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Response to the Autumn Budget and Spending Review 2021

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Public and Private Sectors

The state and the private sector are largely complements and not substitutes.

"We agree that it is not the duty of the state is to replace private sector activity and impinge on its plans unduly with taxes. The state rather has the obligation to support the private sector with appropriate, robust and adequately resourced public goods and services. The funding of these activities through tax revenues is not problematic in this context as it enables rather than prevents private sector activity."

– Jagjit Chadha, Director

Public Sector Pay

"Lifting the freeze on public sector pay is just reward for those who most supported the nation's health and is warranted by staff shortages and squeezed real incomes. However, this must be matched by additional funding for departments if the Government is not to deliver cuts to the quantity and quality of public services."

– Rory Macqueen, Principal Economist

- With inflation likely to head to 5% or so next spring, shortages of workers in some public sector occupations, and private sector pay accelerating, it seems just that those who contributed so much to the nation during the pandemic should receive pay increases decided by independent pay review bodies after a year's freeze.
- But as well as ensuring departments have the funds to honour pay review bodies' recommendations without making cuts elsewhere, the Government should ensure that money is spent wisely including on delivering service improvements in exchange for greater spending.

Business Rates

Target support for households and firms hit hardest by the Covid Cloud.

"A temporary tax cut in business rates for firms heavily affected by lockdown and Covid-19 seems sensible, along with more frequent valuations."

– Jagjit Chadha, Director

Regional Regeneration

Too small and lacking measurable objectives and milestones.

"Regional Regeneration is a welcome objective but cannot be addressed in one Budget or single fiscal event. Our regions simply cannot be re-built in a day after decades of neglect. Ambitious investment and innovation plans need to be firmly in place for a decade or more to raise our national capital stock to the levels we find in the most productive nations in the world. This is a long run target and is much more a marathon than a sprint."

– Jagjit Chadha, Director

Fiscal Framework

We are still confusing tools with targets.

"The new Charter for Budget Responsibility continues to place the mistaken focus of fiscal policy on the tools and not the targets of economic policy. We need to adopt an objective for economic prosperity that supports and measures economic regeneration. There is some limited move to an assessment of the whole of the government balance sheet of assets and liabilities with an OBR forecast of public sector net worth, and we have helpfully planned to uncouple fiscal policy plans from Parliamentary terms by focussing on the three-year forecast horizon. But it does not yet constitute a framework sufficiently aligned to long term national regeneration."

– Jagjit Chadha, Director

Fiscal Policy

"The Chancellor is moving too quickly to consolidate government finances when risks to the economy are far from behind us. A slower pace of consolidation would provide a more solid base for the recovery, would be fiscally responsible, and would allow the Bank of England to raise interest rates further away from the zero lower bound. The policy mix resulting from the Budget is too tight fiscal policy and too slack monetary policy, thus simultaneously increasing risks to both growth and inflation."

– Paul Mortimer-Lee, Deputy Director (Macro-economic Modelling and Forecasting)

- The Budget targets a deficit of 3 per cent next year falling to 1.7 per cent in 2025-26, after an expected outturn of below 8 per cent this fiscal year, more than two percentage points lower than forecast in March. The Budget aims for a balance on the government's current operations by 2023-24. According to the Office for Budget Responsibility (OBR), the Government received a windfall of £38bn a year on average from upward revisions to the economic forecast, of which between £21bn (in the short-term) and £6bn (in the long-term) has been spent.
- In our view the pace of Budget consolidation is too rapid. Risks to the economy are far from over, Covid-19 cases are high, and there is a possibility of new variants. Supply shortages worldwide will weaken demand as firms cut back orders for complementary components when their production lines stop due to supply interruptions. Moreover, the surge in prices that we have seen globally is severely damaging consumer sentiment, with the impact on consumer demand still to be seen and difficult to assess due to distortions caused by Covid-19 and the bounce-back in activity. Low-income households will be particularly affected by price increases, on top of cuts in Universal Credit, and employers will try to pass back into wages or forward into prices increases in their costs due to higher National Insurance charges and corporate taxes. There is an outside chance that the recovery could stall, depending on how Covid-19 and inflation, and therefore real incomes, evolve.
- A more supportive fiscal stance would have been more appropriate: real interest rates are negative, dynamics and solidly stable and the debt to GDP ratio, though higher than before the pandemic, is manageable. If demand turned out to be too strong, the Bank of England could raise rates more quickly, helping support sterling and reduce inflation through softer import prices.

