



HOUSE OF LORDS

Economic Affairs Committee

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3rd Report of Session 2019–2021

# **Employment and COVID-19: time for a new deal**

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### *Economic Affairs Committee*

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See Appendix 1.

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Evidence is published online at <https://committees.parliament.uk/work/480/employment-and-covid19/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Q in footnotes refers to a question in oral evidence.

## SUMMARY

The COVID-19 pandemic caused the largest economic shock in 300 years. The impact has not been shared equally. Some businesses saw revenues rise during the pandemic, but others subjected to strict public health restrictions—such as those in the hospitality, non-food retail and entertainment sectors—are in crisis. Many higher paid workers experienced little or no economic hardship, whereas the youngest and lowest paid workers have experienced significant damage to their livelihoods and prospects. This should be recognised in plans for the recovery.

During the pandemic, the Government has provided economic support to keep people in work and businesses afloat. Nevertheless, unemployment could reach 7.5%, or 2.6 million people, during 2021 as wage support is withdrawn. Over the next 12–18 months, the Government will need to continue to spend to generate a sustainable recovery and to address rising poverty and unemployment. The priority now should be to promote growth. In this report we set out a plan for what should be done.

### A plan for recovery

Even though the costs of the COVID-19 crisis have already led to a substantial increase in Government borrowing, the Government should be prepared to maintain spending, rather than withdraw support too early, as has happened after previous crises.

The economy should recover significantly once public health restrictions are removed and consumption patterns return closer to pre-pandemic behaviour. However, there will be longer term ‘economic scarring’ effects from lower investment and high debt levels. Many individual businesses will not survive and some of the adjustment we have seen in terms of retail shopping, office working, travel to work and international business travel are likely to persist. In many cases longer term trends have been compressed into a few months.

The Government should continue to search for ways of supporting the businesses and jobs that are most affected by closure but they should also begin to shift spending away from wage subsidies towards policies that are more tightly focused on creating job opportunities that reflect the longer term context.

First, the Government will need to invest. Investment should be directed towards creating jobs that are suitable for those most at risk of unemployment, that are needed across the country, and that support the Government’s longer-term policy objectives. These include improving the UK’s social infrastructure, meeting the net zero emissions target, and implementing the levelling up agenda through investment in people and places. The Government should:

- significantly expand the number of social care workers by increasing funding in the sector with stipulations that funding should be used to raise wages and improve training and conditions;
- invest in the childcare sector by providing free entitlement funding to local authorities and childcare businesses at pre-pandemic occupancy rates. It should also provide transitional funding to ensure providers can continue to operate during the pandemic; and

- prioritise green projects that can be delivered at scale, quickly, and take place across the country. Investment in parks and green spaces, making cities friendlier to cyclists and pedestrians, retrofitting buildings, and switching gas boilers to low-carbon alternatives could create jobs quickly. The Government should also examine expediting renewable energy projects.

Second, the Government should introduce a new job, skills and training guarantee, available to every young person not in full-time education or employment for one year. This should include public sector job creation and hiring incentives to create private sector job opportunities. The Government's disparate skills and training policies, spread across many departments, should be joined up and be managed and coordinated at a regional local level.

Third, the Government should enhance its existing skills, training and employment support policies, including within the Kickstart and the Restart programmes:

- Kickstart should be made available to more young people than just those who have claimed Universal Credit for a minimum of six months. Standardised employment contracts should be introduced for Kickstart jobs to provide clear criteria for ensuring that jobs are good quality. Support should be provided to young people to look for a job once their placement ends and the Government should encourage Kickstart employers to offer apprenticeships to those completing Kickstart placements. The Government should also consider incentives to help young people move towards jobs with opportunities to develop skills in digital and other growing sectors.
- The most significant barrier to hiring apprentices is cost. Faced with falling numbers of apprenticeship starts and reduced recruitment, the Government should consider raising the level of hiring subsidies for apprentices.
- The Department for Work and Pensions should include a greater emphasis on skills profiling in its employment support offer. It should examine successful examples of employment services in other countries, such as Sweden and Austria, which intervene early to support declining businesses and sectors and quickly transition and retrain workers into more viable employment
- The Departments for Education and Work and Pensions should devolve more programmes and resources to local areas (including to combined and local authorities), to employers and directly to education and training providers.

### **Business and wage support schemes**

Health and economic policy need to be designed in tandem. Once COVID-19 cases began to increase again in the autumn, with a consequential tightening of restrictions, the Government was forced to make a series of policy reversals on the level of wage support it would provide before finally extending the Job Retention Scheme until the end of March 2021. This created a significant amount of uncertainty, including the threat of a 'cliff edge' in October 2020, for businesses and employees, and put jobs at risk.

While the Government has said it encourages furloughed employees to undertake training, we are disappointed that the Government did not make training a more integral part of the Job Retention Scheme. Many employees will need access to training in the coming months. We welcome the Lifetime Skills Guarantee but note that it will not begin until April 2021. The Government should expedite its implementation.

The Government has not acted to better target the Self-Employment Income Support Scheme at those most affected by the pandemic, despite having had months to reform the scheme. Too many people will again receive significant payments despite being largely unaffected, and over 500,000 workers who received no support despite being without work entirely will again miss out because of eligibility rules. The Government should target payments more closely to those who have suffered genuine loss of income.

### **Loan schemes**

It is likely that a significant proportion of the debt from the COVID-19 loan schemes will never be repaid, and indebtedness will weigh on balance sheets for years. We are concerned that Government-backed loans will be recovered in the same way as standard commercial loans. The Government should create a new state entity to manage debt and repayments, along the lines of the UK Recovery Corporation proposed by TheCityUK, and loans should be converted into more manageable obligations such as contingent tax liabilities or 'student loan-type' structures. The Government should also consider innovative proposals for increasing equity injections into businesses of a sufficient size.

### **Social security**

The Government's business and wage support schemes will not save every job and the pandemic has emphasised the need to improve the social security safety net. We repeat our recommendation from our last report that the Government should commit to making the temporary increases to Universal Credit permanent, including the £20 per week increase to the standard allowance. The Government should also ensure that those on legacy benefits receive a comparable uplift, review the level of the benefit cap and increase the generosity of social security for struggling families.

Finally, we heard that the cost of providing adequate sick leave to quarantined workers is small in comparison to the cost of them not isolating and spreading the virus further. As a priority, the Government should raise the level of statutory sick pay and expand eligibility to the lowest paid.



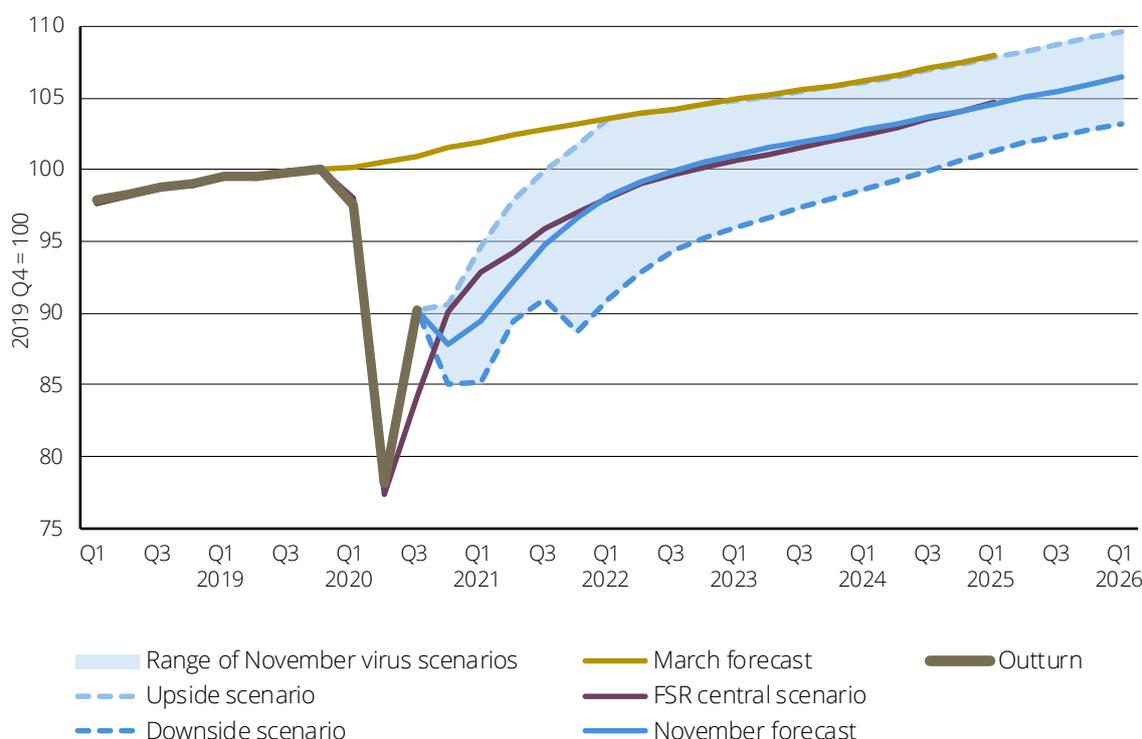
# Employment and COVID-19: time for a new deal

## CHAPTER 1: COVID-19 AND THE ECONOMY

### The COVID-19 economic shock

1. The COVID-19 pandemic caused an economic shock that was unprecedented in peacetime. Between April and June 2020, when many businesses were closed as part of a UK-wide lockdown, GDP contracted by 19.5%. This was the largest contraction since quarterly records began in 1955.<sup>1</sup>
2. The economy grew over summer 2020 as the number of COVID-19 cases fell and businesses reopened. However, in autumn and winter 2020 there was a resurgence in COVID-19 cases. The UK Government and the devolved governments reintroduced tighter health restrictions and national lockdowns which held back the economic recovery. On 25 November 2020, the Office for Budget Responsibility said that GDP would fall in 2020 by 11.3% in total. This would represent the largest fall in GDP for over 300 years. GDP is not expected to return to pre-pandemic levels until the end of 2022.<sup>2</sup>

**Figure 1: Real GDP central forecast and alternative scenarios**



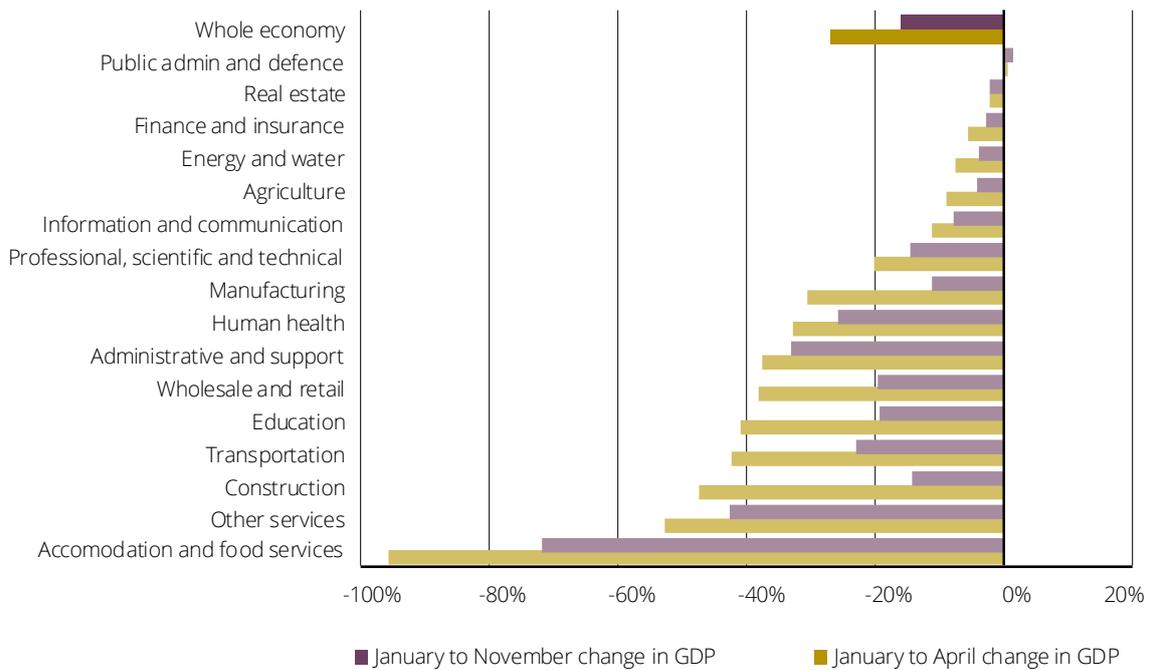
Source: OBR, *Economic and fiscal outlook (November 2020)*: [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 7 December 2020]

- 1 ONS, 'GDP monthly estimate, UK: September 2020' (12 November 2020): <https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/gdpmonthlyestimateuk/latest> [accessed 1 December 2020]. These were the latest figures available on that date at which this report was agreed.
- 2 OBR, *Economic and fiscal outlook (25 November 2020)*: [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 1 December 2020]

### Employment and COVID-19: an unequal crisis

3. The economic shock has affected some types of businesses and certain workers significantly more than others. Figure 2 shows that the sectors most reliant on face-to-face interactions experienced substantial falls in activity as they were most affected by public health restrictions. Other sectors such as financial services, energy, and agriculture experienced much less disruption as they were largely able to continue operating while adhering to social distancing rules.

