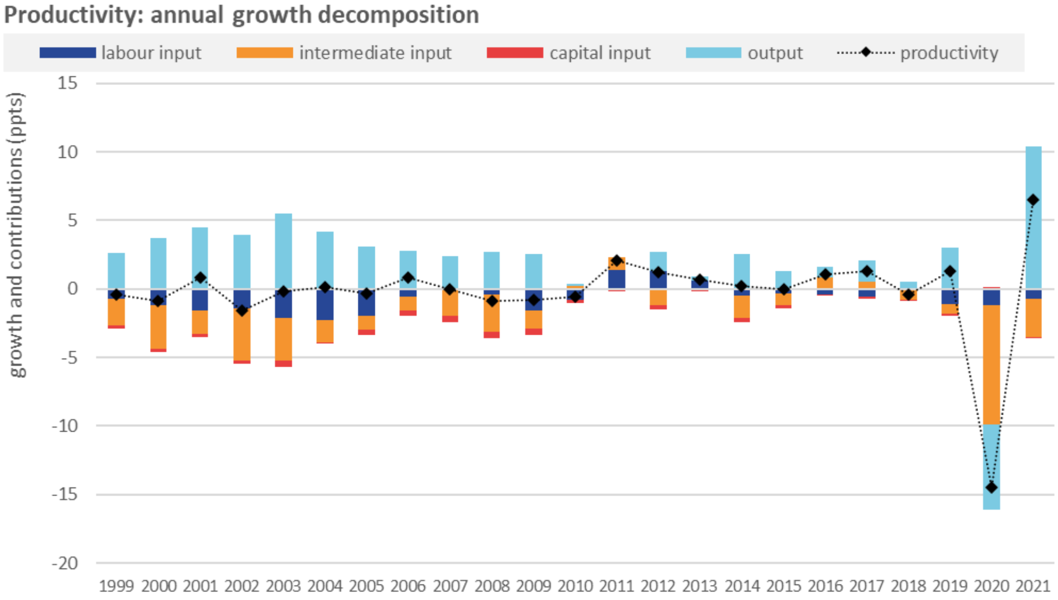
[23] Labourlist (2021) "Biggest overhaul of business taxation in a generation" – Rachel Reeves' speech - LabourList

24 Serco (2024) Results centre.



Source: TUC calculations on ONS figures

Insourcing offers a pathway to reverse these trends and will be key to boosting public sector productivity. By bringing services back in-house, the government can directly invest in its workforce, leading to improved pay and working conditions. High-quality public services depend on valuing the people who deliver them. Poor pay and employment conditions exacerbate staffing shortages and undermine service delivery. Insourcing, by creating secure employment with decent pay and conditions, can boost morale, reduce turnover, and drives up productivity. This, in turn, supports the government's stated objectives for economic growth and improved living standards.[25] Ending outsourcing and ensuring fair treatment for public service workers is a critical component of achieving high-quality services and a stronger economy that works for everyone.

Services which are currently outsourced should be brought back in-house at the earliest opportunity, and with collectively agreed public sector staff terms and conditions. Urgency should be given to insourcing contracts associated with highly insecure working conditions for the outsourced workers involved in delivering them, with trade unions closely involved in determining priority sectors and contracts.

Forward planning by government and all public authorities is critical to ensure insourcing is a workable and sustainable option to deliver the public service in question, rather than being forced into outsourcing through contract renewals either on a short-term or longer-term basis.

The government should take the following priority steps to implement its insourcing pledge:

i) Require all public service contracting authorities to identify upcoming contract end dates or break clauses;

[25] HM Government (2024) PLAN FOR CHANGE: Milestones for mission-led government.

ii) Develop a comprehensive public interest test to be applied by public bodies where outsourcing is considered, to demonstrate that an in-house solution is not possible and that outsourcing is in the public interest;[26]
iii) Bring services back in-house in all cases where significant breaches of public interest, including violations of labour rights, are identified; and
iv) Ensure transparency of public spending and contracts, including supplier contract performance, by establishing a centrally held and managed Domesday Book of public service contracts.[27]

Sustainable local government funding to deliver missions

The government's recognition of the essential role that local government will play in meeting the national growth mission, as well as fulfilling its functions as a provider of essential services, has been welcome. As the Chancellor set out in her Mais Lecture last year:

> "*The next Labour government will hand key economic powers to the regional and local leaders who know their needs, and their assets, best.*"[28]

For this approach to succeed there must be an honest reckoning with the persistently perilous state of local government funding. The 40 per cent cuts in central funding and the 17.5 per cent fall in local authorities spending power in the decade between 2010 and 2020 have had a scarring effect on performance and resilience.[29]

The modest real terms increases in funding since 2020 are a tacit admission of the failure of the austerity drive and have merely allowed authorities to limp on – with funding per resident still 19 per cent below 2010.[30] This is evidenced in the number of councils that have been granted "capitalisation directions", allowing them to make use of capital budgets to help support day-to-day spending. Since 2020/21, 29 councils have been granted capitalisation directions valued at more than £3bn.[31] This is not sustainable.

