

SPRING 2014 REFORM BAROMETER - UNITED KINGDOM

		Q1: the recommendation is:	Q2: implementation effort is:	Detailed comments
CSR 1	Implement a reinforced budgetary strategy, supported by sufficiently specified measures, for the year 2013-14 and beyond. Ensure the correction of the excessive deficit in a sustainable manner by 2014/15, and the achievement of the fiscal effort specified in the Council recommendations under the EDP and set the high public debt ratio on a sustained downward path. A durable correction of the fiscal imbalances requires the credible implementation of ambitious structural reforms which would increase the adjustment capacity and boost potential growth. Pursue a differentiated, growth-friendly approach to fiscal tightening, including through prioritising timely capital expenditure with high economic returns and through a balanced approach to the composition of consolidation measures and promoting medium and long-term fiscal sustainability. In order to raise revenue, make greater use of the standard rate of VAT.	Contrary to federation advise	Satisfactory	We agree with the EC that the government should aim to balance the budget and reduce public debt as a proportion of GDP in the medium term. However, the CBI does not regard the commission’s recommendation that the UK’s excessive deficit be corrected (reduced to 3% of GDP) by 2014-15 as appropriate. The UK is forecast to run a budget deficit of 6% in 2013-14, to reduce the deficit by 3% of GDP in a single year would entail a fiscal tightening which would be highly damaging to the economic recovery. The current government fiscal plan has market credibility and the CBI regards UK fiscal policy is appropriate. We agree that the consolidation could be made more growth friendly through prioritising capital spending.
CSR 2	Take further action to increase housing supply, including through further liberalisation of spatial planning laws and an efficient operation of the planning system. Ensure that housing policy, including the Help to Buy scheme does not encourage excessive and imprudent mortgage lending; and promote greater supply to avoid higher house prices.. Pursue reforms including to land and property taxation to reduce distortions and promote timely residential construction. Take steps to improve the functioning of rental markets, in particular by making longer rental terms more attractive to both tenants and landlords.	Important	Mixed	The government has made some planning reforms in favour of development however given the scale of the housing shortage more substantial supply side reform is required.

CSR 3	Building on the Youth Contract, step up measures to address youth unemployment, for example through a Youth Guarantee. Increase the quality and duration of apprenticeships, simplify the system of qualifications and strengthen the engagement of employers, particularly in the provision of advanced and intermediate technical skills. Reduce the number of young people aged 18-24 who have very poor basic skills, including through effectively implementing the Traineeships programme.	Extremely important	Satisfactory	We agree that the government's youth active labour market policies need to be strengthened given that youth unemployment is still around 20%. This is an important priority to ensure that young workers can make a meaningful contribution to the economy. We strongly welcomed the government's exemption of under 21 workers from employer NI, this should be a useful demand side measure, however more action is required on the supply side.
CSR 4	Enhance efforts to support low-income households and reduce child poverty by ensuring that the Universal Credit and other welfare reforms deliver a fair tax-benefit system with clearer work incentives and support services. Accelerate the implementation of planned measures to reduce the costs of childcare and improve its quality and availability.	Important	Mixed	We agree that the Universal Credit's introduction is necessary in order to create a tax-benefit system where work always pays. The government's timetable for delivery of Universal Credit has slipped, while this is disappointing, it is complex reform and therefore important it is properly implemented. The fiscal situation limits the extent to which additional government spending can be used to improve provision of childcare or improve its quality.
CSR 5	Take further steps to improve the availability of bank and non-bank financing to the corporate sector, while ensuring that the measures primarily target viable companies, especially SMEs. Reduce barriers to entry in the banking sector, lower switching costs and facilitate the emergence of challenger banks through a divestiture of banking assets. Effectively implement the Financial Policy Committee's recommendations on prudent assessment of bank capital requirements and on addressing identified capital shortfalls.	Extremely important	Satisfactory	We agree with the EC recommendations in this area. A more competitive banking sector can better serve its customers this includes both SMEs and the retail customer base. The government is in the process of divesting branches of the nationalised banks and has also implemented faster account switching to promote competition.
CSR 6	Take measures to facilitate a timely increase in network infrastructure investment, especially by promoting more efficient and robust planning and decision-making processes. Provide a stable regulatory framework for investment in new energy capacity, including in renewable energy. Improve the capacity and quality of transport networks by providing greater predictability and certainty on planning and funding and by harnessing the most effective mix of public and private capital sources.	Extremely important	Satisfactory	We agree that the UK urgently needs to improve both its energy and transport infrastructure. While it is important to create certainty for investors this needs to be balanced with the need for competitive energy prices. Given the evolution of the ETS price and the large differential that has emerged between the UK's Carbon Floor Price and the EU's ETS it is time to lower the trajectory of the ETS to ensure the UK remains a competitive location for manufacturing industries (particularly energy intensives)