

BETTER INSULATE THAN NEVER

Harnessing the opportunities of social housing
decarbonisation to create an economically
sustainable future for left behind communities

October 2023



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About the Centre for Social Justice

Established in 2004, the Centre for Social Justice is an independent think-tank that studies the root causes of Britain's social problems and addresses them by recommending practical, workable policy interventions. The CSJ's vision is to give people in the UK who are experiencing the worst multiple disadvantages and injustice every possible opportunity to reach their full potential.

The majority of the CSJ's work is organised around five "pathways to poverty", first identified in our ground-breaking 2007 report, Breakthrough Britain. These are: educational failure; family breakdown; economic dependency and worklessness; addiction to drugs and alcohol; and severe personal debt.

Since its inception, the CSJ has changed the landscape of our political discourse by putting social justice at the heart of British politics. This has led to a transformation in Government thinking and policy. For instance, in March 2013, the CSJ report It Happens Here shone a light on the horrific reality of human trafficking and modern slavery in the UK. As a direct result of this report, the Government passed the Modern Slavery Act 2015, one of the first pieces of legislation in the world to address slavery and trafficking in the 21st century.

Our research is informed by experts including prominent academics, practitioners and policy-makers. We also draw upon our CSJ Alliance, a unique group of charities, social enterprises and other grass-roots organisations that have a proven track-record of reversing social breakdown across the UK.

The social challenges facing Britain remain serious. In 2023 and beyond, we will continue to advance the cause of social justice so that more people can continue to fulfil their potential.

Acknowledgements

The Centre for Social Justice Work and Opportunity Policy Unit would like to thank the many individuals and organisations who shared their time, expertise, evidence, and feedback in the preparation of this report. Including several who hosted us for visits across the country, and all who contributed to our call for evidence.

We would like to thank the Housing Employment Network North East, the Northern Housing Consortium and Community Campus '87 for conducting roundtable events which allowed us to gain invaluable frontline perspectives. We would also like to thank the National Housing Federation for sharing our research questions with their members.

We would like to give special thanks to Abri, Home Group and the Greener Futures Partnership for sponsoring this report and whose insights have proved invaluable in the preparation of this paper and its recommendations.



Disclaimer: The views and recommendations in this report are those of the CSJ and do not necessarily represent those of the individuals or organisations mentioned above.

Foreword

President Kennedy once famously slightly misdescribed the Chinese symbol for 'crisis'; made up he said, of two brush strokes, one spelling opportunity and the other danger. Not quite right apparently, but useful enough as a motif for where we are in the climate crisis. We've together more or less agreed on the things that need to be done to get to net zero, things like rapidly expanding renewables; creating a fully low carbon power sector; retrofitting and insulating millions of houses up and down the country to reduce energy use; and cut domestic emissions through electrifying and decarbonising heat and transport.

The list is a long one and comes with great opportunities attached to it. Opportunities, as the Centre for Social Justice argue in this important and welcome report, not just to decarbonise but to create better lives for people and create and sustain thousands of well-paid and permanent jobs in the process.

But here comes the danger: we are now well into a process that we have, at present, no chance of fully realising for net zero to be achieved, simply because we do not have in place the green plumbing of the system to make our noble aspirations actually work. We can build as many new renewable energy plants as we like, but unless we have a new redeployed green grid in place to deliver its power, the aspiration falls. We can shout about our hopes for a fully decarbonised housing sector, both new build and the retrofitting of the 80 per cent of houses standing now that will still be there in 2050, but unless we have in place the means to deliver the area based retrofitting schemes, the patient work of retrofitting each house on a massive scale – 19 million homes will need to be brought up to net zero standards – then it will all remain just that: some shouted aspirations.

I don't raise these two examples of net zero ambition randomly. We must radically rebuild and re-equip our failing grid systems and successfully retrofit, over a ten-year period, 19 million homes to make our housing stock permanently fit for a net zero economy. And we've got to do a lot more than just stop there. Green plumbing needs both the plumbing itself and the plumbers to work. We are as a country falling far behind in the race not just to create green jobs but to populate them with the green skills necessary to make the plumbing work.

A national retrofit programme – as set out in Labour's Warm Homes Plan - would create tens of thousands of highly skilled, permanent jobs, and can create those jobs from among the hardest parts of the labour market to reach; jobs will come to communities, rather than communities dissipating in the search for jobs. Part and parcel of that process will be the skilling and reskilling of communities to access the green jobs we will need. That is a task for local authorities, the local education system, and local voluntary bodies to participate in, with Government providing the framework and the support to allow it all to happen.

In short, we need an economic strategy that puts green skills and jobs at its heart and successfully pushes the opportunities our net zero imperative offers, whilst successfully navigating the dangers we will encounter. This report is an interesting and timely contribution to the policy debate, and I hope the government sits up and takes notice.



Alan Whitehead MP

Labour MP for Southampton Test
Shadow Minister for Energy Security

Executive summary

Too many people are denied the opportunity to make the most of their talents simply because of where they live. This waste of human potential has significant economic, as well as personal, costs. With economic growth concentrated in London and the South East, a long tail of low-productivity explains why UK growth lags behind international comparators. Spreading access to in demand skills and good, sustainable jobs is therefore foundational to levelling up.

The transition to a low carbon economy has the potential to create over 700,000 net new jobs by 2030, with roles in buildings construction and retrofit likely to grow rapidly.¹ Making the most of these opportunities to create a positive future for left-behind communities must be at the heart of net zero policy. Mitigating downsides isn't enough; the policy objective must be to maximise upsides.

Projections suggest that key net zero aligned sectors in the UK could contribute up to £60 billion of gross value added (GVA) a year by 2050.² In the context of both chronic and acute economic challenges, ranging from sluggish and regionally imbalanced productivity growth to rising rates of health-related economic inactivity, decarbonisation represents an important opportunity to address a range of problems holding the UK back, both socially and economically.

And UK businesses recognise the economic opportunities that a well-managed transition to a low carbon economy represents. Original polling for the CSJ has found that 60 per cent of business leaders believe the economy is in a negative state and just 40 per cent of business leaders have confidence in the Government's national economic vision. Confidence in Labour's economic vision rises only slightly, to 46 per cent. More positively, however, 77 per cent of business leaders told us they were either 'quite' or 'completely' confident that plans to reduce carbon emissions would bring economic benefits.³

An appropriately skilled workforce is central to realising these benefits. While the Government readily talks of 'green skills', has established a 'green skills taskforce' and set a target of creating 2 million green jobs by 2030, concrete policy lags behind.

High level policy ambition is important but only gets you so far. This report, therefore, drills into the practicalities of a specific issue: the decarbonisation of social homes. This will not only be critical to meeting legally binding emissions targets but also promises to ease cost of living pressures and support quality, sustainable employment with low barriers to entry, making it a key mechanism for spreading the benefits of decarbonisation to lower income communities.

1 Climate Change Committee, A Net Zero Workforce, May 2023.

2 BEIS, Net Zero Strategy: build back greener, October 2021.

3 Polling for the Centre for Social Justice by Opinium, conducted February 27th - March 3rd 2023.

The Uxbridge by-election result has been widely understood to signal voters' refusal to pick up the tab for costly green policies, particularly where these costs fall on those least able to pay. The Prime Minister's subsequent decision to push back key dates for the phase out of both gas boilers and petrol and diesel cars, while scrapping plans to enforce minimum insulation standards in the private rented sector, highlights the fraught politics of the net zero transition. Given that decarbonising social homes presents opportunities to simultaneously reduce carbon emissions, reduce bills for those on the lowest incomes and support good jobs, a concerted effort to do so would allow Government to combine cost of living and decarbonisation agendas, demonstrating ongoing commitment to a reformed net zero delivery pathway.

Meanwhile, the Labour party's decision to delay the introduction of its £28 billion green growth plan highlights the need for targeted, costed policies in high impact areas, in the context of a challenging fiscal environment. Domestic decarbonisation should be prioritised on this basis. Keir Starmer has described insulation as a future Labour Government's 'national mission' and Labour have emphasised the employment benefits of a national insulation programme, estimating that almost 4 million jobs would be created under its plan to bring 19 million of the UK's leakiest homes up to an acceptable standard of insulation.

As things stand, however, the pace of domestic decarbonisation is too slow. As of March this year, fewer than half of England's homes were EPC rated C or above. The social housing sector has a better median energy efficiency than the housing stock average but is still behind trajectory to achieve net zero by 2050. Skills gaps, a lack of funding certainty and low supply chain capacity are collectively slowing progress.

In this report we make 16 recommendations based on in-depth evidence gathered through an online call for evidence, multiple site visits, opinion polling, interviews, multiple engagements with the CSJ's Alliance of quality, small charities and group discussions with social housing providers.

Reorienting the skills system towards the green economy

- We heard repeatedly that routes into green jobs are hard to navigate, with those interested in green roles unsure how to pursue them. As the transition to a low carbon economy gathers pace, demand for green skills will only grow. It is critical, therefore, that entry routes into green jobs – including those supporting domestic decarbonisation – are widely available and well understood.
- The Department for Education should use the Lifetime Skills Guarantee – its flagship adult education offer - to deliver upskilling and reskilling opportunities for those in high-carbon industries and other priority groups. This should include delivery of Retrofit Assessor and Coordinator training.
- To ensure we harness the potential of apprenticeships as a route into good, green jobs, the Institute for Apprenticeships should accelerate its review of apprenticeships and technical qualifications in order to rapidly close gaps in training provision, prioritising roles in green construction and domestic decarbonisation.

Helping those furthest from the labour market seize green opportunities

- Good green jobs mean little to those who are unable to access them. We therefore recommend using some of the £0.9bn Restart underspend to fund wraparound employment support for young people in growing green industries, including those undertaking apprenticeships.
- As the roll out of Universal Support progresses, Government should use this important touchpoint with vulnerable groups to ensure those furthest from the labour market are supported into growing green industries. While the individual needs of beneficiaries will determine the shape of support, ensuring key workers are equipped to direct people to skills and employment opportunities in the green economy will widen access to green jobs.
- Skills Bootcamps are already an important part of the green skills system, with courses offered in EV charging, heatpump installation and domestic retrofit, among others. Ofsted's review of Skills Bootcamps, however, found that not all providers are working with employers as well as they could be. To fully exploit the benefits of Skill Bootcamps, DfE should improve provider engagement with employers and ensure participants are consistently offered an interview upon conclusion of their programme.

Building confidence through strategic investment

- Government is spending hundreds of millions on decarbonisation through the Social Housing Decarbonisation Fund, while the value of the latest iteration of the Energy Company Obligation (ECO) is expected to reach one billion a year. The ECO is an obligation placed on energy companies to deliver energy efficiency measures to domestic premises.
- To make this money work harder, Government should provide funding certainty over longer timeframes, enabling a more strategic approach. The Department for Energy Security and Net Zero should set out plans for the Energy Company Obligation beyond 2026 and extend funding timelines for the Social Housing Decarbonisation Fund. This would allow for a more cost-efficient approach to housing decarbonisation by building supply chain confidence and enabling fund applicants to plan longer term.
- To strengthen the local legacy of SHDF funding, the Department for Energy Security and Net Zero should include a social value standard within the criteria for future waves of the Social Housing Decarbonisation Fund. Requiring applicants to consider opportunities to maximise social value – for example by upskilling and/or employing local people – will ensure Local Authorities and Registered Providers think creatively about how they deliver decarbonisation, eking out as much public value as possible from Government funds.
- As the UK Infrastructure Bank establishes itself, priority should be given to its role in delivering funding to support retrofit at scale. Greater clarity as to what the Bank could support would encourage market participants – including local authorities and housing associations – to apply, while support from the Bank on routes to aggregate demand could help overcome challenges associated with the £25 million minimum ticket price.

Recognising the challenging fiscal environment, this report does not come with big funding asks attached. Rather, it argues that the money Government already spends should be made to work harder. There is no silver bullet, but collectively, the changes we recommend will ensure that the journey to net zero delivers opportunities for those on low incomes, boosting both local and national economies in turn.

This is a win-win opportunity that no Government should turn down.

Introduction

The transition to a net zero economy will have wide ranging social and economic implications. It is the job of Government, working hand in glove with business, to manage these, ensuring costs are fair and benefits are shared. The recent fall out from the Uxbridge by-election - evidenced in a string of net zero policy revisions - makes clear the political risk of green policies that impose costs on those least able to pay.

This report examines the potential social benefits of the net zero transition, with a particular focus on the decarbonisation of social homes. The skills and training opportunities associated with good green jobs, together with cost savings driven by reduced energy demand, make housing decarbonisation an important social policy lever, as well as a key part of the country's net zero transition. Focusing on social homes will concentrate benefits where they are needed most. Jobs in domestic retrofit typically have low barriers to entry and good progression prospects, while also being geographically dispersed.

Government has made a series of ambitious decarbonisation commitments but concrete action lags behind. In its latest progress report, the Climate Change Committee (CCC) warned Government of the need to move as swiftly as possible from 'strong commitments' towards delivery.⁴ The lack of policy detail behind broad ambitions to decarbonise buildings attracted particular criticism from the CCC's then Chair, Lord Deben, who has described reducing energy demand in UK buildings as the 'biggest gap in current Government energy policy.'⁵

We will not meet our targets for emissions reduction without near complete decarbonisation of the housing stock. In practical terms, this means improving insulation and installing low carbon heat systems. As of March this year, 47 per cent of homes in England were EPC rated C or above.⁶ The social housing sector has a better median energy efficiency than the housing stock average but is still behind trajectory to achieve net zero by 2050. Just 55,000 heat pumps were sold in the UK in 2021, against a target of 600,000 installations by 2028.⁷

Skills shortages are a key barrier to domestic decarbonisation, exacerbated by a lack of funding and policy certainty. Despite widespread interest in green jobs, particularly among young people, entry routes are unclear, while short term funding cycles make strategic delivery difficult. This report makes a series of practical recommendations that collectively, will help to plug the skills gaps slowing progress.

There is no silver bullet, but by embedding in-demand green skills within the existing skills system, helping those furthest from the labour market seize green opportunities and making the most of existing Government funding streams, we can widen access to good, green jobs while simultaneously delivering on net zero commitments.

4 Climate Change Committee, Progress Report to Parliament, June 2023.

5 Climate Change Committee, letter Lord Deben to the Chancellor of the Exchequer, the Rt Hon Jeremy Hunt, November 2022.

6 Hansard, Written Question UIN 163783, 21 March 2023

7 DESNZ, Heat Pump Investment Roadmap, April 2023.

Research Methodology

Original Polling for the Centre for Social Justice was conducted by Opinium. 1,000 decision makers in businesses with 10 or more employees were polled between 27th Feb and 3rd March 2023.

