Spring budget 2024: Community union response

Community is a general trade union with membership in sectors across the economy including steel and manufacturing, education and early years, logistics, justice and custodial, the third sector, finance and many more.

We are pleased to have the opportunity to respond to the Spring Budget consultation.

Steel

Importance of steel

Britain needs a strong steel industry. It is vital for our national security; for a prosperous economy, resistant to global disruption; and practically a necessity if we are to decarbonise our economy and meet the ambitious Net Zero targets we've committed to.

Britain's steel industry directly employs 34,500 people (on a median salary of £37,629) with an additional 40,000 people working within the steel supply chain. Tens of thousands of good-paying jobs and entire social communities are reliant on steel and on the sustainable future of the industry.

Ensuring the transition to sustainable production of steel is, therefore, of crucial importance to the UK and must be done in a manner which is both just and fair for workers and which protects and promotes the long-term interests of the UK and our economy.

Problems with current approach

Yet the agreement reached between Tata and the UK government places thousands of those jobs at risk, whilst failing to safeguard our national security interests, exposing our economy even further to global disruption, and leaving us importing foreign steel products with much higher carbon emissions.

The deal announced by Tata and the UK Government in September, to invest £1.25bn to decarbonise steelmaking at Port Talbot, would replace the blast furnaces with a single 3mt Electric Arc Furnace (EAF). This would slash the UK's steelmaking capacity by nearly 1mt, making us highly reliant on a UK scrap supply chain that does not yet exist and, without any blast furnaces, would end our ability to make virgin/primary steel leaving us highly reliant on imports.

This proposal to build a simple 3mt EAF would lock the UK into a single technological approach, producing a significantly reduced and limited portfolio through recycling scrap steel in an EAF, which would be substantially less green than the more ambitious mainstream decarbonisation strategies being adopted by our main competitors.

We are concerned that the approach by the government so far will see taxpayer's money used to make British workers redundant, and we are extremely concerned that high-value parts of our portfolio - notably relating to packaging and automotive steels - cannot be produced through the EAF route. An EAF-only approach would therefore threaten the future of crucial downstream operations including the Trostre and Llanwern works, adding to the potentially devastating economic and social consequences, particularly for South Wales.

Another way is possible

The National Trade Union Steel Coordinating Committee has worked with Syndex to develop an alternative plan to decarbonise Port Talbot and secure the future of Tata Steel UK. This alternative Multi-Union plan is a plan to maintain the UK's industrial capabilities, protect our order book and put us in a sustainable position where we can invest to increase our market share in the years ahead. It is an ambitious plan to decarbonise steelmaking at Port Talbot in a way that minimises risk and does not restrict us to an EAF-only steelmaking future, so we can adapt as the technology develops and we can keep pace with our leading EU competitors.

Crucially, our plan would protect the vast majority of jobs at Port Talbot and across the businesses, whilst also providing time to find a solution for the employees who see their roles impacted by the technological changes, with a responsible transition taking place over a decade.

Our alternative plan involves an initial transition followed by a two-phase strategy of moving to green steel production at Port Talbot. During an initial transition period, between 2024 and 2028, Blast Furnace Number 5 (BF5) would close as it reaches the end of its lifecycle. At the same time, the coke ovens may also be closed, due to overriding health and safety and environmental considerations. BF4 will continue to run with a production volume of 2mt. Under our plan all downstream assets are maintained in use. External Hot Rolled Coil (HRC) and slabs will be purchased from external suppliers during this transition period, until the commissioning of the 1.5mt EAF. Notably, the import quantities required will be 50% of those needed in TSUK's own plan.

There is surely no silver bullet, notably given the emergency of the current situation, but the proposal of the multi-union committee is clearly less risky than the current proposal of TSUK - which could end up with no steel making capability at all if the EAF commissioning is postponed or cancelled.

