

# REFORM

## BRIEFING NOTE: 10 GRAPHS FOR THE NEW PM

In just three days, Britain will have a new Prime Minister.

They will take over during one of the most challenging periods in modern history. Top of their domestic inbox will be the cost of living crisis, an economy on the brink of recession, threats of Winter blackouts, and public service backlogs that are impacting everything from the delivery of justice to the treatment of cancer.

These will rightly demand the PM's urgent attention. But rather than viewing these challenges as short-term issues requiring temporary action, the new Government should take this opportunity to fix the fundamentals that have left Britain so vulnerable to crises.

That means building a more resilient state by addressing embedded structural failings. Because while the problems facing the country can in part be explained by the knock-on impacts of the pandemic and geopolitical upheaval, they are also the product of wider flaws in the operation of the State. Decades of short-termism have left us ill-equipped to deal with crises.

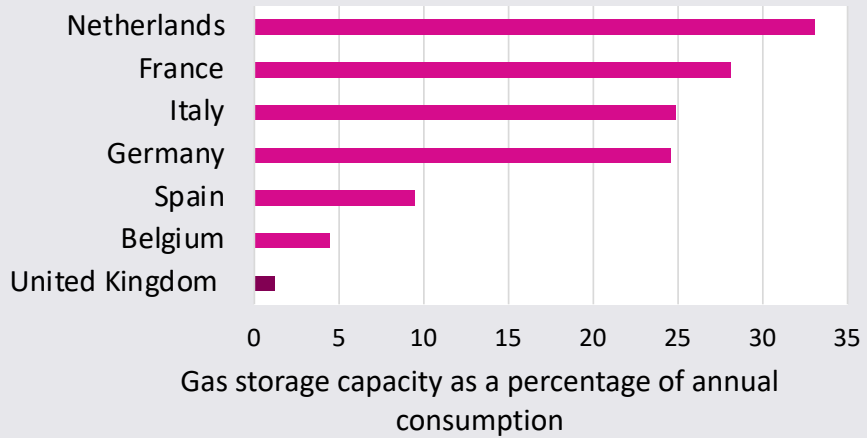
To illustrate this, below are ten graphs that should be compulsory viewing for the new PM. They show the need for long-term, structural reform.

Alongside putting in place urgently needed support for struggling families, the PM should task their new Cabinet to:

- Fix Britain's crumbling national infrastructure
- Definitively grasp the health and social care crisis
- Build a workforce fit for the modern labour market