**Figure 2: Peak-to-trough falls in sectoral output**



Source: OBR, *Economic and fiscal outlook (November 2020)*: [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 7 December 2020]

4. There were also winners and losers within sectors. ‘Bricks and mortar’ non-food retail companies were severely affected by lockdowns but many online retailers, supermarket chains and convenience stores experienced a sharp increase in sales. Technology companies operating within otherwise severely affected sectors, such as entertainment and culture, also benefitted financially.
5. We took evidence from some of the most affected sectors and heard about the scale of expected job losses.<sup>3</sup>
- UKHospitality said at least 900,000 people in its sector were at risk of redundancy;<sup>4</sup>
  - The British Retail Consortium said 120,000 retail jobs had been lost;<sup>5</sup>

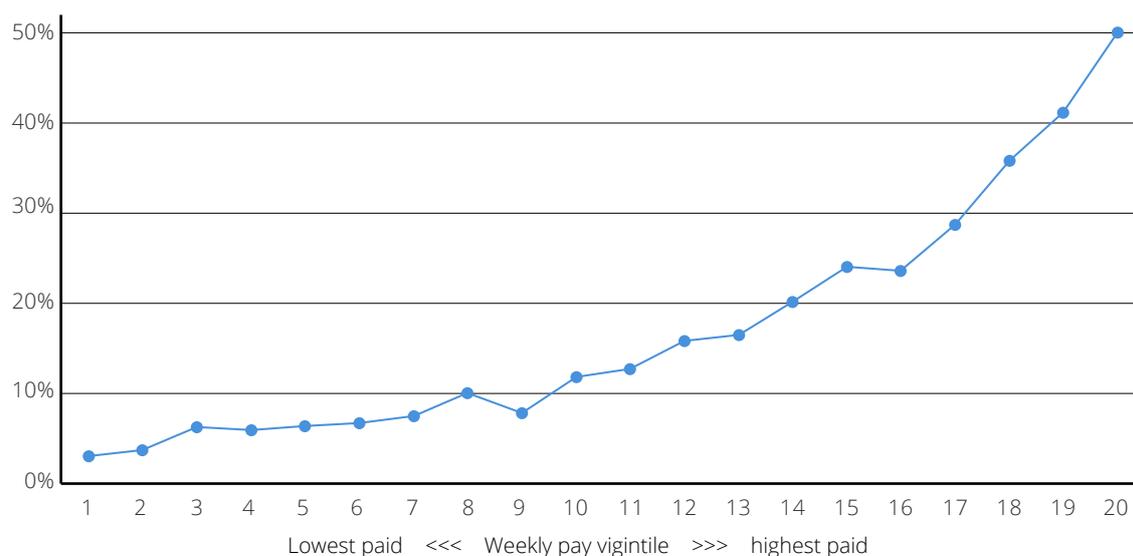
<sup>3</sup> These figures were provided to us before the England-wide lockdown between 5 November and 2 December 2020.

<sup>4</sup> Written evidence from UKHospitality ([EMP0043](#))

<sup>5</sup> [Q 45](#) (Tom Ironside)

- Make UK, a trade association for the manufacturing sector, said two-thirds of manufacturers were considering making redundancies over the next six months;<sup>6</sup> and
  - Airlines UK said the number of jobs with airlines that were lost, or are subject to consultation, was around 30,000.<sup>7</sup>
  - UK Theatre and Society of London Theatre said that their sector employs 290,000 workers but over 70% of theatres would run out of cash by the end of the year.<sup>8</sup>
6. The young and the lowest paid experienced the most damage to their livelihoods. The Institute for Fiscal Studies found that during the UK-wide lockdown, employees aged under 25 were two and a half times more likely to work in a shutdown sector than other employees, and low earners were seven times more likely than high earners to work in such sectors.<sup>9</sup> The Resolution Foundation found that the lowest earners were also far less likely to be able to work from home compared to higher earners, as set out in figure 3. It said that this made it much harder for lower earners to protect their incomes when their jobs were affected by social distancing measures.<sup>10</sup>

**Figure 3: Proportion of employees who can work from home if needed, by weekly pay vigintile: UK, 2014–2018**



Source: Resolution Foundation, 'Doing what it takes: Protecting firms and families from the economic impact of coronavirus' (19 March 2020): <https://www.resolutionfoundation.org/app/uploads/2020/03/Doing-what-it-takes.pdf> [accessed 7 December 2020]

7. Many higher earners, particularly the middle 60%, accumulated savings during the COVID-19 pandemic as they had fewer opportunities for discretionary spending, as set out in figure 4. The Institute for Fiscal

6 Written evidence from Make UK (EMP0048)

7 Q 65 (Robert Griggs)

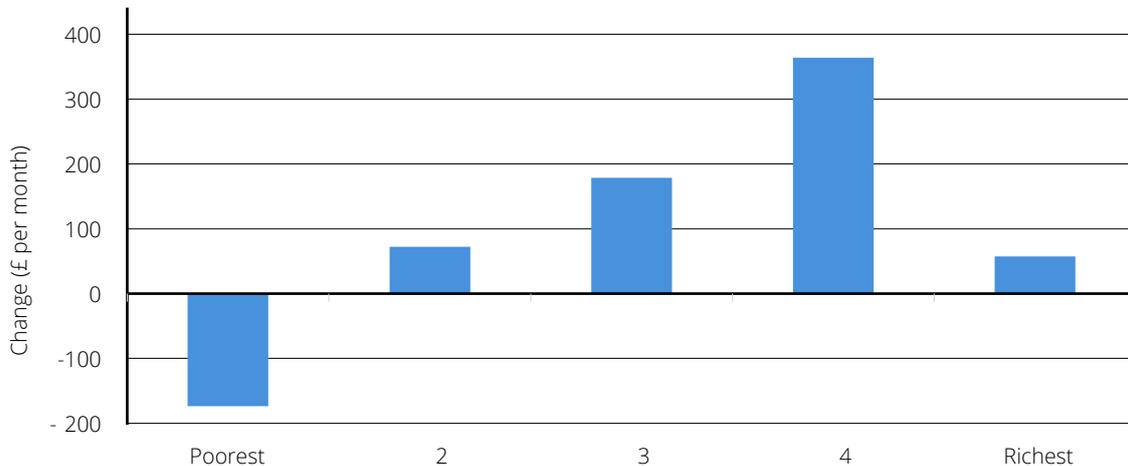
8 Written evidence from UK Theatres and Society of London Theatres (EMP0010)

9 Institute for Fiscal Studies, *Sector shutdowns during the coronavirus crisis: which workers are most exposed?* (6 April 2020): <https://www.ifs.org.uk/uploads/BN278-Sector-Shutdowns.pdf> [accessed 1 December 2020]

10 Resolution Foundation, *Doing what it takes: Protecting firms and families from the economic impact of coronavirus* (19 March 2020): <https://www.resolutionfoundation.org/app/uploads/2020/03/Doing-what-it-takes.pdf> [accessed 1 December 2020]

Studies found that this contrasted with the poorest 20%, who experienced an average decline of £170 per month in their bank balances between March and September 2020, a total of £1,220 and equivalent to 14% of pre-crisis income.<sup>11</sup>

**Figure 4: Difference in average monthly saving, March to September, between 2019 and 2020, by income quintile**



Source: Institute for Fiscal Studies, *Spending and saving during the COVID-19 crisis: evidence from bank account data* (29 October 2020): [https://ifs.org.uk/uploads/BN308-Spending-and-saving-during-the-COVID-19-crisis-evidence-from-bank-account-data\\_2.pdf](https://ifs.org.uk/uploads/BN308-Spending-and-saving-during-the-COVID-19-crisis-evidence-from-bank-account-data_2.pdf) [accessed 7 December 2020]

8. **The COVID-19 pandemic has affected different businesses and people in different ways. The young and the low paid have experienced substantial damage to their livelihoods and prospects. They have suffered the highest number of job losses and the biggest losses in income. In contrast, other businesses and groups of workers, including many of the highest paid workers, have experienced little or no financial hardship and their savings have risen because of the lockdowns and the unavailability of many services. These different impacts and experiences should inform how the Government designs policy to support the recovery.**

#### Protecting jobs: policy response

9. The Government made a series of emergency fiscal interventions to support businesses and to protect people's jobs during the pandemic. The most significant was the Job Retention Scheme. This enabled employers to furlough staff with the Government paying 80% of wages up to £2,500 per employee per month.<sup>12</sup> At its peak in April 2020, it supported 8.9 million jobs.<sup>13</sup> It was scheduled to expire at the end of October 2020 but it was extended until the

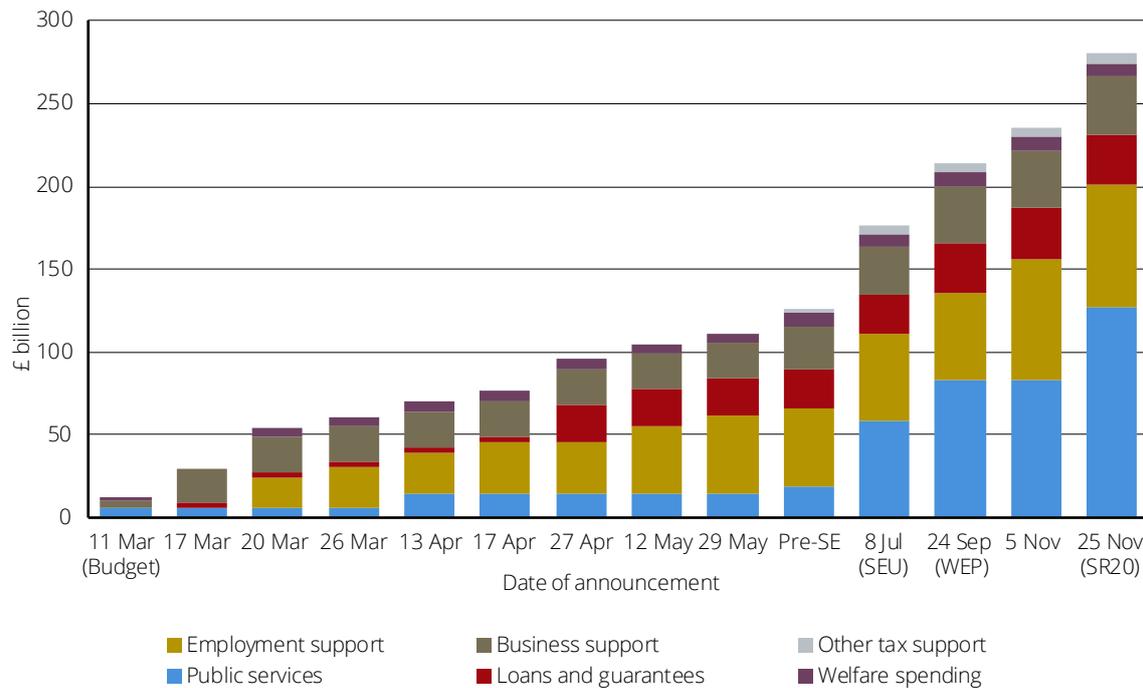
11 Institute for Fiscal Studies, 'Spending and saving during the COVID-19 crisis: evidence from bank account data' (29 October 2020): <https://www.ifs.org.uk/publications/15146> [accessed 1 December 2020]

12 From 1 July 2020, employers were able to bring furloughed workers back on reduced hours with the Government covering the costs of furloughed hours. From 1 August 2020, employers met the cost of employer National Insurance and pension contributions. From 1 September 2020, employers covered 10% of gross pay and between October and November 2020, employers covered 20% of gross pay. The CJRS was scheduled to close on 31 October 2020 but was extended until December in response to the England-wide lockdown that was applied from 5 November.

13 Resolution Foundation, *Final furlough? Six months on from the start of the Job Retention Scheme* (18 September 2020): <https://www.resolutionfoundation.org/app/uploads/2020/09/Final-furlough.pdf> [accessed 1 December 2020]

end of March 2021. As well as the Job Retention Scheme, the Government introduced grants to the most affected businesses, Government-backed loans, tax relief and deferrals. On 25 November 2020, the Office for Budget Responsibility said that the total cost of COVID-19 interventions was £280 billion.<sup>14</sup> The final cost will depend on the course of the pandemic, the level of take-up of Government support and any further Government interventions. Figure 5 sets out the rising cost of the Government's fiscal interventions during the pandemic.

