

Autumn Statement 2013: Skills and Employment Headlines

Summary

The Chancellor of the Exchequer announced the Autumn Statement on 5 December; he told MPs that 'Britain's economic plan is working'. In the statement there was an emphasis on reforms 'to equip the UK's young people for the future', by abolishing national insurance contributions for lower paid under-21s, removing the cap on higher education student numbers, giving greater control over apprenticeships to employers and improving basic skills training. The key headlines for employment and skills issues are summarised below.

Economic Growth

- Growth forecasts have been upgraded and GDP is expected to grow by 1.4% in 2013 and 2.4% in 2014, rather than 0.6% and 1.8%, as previously predicted in the March Budget.
- Britain is growing faster than any other major economy; the Eurozone area GDP is predicted to shrink by 0.4% in 2013.
- The total number of jobs will rise by 400,000 this year and 3.1m jobs are predicted to be created by 2019 by the private sector.

Unemployment

- The UK unemployment rate is now at its lowest point for over 4 years, at 7.6% in the 3 months to September. Unemployment is forecast to fall to 7% by 2015 and 5.6% by 2018.
- From April 2014 the government will introduce new measures to help long-term unemployed people, still unemployed after 2 years on the Work Programme, back to work. Claimants will be referred to 3 different types of support depending on need: daily signing, mandatory intervention or community work placements.
- The New Enterprise Allowance scheme, which provides funding to unemployed people to set up their own business, will be extended to March 2016.

Youth Employment

- Youth unemployment stands at 24% for 18 to 20 year olds.
- Employer NICs for under 21 year olds earning less than £813 a week, equivalent to the point at which higher rate tax is charged, will be abolished from April 2015, affecting 1.5m jobs. This will mean an employer would save over £1,000 for every under 21 year old earning £16,000.
- Training for unemployed 18 to 21 year olds claiming Job Seekers' Allowance (JSA) will be mandatory for those without Level 2 qualifications in English and Maths.
- After six months of a claim, all 18 to 21 year old JSA claimants will be expected to participate in a work experience placement, a traineeship or community work placement or lose their benefits.

Apprenticeships

- Jobcentre Plus nationally will receive £10m a year to support 16 and 17 year olds not in education, employment or training to find apprenticeships and traineeships, in partnership with local authorities. Benefit rules will also be changed by exempting those undertaking a traineeship from the rule which prevents JSA claimants from doing more than 16 hours of study per week.

- Additional funding of £40m will be made available to deliver 20,000 new higher apprenticeships starts over the 2013/14 and 2014/15 academic years.
- Apprenticeship funding will be routed directly to employers, using HMRC systems, in the medium-term. A consultation will be launched on the details of the system in early 2014, including the option of an alternative funding route for the smallest businesses.
- Compulsory employer cash contributions for a significant proportion of the external training costs of an apprentice (excluding English and Maths) will be introduced and a number of caps on the maximum government contribution per apprentice will be implemented.
- The government will provide an additional contribution to the costs of training for 16 to 17 year olds and will separately consider the approach for 18 year olds.
- A proportion of apprenticeship funding will be withheld for a payment by results approach.

Higher Education

- In 2014/15, the government will lessen the cap for HEFCE-funded institutions by allowing 30,000 extra places to be created.
- By 2015/16 the government will remove entirely the cap on student numbers at publicly-funded higher education institutions in England.
- Extra funding of £50m per academic year will be made available for science, technology, engineering and maths (STEM) subject teaching in higher education institutions.

Businesses

- The inflationary increase in business rates will be capped at 2% from April 2014 and businesses will be allowed to pay their rates in 12 monthly instalments.
- From April 2014 the small business rate relief scheme will be extended for another year and every business in a premise with a rateable value of up to £50,000 will get a business rates discount worth £1,000.
- UK Export Finance will double its commitment limit for loan guarantees to UK firms exporting overseas to £50bn and broaden its Direct Lending and Working Capital Schemes.
- A new reoccupation relief will be introduced to encourage the use of vacant town centre shops, halving the business rates for new occupants.
- The Start Up Loans programme will be expanded with an additional £160m committed to the scheme over 6 years, doubling the amount of funding provided. The scheme was launched in 2012 to provide loans and mentoring to support those wanting to start their own business. The initial age limit on the scheme was removed in April 2013 in response to high demand.

Reaction

- The [CBI](#) and [FSB](#) welcomed the announcements on business rates and NICs, however, FSB warned that there are risks that the proposals on apprenticeship reforms 'could alienate the smallest firms from taking on an apprentice'.
- Ed Balls MP responded to the statement on behalf of Labour accusing George Osborne of 'breath taking complacency' over Britain's economic recovery, and arguing that standards of living had not risen for most people.