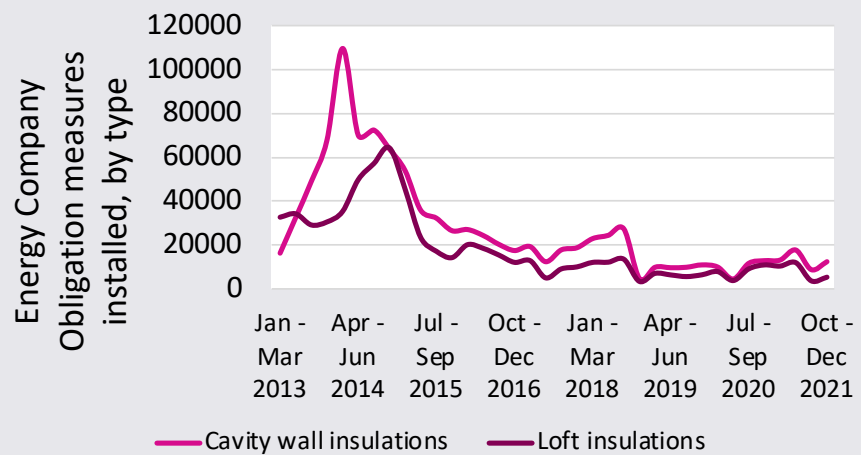
# 1: FIX BRITAIN'S CRUMBLING NATIONAL INFRASTRUCTURE

**GRAPH 1**  
Storage capacity for gas (comparable countries)



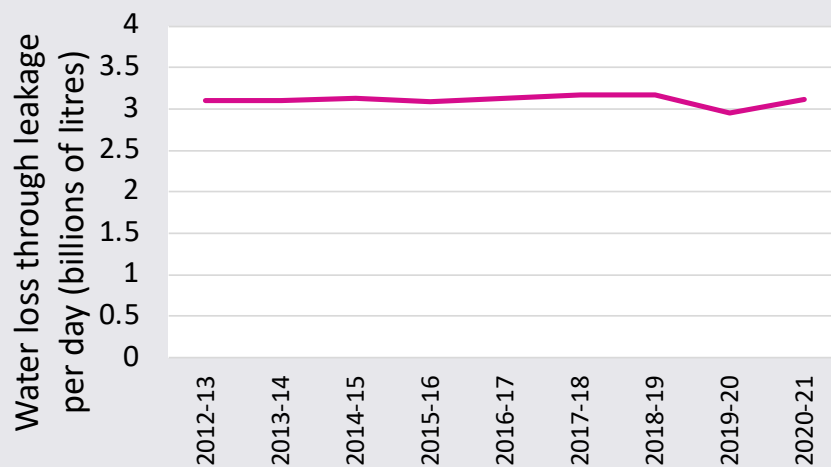
Source: Gas Infrastructure Europe, *Aggregated Gas Storage Inventory*, 2022

**GRAPH 2**  
Insulation installed, by type



Source: Department for Business, Energy and Industrial Strategy, *Household Energy Efficiency Statistics: March 2022*, 2022

**GRAPH 3**  
Water industry leakage (data begins in 2012)



Source: Ofwat, *Service and Delivery Reports 2012-2021*, 2021

With Britain facing spiralling energy costs and water restrictions, one of the new PM's top priorities will be alleviating these pressures. Energy security has rightly become a hot topic, but a broader focus is needed on fixing the country's crumbling national infrastructure. Successive governments have failed to engage in the long-term thinking required to secure a resilient and efficient utilities sector.

Our lack of gas storage capacity is a key example. The UK has historically been reliant on 'just in time' gas imports, securing energy supplies via pipelines that connect us with major producing countries – most notably Norway.<sup>1</sup> Based on the assumption that gas would always be readily accessible at reasonably affordable prices, two domestic storage facilities were closed within the last decade due to the refusal of the then government to provide investment.<sup>2</sup>

The current energy crisis has shown this to be short-sighted, leaving Britain particularly vulnerable to buying 'just in time' from a volatile wholesale energy market. Even though the UK is one of just two European countries to have their gas storage facilities full, Germany – whose facilities are at only 84 per cent capacity – has more than 15 times as much gas stored.<sup>3</sup>

This myopic attitude to spending – in which short-term cost savings trump long-term resilience – can also be seen in the dramatic fall in home insulations.<sup>4</sup> In the midst of an energy crisis, the costs of poorly insulated homes are self-evident; in the longer term, it undermines the UK's net zero commitments by ensuring higher demand and reducing energy efficiency – a point acknowledged in the Climate Change Committee's 2022 report to Parliament.<sup>5</sup>

Away from the energy price crisis, our woeful water system is also making the headlines. Just as with energy, the failure to tackle long-term problems has undermined our national resilience and left us exposed.

Between 2012 (when data began) and 2021, the water industry has consistently lost around three billion litres of water per day.<sup>6</sup> Thames Water reports that it currently loses around a full quarter of its supply to leakage alone.<sup>7</sup>

While the current crisis is the result of a particularly arid Summer, our policy failings have resulted in a foreseeable event leading to negative impacts for citizens. Given drought conditions are likely to become more common in future years – the Environment Agency has stated that summer rainfall in England is expected to drop by 15 per cent in the 2050s and by up to 22 per cent in the 2080s<sup>8</sup> – leakage will become even more of a critical drag on our resilience.

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<sup>1</sup> Department for Business, Energy and Industrial Strategy, 'Russia-Ukraine and UK Energy: Factsheet', Webpage, 25 February 2022.; Offshore Energies UK, 'Norway Is Now UK's Primary Gas Supplier and Declining North Sea Output Means UK Faces Importing 80% of Its Gas and Oil within a Decade, Warns OEUK Report', Press Release, 29 March 2022.

<sup>2</sup> Nathalie Thomas, 'Closure of Biggest UK Gas Storage Site Draws Criticism', *Financial Times*, 16 August 2017.; Claire Perry, 'Natural Gas Storage: Answer to Written Question' (UIN 161045, 5 July 2018).

<sup>3</sup> Gas Infrastructure Europe, *Aggregated Gas Storage Inventory: August 2022*, 2022.

<sup>4</sup> Department for Business, Energy & Industrial Strategy, *Household Energy Efficiency Statistics, Headline Release March 2022*, 2022.

<sup>5</sup> Climate Change Committee, *Progress in Reducing Emissions: 2022 Report to Parliament*, 2022.