**Figure 5: The evolving cost of the coronavirus policy response in 2020**



Source: OBR, *Economic and fiscal outlook* (November 2020): [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 7 December 2020]

10. The Government's emergency measures cushioned the impact of the economic shock on the labour market. Nevertheless, on 27 October 2020 the Resolution Foundation said that the unemployment rate for young people aged 18–24 was 20% in September, which amounts to approximately 750,000 people, up from 420,000 in February.<sup>15</sup> On 25 November 2020, the Office for Budget Responsibility forecast unemployment to peak at 7.5%, or 2.6 million people, by the second quarter of 2021, as support from the Job Retention Scheme is withdrawn at the end of March 2021.<sup>16</sup>
11. **We congratulate the Treasury for acting swiftly and boldly at the start of the COVID-19 pandemic to protect businesses and jobs. The scale of the Government's intervention cushioned the impact of the**

14 OBR, *Economic and fiscal outlook* (25 November 2020): [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 1 December 2020]

15 Resolution Foundation, *Jobs, jobs, jobs: Evaluating the effects of the current economic crisis on the UK labour market* (27 October 2020): <https://www.resolutionfoundation.org/app/uploads/2020/10/Jobs-jobs-jobs.pdf> [accessed 1 December 2020]. According to the Resolution Foundation, the September estimate of youth unemployment is based on the percentage-point increase in the unemployment rate by age group between February and September in the Resolution Foundation/YouGov survey, added to the Labour Force Survey estimate for February.

16 OBR, *Economic and fiscal outlook* (25 November 2020): [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 1 December 2020]

**economic shock on the labour market. However, the labour market is expected to weaken significantly when the Job Retention Scheme ends in 2021 and unemployment will rise.**

### **A plan for recovery**

12. We heard that the Government’s approach to responding to the economic effects of the pandemic had become short term and reactive. Jonathan Portes, Professor of Economics and Public Policy at King’s College London, said that the Treasury had attempted to “get back to normal” too quickly and that the Government had failed to set out a clear economic and health strategy during the pandemic. He said that the Government needed to “recognise that the emergency carries on.”<sup>17</sup> Professor Diane Coyle, co-Director of the Bennett Institute for Public Policy at the University of Cambridge, said, “now is the time to move from more reactive to more strategic responses and think about the long-term policy responses for recovery“. She said that young people in particular “will experience ‘scarring’ of their long-term prospects unless there is a plan in place to support them, not over the next few months, but over the next few years.”<sup>18</sup>
13. Long-term economic damage, or ‘scarring’ is expected to hold back growth and a labour market recovery beyond the point at which the pandemic is under control. On 19 May 2020, the Chancellor of the Exchequer, Rishi Sunak MP, told us:
 

“the question that occupies my mind and in the long term is ... what is the degree of long-term scarring of the economy as a result of this recession? What is the loss of productive capacity? Ultimately, once we recover from this crisis ... the question is: what do we return to?”<sup>19</sup>
14. On 14 October 2020, in an assessment of the UK economy, the Organisation for Economic Co-operation and Development (OECD) said, “Scarring effects are likely to affect long-term output significantly, as job losses have been massive, firms have held back investment and many will exit the crisis with a debt overhang”.<sup>20</sup> On 25 November 2020, the Office for Budget Responsibility said that economic damage caused by the pandemic will, in its central scenario, mean that GDP will be 3% smaller by 2025 than it would have been otherwise.<sup>21</sup>
15. The Government has set out plans to support the recovery. On 8 July 2020, the Chancellor announced his ‘Plan for Jobs’, which included Kickstart, a £2 billion fund to create 6-month work placements aimed at those aged 16–24 and deemed to be at risk of long-term unemployment.<sup>22</sup> On 16 November 2020, the Prime Minister announced a ‘Ten Point Plan for a Green Industrial

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17 [Q 159](#) (Prof Jonathan Portes)

18 [Q 159](#) (Prof Diane Coyle)

19 Oral evidence taken on 19 May 2020 (Session 2019–21), [Q 1](#) (Rishi Sunak MP)

20 OECD, ‘United Kingdom Economic Snapshot, Economic Survey of the United Kingdom - October 2020’ (14 October 2020): <http://www.oecd.org/economy/united-kingdom-economic-snapshot/> [accessed 1 December 2020]

21 OBR, *Economic and fiscal outlook* (25 November 2020):[http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 1 December 2020]

22 HM Treasury, ‘Chancellor’s Plan for Jobs to help the UK’s recovery (8 July 2020): <https://www.gov.uk/government/news/rishis-plan-for-jobs-will-help-britain-bounce-back> [accessed 1 December 2020]

Revolution’, which he said would support 90,000 jobs across the UK in this Parliament.<sup>23</sup>

16. On 25 November 2020, the Chancellor set out the Government’s 12-month spending review, which included a 3-year ‘Restart’ programme of enhanced employment support for people who have been out of work for over a year, as well as commitments on infrastructure spending.<sup>24</sup> However, the Resolution Foundation said, “What is missing from this strategy are significant efforts to stimulate new job creation. Ultimately, the effectiveness of the Restart scheme, or any other back-to-work measures, will depend on the strength of the labour market and the number of new jobs created.”<sup>25</sup>
17. In recent years, we have published reports that have taken on a renewed urgency as a result of the COVID-19 pandemic. Many of our recommendations would provide a strong foundation for the Government’s investment and spending priorities in support of the recovery:
  - In 2018, we published *Treating students fairly: the economics of post-school education*, which set out proposals for matching the training and education of young people with the needs of the 21st century labour market.<sup>26</sup>
  - In 2019, we published *Social care funding: time to end a national scandal*, which detailed problems that have arisen from the failure of governments of all persuasions to put social care funding on a sustainable footing. We recommended a scheme for funding social care and that the Government should improve pay and conditions in the sector to give the workforce greater parity with the NHS.<sup>27</sup>
  - In July 2020, we published *Universal Credit isn’t working: proposals for reform*, in which we called for improvements to the social security safety net. We also made recommendations on how to improve the Department for Work and Pensions’ employment support at a time of rising unemployment.<sup>28</sup>
18. **How the Government responds to rising unemployment in 2021 will be critical to supporting the recovery and reducing the extent of ‘economic scarring’. Over the next 12 to 18 months, the Government will need to shift public spending away from untargeted wage subsidies and towards policies that are more tightly focused on creating job opportunities.**

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23 HM Government, *The Ten Point Plan for a Green Industrial Revolution: Building back better, supporting green jobs and accelerating our path to net zero* (18 November 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/936567/10\\_POINT\\_PLAN\\_BOOKLET.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936567/10_POINT_PLAN_BOOKLET.pdf) [accessed 1 December 2020]

24 HM Treasury, ‘Spending Review 2020’ (25 November 2020): <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020> [accessed 1 December 2020]

25 Resolution Foundation, *Here today, gone tomorrow: Putting the Spending Review 2020 into context* (November 2020): <https://www.resolutionfoundation.org/app/uploads/2020/11/Here-today-gone-tomorrow.pdf> [accessed 1 December 2020]

26 Economic Affairs Committee, *Treating Students Fairly: The Economics of Post-School Education* (2nd Report, Session 2017–19, HL Paper 139)

27 Economic Affairs Committee, *Social care funding: time to end a national scandal* (7th Report, Session 2017–19, HL Paper 392)

28 Economic Affairs Committee, *Universal Credit isn’t working: proposals for reform* (2nd Report, Session 2019–21, HL Paper 105)

19. **The Government will also need to plan economic and health policy further ahead and set out criteria for how these policies will interact and change in response to the course of the pandemic. The Government will need to be flexible so that it can react to changing circumstances, but this should not prevent it from providing more certainty to businesses and workers.**
20. **In previous reports we have set out the effects of Government inaction and underinvestment in areas which include skills and training, social care and Universal Credit. The COVID-19 pandemic has emphasised the urgent need to take action in these areas. In this report we build on our earlier work and set out how the Government can join up policies to build a sustainable recovery in line with the Government’s longer-term policy objectives. These include meeting the net zero carbon emissions target, improving the UK’s social infrastructure and implementing the levelling up agenda. The Government should support people to find routes into employment, including into jobs which support these objectives, by enhancing the UK’s skills and training system.**

### ‘Balancing the books’

21. The pandemic has had a significant effect on the public finances as tax revenues have fallen and public spending has increased. On 25 November 2020, the Office for Budget Responsibility said the deficit this year is set to reach £394 billion, the highest level since 1944–45.<sup>29</sup>
22. On 5 October 2020, the Chancellor said that the Government would “balance the books” over the medium term.<sup>30</sup> We heard that the Government will have to weigh how quickly to restore order to the public finances against the need to continue to support businesses and wages. We were told that the latter was necessary to support recovery and the labour market.
23. Professor Portes said that the move towards “aggressive fiscal consolidation too soon was the big policy error in the [2007–08 financial] crisis.”<sup>31</sup> Paul Gregg CBE, Professor of Economic and Social Policy at the University of Bath, said, “In the last recession, it was after 2010—in 2011 and 2012—that fiscal packages of all kinds were withdrawn, and even then, it was probably too early.”<sup>32</sup>
24. **The COVID-19 pandemic and associated lockdowns have led to unprecedented public spending to support jobs. The Government should not repeat past mistakes by withdrawing economic support too soon. Over the next 12–18 months it will need to continue to spend to generate a sustainable recovery and to address rising poverty and unemployment.**
25. **The Government will need to restore order to the public finances in the future, but this should only become a priority once the recovery has been established.**

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29 OBR, *Economic and fiscal outlook* (25 November 2020): [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 1 December 2020]

30 Conservatives, ‘Rishi Sunak: Read the Chancellor’s Keynote Speech in full’ (5 October 2020): <https://www.conservatives.com/news/rishi-sunak-read-the-chancellors-keynote-speech-in-full> [accessed 1 December 2020]

31 [Q 159](#) (Prof Jonathan Portes)

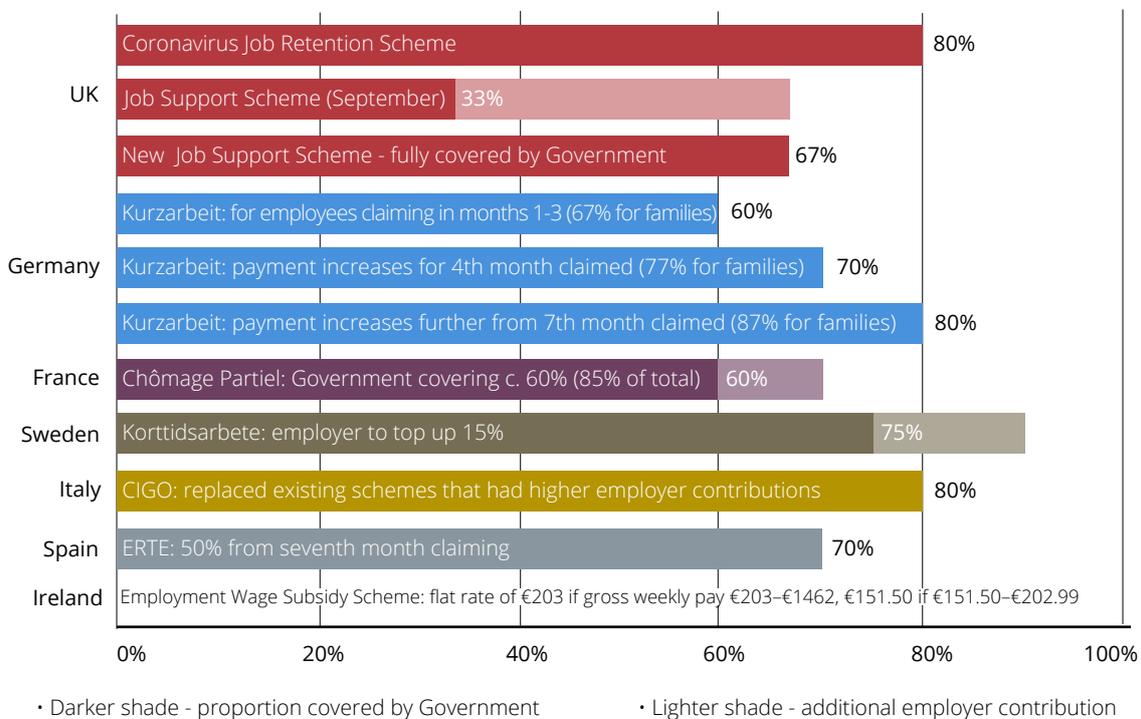
32 [Q 136](#) (Prof Paul Gregg)

## CHAPTER 2: ECONOMIC RESCUE

### Job retention and support schemes

26. The Job Retention Scheme was an unprecedented policy response to a unique economic crisis. At its peak, the Job Retention Scheme supported 8.9 million jobs, which was around 30% of the workforce. Preliminary figures from HMRC showed that the number of people on furlough at 30 September 2020 had reduced to 2.4 million.<sup>33</sup> However, on 5 November 2020 the Bank of England said it expected 5.5 million people to have been furloughed during England's second national lockdown between 5 November and 2 December 2020.<sup>34</sup>
27. Figure 6 compares the generosity of the UK's wage subsidy schemes with similar schemes in other European countries:

**Figure 6: Comparison of job retention schemes, selected countries**



Source: Resolution Foundation, 'Back to the furlough: U-turn to retain furlough scheme in closed sectors paves way for fresh lockdowns' (9 October 2020): <https://www.resolutionfoundation.org/app/uploads/2020/10/Back-to-the-furlough.pdf> [accessed 7 December 2020]

28. In May 2020, the Chancellor said that the Job Retention Scheme would be extended until the end of October 2020. In early September, witnesses told us that a reformed version of the Job Retention Scheme should be introduced at the end of October.<sup>35</sup> On 24 September 2020, the Chancellor said that the

33 HMRC, 'Coronavirus Job Retention Scheme statistics: November 2020' (25 November 2020): <https://www.conservatives.com/news/rishi-sunak-read-the-chancellors-keynote-speech-in-full> [accessed 1 December 2020]

34 Bank of England, *Monetary Policy Report* (November 2020): <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/november/monetary-policy-report-nov-2020.pdf> [accessed 1 December 2020]

35 Q 1 (Rain Newton-Smith; Kate Bell; Martin McTague; Andy Chamberlain); Q 17 (Dr Hande Küçük; Clare McNeil)

Job Retention Scheme would be replaced with a new wage subsidy called the Job Support Scheme.<sup>36</sup>

29. Between 25 September and 5 November 2020, the Chancellor returned to the House of Commons on successive occasions to announce changes to the wage subsidy schemes, in response to rising COVID-19 cases and tightening restrictions on social and economic activity.
30. On 5 November 2020, he announced that he would extend the Job Retention Scheme until the end of March 2021, instead of introducing the less generous Job Support Scheme. Box 1 outlines a summary of the Chancellor's announcements on wage support.