The current estimated capital expenditure costs for Tata Steel UK's EAF and new downstream investment is £1.25bn. Syndex estimate the additional cost of the multi-unions' two-stage plan at £683m. That would be £683m to immediately protect more than 2,300 jobs for over a decade and provide time to develop an adequate solution to look after everyone impacted by the decarbonisation, while also protecting the integrity of our steel industry, and the heart of the economy and community of Port Talbot.

Senior officials from Tata acknowledged that the Multi-Union plan is serious and deliverable, but they would not commit to the additional funding required to make it a reality.

As we urge Tata to reconsider, we also stress the need for the Treasury to look again at this decision and to do much more to deliver the funding required to retain our strategic steelmaking capability within the UK. Ahead of this Spring Budget, the government must work with Tata and the unions to understand what additional funding is required for Tata to accept the Multi-Union plan and save thousands of jobs.

The Multi-Union plan can be accessed in full via this link

<u>Education</u>

School Funding

School funding is at its highest level, but pupil numbers are also at their highest ever level, meaning that the amount per-pupil has not risen for over a decade. The DfE promised to increase per-pupil funding, only to then announce it had made an error in its calculations leaving schools with a £370m deficit.

We would like the Treasury to honour the amount originally promised by the DfE to ensure adequate funding for teachers, support staff and essential services.

Schools are graduate employers but without adequate funding they are unable to recruit and retain quality staff leading to a brain drain from the system.

The pay rate for support staff is derisory and though the rise in the minimum wage will help individuals, it will not help employers who will now have to choose whether or not they can afford to retain support staff.

Parity between schools, colleges, and EY settings for Pupil Premium funding

Pupils' premium is the additional funding given on a per-pupil basis, for children with additional needs. This could be that they are fostered/adopted, their families have income below the threshold, or the child has an identified need.

Schools are funded £1455 for pupils who are eligible for free-school meals and up to £2530 per pupil for those in mare. However, the rate are significantly lower for those in early years – just £353 per child.

Further Education has been trialling pupil premium funding in 30 local authorities but at the rate of £900 per pupil. This rate needs to increase to be the same as in schools.

We would like to see this rolled out nationally to ensure the most disadvantaged are supported and their colleges have the right funding to meet their needs.

Early Years

The rollout of the two-year-old entitlement offer in England can only succeed if early years providers have the staff and the funding they need to provide the places. There is currently both a staff recruitment and retention crisis, and a funding crisis in the early years sector.

The government's announcement on funding for increasing places hasn't been accompanied by a commitment to investing in the workforce in terms of training, or in addressing the low wages which are a barrier to attracting new workers to the sector.

With just over two months until the scheme is due to start, many nurseries, pre-schools and childminders still don't know what funding they will receive from April, making it impossible to plan or make commitments.

Given that current levels of government funding for the 'free' childcare entitlement do not cover the costs of provision, the planned expansion of the scheme will send even more valued settings over the edge as they are unable to afford to operate.

Better funding for support services

The deep cuts to local authority services have meant schools have had to back-fill. The wait for essential services such as CAMHS is now over 4 months for even an initial assessment. Support services need to be properly funded to meet the rising demand following Covid and the cost-of-living crisis.

This will reduce the demand on schools directly meaning they can use their funds for teaching and learning.

The self-employed

A safety net for the self-employed

At Community we believe that a safety net needs to be put in place to ensure that self-employed work is secure, well paid and good quality work. Community represents self-employed workers across the economy, and it is vital in policy making to ensure the self-employed are recognised as a diverse group and it is critical that the government understands this.

Among Community members polled in March 2023, we found that 66.67% were sole traders, 18.33% were set up as Limited Companies, 27.5% were freelancers, 6.67% acted as a sub-contractor, 1.67% were PAYE through an agency, 7.5% were fixed term contractors and 2.5% were partners. Of those who worked for a limited company, 92.59% were the director of their company while 7.51% were an employee of the limited company. The government should explore further policy solutions that support the diversity of the self-employed workforce.