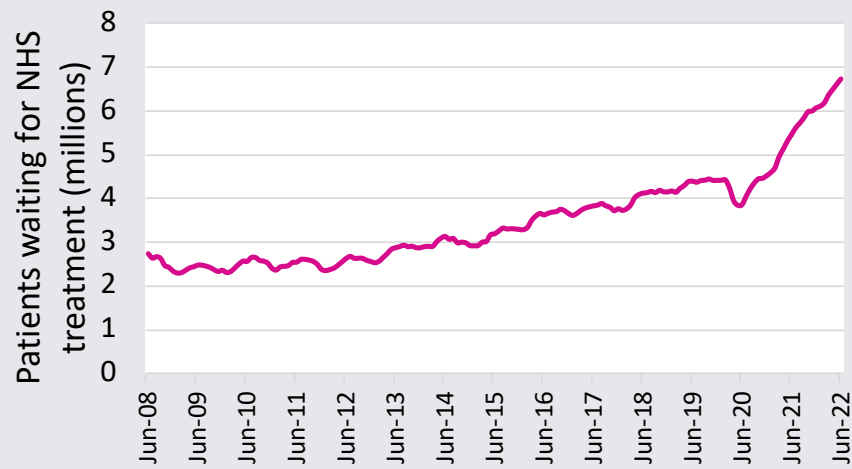
<sup>6</sup> Ofwat, *Service and Delivery Report 2020-21*, 2021.

<sup>7</sup> Thames Water, 'Our Leakage Performance: How We're Tackling Leaking', Webpage, 2022.

<sup>8</sup> Environment Agency, *Living Better with a Changing Climate*, 2021.

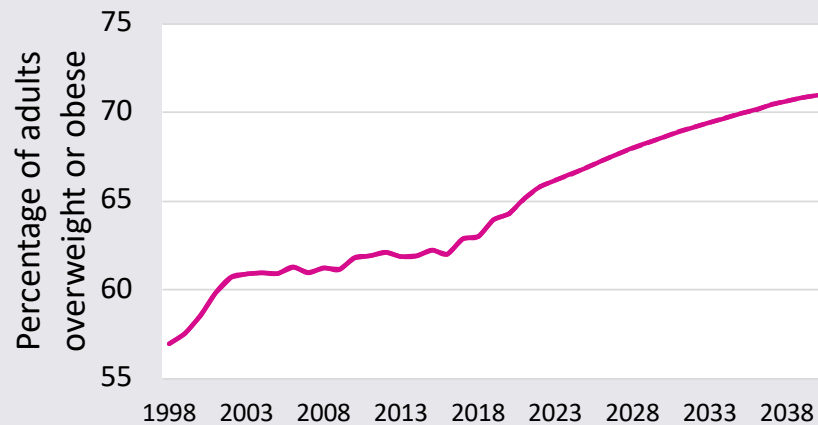
## 2: DEFINITELY GRASP THE HEALTH AND SOCIAL CARE CRISIS

**GRAPH 4**  
Waiting list for NHS treatment



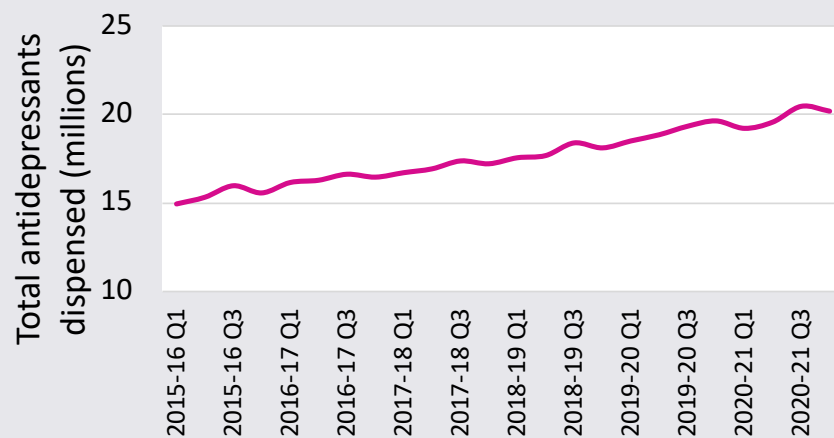
Source: NHS England, *Consultant-Led Referral to Treatment Waiting Times: June 2022, 2022*