### **Box 1: Changes to job retention schemes**

**24 September:** the Chancellor announced his 'Winter Economy Plan'. The Job Retention Scheme was to be replaced by a Job Support Scheme in which employees would work 33% of their normal hours and their employers would pay their wages for this time and for one third of any time not worked. The Government's contribution was to be 22%, while the employee's reduction in pay would be 22%. The Job Support Scheme was not implemented. The Self-Employment Income Support Scheme grant was extended, although the level of support was reduced to 20% of average monthly trading profits, down from the initial 80%.<sup>37</sup> The Job Retention Bonus, announced on 31 July, would have existed alongside the Job Support Scheme. Businesses would receive a one-off payment of £1,000 for each furloughed employee still employed at the end of January 2021.<sup>38</sup> This policy was not implemented.

**9 October:** the Chancellor announced that the Job Support Scheme would be expanded to support businesses across the UK which were required to close their premises due to public health restrictions. Under the 'Job Support Scheme Closed', employers were not required to pay anything towards furloughed employees' wages and employees did not need to work a set number of hours to qualify. Instead, the Government would cover 67% of an employees' salary, up to a maximum of £2,100 a month.<sup>39</sup> This policy was not implemented.

36 HM Treasury, 'Chancellor outlines Winter Economy Plan' (24 September 2020): <https://www.gov.uk/government/news/chancellor-outlines-winter-economy-plan> [accessed 1 December 2020]

37 HM Treasury, *Winter Economy Plan*, CP 297, 24 September 2020: <https://www.gov.uk/government/publications/winter-economy-plan/winter-economy-plan> [accessed 1 December 2020]

38 HM Treasury, 'Further details of the Job Retention Bonus announced' (31 July 2020): <https://www.gov.uk/government/news/further-details-of-the-job-retention-bonus-announced> [accessed 6 December 2020]

39 HM Treasury, 'Job Support Scheme expanded to firms required to close due to Covid Restrictions' (9 October 2020): <https://www.gov.uk/government/news/job-support-scheme-expanded-to-firms-required-to-close-due-to-covid-restrictions> [accessed 1 December 2020]

**22 October:** the Government expanded its winter economic support schemes for businesses that were not required to close by public health restrictions. The Job Support Scheme Open reduced the amount of time an employee was required to work to 20% of their usual hours and reduced the employer contribution for hours not worked to 5%. The Government's contribution was increased to 62% of employees' wages for the hours that they did not work. The Self-Employment Income Support Scheme grant was increased to 40% of previous earnings, and the maximum grant increased from £1,875 to £3,750.<sup>40</sup> This policy was not implemented.

**31 October:** the day before it was scheduled to expire, the Chancellor announced that the Job Retention Scheme would be extended for a month with employees receiving 80% of their current salary for hours not worked. Businesses could bring furloughed employees back to work part-time or furlough them full-time and will be asked to cover only national insurance and employer pension contributions which, for the average claim, accounted for 5% of total employment costs.<sup>41</sup>

**2 November:** the Treasury announced that it would increase support under the third instalment of the Self-Employment Income Support Scheme, with people receiving 80% of average trading profits for November.<sup>42</sup>

**5 November:** the Chancellor announced that the Job Retention Scheme would be extended until 31 March 2021. For claim periods running to January 2021, employees would receive 80% of their usual salary for hours not worked, up to a maximum of £2,500 per month.<sup>43</sup>

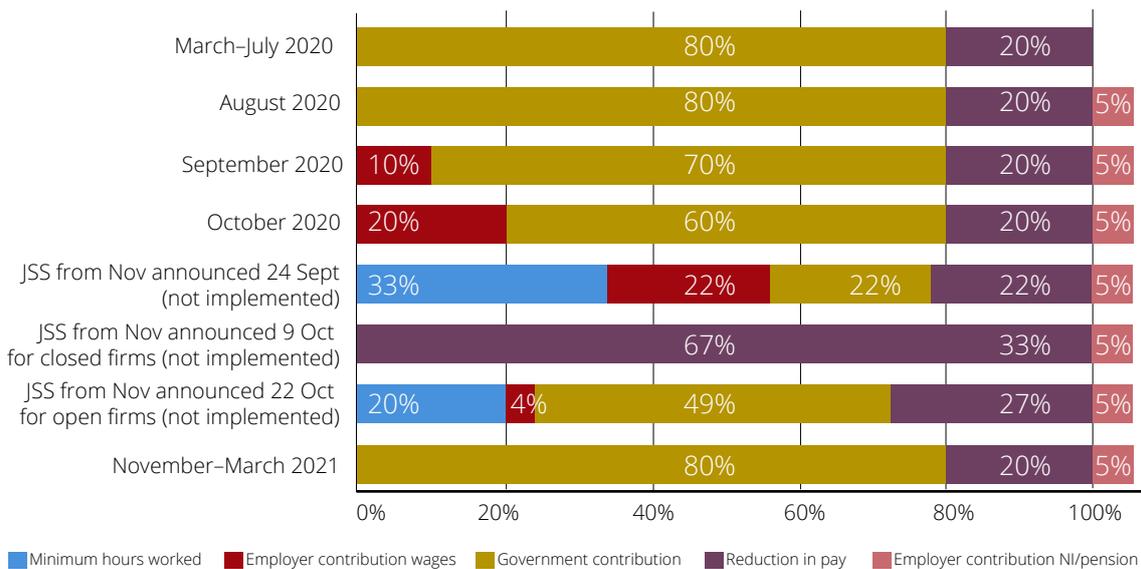
31. Figure 7 sets out the changes that the Government has made to the generosity of its employment support schemes during the COVID-19 pandemic:

40 HM Treasury, 'Plan for Jobs: Chancellor increases financial support for businesses and workers' (22 October 2020): <https://www.gov.uk/government/news/plan-for-jobs-chancellor-increases-financial-support-for-businesses-and-workers> [accessed 1 December 2020]

41 HM Treasury, 'Furlough Scheme Extended and Further Economic Support announced' (31 October 2020): <https://www.gov.uk/government/news/furlough-scheme-extended-and-further-economic-support-announced> [accessed 1 December 2020]

42 HM Treasury, 'Government increases support for self-employed across the UK' (2 November 2020): <https://www.gov.uk/government/news/government-increases-support-for-self-employed-across-the-uk> [accessed 1 December 2020]

43 HMRC, 'Extension of the Coronavirus Job Retention Scheme' (5 November 2020): <https://www.gov.uk/government/publications/extension-to-the-coronavirus-job-retention-scheme/extension-of-the-coronavirus-job-retention-scheme> [accessed 1 December 2020]

**Figure 7: Changes to the Job Retention Scheme and Job Support Scheme**

Source: Resolution Foundation (@resfoundation), Tweet on 5 November 2020: <https://twitter.com/resfoundation/status/1324351822262403072> [accessed 7 December 2020]

### *Business uncertainty*

32. Witnesses representing businesses said that they had to make decisions about redundancies in anticipation of the Job Retention Scheme ending. On 26 October 2020, Paul Davies, President and Managing Director of Alexander Dennis Ltd, a manufacturer, told us that “ahead of the scheme ending, we have had to take restructuring actions accordingly.”<sup>44</sup> He said that the restructuring programme would, “see us lose between 25% and 30% of our skilled workforce.”<sup>45</sup> Paul Everitt, CEO and FIL Chairman of ADS Group, said that “the challenge for many is that they have already made assessments of their future demand and are restructuring their businesses. Sadly, we have seen a high number of redundancies across the [aerospace] sector.”<sup>46</sup>
33. Thomas Pope, Senior Economist at the Institute for Government, said that wage subsidy announcements had been “communicated as being too final when, in reality, they have been contingent on the course of the virus.”<sup>47</sup> Dr Hande Küçük, Deputy Director of the National Institute of Economic and Social Research, said, “the end of furlough should be determined by economic recovery rather than an arbitrary deadline.”<sup>48</sup> Professor Portes told us that the Government’s approach had:

“translated into a degree of incoherence in the policy response. The fact that [the] Treasury has clearly gone round in circles now—completely in circles on the furlough scheme—reflects a broader failure of the Government to make clear what exactly their strategy is with respect to COVID-19 and hence what the economic strategy ought to be.”<sup>49</sup>

44 [Q 107](#) (Paul Davies)

45 *Ibid.*

46 [Q 107](#) (Paul Everitt)

47 [Q 142](#) (Thomas Pope)

48 [Q 17](#) (Dr Hande Küçük)

49 [Q 159](#) (Prof Jonathan Portes)

34. Jesse Norman MP, Financial Secretary to the Treasury, said that the Government had attempted to be “flexible to accommodate the shape shifting nature of the virus and the dynamic effects in the economy over time.”<sup>50</sup> Lindsey Whyte, Director of Personal Tax, Welfare and Pensions at the Treasury, said, “We recognise that it is challenging for businesses to manage changes in the scheme, and we are doing our best to communicate with them and get guidance out as quickly as we possibly can and learn from that.”<sup>51</sup>
35. **It was understandable that the Government attempted to tailor wage support to the course of the pandemic and towards more viable businesses. Once COVID-19 cases began to increase again in the autumn, it was forced to make a series of policy reversals on the level of wage support it would provide before finally extending the Job Retention Scheme until the end of March 2021. This created a significant amount of uncertainty for businesses and employees and put jobs at risk.**

*Training and the Job Retention Scheme*

36. In November 2020, the Institute for Public Policy Research recommended that the Government establishes a ‘Job Training Scheme’ as part of the Job Retention Scheme. It said that workers on furlough whose jobs are deemed unlikely to return, and who do not have a level 3 qualification, should be given access to an ‘opportunity grant’ of up to £4,000 to support them to gain a level 3 qualification. The proposal is designed to bridge the gap in training schemes until April 2021 when the Government’s offer of access to a free level 3 qualification under its Lifetime Skills Guarantee will come into effect.<sup>52</sup> It estimated that the Job Training Scheme would cost £1 billion.<sup>53</sup>
37. Clare McNeil, Associate Director for Work and Welfare State at the Institute for Public Policy Research, told us in September 2020 that any extension to the Job Retention Scheme “should be linked to an offer of training, either upskilling or retraining where that is more appropriate, to boost workers’ future prospects.”<sup>54</sup>
38. Other witnesses made similar proposals. Kate Bell, Head of Rights, International, Social and Economics at the Trades Union Congress (TUC) said:

“people who are working less than 50% of their time should have a funded offer of training from the Government. That is in line with a lot of what the Government said about their ambitions. ... This is an opportunity to bring that spending forward to upskill those who cannot do their full work at the current time, and to put in place measures that will ... get us over this difficult period, and protect jobs and skills in the future.”<sup>55</sup>

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50 [Q 173](#) (Jesse Norman MP)

51 [Q 173](#) (Lindsey Whyte)

52 Prime Minister’s Office, ‘Major expansion of post-18 education and training to level up and prepare workers for post-COVID economy’ (29 September 2020): <https://www.gov.uk/government/news/major-expansion-of-post-18-education-and-training-to-level-up-and-prepare-workers-for-post-covid-economy> [accessed 1 December 2020]

53 IPPR, *Going further: The case for investing in Further Education and adult skills* (November 2020) p 7: [https://www.ippr.org/files/2020-10/1604082172\\_going-further-nov20.pdf](https://www.ippr.org/files/2020-10/1604082172_going-further-nov20.pdf) [accessed 1 December 2020]

54 [Q 17](#) (Clare McNeil)

55 [Q 1](#) (Kate Bell)

