

Opposition policy costing - Teacher retention - Labour Party

Description of policy
<p>Labour announced a £2,400 retention payment scheme for teachers. <i>‘A Labour government would give £2,400 to teachers in the very early stages of their career in England to try to stop them leaving the profession...’</i> (BBC News, 2 July 2023, link).</p>
Additional policy assumptions
<p><u>Assumptions from Special Advisers</u></p> <ul style="list-style-type: none"> • 48,000 FTE teachers join English schools a year • Of which, 27,000 are early career teachers (completing the ECF) and would be eligible for the payment • early stages of career means the first year • likely completion rates vary from 80% to 100% • the £2,400 payment is the figure after tax
Additional technical modelling assumptions or judgements required
<p>Retention payment scheme</p> <p>The modelling makes the technical assumption that 27,000 teachers starting the ECF each year are eligible as early career teachers and, for simplicity, that all go on to complete (of the 48,000 teachers joining English schools only 27,000 are early career teachers). However, the likely share going on to complete ECF will be lower than 100%. For example, based on School Workforce Census retention rates, the current rate going on to complete is approximately 80%.</p> <p>We assume that the payments are £2,400 after-tax for the teacher, as this is in line with steers from special advisers and is consistent with the existing retention payment DfE offers (Levelling Up Premium). This means that the gross payments to teachers are higher than £2,400 as DfE needs to pay the teacher’s income tax + employee NICs arising from the payment, as well as the employer’s NICs.</p> <p>27,000 teachers (assuming 100% complete ECF) £2,400 after-tax payment per year 48.1%% tax uplift paid by DfE on behalf of school (employer NICs) and the teacher (employee NICs + income tax) Total: £96m per annum</p> <p>21,600 teachers (assuming 80% complete ECF) £2,400 after-tax payment per year</p>

48.1%% tax uplift paid by DfE on behalf of school (**employer NICs**) and the teacher (**employee NICs + income tax**)

Total: £77m per annum

We assume delivery doesn't start until AY 24/25 at the earliest.

Cost/Revenue to the Exchequer over five years

Please summarise spending impacts over the next five years in Table 1, below:

Retention payment scheme

	DEL					
	2022-23	2023-24	2024-25	2025-26	2026-27	2027-28
Resource	-	-	£77m - £96m	£77m - £96m	£77m-£96m	£77m-£96m
Capital	-	-	-	-	-	-
Barnett consequential (18.75% uplift)	-	-	£14m-£18m	£14m-£18m	£14m-£18m	£14m-£18m
Total	-	-	£91m-£114m	£91m-£114m	£91m-£114m	£91m-£114m

We have not included any inflation assumptions because the commitment to a £2,400 retention payment is cash-based. We assume the payments will remain the same cash value in future years as the opposition have not committed to increase the retention payments to reflect inflation.

The territorial application of this policy is England only, so we have added a Barnett consequential uplift of 18.75%.

Comparison with current system (if applicable):

The current retention incentive policy is the Levelling Up Premium. This offers payments of up to £3,000 after-tax annually to eligible school teachers in their first five years teaching chemistry, computing, maths or physics only. The Government announced as part of the downpayment for the Advanced British Standard that the Levelling Up Premium rates would double to up to £6,000 after tax annually, and that the Levelling Up Premium would be extended those teaching eligible subjects in all FE colleges.

The costings for the retention payment scheme in this note are additional to planned expenditure on the Levelling Up Premium.

Other comments (including other Departments consulted):

This costing was produced by DfE.

This costing does not include any benefits of the policy, such as reduced recruitment costs.	
<i>To be completed by Permanent Secretary's Office</i> Date costing signed off:	04/01/24
<i>[If applicable]</i> Date revised costing signed off:	