Such solutions should include a review of the support needed to help self-employed workers thrive in good quality self-employment where there shouldn't be a trade-off between flexibility or a safety net. As part of our inquiry with Prospect trade union into the future of self-employment, 72% of self-employed workers believed the Government should have responsibility for providing a safety net for the self-employed. There should be sufficient support for self-employed workers whether setting up a new business, supporting disabled self-employed workers, to ensuring that there is an adequate safety net to support self-employed people through sickness, lack of work, and into retirement.

Community therefore calls on the government to coordinate cross-departmental policy innovation via a well-resourced government led Commission to explore such areas of support and beyond.

Sick pay

One critical step is a safety net in the form of sick pay for all workers. Community's report 'Test Trace Forgotten' highlighted the devastating impact that covid-19 had on self-employed people in particular. We found that 1 in 5 applications for the self-isolation scheme came from the self-employed, and that the number of self-employed workers claiming Universal Credit increased by 270% during the pandemic. The high demand from self-employed workers for access to the Test and Trace Support Payment demonstrates the urgent need for government to deliver on sick pay and a safety net for the self-employed. Currently the self-employed are only entitled to ESA which excludes newly self-employed workers as it is conditional on a national insurance record, and simply does not suit the reality of self-employment with gaps between work and projects. Furthermore, ESA has insufficiently lower payments, lower than Statutory Sick Pay, and is not designed for short-medium ill health.

There are innovative solutions to be explored when providing sick pay for the self-employed, whether that is extending Statutory Sick Pay so they have the same protection as employees, to voluntary opt-in insurance systems as have been demonstrated across Europe. The government should explore the option of bread funds, allowing self-employed people to manage the risk of unemployment between themselves.

Maternity pay, paternity pay and shared parental pay

For self-employed dads and partners there is, at present, no provision for any kind of shared parental pay to support their family after a birth. As a result, the entire burden of childcare is placed on the mother, who is also trying to maintain her business so she will still have clients to return to.

Self-employed mothers are not entitled to maternity leave and can only claim maternity allowance of between £27 and £156.66 a week for 39 weeks depending on their national insurance contributions in the 66 weeks before the baby was due, and have none of the legal protections afforded to employees. This compares unfavourably to statutory maternity pay (SMP) which is available for 39 weeks, paid at

90 per cent of average weekly earnings for the first six weeks, then capped at £156.66 after that. Maternity allowance must be increased to bring it in line with SMP.

Furthermore, they are only entitled to maternity pay if they take leave, therefore the limit of 10 keep in touch days which can be used whilst maternity allowance is being taken needs to be reviewed. Because of the nature of self-employment there is generally pressure for women to return to work quite quickly – make sure they have a business to come back to. They need the flexibility to manage their businesses without losing their entitlement to maternity allowance.

Universal Credit

One significant challenge for self-employed people is the reduction in benefits for those on the lowest earnings due to the minimum income floor which treats self-employed workers as if they had earned minimum wage for the number of hours they are expected to work, even if their true income is below this, when assessing the amount of Universal Credit they will receive. This discourages people from working to supplement their incomes and is particularly harmful to those for whom conventional employment is not possible, for example due to disability. The minimum income floor does not currently apply for the first 12 months of self-employment, and the fact that the Government were forced to suspend the Minimum Income Floor during the pandemic is a telling sign that the current Universal Credit system does not work for the self-employed. The minimum income floor should not apply for at least three years, as this is a more realistic estimate for the time it could take to set up a new business.

Late payments

The government should also explore how the model of “freelancing without fear” could be applied in the UK to tackle the challenge of late payments which is a significant problem for many self-employed people.

The Government should strengthen protection against late payments through a Right to a Written Contract. Late payments could be prevented early on in the client-supplier relationship by ensuring that both sides have a written contract in place, which clearly spells out deliverables, a timetable for payment and the best point of contact in the client organisation. A good example of this is the Freelance Isn’t Free Act in NYC made such contracts mandatory for any engagement which amounts to more than $800 over a four-month period. This move could be replicated in the UK and would address the problem of suppliers becoming unstuck in talks when no contract is surfaced. The government should increase the interest rate that can be charged on late payments and create a right to a written contract for any supplier engaging in a transaction above a given size.

