

ANNEX

Progress in main structural reforms

This annex reviews action taken on recommendations from previous Surveys since the February 2013 Survey. Recommendations that are new in this Surveys are listed in the relevant chapter.

Labour market and social policies

Recommendations in previous Surveys	Actions taken
<p>Enhance workforce skills. Central and local government should enhance co-operation with employers on vocational education and training, and apprenticeship programmes. Simplify the training and apprenticeship systems, and enhance co-operation between different stakeholders (local authorities, schools and enterprises) to strengthen the labour market integration of graduates.</p>	<p>Since October 2013, the government has started the preparation of more employed-led apprenticeships standards in England. The 2014 Budget announced an extension of the Apprenticeship Grant for Employers (AGE) to fund over 100 000 additional incentive payments for employers to take on young apprentices (16-24). Small employers can receive a GBP 1 500 grant for up to ten new apprentices they employ in their business. The government has setup a competitive GBP 340 million fund to co-design and co-invest along with employers in new skills provision needed to grow their business. New eligibility criteria for public funding are being adopted for adult vocational qualification. In July 2013, the Skills Funding Agency removed 1 800 qualifications from public funding which had low or no enrolments and at the end of January 2014 a further 1 000 were removed. In April 2014, schools received new guidance to co-operate with local authorities so as to support youth education and training.</p>
<p>Improve work incentives for lone parents and second earners under the Universal Credit welfare reform. Increase the refund rate for childcare, and/or reduce the taper rate for those with childcare support, and/or introduce a dedicated disregard for second earners in couples. Increase the value of free childcare by increasing flexibility for users and reduce the cost by increasing flexibility of provision.</p>	<p>The government is investing GBP 350 million to increase support for childcare within Universal Credit, raising eligible costs from 70% to 85% from April 2016. Greater flexibility has been introduced for users by extending working hours in early education places.</p>
<p>Improve the Work Capability Assessment (WCA) and support for return to work for those who are fit. Ensure earlier intervention for people suffering from mental health problems. Monitor homelessness trends and ensure prevention and early intervention.</p>	<p>The government has implemented over 60 of the 83 recommendations made from the first four annual independent reviews of the WCA, with the remainder in progress. In October 2014, the government launched a new 5-year plan for mental health, Achieving Better Access to Mental Health Services by 2020. The plan has led to additional spending on mental health of GBP 40 million in 2014-15 and GBP 80 million for 2015-16. In February 2014, the Crisis Care Concordat was launched to improve emergency support for people in mental health crisis. Since February 2013, funding available to prevent and tackle homelessness has reached around GBP 190 million.</p>
<p>Monitor efficiency gains in public services. To avoid an increase in inequality, efficiency gains should be exploited in implementing fiscal consolidation.</p>	<p>Slightly more than GBP 5 billion of efficiency savings will be made between 2013-14 and 2014-15, bringing overall savings to GBP 20 billion since 2009-10.</p>
<p>Take steps to tackle fuel and water poverty through better targeted financial support, and measures to improve energy efficiency and resource management.</p>	<p>The Energy Companies Obligation (ECO) was introduced in January 2013 to reduce the UK's energy consumption and support people living in fuel poverty. The programme does this by funding energy efficiency improvements in households across the country. By May 2014, eight of the eighteen companies in England and Wales providing water and/or sewerage services had introduced new social tariffs that reduce bills for customers who have difficulties to pay, with many more expected to have done so by April 2015. This is in addition to the national Watersure scheme, which caps bills for vulnerable customers. From April 2013, the government has provided GBP 40 million per year to reduce every customer bill by GBP 50 in the South West Water area, which has the highest bills in the country due to historic underinvestment.</p>

Innovation

Recommendations in previous <i>Surveys</i>	Actions taken
Continue to improve the business environment and promote exports. Avoid excessively restrictive limitations on student visas.	The UK Trade & Investment (UKTI) has continued to expand the number of companies that are helped to trade overseas, which is on course to double since 2009. The government will triple the number of Chevening Scholarships from 2015-16.
Reform some tax rules to encourage research and development (R&D). Review fiscal rules which may hamper firm growth, such as preferential tax treatment for small firms and debt finance relative to equity.	In April 2013, the government introduced a 10% Above the Line (ATL) credit for large company R&D investment, which will increase to 11% from April 2015. In April 2014, the government raised the rate of the tax credit payable to loss-making small and medium-sized enterprises (SMEs) to 14.5%. From April 2015, the deduction for SME research and development will increase from 225% to 230% of taxable profit. Since February 2013, the government has cut the main rate of corporation tax to 21%. In April 2015, the main rate will be reduced to 20% and applied to companies of all sizes. Reductions in the corporate income tax have decreased the bias in the tax regime towards debt over equity financing.