The Centre for Social Justice conducted a call for evidence on the opportunities and challenges associated with social housing decarbonisation and 29 submissions were received between November 2022 and January 2023. Sixteen social housing providers, two Local Authorities, three green skills providers, three construction and maintenance companies and five tenant representative groups or charities contributed to the call for evidence.

The Centre for Social Justice also conducted semi-structured interviews, visits, and roundtables with stakeholders to engage frontline perspectives in the research process.

Summary of Recommendations

Part One: The State of the Nation

Social housing decarbonisation can play an important role in redressing longstanding problems such as regional inequality and low economic productivity, while also reducing household energy bills.

Scaling up residential decarbonisation – which is urgently needed if we are to meet legally binding decarbonisation obligations – promises to benefit individuals, communities, and both regional and national economies.

Part Two: Green Skills and Employment Opportunities

A green skills shortage presents a major barrier to the net zero transition, including in relation to decarbonising the UK's housing stock.

An all-age, all-stage green skills offer, provided alongside effective employment support for those who need it, will open up opportunities for quality employment in a growing green economy.

Recommendation 1: The Government should develop robust, Local Authority level data on green jobs, including in relation to the housing decarbonisation sector. More detailed employment data would better inform decarbonisation plans.

Recommendation 2: The Department for Education should use the Lifetime Skills Guarantee to deliver upskilling and reskilling opportunities for those in high-carbon industries and other priority groups. This should include delivery of Retrofit Assessor and Coordinator training, and Heat Pump skills development packages. Delivering reskilling and upskilling opportunities through the Lifetime Skills Guarantee will boost regional economies and expand access to sustainable, high-quality jobs.

Recommendation 3: The Institute for Apprenticeships and Technical Education (IfATE) should accelerate its review of apprenticeships and technical qualifications in order to rapidly close gaps in training provision. The review should prioritise roles in green construction and domestic decarbonisation. As the demand for green skills in the labour market grows the need for recognised qualifications which provide a clear entry route into growing decarbonisation industries will also increase. This will therefore need to be an iterative process, ensuring emerging skills needs are met.

Recommendation 4: The Department for Work and Pensions should use some of the Restart underspend to fund wraparound employment support for young people in growing green industries. The estimated cost for DWP's Restart programme has been revised down from £2.58 to £1.68bn, creating a £0.9bn underspend.⁸ Some of this should be used to help young people at risk of long term unemployment to find and sustain jobs in the green economy.

Recommendation 5: The Department for Education should take steps to encourage the recruitment of priority groups onto green skills Bootcamps. The DfE should also investigate why not all participants are offered an interview upon conclusion of their Bootcamp, despite this being a key feature of the programme's design. Skills Bootcamps can deliver valuable skills opportunities to those furthest from the labour market, helping to close the skills gap. They should be more consistently used to support those furthest from the labour market and participants should be consistently connected with quality employment opportunities upon completion of a course.

Recommendation 6: The Department for Education should strengthen the statutory guidance for Local Skills Improvement Plans to ensure all LSIPs are harnessing the opportunities of net zero and engaging those furthest from the labour market effectively. While Employer Representative Bodies are already required to describe how net zero has been 'considered' in the development of LSIPs, some local plans demonstrate little direct engagement with an area's net zero requirements. Strengthened guidance would encourage areas to think creatively about the skills requirements of this growing segment of the labour market.

Recommendation 7: As the roll out of Universal Support progresses, Government should ensure those furthest from the labour market are supported into growing green industries. Universal Support is an important touchpoint with a vulnerable group of people who have a lot to gain from sustainable, quality employment. While the individual needs of beneficiaries will determine the shape of support, ensuring key workers are equipped to direct people to skills and employment opportunities in the green economy will widen access to green jobs.

Recommendation 8: The Department for Levelling Up, Housing and Communities should work with housing associations to further develop employment and skills programmes. Owing to the long-term nature of the relationships housing associations have with their tenants, they are well placed to offer sustained support that is tailored to both the individual and the local labour market. Central Government should encourage and support this where possible.

Recommendation 9: The Department for Levelling Up, Housing and Communities should update the aims of the UK Shared Prosperity Fund to better harness the opportunities of the green economy. Explicitly aligning the Fund with the opportunities of net zero will create economic opportunities in left behind communities.

⁸ Hansard, Written Question UIN 126629, 25 January 2023.

Part Three: Social Housing Decarbonisation Delivery

Social housing decarbonisation can create quality employment opportunities and provide an economic boost to left behind communities. However, barriers to delivering this at scale persist.

Recommendation 10: The Department for Levelling Up, Housing and Communities should include comprehensive retrofit standards within the forthcoming consultation on energy efficiency in social housing. Three-quarters of the 2050 housing stock has already been built, and 3 existing homes need to be decarbonised every minute if we are to achieve net zero in housing by 2050.⁹ Providing the industry with a clear set of standards – comparable to the Future Homes Standard – will support the delivery of quality retrofit at scale.

Recommendation 11: Where Government funds domestic decarbonisation, funding cycles should be extended, enabling a more strategic approach. The Department for Energy Security and Net Zero should set out plans for the Energy Company Obligation beyond 2026 and extend funding timelines for the Social Housing Decarbonisation Fund. This would allow for a more cost-efficient approach to housing decarbonisation by building supply chain confidence and enabling fund applicants to plan longer term.

Recommendation 12: The Government should guarantee a minimum level of funding for residential decarbonisation via the Dormant Assets Scheme, and Community Wealth Funds (once in place). A reliable investment stream would support supply chain confidence in priority areas, helping to create sustainable employment opportunities.

Recommendation 13: The Department for Energy Security and Net Zero should include a Social Value Standard within the criteria for future waves of the Social Housing Decarbonisation Fund. Requiring applicants to consider opportunities to maximise social value – for example by upskilling and/or employing local people – will ensure Local Authorities and Registered Providers think creatively about how they deliver decarbonization, eking out as much social value as possible.

Recommendation 14: As the UK Infrastructure Bank ramps up activity, it should seek to increase the funding made available for retrofit.

As the UKIB ramps up activity, it should take steps to ensure its terms and approach are attractive to market participants seeking to deliver retrofit, with a particular focus on local authorities and housing associations. The availability of low-cost capital provided on attractive terms will support the delivery of retrofit at scale.

9 Wates, The Social Housing Decarbonisation Challenge, July 2021.

Part Four: Industrial Strategy

A refreshed modern Industrial Strategy, with net zero at its core, will not only prevent the mistakes of deindustrialisation from being repeated but put left behind communities at the heart of future growth.

Recommendation 15: The Department for Energy Security and Net Zero and the Department for Business and Trade should develop a modern Industrial Strategy that harnesses the power of partnership with industry to drive green economic growth. Net zero will be foundational to an Industrial Strategy equipped to boost economic and social opportunities across the UK. As international competitors take an increasingly managed approach to green growth, this will only become more urgent.

Recommendation 16: The Department for Levelling Up, Housing and Communities and HM Treasury should create a minimum of four Net Zero Investment Zones. Focusing on green industry in locations well-equipped to exploit its opportunities would help the UK to capitalise on the economic potential of the energy transition. A positive impact on left behind communities must be embedded in their delivery.

Part One:

The State of the Nation

Scaling up residential decarbonisation is critical to meeting legally binding decarbonisation targets and boosting energy security, by reducing reliance on imported fossil fuels. It will also benefit individuals and families by lowering bills and raising living standards, while local economies will benefit from the creation of good jobs.

1.1: The growing green economy

Cambridge Econometric estimate that the transition to Net Zero has the potential to boost GDP by 2 per cent by 2030 and 3 per cent by 2050.¹⁰ Green growth will create green jobs, with the Government predicting that its Net Zero Strategy will support up to 440,000 jobs by 2030.¹¹ The expansion of green industries should be harnessed to maximise social as well as economic value.

As stated in the 2023 Net Zero Review, the growing green economy presents an historic opportunity to redress regional inequalities which are holding the UK back.¹² This is badly needed. The productivity gap between London and the South East, and the rest of the UK, is comparable to the gap between East and West Germany, or North and South Italy.¹³

While revised GDP figures show the UK's economic recovery from the COVID pandemic was stronger than previously thought, productivity remains sluggish. Historically, UK labour productivity has grown by around 2 per cent per year but since 2008/2009 it has risen more slowly and the growth outlook remains weak.¹⁴ The green economy must be a central plank of the UK's growth plan.

Original polling for the Centre for Social Justice by Opinium found three in five business leaders believe that the current state of the UK economy is negative. This includes two in five employers that think the UK economy is in a 'very bad' state.¹⁵

10 IPPR, Green investment: the prudent choice for prosperity, December 2022.

11 BEIS, Net Zero Strategy: build back greener, October 2021.

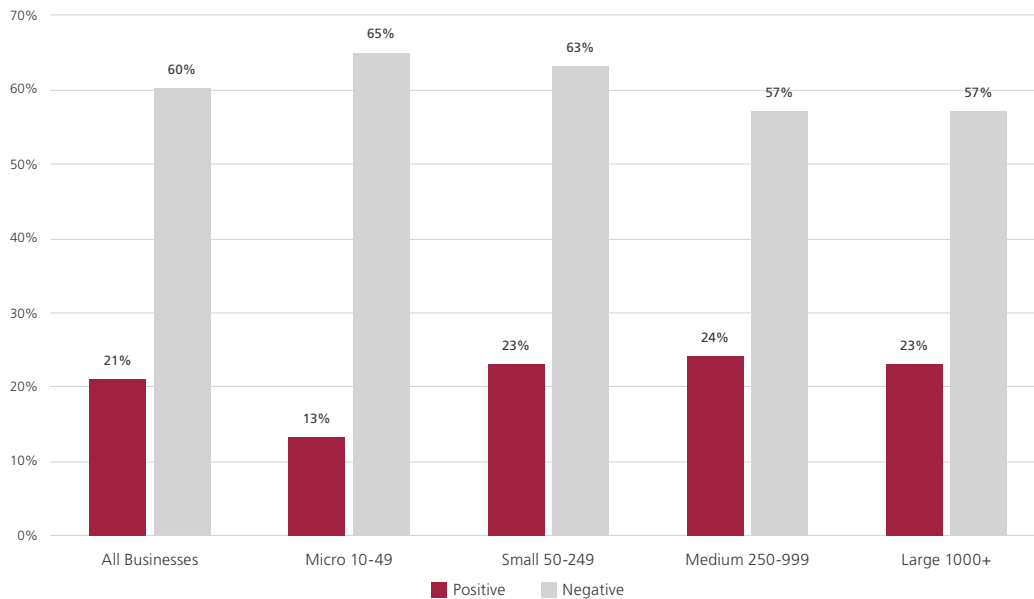
12 London School of Economics and Political Science, Growth, net zero and levelling up, October 2022.

13 CEPR, How to tackle the UK's regional economic inequality, March 2023

14 House of Commons Library, GDP – international comparisons, June 2023.

15 Polling for the Centre for Social Justice by Opinium, conducted February 27th - March 3rd 2023.

Figure 1: Proportion of UK businesses who feel the UK economy is in a positive or negative state.



Source: Original polling for the Centre for Social Justice by Opinium of 1,000 senior decision makers in UK businesses with 10 or more employees.

Economic growth and productivity

There is every reason to be optimistic about the economic impact of the net zero transition, with the gross value added per net zero industry employee currently almost double the national average of £64,000.¹⁶ Decarbonisation roles often pay a higher wage than ‘traditional’ roles, especially for lower-skilled workers.¹⁷ Jobs in the Net Zero economy have an average wage of £42,000 compared with the national average wage of £33,400.¹⁸

Green growth will create employment opportunities in green sectors as well as across the wider economy. PwC analysis has found that up to 580,000 jobs could be supported annually from building retrofits, including 94,600 trade jobs, with the most in demand being heating engineers and plumbers.¹⁹ Economic benefits come alongside benefits such as cleaner air, warmer homes and falling levels of fuel poverty.

However, while 77 per cent of British businesses believe economic opportunities will come from the journey to net zero,²⁰ just 42 per cent think the UK is prepared for the ‘economy of the future’.²¹

Businesses are planning for net zero – with 66 per cent of businesses reporting that they either have a net zero plan in place or intend to create one – but there is clearly more to do to turn optimism about the economic potential of net zero into business confidence.

¹⁶ Energy and Climate Intelligence Unit, Mapping the net zero economy, accessed August 2023.

¹⁷ Centre for Climate Change Economics and Policy, Are ‘green’ jobs good jobs?, October 2021.

¹⁸ Energy and Climate Intelligence Unit, Mapping the net zero economy, accessed August 2023.

¹⁹ PwC, Making homes more energy efficient, June 2023.

²⁰ Polling for the Centre for Social Justice by Opinium, conducted February 27th -March 3rd 2023.

²¹ Ibid.

1.2 Unleashing the potential in social housing

Benefits for residents

Social housing residents have much to gain from a growing green economy, and from residential decarbonisation in particular.

Many living in social housing face barriers to quality employment.²² Social housing residents are twice as likely to be unemployed as those living in private rented accommodation, and nine times more likely to be out of work than homeowners.²³

Social housing residents are three times more likely to be economically inactive than private renters or homeowners and are more likely to be in insecure or low-paid work.²⁴ In 2018, 43 per cent of social housing households contained members in full or part-time work, compared with over 70 per cent of households in the private rented sector.²⁵

And recent economic pressures have hit social housing tenants hard. In a 2022 survey, 7 out of 10 social housing residents said they were worse off financially than they were 6 months previously, and almost 8 out of 10 said they were worried all or most of the time about affording monthly living expenses.²⁶

Done well, residential decarbonisation would improve the energy efficiency and quality of homes while also creating employment opportunities for social housing tenants, providing economic and social benefits alike.

Wates Group: getting residents on board

Wates Group is a privately-owned construction, residential development and property services business committed to being a net zero carbon operator by 2025.

To date, Wates has delivered 20 retrofit projects, enhancing energy efficiency for 2,886 homes collectively valued at £52m, in part through the Government's Social Housing Decarbonisation Fund (SHDF) and the Green Homes Grant Local Authority Delivery (LAD) Scheme.

In 2022 Wates surveyed residents to get an understanding of how they felt about energy efficiency retrofit. Result emphasised the importance of language. 'Decarbonisation' was found to mean very little to most members of the public. Stripping out technical language and jargon and explaining projects in everyday terms helped residents to see how they would benefit from the decarbonisation work being undertaken.