39. Rain Newton-Smith, Chief Economist at the Confederation of British Industry (CBI), agreed: “As to what the scheme should look like ... having training as a component of the non-working hours seems sensible.”<sup>56</sup> Dr Küçük, said that providing training incentives within the Job Retention Scheme would boost its effectiveness. She said, “Retraining incentives would also be important to facilitate a smooth exit from this furlough scheme when the time comes, so that employees are in a better position to find jobs in other businesses and in more viable sectors.”<sup>57</sup>
40. However, Fabian Wallace-Stephens, Senior Researcher at the Royal Society for the Encouragement of Arts, Manufactures and Commerce (RSA), told us that whilst there are “some virtues of having something [training] that is linked to the Job Retention Scheme”, retraining opportunities needed to be “more targeted.” He said that “they should be targeted in the first instance at workers whose jobs are not viable both in the short and the long term, so potentially workers who are at risk of both COVID-19 and automation.”<sup>58</sup> Tera Allas CBE, Director of Research and Economics at McKinsey and Company, said:
- “it would [be] nothing like enough for retraining and reskilling to be attached to just the people who have been furloughed ... Those people are mostly a consequence of COVID, and even though there is some correlation between the jobs that might have been displaced by COVID and those that are more automatable, it is not a one-to-one correlation. It is probably more important to have a broader adult skills policy and redeployment policy”<sup>59</sup>
41. When we asked Jesse Norman MP about adding a training element to the Job Retention Scheme, he told us that the Government had “tried to remove conditions rather than add conditions [to employment support schemes], because of the necessity of getting economic activity moving and not putting any impediment on the jobs market.” He said, “I can understand that over time, if we can get that engine of change developing and improving, there will be a case for more conditionality.”<sup>60</sup> The Government has also said that it encourages furloughed employees to undertake training.<sup>61</sup>
42. **We are disappointed that the Government did not make training more integral to the Job Retention Scheme. Many employees will need access to training in the coming months. We welcome the Lifetime Skills Guarantee but note that it will not begin until April 2021. The Government should expedite its implementation.**

### *Self-Employment Income Support Scheme*

43. The Self Employment Income Support Scheme is a taxable grant that is worth 80% of average monthly trading profits and is paid out in a single instalment covering three months’ worth of profits, capped at £7,500 in total. There have been three grants in total. The first, in May 2020, was

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56 [Q 2](#) (Rain Newton-Smith)

57 [Q 17](#) (Dr Hande Küçük)

58 [Q 154](#) (Fabian Wallace-Stephens)

59 [Q 154](#) (Tera Allas)

60 [Q 179](#) (Jesse Norman MP)

61 HMRC, ‘Check if you can claim for your employees’ wages through the Coronavirus Job Retention Scheme’, 7 December 2020: <https://www.gov.uk/guidance/claim-for-wage-costs-through-the-coronavirus-job-retention-scheme> [accessed 10 December 2020]

worth 80% of past average monthly trading profits; a second, opened in August 2020, was worth 70%. The Chancellor has since announced that the scheme will be extended a further two times, lasting for six months, until April 2021. The third grant was initially worth 20% of past average monthly trading profits, but this has since been increased to 40% on 22 October, and then 80% on 2 November.<sup>62</sup>

44. Research by the Resolution Foundation found that around £1.3 billion was paid to self-employed people whose business was largely unaffected by the pandemic. However, around 500,000 self-employed workers received no support from the Self-Employed Income Support Scheme in September 2020 despite having not been able to work.<sup>63</sup> Paul Johnson, Director of the Institute for Fiscal Studies, told us that the Self-Employed Income Support Scheme was poorly targeted and that it contained “a lot of rough justice”.<sup>64</sup> Box 2 sets out categories of people who are not eligible for the scheme.

### Box 2: Gaps in employment support packages

**Newly self-employed:** individuals who set up in business after 6 April 2019 and therefore do not have a tax return from the required three-year period 2016–17 to 2018–19.

**PAYE/self-employment mix with less than 50% of income from self-employment:** these individuals cannot claim SEISS based on their income from self-employment if this forms less than 50% of their total income.

**Trading profits over £50,000:** someone with £49,999 trading profits will receive just under £2,500 a month for the first three months of the SEISS scheme and just under £2,190 a month for the last three months of the scheme. Someone with £50,001 trading profits will receive no support, other than Universal Credit if they qualify for support.

**Maternity/parental/adoption leave:** those on maternity leave during the three-year period taken into account for SEISS, during which their usual earnings would have dropped, will not have had their entitlement based on their usual income (see below).

**Directors of limited companies:** those who pay themselves a small PAYE salary and the rest in dividends are eligible only for CJRS payments in their PAYE salary.

**PAYE freelancers:** those on short-term PAYE contracts cannot claim CJRS despite being on payroll. Those in this category, whilst working as freelancers, are often required to be on payroll. Nor can they claim SEISS if less than 50% of their earnings comes from self-employment.

Source: Excluded UK, ‘Who is Excluded’: <https://www.excludeduk.org/excluded-taxpayers> [accessed 12 November 2020]

62 See HMRC, ‘Check if you can claim a grant through the Self-Employment Income Support Scheme (26 March 2020): <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme> [accessed 26 November 2020] and IPSE, ‘How to apply for the third Self-Employment Income Support Scheme (SEISS) grant’ (27 November 2020): <https://www.ipse.co.uk/ipse-news/news-listing/how-apply-self-employment-income-support-scheme.html> [accessed 27 November 2020]

63 Resolution Foundation, ‘The Chancellor has prevented a grim winter of redundancies – but has failed to fix the faults with his jobs support package’ (6 November 2020): <https://www.resolutionfoundation.org/comment/the-chancellor-has-prevented-a-grim-winter-of-redundancies-but-has-failed-to-fix-the-faults-with-his-jobs-support-package/> [accessed 4 December 2020]

64 Q 77 (Paul Johnson)

45. Andy Chamberlain, Director of Policy at the Association of Independent Professionals and the Self-Employed (IPSE), told us that the Self-Employed Income Support Scheme should be restructured:

“The SEISS scheme has provided support to many people who perhaps did not really need it and at the same time denied support to lots of people who really did need it. If that was to be looked at again, we would encourage the boundaries and structure to be reshaped so that it targets support better to get help to the people who need it. ...

HMRC deserves a lot of credit for devising the scheme, rolling it out and getting payments to people very efficiently. Part of making it efficient was making it simple, but there is now perhaps an opportunity to think about whether it could be tweaked so that we get support to the people who need it.”<sup>65</sup>

46. Thomas Pope said that some of the gaps in the schemes were “influenced by a fear of fraud, or at least an inability to work out how it would work, particularly in the self-employed scheme.”<sup>66</sup>
47. We heard that many self-employed workers in the performing arts sector were not covered by the Self-Employment Income Support Scheme. Horace Trubridge, General Secretary of the Musicians’ Union, told us that 40% of the union’s members did not qualify for either the Job Retention Scheme or the Self-Employment Income Support Scheme.<sup>67</sup> He said that 30% of his union’s members were considering leaving the music profession.<sup>68</sup>

**Box 3: Example from Peter Heath, Managing Director of the Professional Lighting and Sound Association**

“there are a phenomenal number of freelancers and self-employed people within our sector. In fact, the majority of the workforce are made up of those people. Some of the individual cases that we are now listening to are terrible. People are losing their houses, people are losing their rented homes and having to sofa-surf because they are not getting the support, whether it be Universal Credit or anything else, to help them survive.”

Source: [Q 92](#) (Peter Heath)

48. Jesse Norman MP said that there were “genuine issues that [the Treasury is] trying to work through in recognising both the problem that people have fallen through the cracks and some of the concerns that have been publicly expressed, but it is a very difficult and complex problem.” He said that the Treasury had needed to balance speed of payments with minimising fraud and error.<sup>69</sup>
49. **The Government has not taken action to better target the Self-Employment Income Support Scheme at those most affected by the pandemic, despite having had months to reform the scheme. Too many people may again receive significant payments despite being largely unaffected, and over 500,000 workers who received no support**

65 [Q 1](#) (Andy Chamberlain)

66 [Q 143](#) (Thomas Pope)

67 [Q 87](#) (Horace Trubridge)

68 *Ibid.*

69 [Q 174](#) (Jesse Norman MP)

**despite being without work entirely will again miss out because of eligibility rules. The Government should target payments more closely to those who have suffered genuine loss of income.**

### **Lockdowns and restrictions: economic support**

50. On 12 October 2020, before the introduction of England’s second national lockdown, the Government announced a tiered regional approach to restrictions. Regions would be placed into one of three tiers, with tier 3 consisting of the most stringent restrictions. Which tier a region was placed in depended on a range of factors, including the rate of COVID-19 infections.
51. We took evidence from businesses based in Liverpool after the city was placed in tier 3. Nisha Katona MBE, Founder and Chief Executive of the Mowgli Street Food chain of restaurants, said, “The tier 3 announcement saw us drop, in my Liverpool restaurants, to about 50% trade. We are trading at minus 50%. In Manchester, we dropped to minus 60% trade, and places like Sheffield, as they entered tier 3, dropped to about minus 35% or 40% trade.”<sup>70</sup> Mark Da Vanzo, Chief Executive of the Liverpool Everyman and Playhouse, said, “There is no doubt: tier 3 has had a drastic effect on footfall in Liverpool... Of course, all that trade has been deeply affected. In a usual year, our box office would be just over £2 million for our theatres. We will be lucky if we end the year on about 10% of that figure.”<sup>71</sup> Steven Hesketh, Chief Executive Officer of the Savvy Hotel Group, told us, “The future is unbelievably dim. If truth be known, we as an independent cannot see ourselves lasting past January [2021].”<sup>72</sup>
52. The Government entered negotiations with local leaders whose regions were required to enter tier 3. These included the level of ‘business support funding’ for businesses legally able to open but facing large falls in demand. On 27 October 2020, we took evidence from Andy Burnham, Mayor of Greater Manchester, and Steve Rotheram, Mayor of the Liverpool City Region. This followed their negotiations with the Government on economic support for the two regions after they were put under stricter restrictions than other regions.
53. Steve Rotheram told us the Government had provided him with no economic impact assessment on the new restrictions: “Not only did the Government not provide us with any economic impact assessments, but we did not even get the scientific evidence for the restrictive package in our area.”<sup>73</sup> Andy Burnham described the level of financial support that the Government offered to Greater Manchester as an “arbitrary figure”.<sup>74</sup> He said, that the level of business funding support did not take sufficient account of regional differences, particularly the concentration of businesses between areas:

“There is a higher business density in Greater Manchester and the Liverpool City Region by virtue of having a city centre; more businesses are affected. A formula based purely on population will, in the end, be quite damaging, particularly to cities, if it stays in place and is not changed.”<sup>75</sup>

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70 [Q 123](#) (Nisha Katona)

71 [Q 123](#) (Mark Da Vanzo)

72 [Q 123](#) (Steven Hesketh)

73 [Q 114](#) (Steven Rotheram)

74 [Q 114](#) (Andy Burnham)

75 *Ibid.*

54. The business support funding amounted to around £20 per person in places that moved into tier 3, but the exact figure differed between places. The Institute for Fiscal Studies said that how these figures were calculated and why they differed between places was “far from transparent”.<sup>76</sup> Thomas Pope said, “One of the big problems with those formulas was that there was not the transparency early on to explain exactly what they were.” He added, “it probably makes sense to focus more on the types of business and how many of those there are, rather than population density per se.”<sup>77</sup>
55. The Government introduced a modified and stricter version of the system of tiered restrictions when the England-wide lockdown ended on 2 December 2020. The Government said that it would not negotiate the level of financial support with local leaders. Instead, support was provided through the ‘Additional Restrictions Grant’, under which local authorities received a sum of money equivalent to £20 per head of their local population to distribute to businesses which have been severely impacted by restrictions. The Government also provided support through Local Restrictions Support Grants for businesses which have had to close or have been impacted by local restrictions in the hospitality, leisure and non-essential retail sectors. Grants were based on a business’s rateable value.<sup>78</sup>
56. On 17 November 2020, we asked Jesse Norman MP whether the Government would revisit the level of business support to take more account of the concentration of businesses in an area. He said, “As there are lots of different areas affected in different ways, we will have different kinds of principles applying to them, so I would like to wait for a wider all-things-considered decision, which I am sure the Chancellor will come to in due course.” He continued, “The approach we have tried to take has been one that segments the number of people and businesses where they are affected by closures. I think that is a reasonable approach. It has the merit that it can be rolled out in a completely equal way across the country.”<sup>79</sup>
57. We also asked Jesse Norman MP why the Government had at that point not published any assessment of the economic costs of lockdowns or the system of tiered restrictions. He told us that across Government “there has been a struggle to think about how to quantify the economic impact, given the ... way in which the pandemic and the response are changing.” He said, “we never know what the counterfactual is, so we are dealing in a world of different sets of uncertainties and ranges.”<sup>80</sup> However, on 30 November 2020 the Government published an ‘analysis of the health, economic and social impacts of COVID-19 and the approach to tiering’.<sup>81</sup>