The impact on the workforce is clear:
- Over half of councils report having insufficient staff to run all services normally.
- 19% (207,000) fall in workforce numbers since 2014.
- Local government continues to be the lowest paying part of the public sector.

[26] For more detail on these proposals, see Tizard, J. (2023) Securing the public interest through insourcing and better procurement. Published by UNISON.
[27] See TUC (2019) A Domesday Book for public service contracts – better data, better value for money.
[28] Labour Party (2024) Rachel Reeves Mais Lecture
[29] IfG (2023) Local Government Funding in England
[30] IFS (2024) Reforming Local Government Funding in England
[31] Unison (2024) Councils on the Brink

- 94% of councils say they have problems with recruitment and retention.[32] [33]

An illustrative example of how failing to address the weakness of local government will undermine the growth mission is the acute workforce challenge in local planning departments. Hitting the 1.5m new homes target – and all the associated economic benefits – is made far more difficult in the context of:

- Some councils facing staff vacancy levels of almost 50% in planning teams.
- An estimated shortfall of 2,200 planning officers.

The government's announcement of funding for 300 additional local authority planners, while welcome, represents less than 15% of the shortfall. Meanwhile, half of all smaller house builders were waiting more than a year for planning permission. The estimated spend across England and Wales of £64m on agency workers in planning departments also runs entirely contrary to the government's anti-waste agenda.[34]

The commitment in the recent local government finance policy statement to review and revise the funding formula is welcome, as the existing formula has resulted in the sharpest cuts falling on the poorest areas. The process of developing that new formula should be undertaken with full involvement and consultation with the local government workforce and their representatives as they are uniquely well-placed to advise on the implications of alternative approaches.

Public service reform and AI must involve worker voice to deliver efficiency savings

The government should immediately re-establish the Public Services Forum (PSF) or similar machinery. The PSF served as a valuable forum for dialogue between government ministers, civil servants, unions, and employers for more than a decade, and its reinstatement is crucial for navigating the complex challenges facing public services, including the introduction of AI and the pursuit of net zero targets. A revitalised PSF would signal a strong commitment by the government to establish strong and effective partnership working with public sector unions. This collaborative approach to public service delivery will foster resilient public services that, in turn, cultivate positive and inclusive workplace cultures. In such environments, staff feel supported and empowered to deliver high-quality services and confident in contributing to the government's agenda, including in the use of AI in public services.

Re-establishing the PSF, or developing similar cross-government social partnership machinery, would provide a crucial forum for government, employers, and unions to:

- Discuss critical public sector workforce issues such as productivity, reform, and the introduction of AI in public services.
- Explore collaborative solutions, enabling collective ownership and accountability for delivery.

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[32] LGA (2024) Local Government Workforce Data;
[33] LGA (2022) Addressing the Workforce Crisis in Local Government
[34] https://www.thetimes.com/uk/politics/article/labours-housebuilding-pledge-derailed-by-planning-staff-shortage-bts7wh9x5

- Build trust and transparency between partners.

The need for such a forum is underscored by recent experiences with technology implementation in the public sector. While recent announcements such as the AI Opportunities Action Plan and the Blueprint for Modern Digital Government have identified ambitious approaches to using technology to improve public sector productivity, as the Secretary of State for Science, Innovation and Technology has stated:

> *""There is a £45 billion jackpot for the public sector if we get technology adoption right."* [35]

Getting any adoption right must mean learning the lessons of the recent past. The development and rollout of new systems like Universal Credit and the HMCTS Common Platform system are both examples of technology developed and introduced without proper consultation with the workforce.

In the case of Universal Credit, the TUC's 2022 report on digitisation in the public sector[36] found that despite the government engaging over five hundred organisations in its consultative work on the system, they did not include trade unions. The NAO subsequently found that: *"Since the 2018 business case, DWP has extended the completion date for implementing UC at least six years in total and increased its estimate of implementation costs by over £900 million (45%)."*[37] Similarly, the roll out of Common Platform has been beset with delays, overspending and related industrial unrest.[38]

These insights demonstrate the critical importance of actively engaging with public sector unions on the government's agenda for public services. By doing so, the government can gain valuable insights and ensure that policies effectively support the needs of our workforce and improve the delivery of public services. Recently published research supports the idea that employee involvement is critical for the success of digital transformation.[39] Workers who are active co-creators in transformation processes are more likely to accept change, share knowledge, and improve outcomes. Measures such as co-design initiatives, clear communication, and union consultation enhance project success while reducing resistance and inefficiency. Conversely, the absence of meaningful consultation often leads to delays, dissatisfaction, and higher costs.