22 The Centre for Social Justice, Social Housing and Employment, July 2018.

23 Ibid.

24 Learning and Work Institute, Building Opportunity: How social housing can support skills, talent and workforce development, December 2022.

25 The Centre for Social Justice, Social Housing and Employment, July 2018.

26 Resident Voice Index, Cost of Living: Crunch time, November 2022.

The role of housing decarbonisation in reaching net zero

The UK has a legally binding target to cut carbon emissions by 78 per cent relative to 1990 levels by 2035²⁷, and to reach net zero carbon emissions by 2050.²⁸ Between 2008 and 2018, the UK cut carbon emissions faster than any other G20 economy.²⁹

Decarbonising the UK's housing stock will be critical to achieving net zero carbon emissions by 2050, a target enshrined in law in 2019 via an amendment to the 2008 Climate Change Act.³⁰ Housing stock is responsible for a fifth of carbon emissions³¹ and the UK's housing stock is among the least energy efficient in Europe.³²

To meet the 2050 target, emissions attributed to the UK's buildings - including homes – must be halved by 2035.³³ The Government's Clean Growth Strategy set an aspirational target for as many homes as possible to be EPC Band C by 2035 'where practical, cost-effective and affordable'. A more ambitious 2030 target has been set for 'fuel poor' households.³⁴ While recognising that insulation is 'critical to making our homes cheaper to heat', however, the Government has scrapped plans to require landlords to meet minimum energy efficiency standards by 2035, focusing instead on support for insulation via the Great British Insulation Scheme.³⁵

As stated in the Fourth Report Session of the House of Commons Environmental Audit Committee:

*'Upgrading homes to Energy Performance Certificate C or above must be treated as a national priority to enhance the UK's energy security, reduce bills and cut emissions from the country's leaky and draughty building stock.'*³⁶

Current targets are to retrofit 4.8 million homes by 2028, leaving approximately 24 million homes to be retrofitted by 2050. This would involve installing 1 million low-carbon heat systems a year.³⁷

As of March this year, 47 per cent of homes in England were EPC rated C or above.³⁸ The social housing sector has a better median energy efficiency than the housing stock average but is still behind trajectory to achieve net zero by 2050. The CCC's latest progress report described that the number of Government-backed retrofits for fuel-poor households and residents of social housing as 'insufficient' and highlighted the slow start to the latest round of the Energy Company Obligation, with totals continuing to lag behind the committee's pathway expectations.³⁹

27 Department for Business, Energy and Industrial Strategy, UK enshrines new target in law to slash emissions by 78 per cent by 2035, April 2021.

28 UK Public General Acts, Climate Change Act 2008.

29 Public Accounts Committee, Achieving Net Zero, October 2021.

30 UK Public General Acts, Climate Change Act 2008.

31 The Climate Change Committee, Sixth Carbon Budget, December 2020.

32 The New Statesman, British homes among the worst insulated in Europe, January 2022.

33 Resolution Foundation, Hitting a brick wall, December 2022.

34 BEIS, The Clean growth Strategy, October 2017.

35 PMO, PM speech on Net Zero: 20 September 2023, September 2023.

36 Environmental Audit Committee, Accelerating the transition from fossil fuels and securing energy supplies, May 2022.

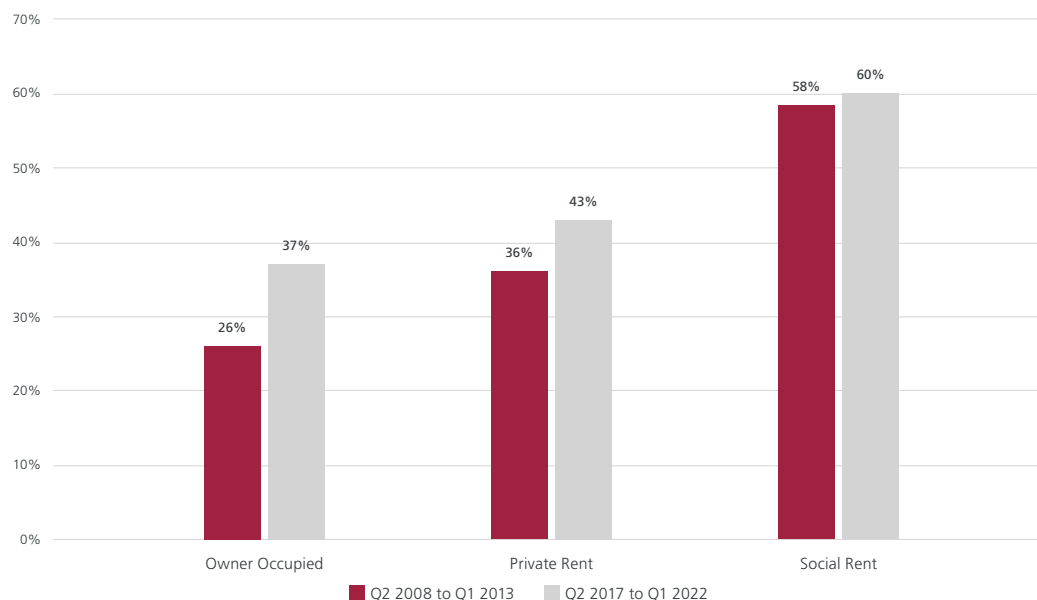
37 The Social Housing Tenants' Climate Jury, Submission to the Centre for Social Justice call for evidence, November 2022.

38 Hansard, Written Question UIN 163783, 21 March 2023.

39 The Climate Change Committee, Report to Parliament, June 2023.

As shown in the figure below, progress concerning energy efficiency is slow across all housing sectors. Although the social housing sector is ahead in terms of EPC ratings, there is still a considerable distance left to travel.

Figure 2: Percentage of dwellings with EPC band C or above, between 2008- 2013 and 2017- 2022 (England and Wales).



Source: Department for Levelling Up, Housing and Communities, Energy Performance Certificate data on Open Data Communities, Valuation Office Agency, Property Attributes data.⁴⁰

Barriers to the decarbonisation of social housing and wider housing stock persist. These include the lack of long-term government vision for decarbonisation, short-term funding, skills shortages, and low supply chain capacity. Despite these barriers to delivery, good practice still exists.

Southern Housing: Retrofit Roadmap

Southern Housing is one of the largest housing associations in the UK with a geographic footprint that runs from the Isle of Wight in the South to Birmingham in the West Midlands.

Its Retrofit Roadmap outlines the association's plans to reduce CO2 emissions across its 77,000 homes and to retrofit up to 1,500 homes annually from 2025 to 2030.

To deliver on these objectives Southern plans to upskill its existing workforce whilst also creating employment opportunities for its residents by inserting social value clauses into its contracts. Furthermore, by applying Sustainable Procurement Principles, Southern Housing will commission suppliers who are able to demonstrate a commitment to the promotion, creation and management of apprenticeship opportunities and/or training and development of staff.

⁴⁰ ONS, Energy efficiency of housing in England and Wales: 2022, October 2022.

Residential decarbonisation: call for evidence

The CSJ issued a call for evidence asking for views on the challenges and opportunities associated with social housing decarbonisation. Responses most commonly identified the below opportunities for left behind communities:

- Improved energy efficiency of the home, and reduced energy bills.
- Growth in local employment opportunities.
- Improved community cohesion by reducing turnover and boosting local pride.⁴¹

Social housing tenants were most likely to list affordable heating as a key opportunity, whereas social housing providers cited a boost in local employment opportunities most frequently.

A social housing provider based in the South West of England told us that 83 per cent of residents identified energy efficiency as their number one housing priority. To put this in context, this was a larger proportion than those who answered fire safety.⁴²

Decarbonisation is popular with households. The energy crisis, precipitated by Russia's invasion of Ukraine, has reframed the discussion around decarbonisation to focus on energy security. Conservative Environment Network polling from 2022 found that 84 per cent of UK adults backed greater use of insulation to reduce energy demand, in response to energy market volatility.⁴³ Households living on the lowest incomes, in the least energy-efficient homes, have been hardest hit by the energy crisis and cost-of-living pressures more broadly, adding further urgency to decarbonisation work.⁴⁴ Families living in poorly insulated homes consume an extra 58 per cent of heating compared with homes which are EPC C rated.⁴⁵

G15, a group of London-based social housing providers, told us:

*'When gas and electricity bills are taken together, those living in the least energy efficient homes will pay almost £2,000 extra per year compared with those living in EPC C rated homes.'*⁴⁶

The two most significant barriers to realising the potential of residential decarbonisation cited in response to the Centre for Social Justice's call for evidence were:

- The lack of long-term funding.
- The decarbonisation skills gap.

60 per cent of all respondents cited the skills gaps as a barrier to delivering housing decarbonisation.

A lack of long-term funding was the second most cited barrier. This echoes findings from the National Housing Federation survey which show three in four housing associations consider current funding mechanisms a key barrier to delivering the opportunities of housing decarbonisation.⁴⁷

41 The Centre for Social Justice, Call for Evidence, November 2022- January 2023.

42 Abri, Submission to Centre for Social Justice call for evidence, November 2022.

43 Conservative Environment Network, Will the Autumn Statement help us reach net zero, November 2022.

44 NEA, The hardest hit: Impact of the energy crisis, January 2023.

45 Resolution Foundation, Hitting a brick wall, December 2022.

46 G15, The Centre for Social Justice: social housing decarbonisation call for evidence, November 2022.

47 Green Finance Institute, Financing energy efficient buildings, May 2020.

Savings for government

Residential decarbonisation could ease cost of living pressures by cutting household energy bills for the poorest households, reducing the need for Government subsidies and hardship payments. The Energy and Climate Intelligence Unit has estimated that improvements in the energy efficiency of houses could have saved HM Treasury £9 billion in the first year of the Energy Price Guarantee.⁴⁸

Improved energy efficiency could also relieve pressure on NHS budgets resulting from poor health outcomes caused by cold homes. According to analysis from the Building Research Establishment, over £850 million of NHS spend can be attributed to defects in poor homes which expose residents to excess cold.⁴⁹

1.3 Left behind communities and net zero

The need to address regional inequality is urgent and well recognised. The UK's richest region, London, has an economy 150 per cent larger than the North East.⁵⁰ This is almost double the equivalent gap in France and three-quarters larger than in Germany. In fact, the UK's income inequality is higher than any other large nation in Western Europe.⁵¹

Net zero and the levelling up agenda should be mutually reinforcing. This is a case persuasively made by Lord Nicholas Stern, among others. There is an understandable concern to ensure the costs of net zero are not borne by low-income households least able to afford them. Less is made, however, of the place-based opportunities associated with the net zero transition. While Stern points to the 'remarkable fit and overlap' between the net zero investment story and the challenges of levelling up, Chris Skidmore's Mission Zero points to the spatially dispersed nature of low-carbon jobs and growth opportunities in Merseyside, Humberside, Scotland and South Wales.⁵²

CSJ's polling found that 70 per cent of people believe quality housing is key to achieving levelling up.⁵³ Decarbonising social homes is an important part of this.

Defining left behind communities

'Left behind communities' is a phrase widely used to describe parts of the country that have come to feel neglected by politics and politicians. There is no one, universally recognised definition. We use the phrase to describe areas which have suffered from lower levels of investment and which offer fewer quality employment opportunities to local people.⁵⁴ The proportion of residents with no qualifications is higher in 'left behind' communities⁵⁵ while levels of deprivation, community need and economic inactivity are also above the national average.⁵⁶

48 The Independent, Government pressured to 'save billions' on bills through insulating homes, 21 September 2022.

49 BRE, BRE report finds poor housing costing NHS £1.4 billion a year, November 2021.

50 Create Streets foundation, No Place Left Behind, October 2021.

51 The Resolution Foundation, Stagnation Nation, July 2022.

52 Nicholas Stern, Growth, net zero and levelling up, October 2022

53 House of Commons Library, The role of homes and buildings in levelling up health and wealth, October 2022.

54 Local Trust, 'Left behind' neighbourhoods, accessed August 2023. Create Streets foundation, No Place Left Behind, October 2021.

55 Community Wealth Fund, Understanding 'left behind' neighbourhoods: a visual guide, April 2021.

56 OCSI, Census 2021- A look at economic inactivity due to ill health, accessed August 2023.

The Local Trust has identified over 200 left behind neighbourhoods in England, predominantly in post-industrial and coastal areas in the North and the Midlands.⁵⁷ Managed well, left behind communities have much to gain from the journey to net zero.

Looking at more granular geographies, Oxford Consultants for Social Inclusion identify left behind communities as those which suffer the dual disadvantages of:

1. High levels of deprivation and socio-economic challenges.
2. A lack of community and civic assets, infrastructure and investment required to mitigate socio-economic challenges.⁵⁸
3. There are clusters of left behind communities in several major cities in England and Wales,⁵⁹ a further cluster of post-industrial places in northern England and a cluster on the southern coast.⁶⁰ 21 of the 33 most deprived local authorities in England are in northern England.⁶¹

The 2022 Levelling Up White Paper set out the Government's plan for addressing high levels of regional inequality.⁶² The paper set out key levelling up 'missions' intended to focus Government policy and catalyse private sector innovation, with a delivery target of 2030. Housing decarbonisation could contribute significantly to the delivery of several of these, either directly or indirectly:

- To increase employment, pay and productivity across all areas, closing the gap between the top and bottom-performing areas.
- Increase the number of people with high-quality skills training, driven by 80,000 more people completing courses in the lowest skilled areas.
- Improve the number of decent rented homes, particularly in the lowest-performing areas.
- By 2030, well-being will have improved in every area of the UK.⁶³

The White Paper recognises the potential of net zero innovation to level up, pointing to examples of green manufacturing bringing high-skill, high-wage jobs to areas which have faced economic headwinds in the past.⁶⁴ The lack of investment attached to Government's missions, however, has attracted criticism,⁶⁵ while there is also concern that the policy solutions proposed fail to meet the scale of the challenges at hand.⁶⁶

Growing the green economy would add new momentum to the levelling up agenda. Scaling housing decarbonisation – which would both create jobs and reduce bills, alongside helping to deliver on legally binding carbon targets - must be a part of this.

57 Local Trust, 'Left behind' neighbourhoods, accessed August 2023.

58 OCSI, List of 'left-behind' neighbourhoods, accessed August 2023.

59 DLUHC, Levelling Up the United Kingdom, February 2022.

60 OCSI, List of 'left-behind' neighbourhoods, accessed August 2023.

61 Homes for the North, Making levelling up work, where it matters most, A submission to the 2021 CSR from Homes for the North, October 2021.