**GRAPH 5**  
Overweight and obese adults



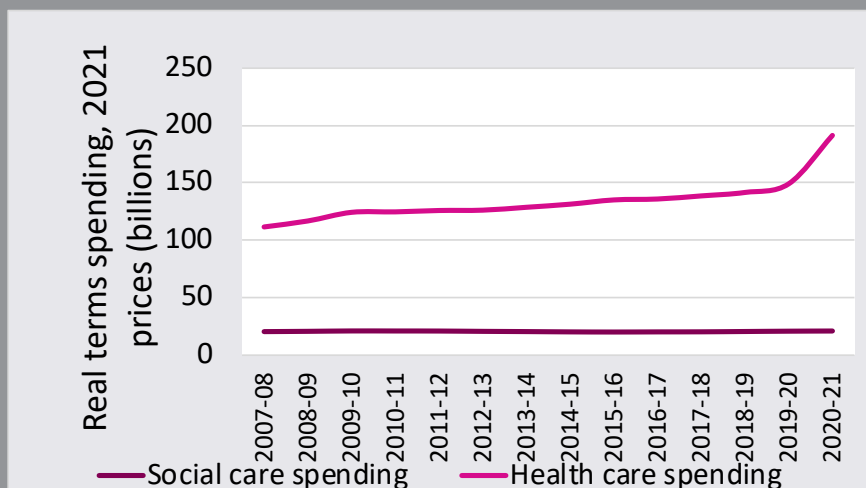
Source: NHS Digital, *Health Survey for England 2019, 2019*; Cancer Research UK, *Overweight and obesity prevalence projections, 2022*

**GRAPH 6**  
Antidepressants dispensed



Source: NHS Business Services Authority, *Medicines Used in Mental Health – England – Quarterly Summary Statistics January to March 2021, 2021*

**GRAPH 7**  
Health and social care spending



Source: HM Treasury, *Public Expenditure Statistical Analyses 2010-2021, 2022*; NHS Digital, *Adult Social Care Activity and Finance Report, England – 2020-21, 2021*

Record waitlists and lengthy delays to ambulance attendance and A&E admissions are regularly making headlines. Addressing these concerns will undoubtedly be a key priority for the next PM. But short-term action, while necessary, is not sufficient. Again, the new administration must tackle the foundational challenges facing our health system, which – as Graph 4 on treatment waitlists shows – were evident long before the pandemic.

Three key drivers of healthcare demand are an increasingly unhealthy population, overmedicalisation, and an ageing population. While successive governments have made commitments to address all three challenges, limited progress has been made.

14 obesity strategies were published between 1992 and 2020,<sup>9</sup> yet, as Graph 5 starkly shows, our waistlines have continued to expand. And with 20 per cent of year 6 children already categorised as obese,<sup>10</sup> it is unsurprising that the trend is further deterioration. Obesity is linked to numerous other conditions, including diabetes, heart disease, breathing problems and some cancers. All of these can have devastating outcomes for individuals, drive significant demand for healthcare, and have knock on costs (for example, in benefit payments and lost tax revenue).

Like many high-income nations, Britain has also become increasingly dependent on drugs – hospital spending on medicines nearly doubled between 2010-11 and 2016-17.<sup>11</sup> In part this is symptomatic of advancing medicines, which is a positive, but it also represents an increasing expectation that a pill can solve all problems. Antidepressants are a case in point, as Graph 6 shows: in less than six years, the number of scripts prescribed increased by 35 per cent.<sup>12</sup> Mental illness is now the second-largest burden of disease in England, and investment in

<sup>9</sup> Dolly R. Z. Theis and Martin White, 'Is Obesity Policy in England Fit for Purpose? Analysis of Government Strategies and Policies, 1992–2020', *The Milbank Quarterly*, January 2021.

<sup>10</sup> Office for Health Improvement and Disparities, *Year 6: Prevalence of Obesity (Including Severe Obesity)*, 2021.

<sup>11</sup> Leo Ewbank et al., *The Rising Cost of Medicines to the NHS: What's the Story?* (The King's Fund, 2018).

<sup>12</sup> NHS Business Services Authority, *Medicines Used in Mental Health – England – Quarterly Summary Statistics October to December 2021*, 2022.

support services falls far short of what is needed. Again, a short-term solution – prescribing drugs – trumps the longer-term solution of actually addressing the cause of mental ill health.

Unmet care needs<sup>13</sup> among the elderly are another big driver of demand for healthcare services, and a lack of capacity in social care means hospital beds unnecessarily occupied by frail patients who can't be discharged – around 13 per cent of acute beds are filled by patients who are classed as 'fit to leave'.<sup>14</sup> Yet while expenditure on healthcare has continued to grow, by an average of nearly 4 per cent a year,<sup>15</sup> funding for social care has remained static.<sup>16</sup> While recent announcements of funding reform and a social care White Paper have been welcome, they in no way solve the social care crisis – more investment and a genuinely long-term solution is needed.