Early Childcare and Education

A necessary step

"On the face of it, the Chancellor's announcement in today's budget of investment in Early Childcare and Education appears positive, but the devil is in the detail, much more of which is needed before the sector can be confident that it will make a real difference."

– Claudine Bowyer-Crane, Associate Research Director (Employment and Social Policy)

- The Chancellor announced new spending worth £300m to support parents and children through access to services such as family hubs, breastfeeding support, and parental mental health. In addition, the budget includes £170m additional funding for the Early Years Sector by 2024-25, and an additional £150m in training for Early Years practitioners.
- This announcement is welcome and has the potential to make a significant difference to the early life chances of many children. Importantly, it recognises the vital role that Early Childhood Education and Care (ECEC) plays in ensuring children have the best start in life. The sector had been struggling before the pandemic and is now in a protracted crisis. Attendance rates have not reached pre-pandemic levels and in the year from July 2020 to July 2021, the number of childcare providers fell by 4,055. Childcare costs are rising, making access to ECEC difficult for families from areas of disadvantage.
- The announcement today follows a recent report from the Nuffield Foundation calling for a review of the ECEC system. The report found that funded places are not being taken up by many eligible families, and some policies are in fact contributing to a widening disadvantage gap.
- Government funding before today's budget announcement has not been sufficient to fully cover the cost of funded places, meaning settings have to make up the shortfall by increasing costs for unfunded places. Moreover, despite being skilled practitioners, the ECEC workforce is typically poorly paid, with few opportunities for career progression, and a lack of recognition as professionals.
- The steps the Chancellor has laid out today could be indicative of a positive change in its approach to ECEC. However, until more details emerge it is not clear whether this investment will be enough in real terms to help this struggling but vital sector.

Government Debt

"Low rates have reduced government debt interest from 1 ¾ per cent of GDP to only about 1 per cent. As we have argued before, the reason for any rise in interest rates will be as significant as its magnitude. Steps should be taken to ensure that the expansion of QE has not created perverse incentives for either monetary or fiscal authorities."

– Paul Mortimer-Lee, Deputy Director (Macro-economic Modelling and Forecasting)

- The Treasury has run substantial budget deficits in the Covid-19 period which have pushed up public sector net debt from 80 per cent to 98 per cent of GDP. Despite this, central government debt interest, net of payments to the Bank of England's Asset Purchase Fund (APF, which returns profits to the Treasury) has declined from 1.7 per cent of GDP in 2019/20 to only 1.1 per cent of GDP in 2020/21 and is projected (based on the OBR's assumptions on interest rates) to settle around 1.4 per cent of GDP.
- The Bank of England's Asset Purchase fund (APF) currently holds nearly £900bn of bonds effectively financed by reserves that the commercial banks hold with the Bank, paying virtually zero. The Bank makes regular remission of surplus cash from the APF to the Treasury. When the Bank starts to reduce its bond holding – probably next year and by not reinvesting proceeds of maturing bonds, the Treasury will have to issue bonds to non-Bank holders. As this happens, the profit made by the APF and returned to HM Treasury will gradually fall and interest payments to other gilt holders will rise
- A different potential problem is the capital losses that could accrue to the Bank as interest rates rise if this happens faster than expected by the OBR. As long-term rates go up, so the value of long-term bonds fall, and the Bank could suffer large losses on its QE bond holdings. While central banks do not need capital this could be damaging to the Bank's credibility; there is an indemnity granted by the HM Treasury to the Bank.
- The Chancellor should have spelled out how he intends to deal with the effect that the expanded QE programme may have on incentives and interest rates, and all the options open to him, including tiering reserves and exchanging gilts as described in Chadha and Allen (2021): 'Quantitative Tightening: Protecting Monetary Policy from Fiscal Encroachment'.

Public Investment

"The government aims for a balance on its current budget and seeks to limit capital spending to 3 per cent of GDP on average. Effectively, this means that the government is applying the Maastricht budget limit of 3 per cent of GDP, despite the UK having left the EU. Sticking with this arbitrary target seems incongruous when there is a clear need for more capital spending after many years of under-investment by government."