Stronger rights at work

Section 44 of the Employment Rights Act (1996) protects employees from suffering detriment if they take reasonable steps to protect themselves and colleagues form dangerous situations at work, including removing themselves from the workplace. This right does not extend to self-employed workers, who could face a situation of termination of contract if they took similar steps to protect their own health. The situation with self-employed workers is clearly less straightforward for employees; we believe they should be equally able to avail themselves of this protection. We therefore propose that the government extends this right to self-employed workers, protecting them from termination of contracts if they take reasonable steps to protect their safety, and strengthen blacklisting provisions so that workers who raise health and safety concerns are not discriminated against when seeking contracts in the future.

In addition, the 1977 Safety Representative Regulations confers the right to appoint legally recognised health and safety representatives in the workplace who are able to investigate possible hazards and must be consulted on matters to do with health and safety. There is an exception in this legislation for members of Equity or the Musicians Union, recognising there are situations in which it would be appropriate for self-employed workers to have access to safety representatives. This exception should be extended to all situations in which large numbers of self-employed workers are regularly contracted by the same engager.

Pensions

Pensions are another critical aspect of this safety net. When we surveyed self-employed Community members we found that just 33% were contributing to a pensions scheme, whilst 20% were saving for retirement in another way. 44% weren't saving for their future at all. Since 2012, when auto-enrolment rules came in, the proportion of people saving for the future has increased dramatically: 87% of eligible workers were in a workplace pension scheme in 2019 compared to 55% in 2012. However, over the same period when pension savings rate for employees skyrocketed, the numbers of self-employed people saving for a pension actually fell to record lows.

This is particularly critical in a context where pensioner poverty has been rising — since 2013-14. With the maximum new state pension just £9,627.80 a year, people will need to top this up to achieve an adequate standard of living in retirement. The Pension and Lifetime Saving Association has argued that 13.6 million people are at high risk of not saving enough to ensure sufficient retirement income.

Yet, the self-employed aren't eligible for auto-enrolment and nor are their retirement savings boosted by employer contributions. This makes it less attractive and less cost-effective to save for retirement. And the self-employed also struggle with irregular income, setting aside money to pay an annual tax bill, and investing in the future of their businesses, making it harder to prioritise pensions.

The Work and Pensions Committee has recommended that strategies to increase pension savings by the self-employed group should begin with a trial to consider how to default self-employed people into pension savings. They also recommended consulting on a proposal to increase the rate of National Insurance paid by self-employed people by 3% with the option to have the increase paid into a pension if the self-employed person also contributes 5% of their own, inclusive of tax relief. Finally, the committee recommended further action to promote pension saving to self-employed people.

The government response to this consultation did not make any firm commitments. It reiterated that the results of NEST trials had shown that a one size fits all solution would be unlikely to be successful among the self-employed. They also suggested that flexible autosaving mechanisms could increase self-employed people's engagement with pensions, although it would increase savings to a more limited extent. The government said it advocated further work on how to incentivise long term savings and to integrate these benefits into touchpoints like the tax system. The government also stated that it had no plans to increase automatic deductions through making tax digital although software providers could do this. They noted that DWP is working with business software developers to explore options in the market.

HM Treasury also noted that they would not consider auto-enrolling the self-employed via the NICs system because the system is not designed to collect or administer pension contributions.

To this end we recommend that the government conducts a thorough review into the practical challenges of enrolling self-employed people through the tax system, as well as explore all solutions to solve this pensions crisis for the self-employed. Other options could include offering a sidecar pension, where a savings pot sits alongside a pensions pot to ensure flexibility for the self-employed when saving to account for fluctuating incomes. These options must be investigated thoroughly to ensure that they are fit for the self-employed, listening to the voices of the people who are most effected.

Community's self-employed members are clear that they shouldn't have to pay for flexibility with insecurity. Ensuring that retirement solutions are suitable for self-employed people is a critical part of the desperately needed safety net.

Evidence submitted January 2024

Please direct any questions to research@community-tu.org.