The government cannot afford to just repeat its mistakes on procurement, development and implementation of new technology. Workers and their trade unions must have a central role from the outset in the implementation of the AI and other new

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[35] https://www.gov.uk/government/news/archaic-tech-sees-public-sector-miss-45-billion-annual-savings
[36] TUC (2022) Digitisation in the Public Sector
[37] NAO (2024) Progress on Implementing Universal Credit
[38] NAO (2023) Progress on the courts and tribunals reform programme
[39] University of Potsdam (2023) Employee involvement and participation in digital transformation: a combined analysis of literature and practitioners' expertise

technologies as they apply to the public sector, and the PSF provides the ideal mechanism for this engagement.

Invest in union-led learning to fuel economic growth

Lifelong learning and training are crucial for driving sustainable economic growth in the UK by ensuring workers have the skills they need for the jobs employers need them to do, enabling adaptation to technological advancements, evolving job practices, and the transition to a net zero economy.

While the UK has many strengths, including first-class universities and a committed workforce, we under invest in training, have poor technical skills, and the ability to access quality work varies widely across the UK.

Union-led learning, particularly the unionlearn model, is a proven driver of skills development *and* economic growth within the UK, breaking down barriers to opportunity for workers across all sectors. By placing trade unions at the forefront of training, we can leverage their unique ability to reach and support workers across the UK. Union learning reps, trained workers who understand their workplace, the business needs, and existing skills gaps, are at the heart of this model. They work with employers, their unions, and unionlearn to broker access to relevant learning opportunities. With nearly 1 in 10 UK jobs (over 2.5 million positions) in critical demand and over 90 per cent of those requiring work-related training,[40] the unionlearn approach offers a targeted and effective solution to bridging skills gaps and breaking down barriers to opportunity.

The TUC recommends the government reinstate as a crucial part of its plan to break down barriers to opportunity and ensure workers in the UK have the skills needed for a thriving economy. Independent evaluations demonstrated the previous Union Learning Fund’s (ULF's) exceptional value within the UK: for every £1 invested, it returned £12.30 (£7.60 to workers, £4.70 to employers), contributing over £1.4 billion to the UK economy through increased jobs, wages, and productivity. Furthermore, every £1 spent on the ULF generates £3.57 for the exchequer through reduced welfare spending and increased tax revenue in the UK. The ULF also leveraged significant additional investment within the UK: £12 million in government funding attracted another £54 million from employers, unions, and training providers.[41] A £2 million initial investment in re-establishing union led learning would yield substantial returns for the Treasury and wider UK economy:

- Total return on investment: (£12.30 return for every £1 invested).
- Return to workers: £15.2 million in increased wages and improved job prospects (£7.60 return for every £1 invested).
- Return to employers: £9.4 million in enhanced productivity and a more skilled workforce (£4.70 return for every £1 invested).

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[40] Occupations in demand, Calendar year 2024 - Explore education statistics - GOV.UK
[41] For every £1 spent on union-led training the economy gets nearly £13 back, new report reveals | TUC

- Contribution to the UK economy: £22.6 million through increased jobs, wages, and productivity.
- Return to the UK exchequer: £7.14 million through reduced welfare spending and increased tax revenue (£3.57 return for every £1 invested).
- Leveraged investment: £9 million in additional funding from employers, unions, and training providers.

It's also crucial to address the broader skills challenges facing the UK economy. Investment in further and higher education is vital, and this must include support for proven models of workplace union led learning, to deliver the government's ambitious agenda on skills and its industrial strategy. This investment also protects good jobs in the tertiary education sector.

England's skills crisis is deepening, with skills-shortage vacancies doubling to one-third of all vacancies in 2022 compared to 2013-2017.[42] This is exacerbated by declining employer investment in training. The TUC welcomes the government's plan for Skills England and its integration with the Industrial Strategy. Unions will play a vital role in this effort. Increased government investment in skills development, both through union led learning and incentivising employer investment, are vital for a well-equipped workforce, driving sustainable economic growth that benefits workers and businesses across the UK can thrive.

[42] Skills England: driving growth and widening opportunities

4. Make Work Pay

Stronger employment rights and higher growth rates go hand in hand. The OECD has shown unequivocally that countries with better quality working conditions perform better than those where insecurity is rife. These nations see higher labour market participation, improved health, higher productivity and stronger demand. Strengthened employment rights can give working people the higher living standards and secure incomes that are needed to build decent lives.

The following section sets out priority funding needs for employment rights regulators and wider public bodies, as well as where support may be needed to ensure that employers and unions can implement new changes effectively. To this end, the TUC recommends the government use the comprehensive spending review to:

1. Improve funding for regulators including the Health and Safety Executive, the Equalities and Human Rights Commission and the new Fair Work Agency (FWA). The establishment of a single enforcement body should not be an opportunity to look for efficiency savings. As the new FWA is established it is vital that both historic enforcement failures and longstanding under funding issues are addressed.
2. Address existing enforcement gaps, including the deficit in the number of labour market inspectors the UK needs to meet ILO benchmarks. This should include funding for the Gangmasters and Labour Abuse Authority (GLAA) to introduce licensing in social care.
3. Ensure that wider public agencies can fulfil new responsibilities introduced by Make Work Pay. This must include improved funding for the Central Arbitration Committee and support to address employment tribunal backlogs.
4. Ensure that unions and employers are supported to implement Make Work Pay. This will require a funding boost for Acas, as well as wider support to enable trade union representatives and managers to understand the new opportunities and responsibilities that the legislation brings.
5. Raise social care spending to enable the forthcoming Fair Pay Agreement to deliver much needed improvements in care sector workers' pay and working conditions.