– Paul Mortimer-Lee, Deputy Director (Macro-economic Modelling and Forecasting)

- With inflation forecast around 2 per cent in the medium term and the OBR forecasting government bond yields below, real interest rates (i.e., adjusted for inflation) remain negative. Negative real rates make it attractive for the government to borrow today to invest in projects that will deliver positive returns in the future.
- The Chancellor plans that public investment will account for 2.7 per cent of GDP in 2022/23, following 2.6 per cent this year and settling around 2.7 per cent for most of the forecast period: more than the average for the ten years after the financial crisis, at around 2 per cent, but well above the share of 1 per cent or below that persisted for most of the late 1980s and throughout the 1990s.
- However, given the UK's pitiful rate of productivity growth, and a backlog of underinvestment stretching back decades, the challenges presented by faster-growing economies abroad, and the substantial investments needed to combat climate change and to meet the health needs of an ageing population, it is still not enough

Tax on Banks

"The international competitiveness of the UK financial sector is an important issue post-Brexit and the corporate tax rise would have worsened this, so there is a rationale for cutting the bank surcharge. However, with banks interest earnings seemingly set to rise, the reduction needs not to have been so substantial."

– Paul Mortimer-Lee, Deputy Director (Macro-economic Modelling and Forecasting)

- The Chancellor cut the tax surcharge eon banks from 8 per cent to 3 per cent. The tax is a surcharge on top of the rate of corporation tax and the Chancellor cut it to try to keep banking in the UK more competitive. Banks will still pay more in the future, 28 per cent rather than 27 per cent now, because the rate of corporation tax is increasing. Tax surcharges on banks were previously justified because the financial crisis showed they represented a bigger risk to the UK economy than other activities. The financial sector has seen business lost to the EU since Brexit, so competitiveness is a concern.
- A related issue is that banks currently hold huge deposits with the Bank of England, a result of the Bank's quantitative easing. As the Bank raises Bank Rate, which should happen soon, the banks' earnings on these deposits will rise. Cutting the tax on banks so much just as the banks are about to see interest earnings rise seems too generous.

Universal Credit Taper Rate Cut and Destitution

UC taper rate cut is welcome but will not prevent a doubling of destitution, which means tens of thousands of people sliding into extreme poverty

"The cut to the Universal Credit taper rate from 63 per cent to 55 per cent is welcome for around two million families but will not make up for the squeeze on the living standards of 5-6 million people on low incomes who are being hit by rising prices and the end of the UC uplift worth £20 per week, leaving them worse off at a time of radical uncertainty over jobs and wages. This tax cut will not prevent tens of thousands of people from sliding into extreme poverty."

– Arnab Bhattacharjee, Research Lead and NIESR Fellow, and Adrian Pabst, Deputy Director (Social and Political Economy)

- The Chancellor of the Exchequer announces an 8% cut to the taper rate on Universal Credit from 63% to 55% which will be introduced before Christmas. This cut will make about two million families better off by about £1,000 a year compared with the current arrangement.
- However, almost 6 million people lost £20 per week when the Universal Credit uplift was cut in early October. As an early analysis by the Joseph Rowntree Foundation shows, only about 1.7 million of those nearly 6 million people will stand to gain some benefits from this taper rate cut. On average they will gain about £5.60 per week, substantially below the UC uplift that was worth £20 per week. And only about 100,000 will fully

recover what they lost when the uplift was taken away. The rest will not benefit as they either cannot work or do not earn enough.

- Research by NIESR suggests that the end of the UC uplift will lead up to the doubling of destitution, which according to the JRF definition (accepted by HMT) means extreme low levels of income, i.e., £70 per adult per week, plus £30 for an extra adult in the same household and £20 per child – meaning a lack of the most basic and essential necessities.
- Our work also shows that households who face the prospect of extreme poverty tend to be concentrated in areas of the UK that are structurally disadvantaged, notably the North West and Northern Ireland.

Regional Regeneration

Regional regeneration will require institutions and local delivery, not just central funding promises – the decade of cuts may be over, but its damage is yet to be undone.

"Budget announcements to fund the government's 'levelling-up' agenda mark an important step in the right direction by investing in public services, helping to grow the private sector, and supporting communities. Increased funding, including for local authorities, is necessary but insufficient to reduce widening regional and local disparities of both wealth and power. Missing from the government's Budget is a commitment to build institutions to support regional renewal – from empowered local government via partnerships between HE and FE institutions to regional and sectoral finance for SMEs."