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<sup>13</sup> Age UK, 'The Number of Older People with Some Unmet Need for Care Now Stands at 1.5 Million', Press Release, 9 November 2019.

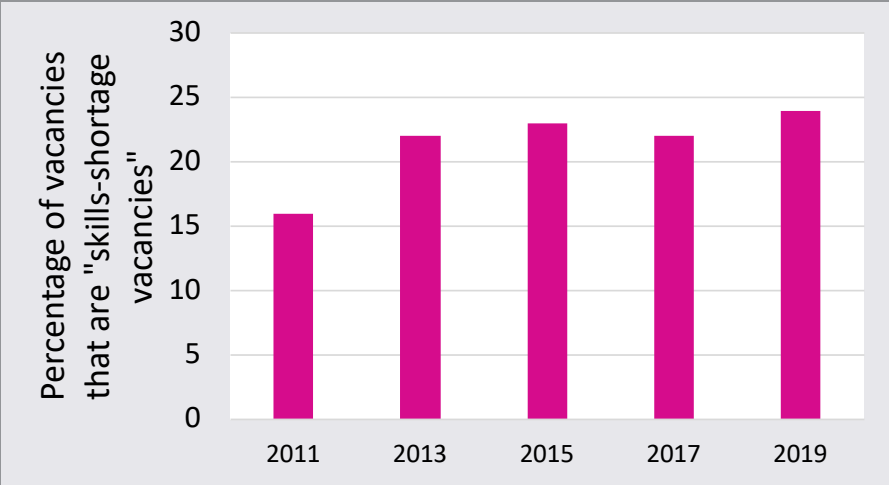
<sup>14</sup> NHS Confederation, 'What the Latest Data Tells Us about Delayed Discharges', Webpage, 10 February 2022.

<sup>15</sup> Rachael Harker, *NHS Funding and Expenditure* (House of Commons Library, 2019).

<sup>16</sup> NHS Digital, *Adult Social Care Activity and Finance Report, England - 2020-21*, 2021.