To ensure that the Employment Rights Bill delivers the reset that our economy desperately need, it will be vital that its provisions are well understood and properly enforced. Employers and unions will need support to understand and implement new provisions, particularly smaller employers. Effective enforcement will be essential to ensure that those who introduce new rules and ways of working are not undercut by those seeking to profit from non-compliance.

Along with public services, enforcement and business support have suffered from years of falling budgets under successive Conservative governments. Repairing this damage will be essential both to ensuring effective implementation of the government’s plan to Make Work Pay and to ensuring that the economic benefits it will bring are realised.

Government should consider the option of supporting these improvements through use of financial penalties levied against employers who are found to be non-compliant. Under the Asset Recovery Incentivisation Scheme (ARIS) covered by the Proceeds of

Crime Act 2002, agencies involved in a criminal investigation, which results in a financial investigation, can retain some of the recovered assets.[43]

The new Fair Work Agency (FWA) should adopt this approach and be empowered to retain fines it has issued, so they can be re-cycled to support its operational activity. This would be an effective way of increasing resources for enforcement bodies, alongside higher state expenditure.[44]

Alongside these changes, social care spending will also need to be raised to sufficient levels to enable the forthcoming Fair Pay Agreement to deliver much needed improvements in care sector workers' pay and working conditions.

Improve funding for regulators and for enforcement

Health and Safety Executive (HSE) and wider Health and Safety legislation

A healthy workforce is also a productive workforce. Workplace injuries and illnesses carry a significant cost to the UK economy, impacting productivity, increasing costs in the health and care system, and reducing economic participation. Investing in preventative measures and robust enforcement not only protects workers but also contributes to a stronger and growing economy.

Supporting the health of Britain's workforce is a government priority, and to ensure jobs are not a cause of ill-health, adequate and long-term funding is necessary for regulators, including the Health and Safety Executive (HSE) and local authority regulation, to effectively enforce health and safety laws, and ensure employers who put workers at risk face appropriate consequences. The HSE needs the appropriate capacity to research emerging health risks, and to perform its new function as the Building Safety Regulator. The CIPD have set out that HSE funding needs to rise £100m a year to restore funding to at least 2009/10 levels in real terms.[45]

More broadly, we welcome the government's commitment to review existing health and safety regulation, including the introduction of a maximum working temperature. The review should also incorporate asbestos regulations, and, meeting the recommendations of the Work and Pensions Select Committee Report of 2022, establish a national risk register with a pathway towards a programme of asbestos removal. Prioritising schools and hospitals in this programme would, over 50 years,

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[43] See response to Parliamentary Question: Asset Recovery Incentivisation Scheme, Question for Home Office, January 2022

[44] Expand, Resource and Enforce Recommendations for the development and remit of a Single Enforcement Body Prepared for the TUC by the Work, Informalisation, and Place Research Centre at NTU

[45] 'Strong partnerships, good jobs, productive workplaces' (June, 2024), Prospect and CIPD, available at: https://library.prospect.org.uk/id/2024/June/12/Strong-partnerships-good-jobs-productive-workplaces

benefit the UK economy around £11.6 billion and benefit the Exchequer by around £3.6 billion.[46]

Equality and Human Rights Commission (EHRC)

The EHRC plays a crucial role in protecting the rights of working people and ensuring workers are treated with respect and dignity.

Over the last decade the EHRC's ability to deliver on its role and purpose have been undermined through funding cuts and other political factors, meaning that effective enforcement and advancement of workplace equality rights in practice has been limited. The cuts have resulted in the closure of the Commission helpline and regional offices, both of which were providing advice to individuals and organisations. The EHRC now takes fewer strategic legal cases, and fewer first-instance cases are taken by the commission. This limits both the advancement of the law and the deterrent impact of an effective regulator. Shrinking staff resources have led to fewer inquiries, s 31 assessments and investigations being conducted.

The Government's Make Work Play agenda will place increased regulatory obligations on the EHRC including enforcing mandatory equality actions plans, the implementation of a strengthened duty on employers to take reasonable steps to prevent sexual harassment and enforcement of ethnicity and disability pay gap reporting. An effective and well-resourced EHRC is also necessary for the effective enforcement of the Public Sector Equality Duty (PSED). But the organisation is not currently sufficiently resourced to deliver even existing responsibilities.