– Adrian Pabst, Deputy Director (Social and Political Economy)

- The Budget and the Spending Review contain a number of spending commitments to fund the government's 'levelling up' agenda. These include
  - Over £35 billion of rail investment until 2025/26; more than £5 billion over three years for bus services and cycling lanes; £5.7 billion of investment until 2027/28 in City Regions (West Yorkshire, Greater Manchester, Liverpool City Region and the Tees Valley)
  - A 'skills revolution' with £3.8 billion by 2024/25 to support both numeracy skills, technical qualifications, extra classroom hours for lost learning during the Covid-19 pandemic, and "20 Institutes of Technology and for upgrades to the Further Education college estate across England"

- One measure that has not been leaked in the run-up to Budget Day is an increase in the core spending power for local authorities of about 3 per cent per year over the next 3 years. However, this leaves LA budgets well below levels in 2010 – before a period sustained fiscal consolidation that cut local government spending by up to 70 per cent. What the Budget and the SR likely do is to slow down growing disparities between wealthier and poorer regions and localities. The decade of cuts may be over, but the damage is yet to be undone.
- Missing from the Budget or the SR are concrete measures to support increased funding with institution building over the medium-term and local delivery. Local government, like city regions and mayoralties, need not just more funds but also greater decision-making powers and indeed greater accountability for their decisions.
- A 'skills revolution' will not happen with about £1 billion per year over three years. What is needed is a comprehensive system of HE and FE partnerships, combined with public and private sector collaboration to provide lifelong learning as well as a substantial increase in apprenticeships and other vocational entry levels into the labour market.
- The UK would benefit from having a national investment bank on the model of the German *Kreditanstalt für Wiederaufbau* (KfW), which has assets totalling EUR472.3 billion EUR – compared with a meagre £1.4 billion for the British Business Bank and £14 billion for the UK Infrastructure Bank (located in Leeds), which the government expects will "unlock more than £40 billion of infrastructure investment". Moreover, given the uneven pattern of firm births which are heavily concentrated in the London and parts of the South East, Britain also needs a new institutional ecology of regional and sectoral finance for SMEs.

Investment in Frontier Sectors

Greater investment is welcome but requires a wider strategic vision linked to skills in order to improve Britain's poor productivity performance

"Investment in frontier sectors such as life sciences or green energy have to be embedded into a more strategic vision of sectoral policies that consider the diversity of the industrial landscape and other 'sector-orientated' schemes, for instance training schemes to address skill needs."

– Ana Rincon Aznar, Principal Economist

- The budget contains funds totalling £1.4 billion for the Global Britain Investment Fund to support investment in the UK's life sciences, offshore wind and automotive manufacturing sectors
- These measures are in line with the Plan for Growth of March 2021, which recognises that the UK has strengths in manufacturing industries such as aerospace, electric and autonomous vehicles, and in emerging industries such as AI and fintech. There is an intention to promote the development of key industries where the UK has a comparative strength on the international stage.
- These policies however should be embedded into a more strategic vision of sectoral policies that consider the diversity of the industrial landscape and other 'sector-orientated' schemes, for instance training schemes to address skill needs.
- Productivity weakness is pervasive across sectors of the economy, and some sectors are critical due to its size and connections across the economy. While announcements aim to support industries such as life sciences and automotive, the incentives to entrepreneurship and resume investment in wider range of high-tech and creative industries are less ambitious.
- The bulk of decrease in FDI since Brexit and the pandemic affects a diversity of manufacturing and services industries including financial services, professional services, creative and recreation industries, ICT and electronics in particular. We continue to see FDI being concentrated in few regions including London, the North-West and Scotland. We would expect wider range of initiatives to attract foreign investment across the country, which would contribute to create jobs address regional imbalances. Schemes for helping firms entering overseas markets and investing abroad do not seem to be a key priority in the plans.

Trade after Brexit and Covid-19

"There is welcome support in the Budget and the Spending Review to boost trade and compensate for the additional costs involved in trading with the EU, but a comprehensive strategy is yet to emerge."

