



Budget 2006

Amicus commentary

Following on from the Pre Budget Report in December 2005, there were few surprises in this mainly neutral budget. Amicus was looking for more help and support for manufacturing and reassurances for public sector workers on pay and pensions. Amicus was also concerned that the issues surrounding energy prices and industry and the issue of fuel poverty were properly addressed particularly in the immediate short term.

Manufacturing

Amicus welcomes the announcement of expansion for R&D Tax credits which will benefit innovation and development in key industries and similarly welcomes the improved funding for science through research funding to Universities linked to industry and the promotion of science in schools.

However, the chancellor has missed an opportunity to address energy price increase in the UK by simply relying on the EU to investigate those states which fail to deliver liberalisation of the market. Amicus was seeking more direct intervention to address the immediate problems faced by heavy industrial energy users.

Whilst it is pleasing to note that the Chancellor has not been swayed by the calls from business organisations to cut corporate taxation which remains below the average in Europe, there is little positive action taken which will provide the boost to UK manufacturing so desperately needed.

Public Sector

5% falls, in real terms, for three years in the Departmental Expenditure Limits of the Department for Work and Pensions, HM Revenue and Customs, HM Treasury and the Cabinet Office, will inevitably affect the quality of the service given by those departments through consequential job losses.

The tight target for public sector pay will ring alarm bells across our public sector membership and is storing up trouble for the future. The responsibility for controlling inflation cannot be carried by public servants alone. Ministers will not achieve the public service improvements they seek unless they can recruit and retain quality staff. This will not be possible if public sector pay falls behind the private sector.

The government faces the challenge of ending discrimination against women in public sector pay and limitations of this sort will hamper progress in this area.

Skills

Much of the budget centred on additional capital funding for schools and FE Colleges. The detail of how that will be used to address the skills gaps in industry have still to be made clear. The commitment to enable all young people up to the age of 25 to receive free funding to study up to level 3, with support available from the Adult Learning Grant is welcome although, for those in work, the issue of release and paid time off remains a problem.

The announcement of measures to help low-skilled women into work in response to the Women and Work Commission is welcome. A new pilot aimed at achieving level 3 qualifications for women with low skills, additional skills coaching pilots focusing on women and funding for Sector Skills Councils to develop new ways of recruiting and training low skilled women into industries with skills shortages are helpful strategies to increase the opportunity for higher skills, higher pay and sustainable employment for women.

Pensions

Whilst avoiding references to pension reform, which will arise from the consultation on the Pensions Commission report, the Chancellor did announce that from April 2008 every pensioner will have free off-peak national bus travel at a cost of £250m.

Other issues

The Chancellor addressed a number of issues relating to the “green “ agenda and the need to meet the Kyoto targets. These included:

- a new Energy & Environment Research Institute supported by a £1 billion fund from Government and private business investment ,
- £50 million to support microgeneration in 25,000 schools and housing trust homes, and
- inflation-proofing industry's Climate Change Levy from 2007.

There were no real surprises in fiscal policy with the normal inflation increases on beer, wine and cigarettes and the deferment on fuel taxes until September. Personal tax allowances were increase in line with normal practice.

**Research Department
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