It is important to put the EHRC budget cuts into perspective. In 2007 when the EHRC opened it had budget of £70 million and a staff contingent of 525, this was based on its expanded remit with new policy areas including Human Rights, Age, LGBT+ and religion or belief. Now it has a budget of around £17.5 million and around 200 staff which is roughly equivalent to the staff and budget of one of its legacy commissions (RRC, EOC and DRC). Its current staff and funding basis will not allow it to fulfil its full potential nor to deliver new responsibilities. Reverting to 2007 funding levels in real terms would require the EHRC's budget to be increased to £115 million.[47]

Fair Work Agency (FWA)

The current fragmented labour market enforcement system is failing working people. The deterioration of the current labour market enforcement system is evident[48] and it is no longer fit for purpose. Attempts to coordinate the enforcement bodies and to

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[46] *Stephen Timms (2024) in Clearing the Air: the cost and benefits of removing asbestos from UK schools and hospitals. Available at: https://www.mesothelioma.uk.com/downloads/clearing-the-air-the-costs-and-benefits-of-removing-asbestos-from-uk-schools-and-hospitals/?wpdmdl=20853*

[47] TUC calculations

[48] https://www.tuc.org.uk/research-analysis/reports/tuc-action-plan-reform-labour-market-enforcement

introduce a coherent enforcement strategy, with the introduction of a Director of Labour Market Enforcement in 2017, have not delivered.

A new, adequately resourced, single enforcement body will be more accessible to workers and result in more efficient and effective enforcement of employment rights.

But the establishment of a single enforcement body should not be an opportunity to look for efficiency savings. As the new FWA is established it is vital that both historic enforcement failures and longstanding under funding issues are addressed. It will also need additional funding to meet the new wider remit that it will have following the Employment Rights Bill's implementation. This includes holiday pay and Statutory Sick Pay, although ministers could widen its functions further. The TUC believes there is a strong case for giving the FWA powers to enforce workers' rights to reasonable notice of shifts and payment for short-notice shift cancellations.

Addressing existing enforcement gaps

There are approximately 40,000 employment agencies operating in the UK.[49] However the Employment Agency Standards Inspectorate is expected to regulate the agency sector with just 19 inspectors.[50]

The International Labour Organisation (ILO) benchmark for inspectors, which it recommends all countries meet, is one labour market inspector per 10,000 workers.[51] The ILO also stated that labour inspection systems should "be efficient and effective, with workplaces visited as often as possible". The ILO pointed out that "comprehensive inspection coverage is required for the control and functioning of the labour market".

Unique TUC analysis[52] of labour market enforcement statistics shows that the UK would need an additional 1,797 labour market inspectors to meet the ILO benchmark. In addition to the inadequate number of labour market inspectors, TUC analysis[53] shows that show just one in 171 workplaces had a safety or labour rights inspection during the pandemic so far (between March 2020 and April 2021). The UK is failing to meet ILO benchmarks. Additional resources are needed to address this shortfall.

The TUC has welcomed the increased focus of the GLAA in tackling the exploitation of overseas staff in the social care sector. We support its proposal to extend the current licensing scheme, enabling officials to investigate and tackle the activities of predatory recruitment agencies. However, greater resources are needed by the GLAA to undertake this work. The TUC understands that the GLAA would need approximately £18m to extend its licensing scheme and then approximately £10m per year in running costs. These new funding requirements are in addition to the existing GLAA budget.

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49 (March 2021). "Labour Market Intermediaries", Chartered Institution of Taxation

50 The Department for Business, Energy and Industrial Strategy answer in response to written parliamentary question (UIN 122725).

51 (November 2006). "Strategies and practice for labour inspection", Committee on Employment and Social Policy, International Labour Organisation.

52 Office for National Statistics, A01 and EMP17 data tables

53 (September 2020). Office National Statistics: UK business; activity, size and location.

Extension of licensing into the social care sector should be implemented as soon as possible and not be delayed until the new FWA is established. The new FWA should factor in existing GLAA budgets and new additional budgets that will be required to extend its licensing scheme into the social care sector.

The CIPD has set out that improving labour market enforcement in a meaningful way would require an additional £300 million a year[54]. It is significant that employer associations, who alongside unions have firsthand experience of the enforcement system, are highlighting that additional resources are needed.

The Impact Assessment[55] for the Fair Work Agency suggests that it could cost approximately an additional £0.5m to consolidate the EAS, GLAA and DLME into a singular organisation.

Ensure new responsibilities can be fulfilled

The government's own Impact Assessment has also set out that the FWA will need up to an additional £50m per year to effectively enforce holiday pay, which is within scope of its newly extended remit.[56]

Central Arbitration Committee

Under the Employment Rights Bill, the Central Arbitration Committee will be given a more significant role. It will be responsible for ensuring that employers meet their obligations in giving trade unions access to workplaces. This could include a role in enforcing such rights. Building the capacity to undertake such work is likely to require significant increases in staffing at the committee.

Following a recent government consultation, it is also likely that tightened provisions on unfair practices during recognition will be introduced, further increasing the amount of work that the CAC will have to carry out.

The last CAC annual report detailed expenditure of £743,000, including for a nine-strong secretariat. We estimate that the CAC will require a budget increase of around 50 per cent to carry out its significant new duties to a sufficient standard.

