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Daily Monitoring

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Welfare, Work, Economy, jobs

Cable to lend small firms £1bn from taxpayers

Daily Telegraph, The Times

Business Secretary Vince Cable will announce today that via a new business bank, Government is to provide £1billion of taxpayers' money to help firms struggling to borrow from traditional high street banks.

It is hoped the new bank – which will use the funds to lend up to £10billion to companies.

There have been widespread complaints from small and medium sized firms that banks are blocking access to finance and hindering their ability to expand.

The new business bank –will effectively fund new "challenger" banks and other financial institutions who will then lend to small firms – will form the centrepiece of the Government's new economic regeneration plans to be set out in the autumn. Senior Coalition figures describe the emerging package as "plan A plus, plus".

Workers would rather send emails than meet

Daily Telegraph,

Emails and conference calls are helping to kill the art of face-to-face conversation at work, according to a poll.

More than half (52 per cent) of respondents admitted feeling less confident dealing with people in person because they had become so reliant on using indirect means such as email, the telephone and Skype.

The officbroker.com poll of 600 people found that 68 per cent preferred to deal with colleagues or clients through emails or on the telephone, even if they were in the same building.

"Government should allow private companies to provide public services"

Daily Telegraph,

Opening public services provision, from school meals to bin collections, to competition from the private sector is vital if the Government is to cut spending at the same time as maintaining quality, Oxford Economics said in its study for the CBI.

Research commissioned by the CBI has said that the Government could save more than £22bn a year while maintaining standards by allowing private companies to provide public services.

Government departments are facing 8pc cuts in real terms, after inflation, by 2015 and councils are due a 28pc reduction in their central government grant, Oxford Economics said.

The Chancellor will have to cut £14bn from departmental budgets by 2016 on top of the £10bn already earmarked for welfare if he is to meet his deficit target.

Conducting an in-depth analysis of 20 public services, Oxford Economics found that the Government had made savings of 11pc on average where it had opened them to private sector provision.

Extrapolating the finding to all "services which could be opened up to new providers", it estimated potential savings of £22.6bn.

Social housing management, which is 98pc provided by the state; prison management, 86pc state-provided, and school catering, 73pc. Opening social housing management to private companies could save £675m, it estimated.

Another £190m could be saved by improving productivity in waste management and £617m by outsourcing hospital facilities management.

The economy will contract this year

Daily Telegraph,

The Institute of Chartered Accountants in England and Wales (ICAEW) has predicted that the UK economy will contract this year and show sluggish growth of just **0.9pc** in 2013,

The group forecasts that UK GDP will shrink by **0.5pc** in 2012 and urges "greater urgency about the Government's growth agenda,

- a greater determination to implement reforms more quickly and
- a real emphasis on why the UK is now such a great place to do business".

The ICAEW predictions are even gloomier than those made by the Bank of England, which last month cut its 2012 GDP forecast to zero growth this year, and predicted **1.7pc growth in 2013**.

This week, the Office of National Statistics will publish its third and final estimate of GDP growth in the three months to June. Economists expect it to be revised up, to a contraction of 0.4pc. This compares with an original estimate of a 0.7pc contraction and a second estimate of 0.5pc.

Minister attacked over 'misleading' welfare reforms

Sunday Times

CLAIMS that the government's welfare reforms will encourage benefit claimants to work are coming under attack from former supporters.

Frank Field, the coalition's former poverty czar, has unearthed figures that undermine claims by Iain Duncan Smith about his plans to tackle the dependency culture.

Iain Duncan Smith, the work and pensions secretary, says his universal credit initiative will ensure that people who take jobs are better off. But figures from the House of Commons library show benefit claimants could lose almost ***90p for every extra £1*** they earn. Some could even lose more than they earn.

Frank Field accused Duncan Smith of *"misleading the debate"* by claiming that universal credit would significantly reduce barriers to taking a job. It will replace the jobseeker's allowance, tax credits, income support, employment and support allowance and housing benefits.

But council tax benefit, claimed by 5.9m households, remains separate, and its abolition from April 2013 means that many will have to pay council tax for the first time as councils struggle to make up for a £500m cut in Whitehall support. Universal credit will come into force for new claimants from October 2013, with existing claimants being transferred in stages until 2017.

A research paper from the Commons library calculates that those who pay tax and National Insurance (NI) will end up paying 89.8% of their extra earnings, or nearly 90p for each £1, if town halls insist that they should start paying 20% of the normal council tax. Even those who pay no income tax or NI will lose 85p for each extra £1 of earnings.

Stuart Adam, senior research economist at the Institute for Fiscal Studies, said it had reached the same conclusion. If local authorities charged 40% or more of normal council tax, someone who earned an extra £1 could lose more than that in benefits and credits.

Field said: "Eric Pickles's victory of keeping council tax benefit separate from the universal credit will be their undoing. The disincentive to work ... could be much worse than before if council tax benefit is withdrawn in parallel with the universal credit."

Report predicts 15% drop in income

Independent on Sunday

Living standards for low and middle income households will be poorer in 2020 than they were in 2008. Even if growth returns to the UK economy in the coming years, incomes for the lowest groups are set to fall by up to 15% by the end of the decade.

The study, for the Resolution Foundation think-tank, by the Institute for Employment Research (IER) and Institute for Fiscal Studies (IFS) looked at the changing structure of the jobs market together with the effects of the tax and benefits system.

Their report, Who Gains From Growth?, found a low income household, which had a net income of £10,600 a year in 2008, would earn the equivalent of just £9,000 a year by 2020 - a decline of 15% in real terms.

A middle income household, which had a net income of £23,000 in 2008, would bring in £22,200 by 2020 - a real-terms decline of 3%.