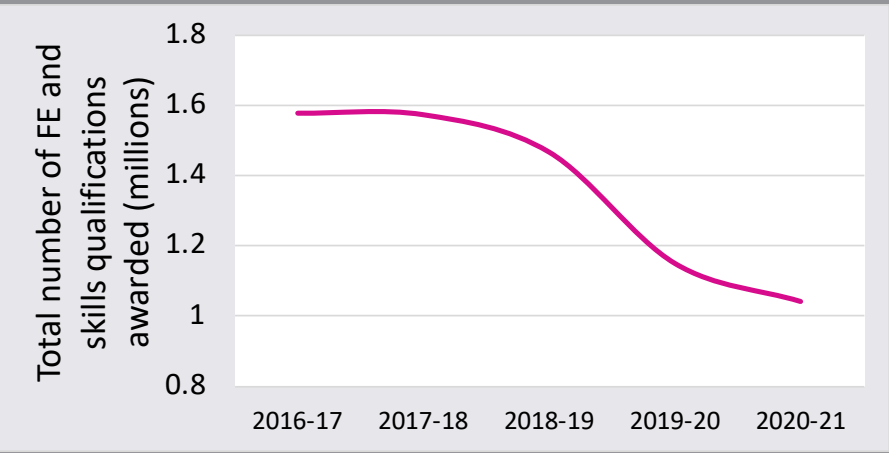
### 3. BUILD A WORKFORCE FIT FOR THE MODERN LABOUR MARKET

**GRAPH 8**  
Vacancies due to skills shortages



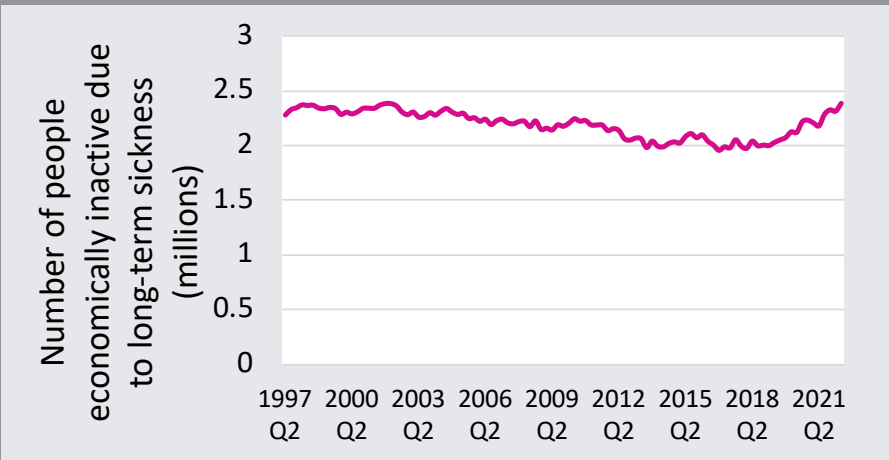
Source: Department for Education, *Employer skills survey 2017, 2018*; Department for Education, *Employer skills survey 2019, 2020*

**GRAPH 9**  
Further education and skills qualifications awarded



Source: Department for Education, *Local skills dashboard, 2022*

**GRAPH 10**  
Number economically inactive due to long-term sickness



Source: Office for National Statistics, *Econ. Inactivity Reasons: Long Term Sick, 2022*

The need to drive growth has been one of the themes of the leadership campaign. There are numerous levers for the new PM to pull – investment incentives, direct government R&D spend, regulatory reform, infrastructure investment, tax reform – but ensuring Britain has a workforce fit for the future must be at the top of the list. No matter how competitive an environment the Government creates, without an appropriately skilled workforce and a high participation rate, businesses are not going to reach their potential. Boosting our lagging productivity means investing in skills and employment support.

Increasingly, employers are reporting that they are unable to fill vacancies due to skills shortages. In 2011, 15.5 per cent of vacancies were the result of skills shortages – employers being unable to fill places due to applicants lacking the skills, experience or qualifications required<sup>17</sup> – by 2019 this had risen to 24 per cent.<sup>18</sup>

Meanwhile, despite successive governments emphasising the importance of further and continuous education to help close these gaps, the number of FE and skills qualifications awarded fell from 1.5 million in 2016-17 to 1.04 million in 2020-21.<sup>19</sup> The number of people taking part in government-supported workplace learning has fallen by 74 per cent since 2009-10.<sup>20</sup> Even after the 2021 Spending Review's £900 million commitment, spending on adult education and apprenticeships will still be 25 per cent lower in 2024-5 than in 2010-11.<sup>21</sup>

Just as important to growth is a high participation rate (i.e. the proportion of people who are economically active) – unfilled vacancies, as we have seen over the past year, are a drag on growth. While much attention has been paid to the roughly 300,000 additional people who have left the labour force due to long-term sickness since the start of the pandemic,<sup>22</sup> the number of people reporting that they are economically inactive due to a long-term health condition or illness has hovered around two million for the past 25 years.<sup>23</sup> This is a staggering waste of human potential and is costing billions in benefits each year.

This is another indicator of the state of many public services. A healthier nation would mean that fewer people fell out of the labour market due to long-term sickness. An effective benefits and employment support system would ensure more people received the right support to help them back into sustainable employment. An effective education and skills system would tackle the disability skills gap. In other words: investment upstream in effective and early support would mean lower costs downstream.

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<sup>17</sup> Department for Education, *Employer Skills Survey 2017*, 2018.

<sup>18</sup> Department for Education, *Employer Skills Survey 2019*, 2020.

<sup>19</sup> Department for Education, *Local Skills Dashboard*, 2022.

<sup>20</sup> Stephen Evans, *Raising the Bar: Increasing Employer Investment in Skills* (Learning and Work Institute, n.d.).

<sup>21</sup> Institute for Fiscal Studies, 'Plans Will Leave Spending on Adult Education and Apprenticeships 25% below 2010 Levels by 2025', Press Release, 2022.

<sup>22</sup> Office for National Statistics, *Econ. Inactivity Reasons: Long Term Sick*, 2022.

<sup>23</sup> Ibid.



## **Priorities for the next PM**

The two final contenders to become the next Prime Minister have spent nearly two months debating their respective visions. Yet discussion of these fundamental, structural challenges has been minimal.

We have crumbling national infrastructure, a healthcare system that is unsustainable in the long-term, and a mismatch between the needs of the modern labour market and our available workforce. All of these have direct, and significant, impacts both on the quality of people's lives and the productivity – and therefore prosperity – of the nation.

The new PM must see the current crises for what they are: manifestations of a short-termist approach to governing.

Day one's focus must be alleviating the pressures on family finances, day 2 must be to present a new, more ambitious vision for truly building back better.