62 DLUHC, Levelling Up the United Kingdom, February 2022.

63 Ibid.

64 Ibid.

65 The Guardian, The Guardian view on the levelling up white paper, 2 February 2022.

66 IFS, Response to government's Levelling Up White Paper, February 2022.

The Green Careers Hub collates data from 10 published reports to give a sense of the scale of the green jobs opportunity at a regional level. According to the Green Careers Hub, getting all homes to EPC rating C by 2030 would sustain 13,700 jobs in Yorkshire and the Humber, 11,300 jobs in the East Midlands and 17,800 jobs in the North West. The same source predicts that a total of 168,000 green jobs could be created in Yorkshire and the Humber by 2050.⁶⁷

The region with the highest unemployment rate in England, the North East, is set to experience growth in quality employment opportunities, too. Green Careers Hub data suggests that over 6,000 jobs will need to be filled each year in the North East to support the home improvements necessary to deliver net zero. Over 100,000 people will require upskilling and over 84,000 additional low carbon jobs are likely to be created by 2050.⁶⁸

Left behind communities at the heart of net zero policy

Net zero must be delivered with the most disadvantaged communities at its heart. Failure to do this could add to the rising cost of living, put extra pressure on local economies and penalise areas dependent on high-carbon industries. The transition to a greener economy must be managed to ensure not only that left behind communities are protected from negative consequences, but that they reap the benefits.

Post-industrial towns, many of which had been reliant on a single industry, are still reeling from effects of de-industrialisation,⁶⁹ with many having experienced high levels of unemployment for over a generation.⁷⁰

Without a comprehensive plan that puts green skills at its heart, the transition away from a high-carbon economy could repeat these same mistakes, entrenching disadvantage where it is already most acute. The Climate Change Committee, while noting that estimates around job gains and losses are highly speculative, estimates that net zero could lead to between 8,000 to 75,000 job losses in sectors that will likely phase down or redirect their products and services in response to the energy transition.⁷¹ However, with the right support people employed in high-carbon industries are likely to be well placed to transition to their 'green' equivalents. For example, the UK's 100,000 gas engineers would be well placed to rapidly retrain and transfer to low-carbon heating roles.⁷² Existing heating engineers can be upskilled to install heat pumps in one week or less.⁷³

A clear, long-term strategy for green skills is needed to support such transitions in the years to come.

67 Green Careers Hub, website, UK regional view, accessed August 2023.

68 Green Careers Hub, website, UK regional view, accessed August 2023.

69 The Conversation, How entrepreneurship offers a route out of industrial decline, 26 June 2019.

70 Ibid.

71 Climate Change Committee, a Net Zero Workforce, May 2023.

72 IPPR, Northern Powerhomes, November 2020.

73 BEIS, Heat and Buildings Strategy, October 2021.

Part Two:

Green skills and employment opportunities

A comprehensive green skills offer is required if the UK is to harness the opportunities of our net zero transition.

An all-age, all-stage green skills offer is critical to enabling communities across the UK to access the quality green employment opportunities which have the potential to transform lives and communities. This cannot focus exclusively on training new workers, but must equip the existing workforce to undertake new and expanded roles, building on and reorienting established skillsets.

The decarbonisation of homes presents a particularly important green skills and employment opportunity as many of the associated jobs have low barriers to entry and come with good prospects for progression.

The Government's Heat and Buildings Strategy recognises the importance of embedding skills and employment opportunities in its decarbonisation agenda, setting out plans to:

- Address the areas of highest unemployment and provide a range of job opportunities, including more technical and specialised skills.
- Enhance local skills and improve the prosperity of families in deprived regions.
- Target areas of greatest need by encouraging manufacturing and training to provide jobs.
- Support low-income and fuel-poor households, social housing tenants and vulnerable consumers.⁷⁴

⁷⁴ HM Government, 2021, Heat and Buildings Strategy, October 2021.

2.1: The longstanding skills problem

The UK has a long-standing skills problem. The DfE's Employer Skills Survey identified 214,306 skill-shortage vacancies in England, Wales and Northern Ireland. These are vacancies that are hard to fill due to a lack of skills, experience or qualifications among applicants. This represents an increase of 2.7 per cent from 208,657 skill-shortage vacancies in 2017.⁷⁵ The number of skill shortage vacancies has more than doubled in the past decade.⁷⁶

9 million of the UK's working-age adults have low basic skills development in key areas such as literacy and numeracy,⁷⁷ and in 2018 almost 1 in 5 young people left formal education without basic qualifications.⁷⁸

Skills shortages persist across a range of sectors,⁷⁹ leaving businesses struggling to fill vacancies.⁸⁰ In 2022, the Federation for Small Businesses found that 80 per cent of small firms faced difficulties recruiting applicants with the required skill set.⁸¹ Three quarters of businesses believe access to labour and skills threatens labour market competitiveness.⁸² Original polling for the Centre for Social Justice found that 63 per cent of all businesses sighted a skills gap in their industry.⁸³

These are entrenched issues widely recognised both within and beyond Government, with the skills Minister Rob Halfon telling his audience at the Skills for Growth conference in June this year that 'we lag behind our international peers' when it comes to technical education and 'must change that picture immediately'.⁸⁴ The expansion of Skills Bootcamps, the introduction of T-Levels and new Institutes of Technology are some of the ways Government is seeking to grapple with the knotty problem of skills gaps.

The importance of skills

Those without qualifications are 4.4 times more likely to be economically inactive and 1.6 times more likely to be unemployed than those with a degree or degree apprenticeship.⁸⁵ Spreading the opportunity to develop in-demand skills is therefore critical to levelling up.

A skilled workforce will drive economic growth.⁸⁶ Research from the OECD has revealed that the UK could improve overall productivity by 5 per cent if it reduced the skills mismatch to mirror best practice of comparator nations. Improving basic skills could lead to a 12 per cent increase in wages.⁸⁷

75 DfE, Employer Skills Survey, 30 March 2023.

76 Department for Education, Employer skills survey 2019, November 2020.

77 OECD, Raising the Basic Skills of Workers in England, December 2020.

78 The Centre for Social Justice, Playing the ace, November 2022.

79 House of Commons Library, Skills and labour shortages, January 2023.

80 ONS, VACS01: Vacancies and unemployment, July 2023.

81 FSB, Scaling up skills, August 2022.

82 CBI, Three-quarters of UK companies hit by Labour shortages in last 12 months, October 2022.

83 Polling for the Centre for Social Justice by Opinium, February 27th -March 3rd 2023.

84 DfE, Minister Halfon speech at the Skills for Growth Conference, June 2023.

85 The Centre for Social Justice, Playing the ace, November 2022.

86 Ibid.

87 Ibid.

2.2: Green skills

Establishing itself as a global leader in green skills development would unleash untapped potential across the UK.

Green skills are difficult to define and the size of the green skills gap is difficult to quantify. The Learning and Work Institute defines green skills as:

*'The skills needed to promote a green economic recovery focused on reducing UK carbon emissions. These can range from technical green skills such as those relating to construction, engineering, or manufacturing, to more general green skills such as project management, change management, leadership, education management and communication skills.'*⁸⁸

Estimates of the size of the green skills gap vary significantly both in size and in what they attempt to measure, with some focusing on specific sectors and others taking an economy-wide view. The critical point is that demand for green skills will only accelerate, meaning it is vital that Government and business work together to attract and build a pipeline of skilled talent. Analysis conducted by LinkedIn suggests a mismatch between skills supply and demand, with the number of jobs requiring green skills growing by 31 per cent over the past five years compared with a 21 per cent rise in suitably qualified workers.⁸⁹

CSJ polling found that just 14 per cent of businesses do not think their industry suffers from a decarbonisation skills gap. Those that do identified the main impacts as increased costs of decarbonisation work (38 per cent), a delay in plans to decarbonise (33 per cent), and an inability to innovate and harness the opportunities of net zero (33 per cent).⁹⁰

CSJ polling found that 64 per cent of business leaders agree that addressing the decarbonisation skills gap should be an immediate priority for Government, compared to just 14 per cent that disagree. Polling also revealed widespread scepticism about the adequacy of current skills provision in the face of the green skills challenge. Just 47 per cent of manufacturing businesses and 41 per cent of construction businesses believe current skills provision will be able to close the skills gap.⁹¹

Green skills must be embedded in an all-age all-stage skills offer if the UK is to take advantage of the social and economic opportunities of net zero.

Housing decarbonisation skills gaps

Housing decarbonisation roles include low-carbon heating installers and engineers, retrofit modellers, fitters, surveyors, coordinators, and assessors. In addition, decarbonisation construction skills will be key to building the homes of the future alongside improving the energy efficiency of existing housing stock.

88 Learning and Work Institute, Reskilling for net zero, November 2022.

89 LinkedIn, UK Green Skills Report, accessed August 2023.

90 Polling for the Centre for Social Justice by Opinium, conducted February 27th -March 3rd 2023.

91 Original polling for the Centre for Social Justice by Opinium, conducted February 27th -March 3rd 2023.

There are not enough workers with the skillset to deliver housing decarbonisation at the required scale.⁹² In a 2022 survey of social housing landlords, almost three-quarters said that the skills gap presented a challenge and none were able to say that they had no skills gaps internally.⁹³ The Green Alliance has estimated that approximately 300,000 more skilled workers will be required to decarbonise the buildings sector more generally.⁹⁴

The lack of retrofitting skills has been cited as the most significant barrier to improving the energy efficiency of homes by the Chartered Institute for Housing.⁹⁵ 36,00 retrofit coordinators are required to meet energy efficiency targets by 2030; recent estimates suggest the workforce stands at just 700 today.⁹⁶

Green skills data is not as developed as in relation to more established industries, making it challenging to authoritatively quantify the housing decarbonisation skills gap, for example.

39 per cent of businesses felt that the most effective way to address the decarbonisation skills gap would be for the government to make available better data to inform business decisions. Only provision of more generous funding to upskill those already in the labour market was a more popular option, with 47 per cent of respondents choosing this.⁹⁷

While the Office for National Statistics provides in-depth analysis of employment trends in different industries, analysis of emerging industries, such as housing retrofit, remains patchy. With such industries likely to see a period of sustained growth, a detailed understanding of what is happening is all the more important.

Some industry data exists in relation to specific roles. In 2020 there were 600 accredited heat pump installers in the UK, for example.⁹⁸ An estimated 12,400 low-carbon installers are needed in the labour market by 2025.⁹⁹ This data can helpfully inform planning for the installation of low-carbon heating in a cost-effective manner in the years to come, but it is not routinely available across low carbon roles.¹⁰⁰

Presently, it is challenging for stakeholders to confidently quantify the depth of expertise in housing decarbonisation and other green industries. The Department for Energy Security and Net Zero does not hold information on the number of people who work in specific housing decarbonisation roles, for example.¹⁰¹

Better data would allow for better planning and give industry confidence to invest. It would also enable Government to monitor progress against set objectives and inform policymaking at national, regional and local levels. While recognising the inherent complexities in defining and reporting on green jobs, there is an ongoing need to develop and publish this data, as emphasised by Chris Skidmore's Mission Zero Government review.¹⁰²

92 IPPR, Northern Powerhomes, November 2022.

93 National Housing Federation, New research sheds light on decarbonisation of social housing, July 2022.

94 Green Alliance, Closing the UK's Green Skills Gap, January 2022.

95 Social Housing (website), Retrofitting skills shortage stopping housing sector tackling net zero, 4 November 2022.

96 Housing Digital, We need more support for green skills to hit 2030 energy target, 28 July 2022.

97 Polling for the Centre for Social Justice by Opinionium, conducted February 27th - March 3rd 2023.

98 PHPI, Becoming a heat pump installer, 14 May 2020.

99 BEIS, Heat and Buildings Strategy, October 2021.

100 Resolution Foundation, Home is where the heat (pump) is, October 2021.

101 Freedom of Information request by Centre for Social Justice to the Department for Business, Energy and Industrial Strategy, January 2023, Evaluation of Wave 1 due on closure of wave 1. FOI: EIR2023/00139

102 Rt Hon Chris Skidmore MP, Mission Zero, January 2023.

Published data should include the number of skilled professionals in specific roles, such as retrofit coordinators, assessors, installers, and other retrofit and green construction roles.

Recommendation 1: The Government should develop robust, Local Authority level data on green jobs, including in relation to the housing decarbonisation sector.

Skills gaps are routinely cited as a barrier to housing decarbonisation. However, our understanding of the labour market is compromised by a lack of reliable and sufficiently granular data.

Better data would allow for better planning and give industry confidence to invest. It would also enable Government to monitor progress against set objectives and inform policymaking at national, regional and local levels.

Developing green skills

A comprehensive green skills offer would provide opportunities for sustainable, high-quality employment to those in insecure and/or low-paid work, as well as those who are currently unemployed or economically inactive.

CSJ polling found that over half (56 per cent) of businesses believe the UK is not ready for the economy of the future.¹⁰³ Developing a comprehensive green skills offer can help to change this.

Then Minister for Energy and Clean Growth, Greg Hands recognised the social value of green jobs in a statement released to mark the first meeting of the Green Jobs Delivery Group:

*'We will need tens of thousands of skilled workers for our clean transition and to boost energy security; and well-paid green jobs will help with the cost of living. Spreading opportunity by levelling up all parts of the country.'*¹⁰⁴

Reskilling and upskilling must be a key part of the green skills offer, given that 80 per cent of people who will work in housing construction in 2030 are already in the industry.¹⁰⁵ This means ensuring that those in high-carbon jobs have access to green reskilling opportunities to overcome barriers to future employment.

¹⁰³ Polling for the Centre for Social Justice by Opinium, conducted February 27th -March 3rd 2023.

¹⁰⁴ BEIS, Green jobs delivery steps up a gear, May 2022.

¹⁰⁵ BEIS, Heat and Buildings Strategy, October 2021.

New Futures Partnership, Learning and Work Institute

The New Futures programme is designed to support workers looking to reskill and change career post-pandemic. The work is funded by the Covid-19 Support Fund. The pilots are running until the end of September 2023 and are intended to develop a robust evidence base to demonstrate to policy makers what works in supporting workers to reskill and change career.

The programme comprises four place-based pilots, in Edinburgh, Belfast, Wales and the Tees Valley. The pilots are designed to meet the needs of local labour markets and address skills gaps in the population.