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76 Institute for Fiscal Studies, ‘Extra funding will help English councils this year, but big questions remain for 2021 and beyond’ (29 October 2020): <https://www.ifs.org.uk/publications/15149> [accessed 1 December 2020]

77 [Q 144](#) (Thomas Pope)

78 Department for Business, Energy and Industrial Strategy, ‘Businesses in England to receive £2.2 billion to see them through national restrictions’ (13 November 2020): <https://www.gov.uk/government/news/businesses-in-england-to-receive-22-billion-to-see-them-through-national-restrictions> [accessed 1 December 2020]

79 [Q 175](#) (Jesse Norman MP)

80 [Q 172](#) (Jesse Norman MP)

81 HM Government, *Analysis of the health, economic and social effects of COVID-19 and the approach to tiering* (30 November 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/939876/Analysis\\_of\\_the\\_health\\_economic\\_and\\_social\\_effects\\_of\\_COVID-19\\_and\\_the\\_approach\\_to\\_tiering\\_FINAL\\_SofS\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/939876/Analysis_of_the_health_economic_and_social_effects_of_COVID-19_and_the_approach_to_tiering_FINAL_SofS_.pdf) [accessed 4 December 2020]

58. **Lockdowns and tiered regional restrictions are designed to save lives, but they cause significant harm to businesses, putting jobs at risk. The Government should continue to search for ways of supporting the businesses and jobs that are most affected by closure and restrictions.**
59. **The Government's calculation of business support funding for regions in tier 3 was opaque. We were told it did not take enough account of differences between different places. The Government should ensure that the level of support pays due regard to the concentration of businesses, particularly those that are vulnerable to restrictions.**
60. **The effects of the COVID-19 pandemic on social and economic life mean that health and economic policy need to be designed in tandem. We note that the Government has published an analysis of the health, economic and social impacts of the tiered approach to restrictions. However, this was not sufficiently detailed to enable Parliament and others to determine the level of business and wage support that was needed.**
61. **The Government should publish a framework setting out the business and employment support that will be provided in response to evolving public health restrictions, to provide more certainty to people and businesses. The public health restrictions and fiscal support will differ depending whether the economy is in lockdown, is reopening or is in recovery. The framework should be drafted in consultation with devolved administrations at national and regional level. It should be updated as viable alternatives to lockdowns or tiered restrictions are developed.**

### **Business support schemes**

62. The Government provided financial support to small businesses or to the retail, hospitality and leisure industry in the form of tax relief and grants. These measures included:
- Businesses in the retail, hospitality and leisure sectors in England will not have to pay business rates for the 20/21 tax year.
  - The Retail, Hospitality and Leisure Grant Fund: businesses in England in the retail, hospitality and leisure sectors with a rateable value of up to £51,000 were entitled to a one-off cash grant of up to £25,000.
  - A temporary 5% reduced rate of VAT for certain supplies of hospitality, hotel and holiday accommodation, and admissions to certain attractions. This was originally planned to last from 15 July 2020 to 12 January 2021. On 6 October 2020, the Chancellor announced that it would be extended until 31 March 2021.
  - The Small Business Grant Fund: small businesses in England which paid little or no business rates were entitled to a one-off cash grant of £10,000 from their local council.
  - The Local Authority Discretionary Grants Fund: this fund supported small and micro businesses that were not eligible for other grant schemes.
  - The Culture Recovery Fund: £1.57 billion package for cultural and heritage organisations to help them weather the impact of COVID-19.

63. We asked businesses about the effect of business rates relief. Steven Hesketh, Chief Executive Officer of the Savvy Hotel Group, told us, “For hotels that are big, high street-oriented buildings, the business rates relief was without the shadow of a doubt an absolute godsend, and I think the VAT deferral has to be commended.”<sup>82</sup>
64. However, Anna Goodband, Principal and Acting Director at the Liverpool School of English, said that for businesses like English language schools, it has been more difficult to qualify for rates relief. She said that local authorities were given discretionary funds to apply rates relief to English language schools, but it was resisted by some local authorities.<sup>83</sup> She said, “About 50 schools closed their doors during lockdown, and some of them have been going for 40 or 50 years.”<sup>84</sup>
65. Other companies which saw sales increases during the COVID-19 pandemic, such as supermarkets and some other large retailers, were criticised for benefitting from rates relief.<sup>85</sup> Most supermarkets said that they will repay the rates relief that they have received.<sup>86</sup>
66. **We heard that business rates relief had made a significant difference to many struggling businesses. However, we are disappointed that the Government did not take steps to ensure that it was targeted at those businesses that needed it most. Many supermarket and other retailers that were not closed during lockdown benefited from rates relief despite increased sales and revenue during the pandemic. We commend those businesses that have said they will pay back the money they accumulated from this support.**

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82 [Q 126](#) (Steven Hesketh)

83 Government guidance has excluded certain types of businesses, such as English Language Schools, from accessing business rates relief on the grounds that they are not premises which are wholly or mainly used as shops, restaurants, cafes, drinking establishments, cinemas and live music venues, for assembly and leisure or as hotels, guest & boarding premises and self-catering accommodation. In May 2020, the Government announced a £617 million discretionary fund which allows councils to give consideration to supporting additional organisations who do not qualify for business rates reliefs. Councils have the authority to distribute the fund in line with local priorities and depending on the economic contribution of the businesses. See, Department for Business, Energy & Industrial Strategy, Department for Business, Energy & Industrial Strategy, ‘Top-up to local business grant funds scheme’ (2 May 2020): <https://www.gov.uk/government/news/top-up-to-local-business-grant-funds-scheme> [accessed 4 December 2020]

84 [Q 126](#) (Anna Goodband)

85 See Jonathan Eley, ‘Supermarkets face calls to waive right to business rates relief’, *Financial Times* (15 November 2020) available at: <https://www.ft.com/content/ed241ae7-f60a-4a71-813d-604e01f4798d> [accessed 4 December 2020]; and Joanna Partridge, ‘Lockdown sales boost at B&M prompts £250m special dividend’, *The Guardian* (12 November 2020): <https://www.theguardian.com/business/2020/nov/12/lockdown-sales-boost-at-bm-prompts-250m-special-dividend> [accessed 4 December 2020]

86 Zoe Wood and Julia Kollwe, ‘£1.8bn-plus in Covid rates relief to be handed back as B&M joins list’, *The Guardian* (3 December 2020): <https://www.theguardian.com/business/2020/dec/03/sainsburys-hands-back-440m-in-covid-business-rates-relief> [accessed 4 December 2020]

*Loan schemes*

67. The Government introduced a series of loan schemes to support different sized businesses through the pandemic:
- **Bounce-back Loan Scheme:** the scheme helped small and medium-sized businesses to borrow between £2,000 and up to 25% of their turnover. The maximum loan available was £50,000. The Government guaranteed 100% of the loan, with no fees or interest to pay for the first 12 months. After 12 months the interest rate would be 2.5% a year. On 6 October 2020 the Chancellor announced that bounce back loans would have a “pay as you grow” element added to them, giving borrowers potentially 10 years rather than six years to repay the money. Those struggling to repay their bounce-back loans could choose to make interest-only payments and some will be permitted to suspend all payments for up to six months.
  - **Coronavirus Business Interruption Loan Scheme:** the scheme helped small and medium-sized businesses to access loans and other kinds of finance up to £5 million. The Government guaranteed 80% of the loan.
  - **Coronavirus Large Business Interruption Loan Scheme:** the scheme was aimed at medium-sized and large businesses and provided loans up to £200 million. On 6 October 2020 the Chancellor announced that the Government guarantee on these loans would be extended for up to 10 years.
  - **Future Fund:** this scheme was aimed primarily at start-ups. The Government stated, “these convertible loans may be an option for businesses that rely on equity investment and are unable to access other government business support programmes because they are either pre-revenue or pre-profit.”<sup>87</sup> It provided Government loans to UK-based companies ranging from £125,000 to £5 million, subject to at least equal funding from private investors.
  - **Corporate Financing Facility:** under the COVID-19 Corporate Financing Facility, the Bank of England would buy short-term debt from large companies.

*Risk of default*

68. We heard that many businesses will be unable to repay debt accumulated during the COVID-19 pandemic. Rain Newton-Smith, Chief Economist at the CBI, said that the CBI had estimated that “as many as 70% of people who took out a Bounce Back Loan may never have had a formal loan scheme before. There is potential for perhaps half of those businesses being at risk of default.”<sup>88</sup> Martin McTague from the Federation of Small Businesses told us that there was a high risk of defaults among SMEs, particularly as many had postponed paying rent. He said there was a “perfect storm ... that could cause major defaults on a lot of existing debt, and potential defaults on Government debt”.<sup>89</sup>

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87 Department for Business, Energy and Industrial Strategy, ‘Apply for the coronavirus Future Fund’ (20 April 2020): <https://www.gov.uk/guidance/future-fund> [accessed 26 November 2020]

88 [Q 6](#) (Rain Newton-Smith)

89 [Q 6](#) (Martin McTague)

69. On 7 October 2020, the National Audit Office published a report following an investigation of the Bounce Back Loan Scheme. It found that the Government and the British Business Bank’s “preliminary central estimate” was that “35% to 60% of borrowers may default on the loans but the estimate is highly uncertain.” Credit and fraud risks accounted for the defaults. Estimates on the rate of defaults were based on historic losses observed in previous lending programmes which most closely resembled the Bounce Back Loan Scheme. The National Audit Office said, “Assuming the Scheme lends £43 billion, this would imply a potential cost to government of £15 billion to £26 billion.”<sup>90</sup>
70. We asked Jesse Norman MP how banks should recover bad debt on loans that are 100% guaranteed by the Government, and whether banks should use their usual collection policies or approach the Government for the guarantee. On 17 November 2020, the minister said:

“I understand the concern in principle that you are describing, but it is quite hard to comment in advance of the facts. ... We know that there will not be concern about the initial period because the Government are covering the repayments for the first year. We also know that we are in an ultra-low interest rate environment.

The goal has been to try to work through existing mechanisms for credit assessment, even though there is a guarantee as the backstop. It may be that in due course the Government will have to have a long conversation with the banks about the guarantee, or it may be that, as we emerge from the present COVID period, companies are able to rebuild and repay more quickly.”<sup>91</sup>

71. On 20 November 2020, in a response to the Treasury Committee, the Government said, “we remain of the view that accredited lenders, not the government, are best placed to support borrowers repay Government-guaranteed loans.”<sup>92</sup>

### *Proposals for recapitalisation*

72. In a report on the need for recapitalisation, TheCityUK said that business debt will slow down any return to growth.<sup>93</sup> It said that up to 3 million jobs in the UK and 780,000 SMEs were at risk if action was not taken to tackle unsustainable debt. The report set out options for converting, restructuring and repaying debt. These included:
- converting Bounce Back Loans and small Coronavirus Business Interruption Loans into a tax obligation. This would be a means-tested, ‘student loan-style’, to ensure businesses pay only what they can afford;

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90 NAO, *Investigation into the Bounce Back Loan Scheme* (7 October 2020): <https://www.nao.org.uk/wp-content/uploads/2020/10/Investigation-into-the-Bounce-Back-Loan-Scheme.pdf> [accessed 1 December 2020]

91 [Q 178](#) (Jesse Norman MP)

92 Treasury Committee, *Economic impact of coronavirus: the challenges of recovery: Government Response to the Committee’s Eighth Report of Session 2019–21* (Fifth Special Report, Session 2019–21, HC 999)

93 TheCityUK, *Supporting UK economic recovery: recapitalising businesses post Covid-19* (16 July 2020): <https://www.thecityuk.com/assets/2020/Reports/2d5179dbfb/Supporting-UK-economic-recovery-recapitalising-businesses-post-Covid-19-v2.pdf> [accessed 4 December 2020]

- converting Government-guaranteed loans into subordinated debt (an unsecured loan that ranks below others) or preferred share capital (that provides fixed dividends ahead of ordinary shareholders); and
  - a mix of instruments, including preference shares, to provide growth capital to rebuild cash reserves, invest in working capital and relaunch after the crisis.
73. Marcus Scott, Chief Operating Officer at TheCityUK, told us, “We need to find longer-term, equity-based methods of financing for these viable businesses, turning some of that debt into equity or shares, finding innovative repayment schemes that allow companies to invest and grow and, ultimately, encouraging private sector investments in those companies.”<sup>94</sup>
74. TheCityUK proposed creating a UK Recovery Corporation to administer the conversion of private debt into more manageable schemes and to manage repayments. TheCityUK said that a UK Recovery Corporation could provide supply growth funding in future.<sup>95</sup>
75. We also took evidence from the Business Growth Fund, which proposed a £15 billion fund to inject equity into businesses who will struggle to repay guaranteed loans. The fund would aim to help viable businesses that had used the Government’s Coronavirus Business Interruption Loan Scheme.<sup>96</sup> Rebecca Lowe, Research Director at the Business Growth Fund, told us that the proposal would be led by private sector investment that could be matched by state-backed finance in a similar format to the Future Fund, which the Government launched to support start-ups.<sup>97</sup>
76. Jesse Norman MP told us that the “Treasury does not think that debt will be the answer for all businesses.” He also said that there was “a lot of exposure in the area of bounce-back loans, and that is something the Treasury is looking at.”<sup>98</sup>
77. **We welcome the Government’s action to address rising debt among businesses, particularly SMEs, by extending repayment relief to those with Government-guaranteed loans. However, it is likely that a significant proportion of the debt will never be repaid, and indebtedness will weigh on balance sheets for years. The scale of the debt challenge is substantial and will require bold solutions.**
78. **The Government should create a new state entity to manage debt and repayments, along the lines of the UK Recovery Corporation proposed by TheCityUK.**
79. **We are concerned that Government-backed loans will be recovered in the same way as standard commercial loans. The COVID-19 loans schemes should be converted into more manageable obligations such as liabilities collected through the tax system or future revenue-linked structures. Repayments could be limited to a percentage of**