– Manuel Tong Koecklin, Economist

- In the Budget the Chancellor claims that the government will provide sufficient resources to contribute with UK's trade policy, aiming to ensure deals covering 80% of UK trade. For this purpose, it announces a £67.6 million cash increase for the Department of International Trade. Additionally, the SR21 is providing over £1 billion in order to design a more simplified border for traders and travellers, including a Single Trade Window, aiming to reduce costs to trading firms.
- Among the measures proposed to promote trade, NIESR welcomes the £45 million funding over the SR21 period for the digital transformation of DIT's export support services, which includes a specific EU-focused export support service. This initiative is particularly important in the current post-Brexit context in which, from 1st January 2021, UK exporters are subject to extensive border checks in the EU territory, which implies extra costs for firms that need to comply with rules of origin, and other documentation.
- This could help counteract the decrease in the number of UK exporters observed over the last year, especially to the EU (a 10% fall with respect to 2019), amid the Covid-19 crisis and the end of Brexit transition period.
- However, no further details are outlined om the Budget on the specific activities these services will prioritise, nor whether these will focus on particular industries and regions. NIESR is looking forward to learning about these, as the government's refreshed Export Strategy is due to be published in the upcoming months.

Research & Development Spending

"Increased R&D spending and more funding for Innovate UK will make a difference but the government's goals have been pushed back by two years."

– Ana Rincon Aznar, Principal Economist

- The government is increasing public R&D investment to £20 billion by 2024-25. The goal is to spend £22 billion on R&D by 2026-27 towards the economy-wide target to invest 2.4% of GDP in R&D in 2027. The government is also reforming R&D tax reliefs to refocus government support towards innovation in the UK.
- Investing in R&D is critical to the innovation process and for increasing productivity. It creates high-value added industries and well-paid jobs. NIESR had expected the

government to prioritise investment in innovation and R&D given earlier announcements. The gaps in total R&D spending relative to world technology leaders will likely widen. Pushing back innovation plans does not resonate well with the key aims of HMT's Plan for Growth, notably investing in R&D and innovation to help drive economic growth and lead a high-tech recovery and increase international competitiveness.

- In addition to delays in increases to total R&D spending, the decisions on how to allocate funding are absent from today's announcement. The Build Back Better Plan for Growth published in March 2021 had set out the importance of innovation to UK prosperity, highlighting also the importance of achieving a regional balance of R&D and innovation activity. R&D spending remains largely concentrated in certain areas of the UK (London and the South-East) and in larger firms and addressing this is critical element to reducing regional quality and making progress on levelling-up.
- Funding for the scale-up for innovative and R&D-intensive businesses in the Budget are welcome. However, a true inclusive process means to consider firms and areas that are not at the technology frontier. Research has shown that there is large potential for the realisation of knowledge spill-overs from publicly funded R&D. More consideration should be given to who participates in innovation and who benefits from public resources in order to maximise the return of public R&D. Strengthening the mechanisms for public-private cooperation and public support to R&D should also essential and in line with the levelling-up ambitions.
- NIESR welcomes the strengthening of the research collaborations with European partners, but overall, we would like to see detail on how regional imbalances of government spending in R&D are being addressed with place-based considerations and adopting a wider set of criteria in the rationale for the government to support R&D in businesses.

Delivering an Infrastructure Revolution

"Increased investment in infrastructure is necessary for greater connectivity across the country, but the Budget and the Spending Review lack provisions on digital connectivity, substantial funds committed to 5G and greater digital skills."

– Manuel Tong Koecklin, Economist

- The Budget announces a plan to invest in the quality of local transport with an 'unprecedented package of £5.7 billion in eight English city regions to transport local transport networks', along with investment in cycling and bus services across England. The plan also considers a 5-year £24 billion investment in quality upgrading strategic roads, £35 billion in rail infrastructure for the period of the Spending Review, among other measures.
- While these announcements should help improve the connectivity of the country, as well as to facilitate the functioning of supply chain, digital connectivity is of growing importance in the aim of building a stronger and more competitive economy and should have a more prominent role.
- The government's main approach to improve digital connectivity is tackling rural isolation, continuing the support of the Project Gigabit (£5 billion), which seeks to provide broadband in remote areas of the UK, and by expanding investment in the Shared Rural Network (£180 million over the next three years) to provide 4G mobile coverage to most of the UK territory.
- In NIESR's review of March 2020 Budget, we expressed our surprise that investment in 5G was not considered at all. We remain puzzled by this omission. Investing in 5G technology is essential to improve digital infrastructure if the UK is aiming to become a global leader in terms of innovation and technology.
- The Chancellor announced a Multiply programme to invest in improving adults' numeracy skills. Despite the importance of numeracy skills for human capital development, the development of digital skills of our adult population should be considered equally important. A more digitally-skilled workforce is a potential source of economic competitiveness, and the Budget should contemplate more specific initiatives to tackle digital skills gaps. This could complement any additional investment in digital infrastructure, which would make the proposed infrastructural revolution much more convincing.