Address Employment Tribunal backlogs

The Employment Tribunal (ET) system is an important backstop for employment rights enforcement, and there is a high risk that without further investment it will not be able to play its part in effective implementation of new rights. If neither employers nor their workforce have faith that tribunals will deliver timely decisions then the enforcement of new rights will be undermined.

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[54] 17 December 2024 - Make Work Pay: Employment Rights Bill - Oral evidence

[55] https://assets.publishing.service.gov.uk/media/67124718386bf0964853d7e2/Impact_assessment_establish_fair_work_agency_bring_state_enforcement_functions.pdf

[56] https://assets.publishing.service.gov.uk/media/67124718386bf0964853d7e2/Impact_assessment_establish_fair_work_agency_bring_state_enforcement_functions.pdf

The last publicly available minutes of the National User Group (Employment Tribunals) show that there are large delays in some areas of the system. The minutes record that "For hearings longer than 10 days, the picture is also mixed. The North East can still list these cases in the first half of 2025. Wales, Midlands West, London Central, South West and the South East (BSE and Norwich) are listing these cases in the second half of 2025. London East, Midlands East, the North West, and South East (Watford, Reading, Cambridge) are listing these cases in the first half of 2026. The longest waiting times are in London South, which is listing these cases in the first half of 2027." This clearly shows that many workers wait a considerable length of time to access justice.

The TUC also understands that the proportion of 'open track' cases being heard by the tribunal has increased. These cases are more complex and take longer to deal with. Even before the implementation of the Employment Rights Bill, which will lead to increased hearings in the ET system, the ET system needs increased resources to deal with its current case load, which is increasing in length and complexity.

There should be a review of the suitability of the premises that host the employment tribunals and the physical resources, such as recording equipment, that are necessary for the smooth functioning of the tribunal system. Inadequate physical resources have hampered the smooth functioning of the tribunal system and contributed to delays. Consultation should take place with the President of the Tribunal, Judge Barry Clarke, who will be able to advise on resources that are needed to bring the physical resources of the tribunal system up to a proper functioning level.

The TUC also understands that there is an issue with the recruitment and retention of staff that support the administrative functions of the tribunal system. Further resources are needed to ensure that the tribunal system has sufficient administrative staff to process claims in a reasonable time frame.

Support employers and unions to implement Make Work Pay

Acas has an important duty to promote the improvement of industrial relations in Great Britain, fulfilled by providing general advice on matters concerned with or likely to affect industrial relations, issuing Codes of Practice and providing collective conciliation in trade disputes. Acas also provides individual and early conciliation services in actual and potential Employment Tribunal cases and provides free and impartial advice on employment rights, good practice and policies, preventing and resolving workplace conflict. Independent analysis (2019) puts the economic benefit of the work of Acas at £12 for every pound spent.[57]

[57] Urwin, P. (2019). *Estimating the Economic Impact of Acas Services: April 2018 to March 2019,* Acas

Acas rightly expects an increase in demand for their services following the implementation of the Employment Rights Bill. Acas will be expected to update their advice for both workers and employers. There are several areas where Codes of Practice will need to be updated or created. And new rights will lead to an increase in the numbers of workers/employers seeking conciliation services.

Furthermore, the nature of queries that are directed to Acas have changed in recent years. Since 2021 the proportion of "open track" cases referred to Acas, from employees, has risen from 29.7 per cent to 33.3 per cent (an increase of c.7,000 cases).[58] These cases are more complex, take longer to deal with and require more highly trained and paid staff. Leaving aside the new employment laws that will be created via the Employment Rights Bill, Acas needs further funding to effectively deal with its existing workload.

CIPD (ibid) have also called for Acas' budget to be doubled from around £60 million to around £120 million a year.

Wider union and employer support

The government should set aside ringfenced funding to support employers' organisations and trade unions to train managers and representatives about the new rights and responsibilities delivered by the ERB. It will be important that reps and managers are able to understand the new opportunities and responsibilities that the legislation brings.

This should sit alongside broader government support for training trade union representatives, who play a vital role in representing workers and ensuring effective employment relations at a workplace level.

We recognise that the implementation of Make Work Pay will bring transitional costs for many employers, particularly the smallest businesses. Previous governments have recognised the need for additional advice and support for employers during periods of regulatory change to drive up standards and support employer understanding. For example, Be the Business[59], has provided productivity enhancing support for small employers and CIPD have run successful HR pilots[60] to support small employers to build their capacity. Recent Timewise[61] research show that small-scale pilots can build evidence and wider support for changes in working practices in lower paid industries. These examples show that small investments in piloting change can deliver results, and we support calls for improved support for businesses to understand and implement new rights.