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94 [Q 42](#) (Marcus Scott)

95 *Ibid.*

96 Daniel Thomas, ‘Investor plans £15bn support for UK companies toiling with crisis loans’, *Financial Times* (1 June 2020) available at: <https://www.ft.com/content/e38f23da-4147-4bd3-b613-c7e6f1096cc6> [accessed 4 December 2020]

97 [Q 39](#) (Rebecca Lowe)

98 [Q 177](#) (Jesse Norman MP)

**total turnover or profit with the difference covered by the Government guarantee.**

80. **The Government’s focus on debt has meant that the role of equity has been overlooked. The Government should consider innovative proposals for increasing equity injections into businesses of a sufficient size. We heard that this could be achieved through the private sector with state coordination, or through a new state corporation.**

### Universal Credit

81. On 20 March 2020, the Government made several temporary changes to the benefits system in response to the COVID-19 pandemic:
- Local Housing Allowance rates (see Box 4) were uprated to the 30th percentile of local market rents after a four-year freeze which began in 2016;
  - for self-employed claimants, the Minimum Income Floor was suspended until 13 November 2020. On 3 November 2020 the Government extended the suspension until the end of April 2021;<sup>99</sup> and
  - the standard allowance in Universal Credit and the working tax credits basic allowance were increased by £1,040 per year (£20 a week) for one year until April 2021, on top of a planned annual uprating of benefits.<sup>100</sup>

### Box 4: Glossary of certain Universal Credit terms

**Local Housing Allowance:** Local Housing Allowance is the rate of local rent used to calculate housing benefit for tenants renting from private landlords.

**Minimum Income Floor:** self-employed Universal Credit claimants are treated as if they are earning a certain amount. This amount is called the ‘minimum income floor’. If a claimant earns below this amount in any month, they are treated as earning the minimum income floor.

**Standard Allowance:** Universal Credit is made up of a Standard Allowance, paid monthly, with some able to claim additional amounts. The Standard Allowance rate varies depending on whether the claimant is single or in a couple and on whether the claimant is under or over 25.

Source: Rita Griffiths, Marsha Wood, Fran Bennett and Jane Millar, *Uncharted Territory: Universal Credit, Couples and Money* (June 2020): <https://www.bath.ac.uk/publications/uncharted-territory-universal-credit-couples-and-money/attachments/Uncharted-Territory-Universal-Credit.pdf> [accessed 7 December 2020]

82. Since the COVID-19 pandemic began the number of people claiming Universal Credit has increased substantially. In October 2020, there were 5.7 million claimants, up 90% from March 2020.<sup>101</sup> Some of these claimants

99 Department for Work and Pensions, ‘Government extends extra welfare support for self-employed for further six months’ (3 November 2020): [https://www.gov.uk/government/news/government-extends-extra-welfare-support-for-self-employed-for-further-six-months#:~:text=The%20Minimum%20Income%20Floor%20\(MIF,today%20\(3%20November%202020\)](https://www.gov.uk/government/news/government-extends-extra-welfare-support-for-self-employed-for-further-six-months#:~:text=The%20Minimum%20Income%20Floor%20(MIF,today%20(3%20November%202020)) [accessed 4 December 2020]

100 HM Treasury, ‘The Chancellor Rishi Sunak provides an updated statement on coronavirus’ (20 March 2020): <https://www.gov.uk/government/speeches/the-chancellor-rishi-sunak-provides-an-updated-statement-on-coronavirus> [accessed 4 December 2020]

101 Department for Work and Pensions, ‘Universal Credit statistics: 29 April 2013 to 8 October 2020’ (1 December 2020): <https://www.gov.uk/government/publications/universal-credit-statistics-29-april-2013-to-8-october-2020/universal-credit-statistics-29-april-2013-to-8-october-2020> [accessed 9 December 2020]

will have moved to Universal Credit from ‘legacy benefits’,<sup>102</sup> but others will be new claimants entirely.

83. In our July 2020 report *Universal Credit isn’t working: proposals for reform* we concluded that even with the emergency uplifts the level of support provided to many people on Universal Credit is not sufficient. We made recommendations on how Universal Credit payments should be increased and how the benefit should be redesigned to provide better security of income to claimants. We noted evidence that Universal Credit was one of the least generous social security benefits amongst developed countries.<sup>103</sup>
84. Dr Katy Jones, Research Associate at Manchester Metropolitan University, said, “The pandemic has brought more people into contact with our welfare system, and I think that many have been surprised by just how low the benefit levels have been allowed to fall.”<sup>104</sup>
85. We heard that higher spending on social security can serve as an effective economic stimulus which would help people through the crisis and support the recovery. Thomas Pope, Senior Economist at the Institute for Government, said, “people on low incomes tend to have a much higher marginal propensity to consume out of their income, so, if you give them more income, they are more likely to spend it. It is certainly not an ineffective form of stimulus.”<sup>105</sup> Helen Barnard, Director of the Joseph Rowntree Foundation, said, “the stimulus effect of social security spending is better than the stimulus effect on demand of things like tax cuts.”<sup>106</sup>
86. **The extended Job Retention Scheme will keep many people employed who might otherwise have lost their job. However, it will not protect every job and the social security system will need to provide an adequate safety net for those out of work. It will also need to provide strong employment support to help people back into work. The Government should use the time provided by extending the Job Retention Scheme to bolster Universal Credit and the social security system, so that it is able to meet the demands of the labour market crisis. Our July 2020 report on Universal Credit set out what should be done.**

#### *Universal Credit standard allowance*

87. In our July 2020 report we recommended that the Government commits to making the increase in the standard allowance permanent.<sup>107</sup> In response, the Government said:

“The Government introduced a package of temporary welfare measures worth around £9.3 billion this year to help with the financial

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102 A legacy benefit is a benefit which is being replaced by Universal Credit. There are six legacy benefits: Income-based Jobseekers Allowance, Income-related Employment and Support Allowance, Income Support, Housing Benefit, Child Tax Credit and Working Tax Credit. See Turn2Us, ‘Legacy Benefit’: <https://www.turn2us.org.uk/Jargon-buster/Legacy-Benefit#:~:text=A%20legacy%20benefit%20is%20a,Income%20Support> [accessed 4 December 2020]

103 Economic Affairs Committee, *Universal Credit isn’t working: proposals for reform* (2nd Report, Session 2019–21, HL Paper 105)

104 [Q 131](#) (Dr Katy Jones)

105 [Q 141](#) (Thomas Pope)

106 [Q 86](#) (Helen Barnard)

107 Economic Affairs Committee, *Universal Credit isn’t working: proposals for reform* (2nd Report, Session 2019–21, HL 105)

consequences of the COVID-19 pandemic. As the committee would expect, the Department continues to have active discussions on future welfare support with HM Treasury.”<sup>108</sup>

88. Helen Barnard told us that the increase to the standard allowance had been a “vital lifeline and it has kept people’s heads above water.”<sup>109</sup> Dr Katy Jones also described the increase as “a lifeline” and said that should be made permanent.<sup>110</sup> Laura Dewar, a Policy Officer at Gingerbread, said, “We saw the positive difference that the £20 uplift in Universal Credit made to single parents, especially as during the pandemic food prices have gone up, people have been at home more and they have had higher electricity bills.”<sup>111</sup>

**Box 5: Example from Tracy Fishwick OBE, Managing Director of the Transform Lives Company**

“We are talking about poverty. Before the crisis, whether they were in work or not, many people were not even just-about managing. They are literally on a knife edge, and one additional cost throws them into complete disarray.

There are no savings and nothing to fall back on. If you do not have family to rely on, in quite a lot of cases you are in real trouble. I was asking people about this before I came on this call, and one woman told me, “If my family wasn’t there and my auntie wasn’t giving me £200 a month, I’d be out on the street, homeless”. That is how close these scenarios are for the people we see every day in our work in Liverpool. It is very real.

The whole issue of food banks and how we go about solving these things is patronising and a sticking plaster-type scenario. It is helpful but it is not a long-term solution. I heard the other day that there are more food banks now in England than there are McDonald’s. There are quite a lot of McDonald’s, so it is nothing to be celebrating. Galvanising people and charity around a particular issue, as Marcus Rashford has done, has touched a nerve. It is a good thing to highlight the issue, but it is not solving the long-term problem.”

Source: [Q 133](#) (Tracy Fishwick OBE)

89. On 9 October 2020, the Institute for Fiscal Studies set out the financial impact of removing the increase in the standard allowance:

“If the number of [Universal Credit] claimants is the same in March 2021 as it was in May 2020, this would see 4 million families lose an average of 13% of their benefits overnight. Some families would be hit even harder: for example, a single, childless homeowner who is out of paid work would see their [Universal Credit] entitlement cut by 21%.”<sup>112</sup>

90. It said making the increase in the standard allowance permanent would cost the Government £6.6 billion per year and would add approximately 10%

108 HM Government, Response to the Committee’s 2nd Report of Session 2019–21 (31 July 2020): <https://committees.parliament.uk/publications/3020/documents/28598/default/> [accessed 4 December 2020]

109 [Q 86](#) (Helen Barnard)

110 [Q 131](#) (Dr Katy Jones)

111 [Q 131](#) (Laura Dewar)

112 Institute for Fiscal Studies, *The temporary benefit increases beyond 2020–21* (9 October 2020): <https://ifs.org.uk/uploads/GB2020-The-temporary-benefit-increases-beyond-2020%E2%80%9321.pdf> [accessed 4 December 2020]

to the annual cost of Universal Credit. It said that this would represent “a fraction of the cuts to benefits implemented since 2010.”<sup>113</sup>

91. Professor Gregg stressed the importance of not reducing social security spending during an economic downturn:

“In the last recession, the tax credit system was made substantively more generous ... to mitigate some of the deprivation caused by job loss. It was also used as a fiscal stimulus ... The £20 is doing that a bit now, and ending it in April [2021]—just when, hopefully, we are beginning to come back into recovery—is really bad timing from an economic perspective.”<sup>114</sup>

92. On 26 November 2020, the Resolution Foundation said:

“Taking £1,000 off the annual income of over 6 million low-income households next April would cause a living standards crisis, directly leading to a 7% fall in incomes for the working-age households in the bottom income quintile April next year, and implementing a fiscal contraction at that time risks derailing any hope of an economic recovery. It makes no sense, politically or economically.”<sup>115</sup>

93. Jesse Norman MP said, “there is a tremendous body of appetite for us to continue the increase in the standard allowance” and “we are not going to rule anything out.”<sup>116</sup> The Chancellor made no announcement during the November Spending Review on whether the £20 per week increase to Universal Credit and Working Tax Credit would be retained permanently.

94. **In our July 2020 Universal Credit report, we set out evidence on the effects of cuts to social security made over the last decade on the poorest. We concluded that Universal Credit had been inadequate for many to live on and that the emergency increase in the standard allowance should be made permanent. This would make a significant difference to many but would be only a small increase in expenditure on the social security system compared with previous cuts to it. The Government should now commit to making the increase in the standard allowance permanent.**

#### *Legacy benefits*

95. Legacy benefits, except for Working Tax Credit, did not receive an emergency uplift at the start of the pandemic.<sup>117</sup> When asked why, Lindsey Whyte, Director of Personal Tax, Welfare and Pensions at HM Treasury, said:

“The £20 a week increase for [Universal Credit and Working Tax Credit] was implemented in very quick time, in March [2020], as part of the immediate response. We were constrained by what it was possible for [the Department for Work and Pensions] to deliver, because we were operating on an emergency basis, which is why we came to the policy option that we did.

113 *Ibid.*

114 [Q 131](#) (Prof Paul Gregg)

115 Resolution Foundation, *Here today, gone tomorrow: Putting Spending Review 2020 into context* (November 2020): <https://www.resolutionfoundation.org/app/uploads/2020/11/Here-today-gone-tomorrow.pdf> [accessed 4 December 2020]

116 [Q 185](#) (Jesse Norman MP)

117 [Q 131](#) (Laura Dewar)

... it is about the practicalities of what it is possible to deliver. That is because we are dealing with legacy systems that are very difficult to amend at short notice.”<sup>118</sup>

96. On 27 May 2020, Liz Sayce, Interim Chair of the Social Security Advisory Committee, wrote to the Secretary of State for Work and Pensions about the department’s response to the COVID-19 pandemic. She wrote:

“While we understand the reasons for not including [Employment and Support Allowance or Jobseeker’s Allowance] in the original announcement, we are of the strong view that it is increasingly untenable for this group of claimants to be excluded and to continue to have a lower level of income than those in receipt of Universal Credit and Working Tax Credit.