The programme includes careers advice and coaching alongside targeted support. It is delivered collaboratively with local partners, including employers, skills and employment support services, and voluntary and community sector organisations.

The Tees Valley pilot provides sustained careers coaching for those facing barriers to employment. Support lasts for longer, and is more holistic, than statutory services.

To exploit the opportunities of net zero, green skills need to be embedded within the wider skills offer and not treated as an optional 'bolt on'.

£9.2 million of Green Skills Competition Funding was awarded in September 2022 to deliver 9,000 training courses in heat pump and energy efficiency installation.¹⁰⁶ Courses were free or heavily subsidised and include retraining opportunities¹⁰⁷. The funding followed £6 million invested in 2021, which created almost 7,000 training opportunities.¹⁰⁸

While the Green Skills Funding Competition makes an important contribution to tackling skills shortages, it is not the whole answer. Green skills must be embedded in a comprehensive, national offer if we are to meet the scale of the challenge. The Department for Education has recognised the importance of improving access to industries experiencing skills gaps and passed legislation – the Skills and Post-16 Education Act - requiring training providers to work with local businesses to meet local labour market needs.¹⁰⁹ A comprehensive green skills offer will be an integral part of this.

Planned investment in skills of £3.8 billion by 2024-25, together with the Lifetime Skills Guarantee, should be used to drive forward the green skills agenda.¹¹⁰ The Lifetime Skills Guarantee, which will provide access to free training for any adult without a level 3 qualification, is backed by an initial £95 million¹¹¹.

¹⁰⁶ BEIS, Training for thousands to take advantage of green job opportunities, December 2022.

¹⁰⁷ Ibid.

¹⁰⁸ Ibid.

¹⁰⁹ DfE, Skills Bill becomes law, April 2022.

¹¹⁰ DLUHC, 2022, Levelling Up the United Kingdom, February 2022.

¹¹¹ BEIS, Heat and Buildings Strategy, October 2021.

Incorporating housing decarbonisation courses into the Lifetime Skills Guarantee would broaden access to green skills development. It would also support the ambition of the Green Jobs Taskforce to create 2 million quality green jobs by 2030.¹¹²

Recommendation 2: The Department for Education should use the Lifetime Skills Guarantee to deliver upskilling and reskilling opportunities for those in high-carbon industries and other priority groups. This should include delivery of Retrofit Assessor and Coordinator training, and Heat Pump skills development packages.

Those in shrinking, high-carbon industries and low-paying or insecure work stand to gain the most from a comprehensive green skills offer. Embedding green skills within the Government's flagship programme for supporting re-skilling and upskilling for people of all ages will widen access to sustainable, high quality jobs right across the UK.

The Lifetime Skills Guarantee provides adults without a level 3 qualification access to around 400 free courses. Strengthening the green skills offer within this flexible, responsive framework will both address decarbonisation skills gaps and equip people with the skills to access quality green employment opportunities.

2.3: The route into a decarbonisation career

Apprenticeships can offer a route into growing green industries and contribute to closing the green skills gap. They are highly valuable not only to employers looking to fill vacancies, but also to the apprentices themselves, with a wealth of evidence confirming the benefits they confer on workplace learners – including enhanced career earnings, continued education and richer, more fulfilling working lives.¹¹³

Evidence from the Department for Education, found that 86 per cent of employers agreed that apprenticeships had helped them develop skills that were relevant to their organisation's needs. 76 per cent said that apprentices improved their business's productivity, and 74 per cent reported that apprentices had helped them improve their product or service quality.¹¹⁴

This supports economic growth. Every £1 invested in Level 3 apprenticeships brings a £28 return to the UK's economy.¹¹⁵

¹¹² BEIS, UK government launches taskforce to support drive for 2 million green jobs by 2030, November 2020.

¹¹³ SMC, Apprenticeships and social mobility, June 2020.

¹¹⁴ DfE, IFF Research, Apprenticeships Evaluation 2018-19: Employers, March 2020.

¹¹⁵ CSJ, Trade Secrets, August 2020.

Opening up opportunity through apprenticeships: Community Campus 87

Community Campus 87 [CC87] is a community-based social enterprise operating across Tees Valley that provides affordable housing alongside emotional and practical support and training opportunities to over 200 young people a week. As part of their training offer CC87 deliver apprenticeship programmes in construction and building maintenance services. This has double benefit: creating work opportunities for young people - often CC87's social housing tenants - and ensuring their properties remain a high standard. Services also extend to clients across the public, private, voluntary and community sectors.

CC87 apprentices told us that before starting their apprenticeships, they did not have a clear idea of what they wanted to do. Many just wanted to work, as earning money was a priority. On the whole they did not find the advice they received when job hunting, either from college staff or the local job centre, particularly useful. Some struggled to navigate their options, with scores of applications going unanswered.

However, having started with CC87, everyone we spoke to agreed an apprenticeship was right for them. Indeed, they each said that they would strongly recommend the apprenticeship route to others. The pastoral support offered by CC87, together with the practical skills they developed, dramatically improved their confidence levels.

Since starting their apprenticeships, apprentices had also become more optimistic about their chances of securing sustainable employment locally. We heard that pay and security were the most important factors in shaping apprentices' employment choices, and apprenticeships offered both. While, however, they were happy to earn a wage, apprentices found the apprenticeship minimum wage difficult to live off. They told us that they wanted to pursue skilled trades that were active, varied, purposeful and 'hands on', and saw retrofit roles as attractive within this context.

Beginning a career in decarbonisation industries can be challenging. Entry routes can be confusing and a lack of recognised qualifications can act as a barrier to entry. The Learning and Work Institute has found that adults' awareness and understanding of green skills is low, and that while young people are more likely to understand what green skills are, many are unsure how to turn a passion for sustainability into a career.¹¹⁶ This exacerbates skills gaps in green industries.¹¹⁷

Apprenticeships should be better used to tackle green skills gaps and grow the green economy. The CSJ convened a group of apprentices working in housing and maintenance to help us better understand awareness of and attitudes towards green skills in the construction sector. None had heard of apprenticeship opportunities in housing decarbonisation.¹¹⁸ Apprentices expressed frustration with the limited career options they saw in front of them and a desire for secure, well-paid roles. One participant told us that he did not believe he would be able to secure a good job while remaining in the North East. We also heard

¹¹⁶ Learning and Work Institute, Reskilling for Net Zero, November 2022; Learning and Work Institute, Lack of know-how stopping young people plugging green skills gaps, June 2022.

¹¹⁷ FE Week, Local skills improvement plans: What the trailblazer reports look like, April 2022.

¹¹⁸ CSJ focus group with construction apprentices, 2023.

from stakeholders that too often, college courses in construction and other trades take a traditional approach that fails to equip students to meet the expanding decarbonisation needs of the industry. While construction apprenticeships typically focus on specialised skills, such as carpentry or bricklaying, energy efficiency retrofit often requires a whole building approach.¹¹⁹

There have been welcome changes to apprenticeships policy over the last year. The skills minister, Rob Halfon, has set a target of reaching a 67 per cent achievement rate for apprenticeship standards by 2024 to 2025, up from 51 per cent currently. A new exit feedback survey, which is sent to learners who withdraw from their programme prematurely, will help to achieve this, by enabling Government to learn lessons and make changes as necessary.¹²⁰ A new Apprentice Support Centre now brings together essential information and resources, helping apprentices to make the most of their experience, and by 2024-2025, apprenticeship funding will have risen to £2.7 billion.¹²¹

As a recognised and respected qualification, apprenticeships represent a significant opportunity to raise awareness of green training routes. The Institute for Apprenticeships and Technical Education have recognised this and assembled a green apprenticeships panel to better support green career pathways. This will seek both to identify gaps that new, green apprenticeships can fill, and make existing apprenticeships greener.

Ensuring existing Standards equip apprentices with the skills to drive decarbonisation across trades would be the fastest, most effective way of meeting labour market needs. Given social housing providers are orienting activity around Government's aim to bring all social homes up to EPC rating C by 2030, time is of the essence. New Standards, while valuable, would take longer to deliver, and potentially reinforce a counterproductive distinction between 'green' qualifications and others. Building decarbonisation skills into existing qualifications, meanwhile, underlines the centrality of green skills to a range of occupations.

The Chair of the panel, Judy Ling Wong, has also spoken about the importance raising awareness of green apprenticeships among young people. This is critical. The ability to easily identify apprenticeships that support decarbonisation via the government search function would be a welcome first step.

119 FE News, Green construction apprenticeships can build a low-carbon UK, February 2021.

120 DfE, published letter from the Rt Hon Rob Halfon MP to apprenticeship colleagues, March 2023.

121 DfE, Minister Halfon speech at the Times Education Summit, June 2023.

Recommendation 3: The Institute for Apprenticeships and Technical Education (IfATE) should accelerate its review of apprenticeships and technical qualifications in order to rapidly close gaps in training provision.

In England, IfATE has convened a Green Apprenticeships & Technical Education Advisory Panel to align apprenticeships to Net Zero objectives and better support green career pathways. The Panel will report on opportunities to make existing apprenticeships greener and identify new apprenticeships in emerging green occupations. This work is expected to conclude by the end of 2024.¹²²

This review should prioritise roles in green construction and domestic decarbonisation, recognising the ambitious timeline for domestic decarbonisation and the restrictive impact of skills gaps on delivery. The 'green' credentials of apprenticeships should be clearly demonstrated to prospective apprentices.

As the demand for green skills in the labour market grows the need for recognised qualifications which provide a clear route into growing decarbonisation industries will also increase. The adequacy training options will therefore need to be kept under review.

The Centre for Social Justice has long argued for the importance of raising awareness of apprenticeships. Progress has been made. The Skills and Post-16 Education Act, for example, strengthened the requirements on schools to provide their pupils with access to colleges and training providers, ensuring they are now given the opportunity to learn about non-academic routes.¹²³ And from this autumn, apprenticeships will sit alongside degree courses on the UCAS Hub.¹²⁴ But there is more to do. The following recommendation was included in the 2020 paper *Trade Secrets* and could now be updated to include green apprenticeships developed by IfATE:

The Government should introduce a broader and deeper system of information, guidance, and advice for apprenticeships.¹²⁵

The apprenticeship minimum wage increased by 9.7 per cent, to £5.28, in April 2023. Incentives to begin and complete an apprenticeship could nonetheless be improved, with the national minimum wage for 18-20 year olds rising by the same proportion to £6.83, while the national living wage rose to £9.50. Incentives to begin and complete an apprenticeship could therefore be improved. 6 in 10 people believe the apprenticeship minimum wage is too low and 78 per cent state they could not live on an apprenticeship minimum wage.¹²⁶ The Centre for Social Justice paper *Making the Change* made the following recommendation to encourage take up of apprenticeships:

Apprenticeship Levy funds should be available for the purposes of a wage subsidy for 16–24-year-olds on a time-limited basis, subject to a wage ceiling equivalent to average pay for a Level 6 apprenticeship (£17,875). This subsidy could be targeted at the manufacturing sector as preferred.¹²⁷

122 Institute for Apprenticeships and Technical Education, *Making apprenticeships greener for the future*, March 2021.

123 DfE, Minister Halfon speech at the Times Education Summit, June 2023.

124 DfE, Minister Halfon speech at the Skills for Growth Conference, June 2023.

125 CSJ, *Trade Secrets*, August 2020.

126 IPPR, *New polling: Overwhelming national support for scrapping 'unliveable' apprenticeship wages*, February 2023.

127 CSJ, *Making the Change*, January 2023.

Subsidising the wages of young people completing green apprenticeships in high demand areas would better incentivise uptake and completion. This should come alongside strengthened on-the-job support.

Wraparound support to tackle long term unemployment

In 2020, the Department for Work and Pensions introduced a £1.9 billion Kickstart scheme to create 250,000 work placements for young people, each lasting six months and providing 25 hours a week of work.¹²⁸ The number of job starts, however, fell short of the 250,000 target, resulting in an underspend of at least £665 million.¹²⁹

Similarly, the spend profile for the DWP's Restart programme, designed to support those in long term unemployment back to work, has been revised down, from £2.58bn to £1.68bn, creating a £0.9bn underspend. This is largely a product of the fact that the labour market position post-COVID has been better than expected. While this is to be welcomed, it remains the case that 55,000 people aged 16 to 24 had been unemployed for over 12 months as of March 2023. This equates to 11 per cent of all unemployed 16 to 24 year olds.¹³⁰

Unspent funds should not be returned to Treasury coffers, but instead channelled into support that helps young people in or at risk of long-term unemployment. For young people furthest from the labour market, employment support must be tailored and sustained – as both the Kickstart and the Restart programme recognised. Help to find, prepare for, and sustain jobs in the green economy will expand access to rewarding, sustainable and well-paid work. This support should also be made available to young people undertaking apprenticeships.

Recommendation 4: The Department for Work and Pensions should use employment programme underspends to fund wraparound support for young people in growing green industries.

A portion of unspent funds earmarked for unemployment support should be used to provide intensive, wraparound support for young people entering green industries. While it is a good thing that long term unemployment did not materialise in the way Government expected post pandemic, extended periods out of work continue to blight the lives of too many young people. Help to find, prepare for, and sustain jobs in the green economy will expand access to rewarding, sustainable and well-paid work.

¹²⁸ House of Commons, Committee of Public Accounts, DWP Employment Support, Kickstart Scheme, February 2022.

¹²⁹ House of Commons Library, Coronavirus: Getting people back into work, June 2022.

¹³⁰ ONS, Unemployment by age and duration, July 2023.

Skills Bootcamps

Skills Bootcamps have been effectively used to close specific skills gaps in the past, with over 4,000 Bootcamp courses started at the peak of the HGV driver shortage in 2021-2022.¹³¹ This shows their potential to meet urgent labour market needs where there is the political will to make the most of them.

Anyone over the age of 19 in England, who has the right to work in the UK, can apply for a Skills Bootcamp.¹³² If someone claims Universal Credit, they can continue to claim benefits whilst completing their Bootcamp.¹³³ A focus on priority groups, including unemployed people, low-paid workers and those with health conditions,¹³⁴ means Bootcamps are well targeted from a 'levelling up' perspective.

