

## **Public Consultation Response: “Building our industrial strategy”**

**To:** Department for Business, Energy and Industrial Strategy

**By:** The Intergenerational Foundation

**Date:** 14 April 2017

The Intergenerational Foundation ([www.if.org.uk](http://www.if.org.uk)) is an independent think tank researching fairness between generations with regard to such issues as housing, employment, taxation, education, the environment and health and social care. IF's guiding principle is that policy should be fair to all – the old, the young and those to come.

### **Introduction**

The Intergenerational Foundation (IF) welcomes the opportunity to comment on the government's new industrial strategy. The Green Paper touches upon a number of areas which have a disproportionate impact on younger people, including the UK's failure to make adequate provision for its long-term infrastructure needs, the North-South Divide, and environmental regulations. Looking at the ten “pillars” which the government has included in its Green Paper, we would like to bring the following points to the select committee's attention:

#### *Investing in science, research and innovation*

Investment in research and development (R&D) is crucial for the UK's future economic growth. IF created an [EU Index of intergenerational unfairness](#) in 2016 which included an EU-wide comparison of the amount that different member states spend on investment in R&D as a proportion of GDP. This showed that the UK currently spends less on R&D than most other EU members, and that the UK's spend had actually fallen slightly between 2000 and 2013.

Although the Green Paper is correct to target higher R&D investment in the future, the government hasn't formally committed itself to an actual target, such as the goal within the EU's “Europe 2020” strategy to have all member states investing at least 3% of GDP in R&D by the end of this decade. Committing the UK government to such a target would be beneficial for younger and future generations as it would strengthen the political commitment to achieving this level of R&D investment in the future.

IF's EU index drew upon research which showed that the European countries that have the highest levels of R&D investment – led by Finland and Sweden, where it is above 3.3% – tend to have strong private sector R&D investment in addition to generous state funding; this strongly suggests that the UK will need to galvanize the private sector to invest far more in R&D than it is currently doing.

#### *Developing skills*

The Green Paper is correct to focus on the major problem that too many of Britain's young people

leave school with poor skills, especially the 50% who do not intend to pursue academic higher education. Skills clearly play a vital role in the productivity of the overall economy, as is demonstrated by the success of Germany's system of work-based apprenticeships, which has produced not only one of the most productive economies in Europe but also the one with the lowest youth unemployment.

However, IF is concerned that the content of government education policy is not matching the ambition of its rhetoric; in particular, we were concerned by the findings of the recent [Public Accounts Committee inquiry](#) into school funding which warned that school standards are likely to fall in the face of the tightest funding squeeze the state education sector has faced since the early 1990s. There was also another [recent report by the sub-committee on Education, Skills and the Economy](#) which warned that the expansion of the apprenticeship system is unlikely to ameliorate Britain's skills gap by itself because the design of too many apprenticeships is sub-standard, and policy in this area has placed too much attention on simply increasing the number of apprenticeships rather than ensuring that young people are actually gaining marketable skills.

IF believes that although the government is right to focus on skills, achieving genuine results will require an education sector that is properly resourced at all levels to do the job being asked of it, and paying greater attention to the details of what skills young people are acquiring rather than simply how many of them are engaging with education.

#### *Upgrading infrastructure*

The Green Paper correctly identifies that the UK has a poor record on delivering large-scale public infrastructure projects, a problem which needs to be solved in order to improve the long-term productivity of the national economy. However, something which IF is particularly concerned about is the way in which infrastructure projects are often funded using off-balance-sheet techniques such as Private Finance Initiative (PFI) deals; as we argued in our 2012 research paper [The Private Finance Initiative and Intergenerational Equity](#), PFI deals have a track record of providing extremely poor value for current and future taxpayers, firstly because the cost of borrowing money through these delivery vehicles has often been higher than it would have been if the government had borrowed the money directly itself, and secondly because many of these deals will leave future generations of taxpayers still having to pay for the costs of these projects even after their asset value has fully depreciated. The generally poor track record of public-private delivery vehicles mean they should only be used very cautiously to deliver Britain's future infrastructure needs.

#### *Delivering affordable energy and clean growth*

IF is concerned that the section of the Green Paper which addresses the theme of energy and climate change appears to be dominated by the goal of ensuring that environmental regulations don't have an excessive impact on business, rather than by the need to provide environmentally sustainable development that doesn't cause harm to younger and future generations.

IF is concerned that Brexit is likely to weaken the UK's standard of environmental protection legislation, as [the recent report](#) by the House of Lords EU Energy and Environment sub-committee warned, because so much of the UK's climate change legislation is derived from the EU. Therefore, IF believes that the UK should commit to mirroring EU environmental protection legislation after it has left the EU, in order to preserve our environment for the future.

*If you would like to learn more about the work of the Intergenerational Foundation or would like to organise a meeting to discuss the points we raise further, please contact:*

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