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[58] Advisory, Conciliation and Arbitration Service (Acas) Annual Report and Accounts 2023–24

[59] https://bethebusiness.com/

[60] https://www.cipd.org/uk/knowledge/reports/hr-capability-small-firms/

[61] https://timewise.co.uk/article/press-release-warning-there-are-two-working-britains-and-the-gulf-between-them-is-growing/

5. An Industrial Strategy for Good Quality Jobs

Chronic under-investment and chaotic industrial policy-making has led to deindustrialisation and foundation manufacturing sectors being offshored. This hollowing out of Britain's industrial communities has already led to many losing faith in politicians to deliver. Without government action, the default trajectory would have seen UK industry remaining starved of long-term investment and shrinking further.

The government's mission-led approach and industrial strategy can counter this and revitalise our manufacturing base. But achieving the step-change that is needed will require investment at scale.

The government has introduced important policy building blocks including the Industrial Strategy, the National Wealth Fund, Great British Energy and others. These need to be scaled up and delivered. The change to fiscal rules' definition of debt frees up the potential for public investment, without unduly affecting the envelope for current operational spend.

The next steps that government needs to make – with implications for the Spending Review – are set out below.

Address electricity prices and infrastructure barriers to energy intensive industries and industrial upgrades

Over the long term, government needs a plan to bring industrial electricity prices in line with other European economies, to ensure competitiveness for business. Along the way, mitigation measures like the British Industry Supercharger scheme are important to maintain.

Currently the approximately £400 million Supercharger scheme supports the largest 370 energy intensive sites by displacing the cost onto other customers. This should be supported by government rather than via household bills; and expanded (at least twofold) to support wider industries where jobs are at risk because of uncompetitive electricity prices (particularly manufacturing industries) to ensure they have the certainty and support they need.

In addition to the grid connection reforms underway, NESO, DESNZ and Ofgem should ensure sufficient investment in grid connection infrastructure for offtakers, to significantly speed up connection timelines. Raising network charges as planned places an unsustainable burden on energy users. The majority of the £5-11bn per year investment[62] can likely be achieved through private investment - requiring tighter regulation of Distribution Network Operator (DNO) companies' investment and profit. But public investment is likely also required, for example through the National Wealth Fund.

[62] https://www.beama.org.uk/static/d3e0bb5b-1374-4c41-b10a3818ff81e5fe/growing-the-supply-chain%20for-net-zero-energy-system%20.pdf

DESNZ and DBT should be capitalised to deliver an electrification business model that will effectively incentivise investment in electrification where needed for energy intensive industry – on a scale similar to existing mechanisms to support investment in hydrogen and CCUS technologies, which should be maintained.

Invest directly in the industries of the future

The UK's industries of the future need to include both brand new facilities (e.g. gigafactories) and upgrades to existing UK supply chains (e.g. future-proofing our oil & gas supply chains).

Government should maintain and expand its commitment to the National Wealth Fund as a critical vehicle for delivering the government's Industrial Strategy and catalysing transformation of key industries to deliver a net zero transition. The commitments to £2.5bn investment for steel, £1.5bn for auto, £1.8bn for port upgrades will be crucial if the UK is to capture market share and remain internationally competitive in clean industry. In our estimate, the future of up to 30,000 jobs in the steel industry and over 100,000 jobs in automotive depend on these investments. These should be equity investments in exchange for a public stake in the facilities (and would therefore not affect net financial debt).

The new Clean Industry Bonus (CIB) is essential to address the UK's past track record of underinvestment in renewable supply chains, and capturing economic value and job creation from the projected massive build-out of offshore wind farms. In one estimate, this policy can deliver 30 upgraded or new manufacturing facilities, supporting 10,000 direct and 13,000 indirect jobs in industrial heartlands - but will require an additional boost to the CIB funding of between £300 million and £1 billion.[63]

The newly established Great British Energy can also ensure that the UK public purse and local economies benefit from the Clean Power Mission. In TUC estimates, over the long term this will require additional capitalisation for GBE, in order to achieve impact equivalent to France's EDF or Sweden's Vattenfall.[64]

Several UK industries will be transformed dramatically over the coming decades. This includes high-carbon manufacturing and supply chain sectors that need to decarbonise, including chemicals, oil & gas supply chains and others. This decarbonisation could be achieved by shutting down and offshoring production, with terrible results for UK growth, jobs and communities. The alternative is to invest proactively into upgrades into modern, clean production – creating more competitive domestic industry.

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[63] https://cdn.prod.website-files.com/65fb114310747bea5850d1f4/67475e8426b82ca08348773f_Clean%20Energy%20made%20in%20the%20UK%20report.pdf

[64] https://www.tuc.org.uk/research-analysis/reports/public-power-turning-it-reality

The planned introduction of the Carbon Border Adjustment Mechanism is essential for this, and should be brought forward in line with its EU equivalent as much as possible. However, the private sector in the UK has been slow and hesitant to invest proactively, with financial institutions refusing to invest until returns are more certain. For industries anticipating dramatic change, government should allocate sufficient resource to accelerate industrial conversion plans.