In 2022, £550 million was announced to expand Skills Bootcamps. Using the per placement cost of bootcamps delivered 2020-2021, this would support over 170,000 training opportunities.¹³⁵ The Government's accompanying press release drew attention to the role of the fund in supporting green skills and the construction sector.¹³⁶

Bootcamps are a particularly compelling option in the context of green skills, given their capacity to efficiently retrain skilled workers in industries critical to decarbonisation, such as construction. In many cases, existing workers are able to acquire the additional skills for 'green' roles quickly. Existing heating engineers can be upskilled to install heat pumps in one week or less, for example.¹³⁷ In such cases, short, sharp interventions that takes account of prior knowledge are the best option. Professional bodies such as the National Inspection Council for Electrical Installation Contracting, Gas Safe, the Royal Institute of Chartered Surveyors and the Chartered Institute of Building will also be critical in upskilling the existing workforce at the necessary pace.

Ofsted's thematic survey of Skills Bootcamps found that while most providers make good use of regional partnerships and labour market intelligence to meet local skills needs, this is not universal. Some providers do not engage effectively with employers to design courses and some fail to engage with employers to ensure that learners are guaranteed a job interview. Ofsted also found that the purpose of some courses is unclear. Furthermore, Bootcamp staff do not have regular or detailed discussions with learners about the next steps they might take following completion of a Bootcamp.¹³⁸ This creates the risk that learners will leave a Bootcamp unclear as to how the skills they have gained link to quality employment opportunities.

131 Gov.uk, Skills Bootcamps starts, December 2022.

132 Gov. UK, Skills Bootcamps eligibility, July 2023.

133 Ibid.

134 Greater Manchester Combined Authority, Three additional training providers as part of Construction and Green Skills Bootcamps, accessed August 2023.

135 Using 2021-22 cost of 16,000 Skills Bootcamp places costing £50 million.

136 DfE, Package to transform education and opportunities for most disadvantaged, February 2022.

137 BEIS, Heat and Buildings Strategy, October 2021.

138 Ofsted, Skills Bootcamps thematic survey, November 2022.

Recommendation 5: The Department for Education should take steps to encourage the recruitment of priority groups onto green skills Bootcamps. The DfE should also investigate why not all participants are offered an interview upon conclusion of their Bootcamp, despite this being a key feature of the programme's design.

Skills Bootcamps can deliver skills opportunities to those furthest from the labour market, helping to close skills gaps. They should be more consistently used to support those furthest from the labour market and participants should be consistently connected with quality employment opportunities upon completion of a course.

Providing robust guidance and sharing best practice will enable Bootcamps to consistently deliver for priority groups, including those furthest from the labour market.

Local Skills Improvement Plans

Local Skills Improvement Plans (LSIPs) are a set of actionable priorities developed by employers, providers and stakeholders in a given area to boost local economies.¹³⁹ It is expected that most of the country will have an LSIP developed and approved by the Secretary of State this summer. Initial plans will cover the period to March 2025.¹⁴⁰

Collaboration is baked into the LSIP framework. They are designed to put employers at the heart of local skills systems and foster direct and dynamic working arrangements between employers and providers.¹⁴¹ The development of a LSIP is led by a designated Employer Representative Body (ERB) responsible for convening providers and employers in order to identify, prioritise and respond to local skills needs.

The DfE's statutory guidance requires ERBs to describe how their LSIP has 'considered the skills, capabilities and expertise required in relation to jobs that directly contribute to or indirectly support Net Zero targets'.¹⁴² However, some ERBs go further. The Tees Valley, for example, dedicated the entire LSIP to its low-carbon and net-zero industry, arguing that focus on a small but growing sector would ensure the residents of the Tees Valley are well placed to benefit from the skilled and high value jobs which will become available.¹⁴³

The statutory guidance for Local Skills Improvement Plans is set to be reviewed in March 2025, or before if necessary.¹⁴⁴ This review should specifically consider how effectively guidance supports areas in identifying and responding to local demand for green skills.

The statutory guidance should be strengthened to include a requirement that ERBs not only 'consider' the skills required to deliver net zero, but to respond. This will be facilitated by enhanced data that provides a stronger, local picture of the green jobs landscape (see recommendation 1).

¹³⁹ DfE, Local skills improvement plans statutory guidance, October 2022.

¹⁴⁰ DfE, LSIPs and strategic development funding, October 2022.

¹⁴¹ DfE, Local skills improvement plans statutory guidance, October 2022.

¹⁴² Ibid.

¹⁴³ FE Week, Local Skills Improvement Plans: what the trailblazer reports look like, April 2022.

¹⁴⁴ DfE, Local Skills Improvement Plans statutory guidance, October 2022.

Recommendation 6: The Department for Education should update the statutory guidance for Local Skills Improvement Plans to ensure all LSIPs are harnessing the opportunities of net zero and engaging those furthest from the labour market effectively.

The statutory guidance for Local Skills Improvement Plans is set to be reviewed by 2025 at the latest. Updated guidance should require LSIPs to respond to local demand for green skills, facilitated by enhanced data, as opposed to merely 'consider' it.

2.4: Employment opportunities

It is widely recognised that the transition to a net zero carbon economy has the potential to create quality employment, with the Government targeting 2 million green jobs by 2030. The Climate Change Committee has estimated that between 135,000 and 725,000 net new jobs could be created by 2030 in low-carbon sectors. The range of the estimate underlines the uncertainty inherent in such predictions.¹⁴⁵

The CCC identifies buildings construction and retrofit as sectors that will see both significant growth and rapid transition as a result of decarbonisation, driven by the need to roll out low-carbon technology at pace. The development of a skilled workforce will be critical to achieving the required pace.

High-quality work opportunities can be created in green industries such as the retrofit of housing. Barriers to entry are often low and roles offer progression. The retrofit industry, for example, provides a clear pathway from entry-level roles to higher-paid work. There is a 3-year pathway from an entry-level retrofit assessor, to coordinator, earning up to £45,000 three years after entering the industry.¹⁴⁶

Barriers to employment opportunities

The number of people who are economically inactive due to sickness is at a record high.¹⁴⁷ As the shadow Secretary of State for the Department of Work and Pensions put it in a speech delivered at the Centre for Social Justice in January this year, this represents a 'monumental waste of human potential' and the UK 'cannot write off people.'¹⁴⁸ We know that over 700,000 on sickness benefits want to work and believe they could with the right support.

The CSJ has long called for the introduction of Universal Support, which is an employment programme that uses a key worker model to provide tailored help to people facing complex barriers to work. In the spring Budget, the Chancellor announced plans to roll this out, providing almost £1 billion in funding to support 50,000 places a year. This came alongside an expansion of the Placement and Support Scheme to support those with health conditions into work.¹⁴⁹

¹⁴⁵ Climate Change Committee, A Net Zero Workforce, May 2023.

¹⁴⁶ CSJ interview with the Retrofit Academy.

¹⁴⁷ The Guardian, 2022, Health and wealth divides in UK worsening, December 2022.

¹⁴⁸ Jonathan Ashworth speech at the Centre for Social Justice, January 2023.

¹⁴⁹ HMT, Spring Budget speech, March 2023.

The Working Well programme in Manchester demonstrates the benefits of an holistic, person-centred approach to employment support. It has delivered personalised support to tens of thousands of residents since its inception in 2014, with an emphasis on mental health and well-being, and has outperformed national work programme in terms of the proportion of beneficiaries supported into work.¹⁵⁰

Greater Manchester Combined Authority: Working Well¹⁵¹

Working Well is a family of services that have been commissioned to support people who are either long term unemployed, or at risk of becoming long term unemployed. It is based on the premise that good work is good for your health.

By designing support together from the bottom up, it has got people into good, sustained jobs and provided a return on investment of £9.27 for every £1 spent.¹⁵²

Working Well programmes have supported over 66,000 residents to date and helped over 23,000 find employment. At its heart are the following principles: a keyworker model, 1-2-1 personalised support, and integration with the wider Greater Manchester ecosystem.

2.5: Building the bridge to green employment opportunities

Good green jobs mean little to people who are poorly equipped to access them. The projected growth in decarbonisation industries will only provide employment opportunities to people facing complex employment barriers if accompanied by effective employment support. People who rent their home from the council or a housing association are twice as likely to be unemployed and three times as likely to be economically inactive than private renters or homeowners. Social tenants who are in work are more likely to be in insecure work and on low pay.¹⁵³

More effective employment support is popular with employers. 84 per cent of employers think the government should help more social housing residents and long-term unemployed people into employment and 64 per cent of employers say this would benefit their business.¹⁵⁴

150 Andy Burnham and Andy Cook in the Times, Devolution could transform employment support, February 2023.

151 Greater Manchester Combined Authority website, Working Well, accessed August 2023.

152 Andy Burnham and Andy Cook in the Times, Devolution could transform employment support, February 2023.

153 Learning and Work Institute, Housing and employment, accessed August 2023.

154 Original polling for the Centre for Social Justice by Opinium. Conducted February 27th -March 3rd 2023.

Alan's experience: Barriers to employment

Alan lives in social housing in the East Midlands. He wants to work but feels there is a lack of understanding of the needs people like himself, who have been unemployed for a long time. He suffers from poor mental health, including PTSD. He feels unsupported by statutory employment support services and 'lost within the system'.

Alan has been put in touch with volunteering opportunities through his local community hub in order to build up his confidence. He prefers the hub's services to the local jobcentre, which he does not believe can effectively support him.

The community hub told CSJ that like Alan, many of their service users want to work but do not feel able to do so.

Universal Support will be a vital weapon in Government's arsenal for boosting employment among those furthest from the labour market, with Government initially aiming to help 50,000 people into work per annum through the scheme.¹⁵⁵ The CSJ argues that it has the potential to go even further. As the DWP develops plans for a national roll out, the green economy should be built into Universal Support's design. This means ensuring that key workers are equipped with the knowledge they need to support beneficiaries into the growing green jobs market locally.

Universal support will provide new opportunities to those who are desperate to work but have fallen through the cracks of existing provision. It is therefore an important mechanism for connecting vulnerable individuals with green employment opportunities.

Recommendation 7: As the roll out of Universal Support progresses, Government should ensure those furthest from the labour market are supported into growing green industries.

The Centre for Social Justice has long championed the rollout of Universal Support, specifically designed to help people with complex needs move into appropriate employment. A £925 million programme of Universal support was announced at the Spring Budget, set to help 50,000 people overcome barriers to employment through a key worker support model.

Universal Support is an important touchpoint with a vulnerable group of people who have a lot to gain from sustainable, quality employment. While the individual needs of beneficiaries will determine the shape of support, ensuring key workers are equipped to direct people to skills and employment opportunities in the green economy will widen access to green jobs.

¹⁵⁵ HMT, Chancellor unveils a Budget for growth, March 2023.

The role of social housing providers

Social housing providers are far closer to the people they serve than most statutory services, making them well placed to provide employment support. Analysis from the English Housing Federation suggests that employment provision delivered by social housing providers is particularly good at engaging those furthest from the labour market.¹⁵⁶

Social housing providers supporting employment as part of a joined up approach

The Guinness Partnership, which provides housing across 125 local authority areas, works with Groundwork, a federation of charities with over 40 years of experience in environmental and community work, to engage and equip social housing residents with the skills, knowledge, and confidence to progress into green employment.

Working with Groundwork Greater Manchester, Guinness fund a low-carbon careers programme to help residents not in employment, education, or training (NEET) to develop skills and practical experience to benefit from the green economy.

Participants benefit from practical work experience, classroom training and an accredited carbon literacy certification, coupled with industry insights from local employers and work coaching

Many social housing providers deliver employment services, carefully designed to meet the needs of their tenants and eliminate stigma attached to accessing support.

Delivering tenant support

Trafford Housing Trust are a profit-for-purpose housing association in Trafford managing 9,000 homes with social or affordable rent.¹⁵⁷

They have supported 150 tenants into employment through the 'Clean Start' employment programme, which provides 12–18-month employment contracts alongside tailored employment support to ex-offenders, care leavers, long-term unemployed people, and other individuals with barriers to employment.

In addition, the Trust provides support, advice and guidance to residents who want to gain new skills or are experiencing barriers to finding employment.¹⁵⁸

¹⁵⁶ Learning and Work Institute, Building Opportunity, December 2022.

¹⁵⁷ Trafford Housing Trust website, accessed August 2023.

¹⁵⁸ Ibid.

Despite many successes, social housing providers report challenges delivering employment support. Commissioning models are not well aligned with the approach taken by social housing providers. Outcome-based contracting typically prioritises rapid job entry and expects high volumes of beneficiaries to find work – criteria social housing providers working with hard to help groups are unlikely to meet. Small providers are also unlikely to be able to engage with national programmes except within supply chains, restricting their scope to deliver services flexibly and in line with their tenants’ needs.¹⁵⁹ With the employment strand of the UKSPF not opening until 2024-2025, funding is also a problem.¹⁶⁰

Government bodies such as The Department for Levelling Up, Housing and Communities should work with social housing providers to build employment support capacity within the sector.

Recommendation 8: The Department for Levelling Up, Housing and Communities should work with housing associations to further develop employment and skills programmes.

Many social housing providers already provide quality employment and skills programmes for their residents, working alongside other local stakeholders.

Social housing providers are well placed to support those furthest from the labour market. This should be encouraged, and where possible expanded.

2.6: Levelling up funding and net zero opportunities

Levelling up and net zero are mutually reinforcing agendas. Funding designed to support levelling up should better reflect this.

In 2023, over 100 projects were awarded a share of £2.1 billion from round two of the Government’s Levelling Up Fund, created to ‘create jobs and boost the economy.’¹⁶¹ Despite the round two funding prospectus telling applicants that ‘projects should be aligned to and support net zero goals’, only 2 of the projects were.¹⁶²

¹⁵⁹ Learning and work institute, Building opportunity, December 2022.

¹⁶⁰ DLUHC, UK Shared Prosperity Fund: prospectus, August 2022.

¹⁶¹ DLUHC, Landmark Levelling Up Fund to spark transformational change across the UK, January 2023.

¹⁶² Ibid.

West Yorkshire Combined Authority (WYCA): Use of the Community Renewal Fund (CRF) and Social Housing Decarbonisation Fund (SHDF)¹⁶³

As a result of funding through the CRF and SHDF, residents of West Yorkshire will benefit from warmer homes and reduced energy use.

Wave 1 of the SHDF provided more than £5 million to insulate up to 1,000 homes in West Yorkshire. This funding acted as a catalyst for further funding, as the Combined Authority and 9 social housing providers will invest an additional £7.25 million to retrofit a further 1,786 homes.

The CRF provided £0.47 million of funding for a retrofit project focussed in the Manningham and Toller wards of Bradford. Residents were given a free retrofit survey and whole home plan, which provided information about how they could improve the energy performance of their property.