Housing

Recommendations in previous <i>Surveys</i>	Actions taken
Ensure access to decent affordable housing through a mix of means-tested housing benefits and subsidies for affordable housing construction, paying attention to the diversity of local needs.	Spending on housing benefits amounted to GBP 24 billion in 2013-14. The 2011-15 Affordable Homes Programme is on track to deliver 170 000 new affordable homes, with public funding of GBP 4.5 billion. Spending Round 2013 announced over GBP 3.3 billion of new funding for affordable housing to support total delivery of another 165 000 affordable homes in England over 2015-18.
Enhance competition between developers by facilitating even access to land.	Local authorities have made further progress in the adoption of up-to-date local plans, which reached 80%.
Provide high quality apprenticeships in construction-related trades to ensure no shortage of skilled workforce hinders construction growth when demand picks up.	The government is supporting competitive funds to increase apprenticeships alongside investment in a National Colleges programme, to develop skills capacity in construction and infrastructure delivery. The National Infrastructure Pipeline is being used to map potential peaks in labour demand for infrastructure construction.

Productivity

Recommendations in previous <i>Surveys</i>	Actions taken
Facilitate the entry of new businesses by reforming planning regulations, especially in the area of retail trade.	The government has introduced new permitted development rights, to enable certain businesses to change use to other business uses without the need for full planning permission.
Free-up land for development by reconsidering the boundaries of the "green belts" in fast-growing areas.	The National Planning Policy sets out that when local authorities draw up green belt boundaries as part of their local developments plans, they should consider the consequences for sustainable development. The government has also taken steps to support more widespread and effective use of brownfield land, including measures to remove planning obstacles on brownfield sites suitable for housing, and allowing easier conversion between unused offices and shops and homes.

Education

Recommendations in previous Surveys	Actions taken
Simplify the system of vocational education, and focus further on high-quality apprenticeships. Raise incentives for participation for children from low-income families.	The government has allocated GBP 40 million to deliver additional 20 000 higher apprenticeships in the 2013/14 and 2014/15 academic years. The 2014 Budget provided a further GBP 20 million over 2014-15 and 2015-16 to support apprenticeships up to the postgraduate level.
Increase focus and transparency of funding for disadvantaged students. Review the effects of schooling reforms, including Free Schools, on equity, fair access and user choice for disadvantaged students. Encourage the highest quality teachers to move to the most disadvantaged schools.	The government increased the Pupil Premium by GBP 625 million in 2013-14 spent on the most disadvantaged school pupils and by the same amount in 2014-15.

Health

Recommendations in previous Surveys	Actions taken
Improve methods and data to evaluate health care reforms.	From January 2015, four new research projects, based in English Universities, will assess: i) the new commissioning system in the National Health Service (NHS); ii) Commissioning of public health services; iii) the provider landscape in the NHS; and iv) the operation of Health and Wellbeing Boards.

Green growth

Recommendations in previous Surveys	Actions taken
Seek a higher carbon price at the international level through tighter quotas within the EU emission trading system (EU ETS) and the adoption of a 30% EU emissions reduction target by 2020.	The UK continues to favour an increase in the EU's 2020 emissions reduction target from 20% to 30%, with the higher target reflected through changes to the EU ETS cap and the Effort Share decision (which includes sectors not covered by the EU ETS). The UK has played an important role in the endorsement of an ambitious EU emissions reduction target for 2030 of at least 40%, as part of the EU's 2030 Climate and Energy Policy Framework agreed by the European Council in October 2014. As part of the implementation of this target, the allowance cap in the EU ETS will be reduced at a faster rate from 2021, which will tighten quotas within the system.
Move towards a uniform carbon price across sectors and fuels.	The adoption of the Carbon Price Floor in April 2013 set a minimum carbon price across all fuels used to generate electricity.
Continue to build capacity to adapt to climate change, with a focus on reducing market failures such as the appropriate provision of public goods, including information, better risk-assessment frameworks and more advanced metrics for monitoring and evaluation.	The government continues to support climate change adaptation through policies and actions identified in the first National Adaptation Programme (NAP) published in July 2013. A report to Parliament on the NAP's implementation is expected over summer 2015, and should contain metrics and indicators amongst other tools available for evaluation. The government has also taken action in conjunction with industry to set clear objectives and establish best practice to decarbonise the provision of infrastructure.
Raise the value-added tax (VAT) rate on domestic energy use over time to the standard rate. Address relevant distributional concerns through targeted support.	No action taken.



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