Invest in key infrastructure

Government has inherited a backlog of deferred infrastructure investment decisions from Conservative governments. To deliver on the government's Growth and Clean Power Missions, we need to see:

- Investment in new rail network capacity, including new high-speed lines, to improve connectivity of UK nations and regions, promote agglomeration benefits and free up more freight paths. The rail sector contributes £43 billion in gross GVA, supports 710,000 jobs, and generates £14.1 billion in tax revenue. The multiplier effect of rail investment is substantial: for every £1 spent on rail, £2.50 is generated elsewhere in the economy.
- A final investment decision on Sizewell C
- Sufficient funding to allow the Nuclear Decommissioning Authority to continue its vital work – estimated at £6bn additional funding over the Spending Review period
- A larger and longer-term funding commitment for the Warm Homes Plan, at least by maintaining the current commitment to £6.6 billion over five years, and making an equivalent commitment to the following 5-year period
- Expanded electric vehicle charging infrastructure, requiring at least approx. £1.75bn in public investment (likely outside net financial debt) over the course of the parliament[65]

Design policy to maximise good jobs

In order to reap the benefits of good jobs, economic resilience and regional growth, government support to companies as part of industrial strategy and infrastructure upgrades has to come with strings attached. Government should place stringent conditions as part of licencing, procurement, or subsidy processes and reward companies that create good work (learning from Canada's clean energy tax credits and Strategic Innovation Fund and US's Inflation Reduction Act incentives).[66]

When facing choices, government should factor in the jobs impact of decisions and e.g. prioritise funding industrial upgrades with a potential to secure or create more local jobs.

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[65] https://www.tuc.org.uk/research-analysis/reports/investing-our-future

[66] For more detail see the TUC's submission to the Industrial Strategy green paper https://www.tuc.org.uk/sites/default/files/2025-01/IndustrialStrategyGreenpaperTUC.pdf

For industries anticipating significant changes (including gas & heating, oil and gas extraction, and some manufacturing industries), government should allocate sufficient resource to fund industrial conversion plans.

We would like to see jobs and skills plans, produced in consultation with employers and union, for each industrial strategy sector. These should set out how employers, workers and government will work together to ensure businesses develop the skills they need to grow, and deliver the quality jobs that workers need to thrive. Government support for the sector should be conditional on delivery of these commitments. This should be developed along with a cross-government plan to show how its multiple labour market policy interventions (including those included in the Growth Mission, Get Britain Working, Keep Britain Working, Make Work Pay and the Industrial Strategy) will all support each other to secure the higher employment rates and rising real household incomes that are central to the *Plan for Change*.

6. Reducing Poverty and Increasing Opportunity

Working age benefits play an essential role in improving living standards and providing income security. The consequences for individuals and families of living in poverty and not having the resources to participate in everyday life, are far reaching. A good social security system does not only benefit the wellbeing of individuals, but it also has wider social and economic benefits to society. We recognise that the public finances are under pressure. But if additional income is needed government should look to additional taxes on wealth, rather than cutting the benefits of those who are on the lowest incomes.

The UK's benefits system has been dramatically weakened after harsh cuts since 2010. This has pushed families into debt and poverty. To start rebuilding the social security system we support immediate action to remove the two-child limit which restricts access to Universal Credit to the first two children in a family. The government should also rethink its decision to means test winter fuel payments.

The Conservatives reduced eligibility as means to cut social security entitlements for disabled people or those with ill health. But at the same time the numbers of people out of work because they are disabled or ill have risen to record levels, and measures designed to lead to savings have only increased costs. The previous Conservative government also costed in future cuts of £3 billion to disability benefits. Disability benefit cuts cannot be seen as an easy target, and counterproductive cuts must not be countenanced. The answer to rising social security costs is to improve people's health and ensure those who need it can access treatment and genuine employment support. The government must take this approach to any reforms ahead.

We welcome the government's recognition that Universal Credit needs to be redesigned. The TUC has long campaigned on the need to address persistent policy failures in Universal Credit. Our report 'A Replacement for Universal Credit'[67] sets out the breadth of reform that is needed, including proposals for non-digital application options, removal of the five-week wait, more regular payments and longer assessment periods. These changes would mean that those without digital means or skills would not be disadvantaged in seeking vital support, claimants would receive a speedy first payment without taking a loan along with more regular and stable payments. We would welcome funding that supported these measures.

The TUC also welcomed the Youth Guarantee announced in Get Britain Working. It is right to ensure that young people who are seeking work receive help to find a job or training. To avoid scarring young people's prospects and experiences of the labour market in the future, the guarantee must offer genuine opportunities across all parts of the country. We believe that in at least some local labour markets this should include a job subsidy scheme. For young people, we know that real experience of real work can be a decisive factor in enabling them to enter and progress in the job market, and in areas of high unemployment job guarantees are the best way to ensure young people

[67] https://www.tuc.org.uk/research-analysis/reports/replacement-universal-credit

can gain the real experience that they need. We know that job guarantee schemes work, and that they are commonly used across Europe. Evaluation of The Future Jobs Fund, introduced by the last Labour government, showed the scheme delivered clear benefits for participants, employers and society. As experts on the world of work, unions are well placed to advice on the successful design of such schemes.