The project also developed an online resource providing accessible information about a career in retrofitting alongside free training opportunities to adult learners, equipping them with the skills needed to work in the green sector.

The UK Shared Prosperity Fund (UKSPF) was set up following the UK's exit from the EU. Its core objectives are to build pride in place and increase life chances across the UK. The fund will deliver £2.6 billion in investment between 2022 and 2025.¹⁶⁴ Investment priorities of the UKSPF include supporting local businesses, people, and skills development.¹⁶⁵

Net zero is referenced in the UKSPF prospectus under the subheading: 'other policies and plans to take into account'.¹⁶⁶ Specifically, the prospectus states that investment made under the fund is required to 'demonstrate the extent of contribution to net zero and nature recovery objectives, including the UK's legal commitment to cut greenhouse gas emissions.'¹⁶⁷ There is an opportunity to strengthen this and further embed green opportunities in the aims of the Fund.

Recommendation 9: The Department for Levelling Up, Housing and Communities should update the aims of the UK Shared Prosperity Fund to better harness the social value of a green economy.

Green jobs are sustainable, often high quality and growing in number, meaning they present a valuable opportunity to support levelling up. Just as left behind communities need to be at the heart of net zero policy, net zero policy must be recognised as a fundamental pillar of levelling up. The funding criteria for schemes designed to deliver levelling up – most significantly the UKSPF – should be amended to reflect this.

¹⁶³ West Yorkshire Combined Authority, Website, Community Renewal Fund and Social Housing Decarbonisation Fund, accessed August 2023.

¹⁶⁴ Communities that Work website, UKSPF, accessed August 2023.

¹⁶⁵ DLUHC, UK Shared Prosperity Fund: prospectus, August 2022.

¹⁶⁶ DLUHC, UK Shared Prosperity Fund: prospectus, August 2022.

¹⁶⁷ Ibid.

Part Three:

Social housing decarbonisation delivery

Social housing decarbonisation has the potential to create economic opportunities in left behind communities – but to do this as effectively as possible, greater policy and funding certainty is required.

3.1: Scaling up

Housing decarbonisation promises to reduce household energy bills, spur economic growth and reduce future government spending on energy support.

The UK will need to retrofit 3 homes a minute between today and 2050 to meet net zero targets.¹⁶⁸ The UK's retrofit industry must scale up ten times over to keep pace.¹⁶⁹ At the current rate of low-carbon heating installation, the UK would take 600 years to achieve net zero housing.¹⁷⁰

The number of insulation installations has dropped each year since a peak in 2012,¹⁷¹ when 1.6 million loft and cavity wall installations were installed.¹⁷²

A clear horizon for retrofit

Over three-quarters of the UK's predicted housing stock in 2050 has already been built, making retrofit at scale and at pace critical to achieving net zero in line with our statutory commitments.¹⁷³

The Future Homes Standard requires new-build homes to be 'future-proofed' with low-carbon heating and minimum energy efficiency standards.¹⁷⁴ Originally due to come into effect from 2025, this has been called into question by recent changes to decarbonisation policy. Irrespective of the implementation timeline, however, a similar standard is required to provide a clear horizon for the retrofit industry, driving decarbonisation at the same scale in existing homes as newly built ones.

¹⁶⁸ Wates, The social housing decarbonisation challenge, July 2021.

¹⁶⁹ Green Finance Institute, Tooling up the green homes industry, September 2021.

¹⁷⁰ New Scientist, UK's slow heat pump efforts will take 600 years to meet 2050 target, July 2022.

¹⁷¹ UCL, Insulating Britain: if not now, when?, June 2022.

¹⁷² Resolution Foundation, Hitting a brick wall, December 2022.

¹⁷³ UK GBC, Website, Climate Change, accessed August 2023.

¹⁷⁴ MHCLG, The Future Homes Standard: changes to Part L and Part F of the Building Regulations for new dwellings, October 2019.

Following the Each Home Counts review, a retrofit standards framework, PAS 2035, was introduced to provide best practice guidance on government-funded retrofit works.¹⁷⁵ Alongside PAS 2035, specific standards for heat pump design and installation have also been created.¹⁷⁶

PAS 2035 also created key employment roles necessary to deliver on housing decarbonisation targets, such as a retrofit advisor, assessor, coordinator, designer, and evaluator.¹⁷⁷

While this has been broadly welcomed by the sector,¹⁷⁸ concerns remain that it is not as comprehensive or ambitious as standards for new build homes.¹⁷⁹ We heard demand for more prescription around both the definition of a net zero building and retrofit standards, and scepticism about the extent to which PAS 2035 is scalable. Evaluation of the current form of PAS 2035 and other retrofit standards could inform a comprehensive retrofit standard which would support delivery of quality retrofit on scale.

The Government has already announced plans to consult on improving energy efficiency in social housing within 6 months of the Social Housing Regulation bill coming into law.¹⁸⁰ Comprehensive retrofit standards could be created as a result of this process.

Recommendation 10: The Department for Levelling Up, Housing and Communities should include comprehensive retrofit standards within the upcoming consultation on improving energy efficiency in social housing.

Three-quarters of the housing stock the UK will have in 2050 has already been built, and 3 existing homes a minute need to be decarbonised to meet net zero in housing.

Providing a clear horizon for the industry to use and deliver quality decarbonisation on scale will galvanise industry to exploit the opportunities of residential decarbonization.

3.2: Greater funding security

Social housing decarbonisation fund

Responses to the Centre for Social Justice's call for evidence highlighted the lack of a clear, long-term vision from government, and a short-term approach to funding, as impediments to progress. Insecure funding streams impede strategic thinking and suppress local supply chain confidence.

Short bidding windows and tight delivery timeframes add cost pressures by forcing applicants to prioritise speed, even where alternative approaches might otherwise be preferable, squeezing out co-funded solutions and making cost-effective decarbonisation at scale harder to deliver.¹⁸¹

¹⁷⁵ Elmhurst energy website, PAS 2035, accessed August 2023.

¹⁷⁶ MCS, MCS announces key changes to its Heat Pump Standard, January 2022.

¹⁷⁷ Trustmark, PAS 2035, accessed August 2023.

¹⁷⁸ Eveco Solutions, A warm welcome, PAS2035 and the future, accessed August 2023.

¹⁷⁹ Builders Merchants News, PAS 2035 retrofit standard receives cautious welcome from safeguard, June 2020.

¹⁸⁰ DLUHC, update on government's work to improve the quality of social housing, January 2023.

¹⁸¹ G15, submission to Centre for Social Justice call for evidence, November 2022.

Bidding and completion windows for wave 2.1 of the Social Housing Decarbonisation Fund (SHDF) were extended. This was welcome. A further extension of future windows would help to build supply chain confidence and avoid a boom-and-bust cycle which leads to inflated costs. Evidence from previous waves showed that short completion windows led to heavy reliance on contractors.¹⁸² Longer delivery windows make it easier for organisations to train their own staff and upskill the local community, enhancing the social benefits of funding.¹⁸³

Furthermore, the competitive structure of the SHDF can lead to stark disparities in terms of regional allocations which do not reflect need. For example, just 3 per cent of investment from Wave 1 of the SHDF was allocated to the South West of England, compared with 16 per cent in East Midlands.¹⁸⁴

ECO and ECO+

Alongside the SHDF, the Energy Company Obligation (ECO) scheme is an important funding source for helping low-income households decarbonise.¹⁸⁵ Under the ECO, energy companies over a certain size are required to deliver a range of funded upgrades to properties to improve their energy efficiency. Since the launch of the ECO in 2013, 3.5 million measures have been installed in around 2.4 million properties.¹⁸⁶ ECO4 will run until 2026.

From 2023 a £1 billion ECO+ scheme is set to be launched, with a focus on home insulation measures for low-income and vulnerable households.¹⁸⁷ The ECO scheme allows those living in social housing or claim benefits and live in private housing to get help with the cost of insulation work or upgrading heating systems.¹⁸⁸

The Great British insulation scheme, also known as ECO+, supplements ECO funding with an additional £1 billion. 80 per cent of this funding is intended to reach a wider customer base who are currently ineligible for support under the ECO criteria. The scheme will run until March 2026 and is expected to save 300,000 of the country's least energy efficient households between £300 to £400 each year.¹⁸⁹

Setting out plans for both ECO and ECO+ would allow stakeholders to act strategically at a time that energy efficiency installation needs to dramatically ramp up.

¹⁸² Stonewater, submission to Centre for Social Justice call for evidence, November 2022.

¹⁸³ IPPR, 2017, Skills 2030, February 2017.

¹⁸⁴ Freedom of Information request by Centre for Social Justice to the Department for Business, Energy and Industrial Strategy, January 2023, Evaluation of Wave 1 due on closure of wave 1. FOI: EIR2023/00139.

¹⁸⁵ DESNZ, Find energy grants for your home, accessed August 2023.

¹⁸⁶ BEIS, Household energy efficiency data release, November 2022.

¹⁸⁷ BEIS, Training for thousands to take advantage of green job opportunities, December 2022.

¹⁸⁸ [Gov.uk](https://www.gov.uk/guidance/help-from-your-energy-supplier-the-energy-company-obligation), Help from your energy supplier: the Energy Company Obligation, accessed August 2023.

¹⁸⁹ Hansard, Powering up Britain, 30 March 2023.

Recommendation 11: Where Government funds domestic decarbonisation, funding should be provided over longer timeframes, enabling a more strategic approach.

The Department for Energy Security and Net Zero should set out plans for the Energy Company Obligation beyond 2026 and extend funding timelines for the Social Housing Decarbonisation Fund. This was repeatedly raised by industry stakeholders as a key ask during the course of our research and would allow for a more cost-efficient approach to housing decarbonisation by building supply chain confidence and enabling fund applicants to plan longer term.

The Dormant Assets Scheme

The Dormant Assets Scheme aims to reunite people with lost funds. When this is not possible, money is transferred to a fund to be distributed to important social and environmental initiatives. Since 2011, £892 million has been released via the Scheme.¹⁹⁰

The latest tranche of Dormant Asset funding included £31 million, distributed by social investors Access and Big Society Capital, to retrofit premises with cleaner, greener, and more efficient energy systems.¹⁹¹ £31 million could improve the energy efficiency of approximately 3,000 homes and support over 1,500 jobs.¹⁹²

Investment of £10 million a year could enable the retrofit of 1,000 homes while supporting 500 jobs. This could be targeted to ensure benefits accrue to communities with the most of gain. Consistent investment would help to crowd in private sector funding and enable a more strategic approach than ad hoc allocations.

Recommendation 12: The Government should guarantee a minimum level of funding for residential decarbonisation via the Dormant Assets Scheme and Community Wealth Funds (once in place).

A reliable funding stream would support supply chain confidence in priority areas, helping to create sustainable employment opportunities.

¹⁹⁰ DCMS, Millions released from dormant accounts to support vulnerable people with cost of living, March 2023.

¹⁹¹ Ibid.

¹⁹² Figures calculated using number of homes worked on and jobs supported by Wave 1 of the Social Housing Decarbonisation Fund.

3.3: Recognising social value

The Climate Change Committee puts the cost of housing decarbonisation at £250 billion.¹⁹³ The social housing decarbonisation bill is expected to reach between £36¹⁹⁴ and £104 billion.¹⁹⁵ This is alongside the significant investment required in social homes for non-decarbonisation related work.¹⁹⁶ The full costs cannot be borne by Government, but the significant investment Government will make must be properly utilised. This means putting it to work for social as well as climate-related goods.

The Social Housing Decarbonisation Fund (SHDF) is set to invest £3.8 billion across a decade.¹⁹⁷ So far, waves 1 and 2.1 have seen over £900 million invested.

The aims of Wave 2.1 of the fund, which closed late 2022, were wide-ranging, but did not include the requirement to consider the local legacy of SHDF funded work. Applicants were required to deliver warm and efficient homes, reduce carbon emissions, tackle fuel poverty, support green jobs, develop the retrofit sector, and improve the comfort, health, and well-being of social housing tenants.¹⁹⁸ They were not, however, required to consider the skills and employment opportunities delivered locally as part of decarbonisation work. The requirement to 'support green jobs' is inadequate, as roles are often filled by contractors who already have the necessary skills and don't live locally, meaning the skills legacy of funding is extremely limited.

Changing this for future waves of investment would incentivise organisations to unlock the full range of opportunities of social housing decarbonisation for local communities and ensure that the positive social value impact of every pound invested is felt where work is carried out.

Social value measurement resources allow organisations to consider outcomes beyond cost, time, and quality.¹⁹⁹ They help organisations to calculate a true return on investment, concerning their local community. Social value could be measured by mapping out increased opportunities for the most disadvantaged communities.²⁰⁰

HACT: UK Social Value Bank

HACT are the creators and custodians of the UK Social Value Bank, which can be used to measure the benefits that a service or programme brings to people and communities. This is a unique bank of 88 metrics including social housing decarbonisation metrics such as the EPC rating of a property. These metrics are used to determine a social value return on investment including local employment, well-being, and health outcomes.

¹⁹³ Business, Energy and Industrial Strategy Committee, 2022, Decarbonising heat in homes, January 2022.

¹⁹⁴ Savills, Decarbonising the housing association sector, accessed August 2023.

¹⁹⁵ Inside House, The cost of net zero: social landlords' decarbonisation plans revealed, November 2020.

¹⁹⁶ National Housing Federation, Decarbonisation of housing association homes- a briefing for external stakeholders, October 2021.

¹⁹⁷ BEIS, Warmer, greener and cheaper homes as government opens a triple win upgrade for social housing, August 2021.

¹⁹⁸ DESNZ, Apply for the Social Housing Decarbonisation Fund, accessed August 2023.

¹⁹⁹ Construction Innovation Hub, Value Toolkit, accessed August 2023.

²⁰⁰ Local Government Association, A social value toolkit for district councils, accessed August 2023.

HACT have successfully embedded social value into regeneration schemes, including a £600 million regeneration project of Teviot Estate in Poplar. The aim is to deliver over £278 million in social value across 15 years, including by improving metrics for full-time employment, local advice availability, apprenticeship availability and feelings of social cohesion. By embedding social value in the procurement process - from contractors' commitments to the assurance process - the regeneration scheme will have a deep and positive impact on individuals and the community.²⁰¹

The use of the Social Value Bank allows organisations to produce Social Value Reports which help deepen understanding of impact, create good examples and embed social value creation into all practice. It can allow organisations involved in a wide range of public projects to make a real difference in the communities they operate in.²⁰²

Social value can be challenging to measure, making it liable to be overlooked.²⁰³ A clear Social Value Standard within the Social Housing Decarbonisation Fund is a necessary first step towards redressing this by helping to provide clarity around measurement.