National Living Wage

- As several empirical studies demonstrated, the low-paid workers have been hit hardest by the current crisis. Following the recommendation of the Low Pay Commission (LPC), the National Living Wage is set to increase 6.6%, from £8.91 to £9.50 per hour for those aged over 23. In addition, the National Minimum Wage for people aged 21-22 will rise 9.8%, from £8.36 to £9.18 per hour, for people aged 18-20 and 16-17 will increase 4.1%,

from £6.56 to £6.83 per hour and from £4.62 to £4.81 per hour, respectively, and the Apprentice Rate will increase 11.9%, from £4.30 to £4.81 per hour.

- Despite sounding generous, the proposed change may not be enough to support low-income families. The pay rise is likely to be consumed by soaring energy bills and the continuous increase in the cost of living. Not to mention the already announced increase in government taxes, starting with a National Insurance rise, which is also set to take effect in April next year.
- With the withdraw of the £20-a-week Universal Credit boost, introduced as a response to the pandemic to help those at low pay, there has been increasing pressure on the Chancellor to raise benefits for those at the bottom of the income distribution. However, the minimum wage should not be regarded as repayment for welfare benefits as not everyone receiving them is employed. Additionally, for low-income individuals who are employed, a pay rise may dampen their benefits.
- Today, the Chancellor announced that the taper rate that applies to Universal Credit will be reduced from 63% to 55%. That change together with the minimum wage increase may compensate for the loss of the £20-a-week boost for some workers, but will not make any difference for those claimants who are unemployed.
- Finally, as the government plans to increase the minimum wage floor, it also needs to guarantee that firms will comply. There have been several breaches in the minimum wage law over the past few years, and the continuing lack of resources to fund proper enforcement has not been addressed in today’s budget.

– Larissa Marioni, Economist

Skills Spending

"The Budget and the Spending Review provide some important funding commitments to help with re-skilling, but there is a lack of funds and institutional reform in order to reduce the significant differences in education and labour market outcomes – especially for young people – which the Covid-19 pandemic has exposed and exacerbated."

– Andrew Aitken, Senior Economist

- The government has announced a £3.8bn increase in skills spending by 2024-25 to boost growth and productivity by increasing the provision of post-16 education and creating opportunities for people wishing to acquire technical qualifications.
- This increased spending is to be welcomed and includes an extra £1.6bn for 16-19 year olds' education in England, and provides for up to 100,000 Technical or T level students by 2024-25. There is also increased funding for adult training including more access to level 3 courses in areas such as engineering and digital skills and a scaling up of 'Skills Bootcamps'. Also to be welcomed is £560m for the Multiply programme to develop adult numeracy skills.
- However, it needs to be recognised that the increase in skills spending does not make up for a large fall in skills spending since 2010; to a large extent the budget is seeking to reverse the austerity of the Conservative-Liberal Democrat coalition government (2010-15). While this is welcome for people who want to pursue vocational or technical training, the funding is far too little to address the skills mismatch, which both Brexit and Covid-19 have exacerbated.
- There are long-term structural shortages in many key areas such as health and social care, not to mention shortages in transport. It will also be essential for the government to properly evaluate new skills programmes and modify them as required. Nor does the Budget say anything about creating more synergies between HE and FE.
- There are concerns about longer-term unemployment for particular groups of people who may find it harder to find re-employment, for example those aged 50, those without a degree, and other vulnerable groups with weaker labour market links. The government introduced the Kickstart scheme in September 2020 to help support youth employment, but this scheme is scheduled to end in December 2021. The government should undertake a robust evaluation of the Kickstart scheme, but it seems likely that there is a

need to extend the scheme beyond December with an enhanced focus on targeting young people who are most disconnected from the labour market.

- The pandemic has served to entrench significant differences in education and labour market outcomes among young people that already existed prior to the pandemic. There also needs to be support for young people to progress after a Kickstart placement to ensure a route into other training such as apprenticeships.
- The UK has a poor record of maintaining effective active labour market policies, with frequent changes to schemes, often failing to undertake proper evaluation, or scrapping schemes in the face of evidence that they are working. There is a need for a switch from sanctions-based ALMPs to support-based schemes that are well-targeted and focused on job quality not just quantity. What is also required is in-work support to improve pay and progression.