While the design of the SHDF has evolved in response to feedback, changes to date have focused on the mechanics of delivery. The addition of a social value clause has the potential to enhance the positive impact of decarbonisation work, ensuring Government money works as hard as possible for the public good.

Recommendation 13: The Department for Energy Security and Net Zero should include a social value standard within the criteria for future waves of the Social Housing Decarbonisation Fund.

Requiring applicants to consider opportunities to maximise social value – for example by upskilling and/or employing local people – will ensure Local Authorities and Registered Providers think creatively about how they deliver decarbonisation, eking out as much public value as possible from Government funds.

Social housing decarbonisation is an activity which is well equipped to create social value. The creation of a Social Value Standard within the Social Housing Decarbonisation framework would embed social value within Government-funded decarbonisation work, maximizing community benefit.

201 HACT, Large scale regeneration with large scale, long-lasting and sustainable social value, February 2022.

202 Morgan Sindall, Morgan Sindall property services launch social value report, August 2022.

203 Government Outcomes Lab, Reaching consensus on the measurement of social value, March 2020.

3.4: Harnessing the potential of the UK Infrastructure Bank

Government created the UK Infrastructure Bank in June 2021 with the twin aims of delivering on net zero commitments and levelling up. The Bank is still establishing itself and as of January this year had deployed £1 billion of its £22 billion capital.²⁰⁴ It is still scaling up staff numbers and only obtained powers to lend to Local Authorities directly in March this year, when the UK Infrastructure Bank Bill receive Royal Assent. As the Bank matures, it should seek to deliver substantial funding to support housing retrofit - an agenda well aligned with its two core purposes.

While some of the Bank's limitations will be naturally addressed as it starts to operate at full capacity, there are a number of issues that need to be proactively resolved if it is to fulfil its potential in this policy space.

For example, as emphasised by E3G's Juliet Phillips in conversation with the CSJ, the Bank has not publicly set out what a retrofit financing proposal should look like, nor what a financing proposition made to the Bank should contain.²⁰⁵ Greater clarity as to what the Bank could support would encourage market participants – including local authorities and housing associations - to apply, while also reducing the number of applications to support ineligible projects.

Relatedly, the UKIB should continue to proactively engage potential applicants, including local authorities and housing associations, ensuring the Bank's retrofit financing offer is properly understood. While awareness of the Bank's offer will improve organically over time, proactive engagement will expedite this process and encourage applicants to come forward with investible propositions. Ensuring the bank is adequately staffed to undertake such proactive engagement should be prioritised, building up technical knowledge of the area to support clients appropriately.

The £25 million minimum ticket size is also likely to discourage retrofit applications, given the micro-scale nature of domestic energy efficiency. While the minimum ticket size for local authorities is £5 million, it is unclear if housing associations – as private registered providers of social homes – are subject to the £25 million minimum. While this can be aggregated across a number of projects and/or providers, and spread across multiple years, the practicalities of doing so are likely to discourage organisations operating without dedicated resource. Clarity and support from the Bank on routes to aggregate demand could help overcome this challenge.

While the UKIB can offer 'preferential terms on price and tenor', the requirement to make a return limits the attractiveness of its financing offer.²⁰⁶ When fiscal headroom allows, Government should consider the scope to offer more generous terms, guided by the German development bank KfW.

204 Public Account Committee, The creation of the UK Infrastructure Bank, January 2023.

205 Conversation with Juliet Phillips, senior policy adviser at E3G, August 2023.

206 UKIB, Strategic plan, accessed August 2023.

Recommendation 14: As the UKIB ramps up activity, it should seek to increase the funding made available for retrofit.

As the UKIB ramps up activity, it should take steps to ensure its terms and approach are attractive to market participants seeking to deliver retrofit, with a particular focus on local authorities and housing associations. The availability of low-cost capital provided on attractive terms will support the delivery of retrofit at scale.

Part Four:

Net zero industrial strategy

Achieving the UK's emission reduction targets will entail rapid and wide-ranging change across sectors. An industrial strategy would provide a more supportive environment for delivering this while also helping to manage the distribution of social impacts, ensuring benefits accrue to communities with the most to gain from a well-managed transition.

While no Government can predict and prepare for everything, thinking about future challenges and opportunities, and how well-equipped we are as a country to overcome and exploit them, is clearly prudent policy. The Industrial Strategy developed by the then Secretary of State for Business Energy and Industrial Strategy, Greg Clarke, between 2016-2019, lay the foundations for the rapid development of vaccines during the COVID pandemic. It also set in motion work to develop our nuclear engineering capability, now bearing fruit as Small Modular Reactors move from research to delivery. As Greg Clarke highlighted in his foreword to the CSJ report 'Making the Change', most other countries - from the USA to Japan - look to the future and take steps to prepare for it.²⁰⁷ In the net zero policy space specifically, the USA's Inflation Reduction Act and the EU's Green Deal Industrial Plan speak to international recognition that green growth cannot be left to the market alone.

The industrial strategy set out under Theresa May in 2017 has fallen into abeyance. The [Gov.uk](https://www.gov.uk) webpage for the industrial strategy redirects to Build Back Better, a policy document published in March 2021 under Boris Johnson. Johnson's personal commitment to net zero is evident throughout the document, which puts decarbonisation at the heart of his Government's post-pandemic economic plan. But while heavy on rhetoric, much of the tangible detail industry might have hoped for is lacking. More recently, Chris Skidmore's independent review of net zero policy argued Government should 'clarify for investors and industry the UK's current green industrial policy'.²⁰⁸ Government's response was to argue that a patchwork of documents already provided clarity. A further update is expected in Autumn, when Government lays out its response to the Inflation Reduction Act, though the Chancellor has made clear the UK won't go 'head to head' with the US on subsidies.

Sir Keir Starmer has explicitly committed to implementing a new industrial strategy in the event of a Labour government, focusing on both advanced manufacturing and the 'everyday economy'.²⁰⁹ This has been widely welcomed by industry.

²⁰⁷ CSJ, Making the Change, January 2023.

²⁰⁸ Chris Skidmore, Mission Zero, January 2023.

²⁰⁹ Labour Press, Keir Starmer speech on Labour's mission for economic growth, July 2022.

A clearly articulated industrial policy will help the UK to establish itself as a key player in emerging technologies, accelerating progress, exploiting comparative advantages and unblocking barriers in relation to critical priorities.

Business is optimistic about the employment impact of decarbonisation. Most business leaders also think the number of quality employment opportunities in their industry (59 per cent) and region (58 per cent) will increase as a result of the journey to net zero.

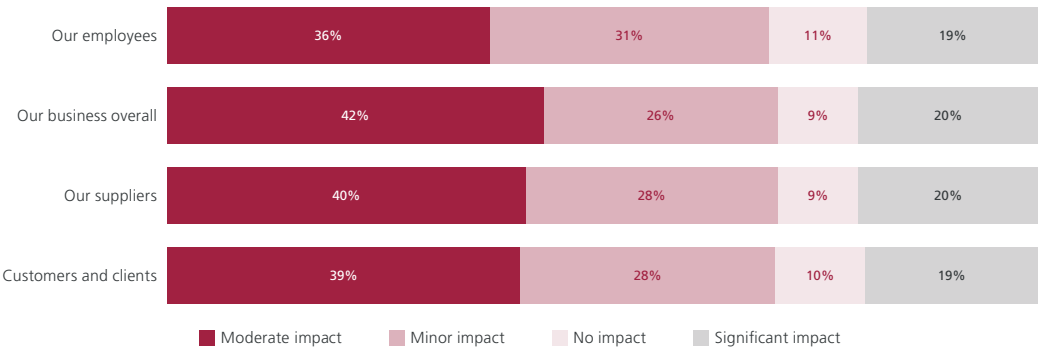
4.1: A Modern Industrial Strategy

The Centre for Social Justice has already argued for an industrial strategy 2.0, providing clarity and confidence to business through a clear articulation of Government’s priorities and approach.

The Spring Budget 2023 set out new details relating to the Energy Efficiency Taskforce that was first referenced in the Government’s Autumn Statement in 2022. The Taskforce was charged with supporting a new ambition to reduce energy demand from buildings and industry by 15 per cent by 2030, with a particular focus on the role of the private sector and the stimulation of investment. It met four times before summer recess but has since been disbanded, with the Energy efficiency minister Lord Callanan telling the group its work would be ‘streamlined’ into ongoing government activity.

Businesses expect the transition to net zero to affect them directly. Just over three in five (62 per cent) of business leaders expect their business to be significantly or moderately impacted by the drive to net zero. A similar but slightly smaller proportion say the same about their suppliers (60 per cent), customers or clients (59 per cent), or their employees (55 per cent). Very few businesses (approximately one in ten) think net zero won’t have any impact on them or their stakeholders. ²¹⁰

Figure 4: What impact do businesses think the drive to net zero will have.



Source: Original polling for the Centre for Social Justice by Opinium of 1,000 senior decision makers in businesses with 10 or more employees. Businesses that answered ‘unsure’ are not shown in the graph below.

210 Original polling for the Centre for Social Justice by Opinium. Conducted February 27th -March 3rd 2023.

CSJ polling revealed significant regional variations in confidence in national economic preparedness for the future economy. While 45 per cent of business leaders in London told us they thought the UK economy was either not all or not very prepared for the economy of the future, this rose to 75 per cent of business leaders in the South West.²¹¹ Business leaders in Yorkshire and the Humber, meanwhile, were among the most pessimistic about the chances of left behind regions being 'levelled up' within a decade, with just 26 per cent of respondents saying they were either very or quite confident that this was achievable, compared to 46 per cent of respondents in London.²¹²

Both a national and a regional plan is required, not only to ensure that net zero targets are met but to ensure that the social opportunities associated with scaling up green industries, including domestic decarbonisation industries, are fully exploited. The May-era Industrial Strategy acknowledged the importance of a place-based approach, rolling out a series of Local Industrial Strategies as a means of driving productivity and reducing regional inequalities. Despite the best intentions, however, attempts to establish a more proactive, regional economic policy under May are widely regarded to have been unsuccessful, just as they were under Cameron, Major and Wilson.²¹³ Efforts have been hindered by structural weaknesses arising from the fact that the UK has among the weakest sub-national governmental structures in the developed world, and one of the greatest centralisations of decision-making power.

As the CSJ recommended in 'Making the Change', one option to overcome this would be for the Government to establish Industrial Strategic Councils in each ITL1 region which are independent of local authorities and Devolved Administrations. These would have a charter assigned by central government and be jointly accountable to the Department for Business and Trade and the Department for Energy Security and Net Zero. They should have the power to convene local businesses and local government representatives, educational institutions such as universities and technical colleges and local trade unions, to establish regional economic strategic priorities.

A key advantage would be to provide a forum in which local education and local industry can meet and exchange information, establish a local economic strategy to ensure skills and opportunities are calibrated, and to ensure that education is providing a pathway into work. Industrial Strategic Councils would operate outside the auspices of local authorities, which can too easily become preoccupied with electoral and political concerns. They should build upon the convening role of Local Enterprise Partnerships, but with expanded competences including meaningfully devolved spending power for productivity-enhancing projects and regional R&D investment, working with educational providers and industry to develop bespoke regional industrial strategies. At the Spring Budget the Chancellor said he was 'minded to' cease core LEP funding, with responsibility for supporting local economic development transferred to Local Authorities from April 2024. Industrial Strategic Councils would be better equipped to drive economic growth across strategic geographies, free of electoral and political concerns.

211 Ibid.

212 Ibid.

213 CSJ, Making the Change, January 2023.

Recommendation 15: Recommendation 14: The Department for Energy Security and Net Zero and the Department for Business and Trade should develop a modern Industrial Strategy that harnesses the power of partnership with industry to drive green economic growth.

Net zero will be foundational to an Industrial Strategy equipped to boost economic and social opportunities across the UK. As international competitors take an increasingly managed approach to green growth, this will only become more urgent.

The Department for Business and Trade should roll Local Enterprise Partnerships into regional Industrial Strategic Councils in each ITL1 region with the power to convene local businesses with local universities, technical colleges, schools, and MATs to develop regional industrial strategies. They should have devolved spending power of existing BEIS productivity-related and R&D budgets.

4.2: Net zero industrial clusters

Research and development

In a scaling back and reorientation of the short-lived Truss-era policy, the Spring Budget announced 12 new Investment Zones. Bidders have been invited to pitch ‘bold and imaginative’ partnerships between local government and a university or research institute ‘in a way that catalyses new innovation clusters.’ Successful applicants will have access to £80 million of support for a range of interventions including skills, infrastructure, tax reliefs and business rates retention.²¹⁴

Government has identified the following areas as having the right combination of characteristics to host an Investment Zone and support levelling up: West Midlands, Greater Manchester, the North-East, South Yorkshire, West Yorkshire, East Midlands, Teesside and Liverpool. There will also be at least one in each of Scotland, Wales and Northern Ireland.

The Investment Zone Policy Prospectus identifies green industries as one of five priority sectors around which Investment Zones should be oriented, recognising that ‘the global transition to net zero... offers huge opportunities to UK businesses and innovators with the scale of the potential prize estimated to be worth £1 trillion.’²¹⁵

The creation of Net Zero Investment Zones has the potential to widen access to quality green jobs, drive increased investment in transport and skills and strengthen collaborative relationships.²¹⁶ While domestic decarbonisation is not in the main a research-intensive industry, technological innovation is required to make decarbonisation easier in certain circumstances, while technological development will continue to drive down prices. The spillover effects of thriving net zero economies will also support domestic decarbonisation, with green skills and green jobs at all levels recognised as integral to a region’s economic future.

214 HMT, Spring Budget 202, March 2023.

215 HMT and DLUHC, Investment Zones Policy Offer, March 2023.

216 Ibid.

For the UK to transition to a low-carbon, high-opportunity economy, a minimum of four Net Zero Investment Zones should be created.

Recommendation 16: The Department for Levelling Up, Housing and Communities and HM Treasury should create a minimum of four Net Zero Investment Zones. A positive impact on left behind communities must be embedded in their delivery.

Net Zero Investment Zones will stimulate regional green economies, creating good, sustainable jobs and driving down the cost of technologies that support decarbonisation, including of people's homes. Investment Zones should be required to consider job creation and skills development across the local economy, ensuring that employment benefits are not restricted to those in high-skilled, graduate occupations.



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