We recommend that the Government finds a way to ensure that this group of claimants, that includes some of the least well off, are brought up to the same level as those in receipt of Universal Credit as soon as it is possible to do so. On grounds of equity, consideration should be given to backdating that uplift to 6 April 2020.”<sup>119</sup>

97. On 7 October 2020, the Resolution Foundation said, “it seems arbitrary and unfair to have increased [Universal Credit] and not income-based [Employment and Support Allowance or Jobseeker’s Allowance].” It estimated that uprating these benefits in line with Universal Credit would cost between £1.5 and £2 billion per year, “a cost that would fall significantly over the next few years as UC completes its roll out.”<sup>120</sup>
98. **The Government should ensure that those on legacy benefits receive an uplift comparable to that of Universal Credit.**

#### *Local Housing Allowance*

99. From 2008–09 to 2010–11, Local Housing Allowance rates were set at the median of local private rents. In 2011–12, they were reduced to the 30th percentile and national caps were introduced which reduced Local Housing Allowance rates in some parts of central London. Since 2013–14, the Government has ceased to uprate Local Housing Allowance rates according to changes in local rents; instead it has, at different times, frozen rates, uprated them by 1% per year or uprated them in line with CPI. This has reduced the generosity of housing support as rents have tended to grow faster than Local Housing Allowance rates, with the greatest real-terms reductions in areas with the fastest growth in rent.
100. In March 2020, the Government announced an increase in Local Housing Allowance rates back to the 30th percentile of local private-sector rents. It also raised the national caps and set them at 20% above the highest Local Housing Allowance rate in outer London. On 9 October 2020, the Institute for Fiscal Studies said that making the increase in housing support permanent

118 [Q 185](#) (Lindsey Whyte)

119 Letter from the Interim Chair of the Social Security Advisory Committee to the Secretary of State for Work and Pensions (27 May 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/888504/ssac-letter-to-secretary-of-state-covid.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888504/ssac-letter-to-secretary-of-state-covid.pdf) [accessed 4 December 2020]

120 Resolution Foundation, *Safe Harbour? Six key welfare policy decisions to navigate this winter* (September 2020): <https://www.resolutionfoundation.org/app/uploads/2020/10/Safe-Harbour-spotlight.pdf> [accessed 4 December 2020]

would cost “about £1 billion per year, with renters in London gaining the most.”<sup>121</sup>

101. Local Housing Allowance will be frozen in cash terms in 2021.<sup>122</sup> The Resolution Foundation said that this “suggests we are going back to the position we were in between 2012 and 2020, repeating the error of separating out housing support from rent levels.”<sup>123</sup>
102. **The Government should retain the emergency increase in Local Housing Allowance and set out how the benefit will mirror changes in rents.**

### *Benefit cap*

103. The benefit cap is a limit on the total amount of income from certain benefits a household can receive. It is set at a different level depending on whether claimants live inside or outside London. Some claimants in paid work may be exempt from the benefit cap if their earnings are high enough. It is designed to encourage people to find work and does not apply to those with disabilities or carers. People can overcome the cap on income by entering employment or increasing the hours in their current job. In our July 2020 report on Universal Credit we recommended:

“We recognise that the benefit cap was intended to increase the financial incentive to move into paid work. This is more likely to be effective if there is a buoyant labour market than if there is high unemployment and few job vacancies. In light of the unfolding economic crisis we recommend that the Government reviews the level of the benefit cap and its effect on hardship and poverty.”<sup>124</sup>

104. In response, the Government said, “There is a statutory duty to review the levels of the cap at least once in each Parliament (unless that Parliament is truncated) and this will happen at an appropriate time.”<sup>125</sup>
105. We were told that the benefit cap had prevented people from receiving the emergency uplift in Universal Credit.<sup>126</sup> In a report the Resolution Foundation said that data from May 2020 showed that 7% of Universal Credit claimants with children were subject to the benefit cap, compared with less than 1% of claims without children.<sup>127</sup>

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121 Institute for Fiscal Studies, *The temporary benefit increases beyond 2020–21* (9 October 2020): <https://ifs.org.uk/uploads/GB2020-The-temporary-benefit-increases-beyond-2020%E2%80%9321.pdf> [accessed 4 December 2020]

122 See HM Treasury, ‘Spending Review 2020’ (25 November 2020): <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020> [accessed 4 December 2020] and OBR, *Economic and fiscal outlook* (November 2020): [http://cdn.obr.uk/CCS1020397650-001\\_OBR-November2020-EFO-v2-Web-accessible.pdf](http://cdn.obr.uk/CCS1020397650-001_OBR-November2020-EFO-v2-Web-accessible.pdf) [accessed 4 December 2020]

123 Resolution Foundation, *Here today, gone tomorrow: Putting the Spending Review 2020 into context* (November 2020): <https://www.resolutionfoundation.org/app/uploads/2020/11/Here-today-gone-tomorrow.pdf> [accessed 4 December 2020]

124 Economic Affairs Committee, *Universal Credit isn’t working: proposals for reform* (2nd Report, Session 2019–21, HL Paper 105)

125 HM Government, Response to the Committee’s 2nd Report of Session 2019–21 (31 July 2020): <https://committees.parliament.uk/publications/3020/documents/28598/default/> [accessed 4 December 2020]

126 [Q 131](#) (Laura Dewar)

127 Resolution Foundation, *Safe Harbour? Six key welfare policy decisions to navigate this winter* (September 2020): <https://www.resolutionfoundation.org/app/uploads/2020/10/Safe-Harbour-spotlight.pdf> [accessed 4 December 2020]

106. On 27 May 2020, the Interim Chair of the Social Security Advisory Committee wrote to the Secretary of State for Work and Pensions:

“We are concerned ... that the full value of that additional support is not benefiting all cases because of the application of the benefit cap, particularly in areas with high rental costs. Claimants would normally have the option to move into paid work or to move home to avoid the impact of the benefit cap, but neither of these are realistic choices for many people at the current time.”<sup>128</sup>

107. On 8 July 2020, the Secretary of State for Work and Pensions responded, “There are no plans to change the Benefit Cap”. She set out exemptions from the cap, including a nine-month ‘grace period’ from the cap for claimants who have a sustained work record—“i.e. monthly earnings of at least £569 (£604 from April) for the past year.”<sup>129</sup> On 18 November 2020, the Social Security Advisory Committee recommended that the grace period be “made more generous as continuously earning above the threshold will have been more difficult for many in recent months.”<sup>130</sup>
108. The Resolution Foundation said that November 2020 marked the end of the grace period for people who needed to claim Universal Credit from March 2020 as a result of the COVID-19 pandemic. It recommended that the Government “extend the grace period for the Benefit Cap. It should also consider the level of the cap and the reasonableness of the policy—especially for younger claimants—during the ongoing crisis.”<sup>131</sup>
109. **The benefit cap was designed to encourage people into work. This mechanism will function less effectively when there are substantially more claimants chasing fewer suitable vacancies; therefore, it was a mistake to have allowed the grace period to end for many new claimants. It is not good enough for the Government to review the cap at the “appropriate time”. It should be done now.**

### *Support for children and families*

110. We heard that child poverty was rising before the COVID-19 pandemic. Professor Portes said that in the UK, “we have allowed our infrastructure designed to support children in the early years to wither away over the last 10 years. That, of course, has been exposed during the crisis.”<sup>132</sup> Dr Katy Jones told us that before the pandemic 4.2 million children were in poverty, 30%

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128 Letter from the Interim Chair of the Social Security Advisory Committee to the Secretary of State for Work and Pensions (27 May 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/888504/ssac-letter-to-secretary-of-state-covid.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/888504/ssac-letter-to-secretary-of-state-covid.pdf) [accessed 4 December 2020]

129 Letter from the Secretary of State for Work and Pensions to the Interim Chair of the Social Security Advisory Committee (8 July 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/903852/response-to-ssac-from-the-secretary-of-state-covid-19.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/903852/response-to-ssac-from-the-secretary-of-state-covid-19.pdf) [accessed 4 December 2020]

130 Social Security Advisory Committee, ‘Independent report: A review of the COVID-19 temporary measures: occasional paper 24’ (18 November 2020): <https://www.gov.uk/government/publications/a-review-of-the-covid-19-temporary-measures/a-review-of-the-covid-19-temporary-measures-occasional-paper-24> [accessed 4 December 2020]

131 Resolution Foundation, *Safe Harbour? Six key welfare policy decisions to navigate this winter* (September 2020): <https://www.resolutionfoundation.org/app/uploads/2020/10/Safe-Harbour-spotlight.pdf> [accessed 4 December 2020]

132 [Q 165](#) (Prof Jonathan Portes)

of all children in the UK.<sup>133</sup> According to a June 2020 report published by the Institute for Public Policy Research (IPPR):

“the number of children newly pushed into poverty since before the pandemic is likely to be 300,000 at the end of this year. This number is partially offset by the 100,000 children likely to have moved out of poverty, due to emergency reforms to the Universal Credit system introduced in March.”<sup>134</sup>

111. On 26 October 2020, another IPPR report recommended a “family stimulus” package led by increases to benefits targeted at families. It found that doubling child benefit would “inject £14 billion into the economy over the next 18 months and boost GDP by £19 billion” or around 0.6% of GDP in 2021/22, “when considering the ripple or multiplier effects of additional spending, whilst lifting 500,000 children out of poverty.” Alternatively, it said that increasing the child element of Universal Credit and Child Tax Credit by £20 per week per child and removing the two-child limit “would inject £11 billion into the economy, or increase GDP by £14 billion” or 0.5% of GDP, lifting 700,000 children out of poverty.<sup>135</sup>
112. Witnesses told us that an increase to the child element of Universal Credit and Child Tax Credit would be the better option. Laura Dewar said, “We would support an increase to Universal Credit and legacy benefits, because that is more targeted at poorer households than child benefit, which is open to people with an income of up to £50,000.”<sup>136</sup> Professor Gregg made a similar point.<sup>137</sup>
113. Jesse Norman MP told us that Treasury analysis had found that “the decisions taken in the context of COVID have actually mitigated relatively more of the impact of the pandemic on the poorest households.” He concluded, “Overall, the biggest way to solve the problem is to keep the country at work. Work is the best route out of poverty, and poverty is heavily geared to income support. All the work we are doing to support families and jobs, and support incomes, has a next-tier impact on poverty.”<sup>138</sup>
114. **We agree that increasing the child element of Universal Credit and Child Tax Credit would be a better way to target support than a uniform increase in Child Benefit. The Government should assess the merits of these proposals and increase the generosity of social security for struggling families. In addition, there is evidence that spending money on social security can have strong multiplier effects because low-income families have a greater propensity to spend additional income.**

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133 [Q 133](#) (Dr Katy Jones)

134 IPPR, ‘1.1 million more people face poverty at end of 2020 as a result of coronavirus pandemic, finds IPPR’ (4 June 2020): <https://www.ippr.org/news-and-media/press-releases/1-1-million-more-people-face-poverty-at-end-of-2020-as-a-result-of-coronavirus-pandemic-finds-ippr> [accessed 6 December 2020]

135 IPPR, *A Family Stimulus: Supporting children, families and the economy through the pandemic* (26 October 2020): <https://www.ippr.org/files/2020-10/a-family-stimulusoct20.pdf> [accessed 4 December 2020]

136 [Q 133](#) (Laura Dewar)

137 [Q 133](#) (Prof Paul Gregg)

138 [Q 188](#) (Jesse Norman MP)

### Statutory sick pay

115. Statutory Sick Pay is paid by employers at a rate of £95.85 per week. On 4 March 2020, the Government announced that the payment of Statutory Sick Pay would start from the first day that someone reports illness or is required to self-isolate. This was reduced from four days.<sup>139</sup> On 28 September 2020, the Government announced payments of £500 for low income workers on benefits who cannot work from home and lose income as a result of self-isolating.<sup>140</sup>
116. UK Statutory Sick Pay is the lowest in the OECD. In response to the pandemic, 16 of the 38 OECD countries increased mandatory sick-leave entitlements. Canada and New Zealand introduced a special COVID-19 sickness benefit that was more generous than the existing paid sick leave system. In Canada this consisted of a flat-rate payment of CAD500 (£290) per week for up to 16 weeks. In New Zealand, employers could apply for a flat-rate subsidy worth NZD585 (£310) per week for a full-time worker for up to four weeks, which employers pass on to their workers, corresponding to about 50% of an average wage.<sup>141</sup>
117. According to the TUC, UK Statutory Sick Pay is around one-fifth of average weekly earnings, “meaning that if the average worker is off work sick for a week, they lose around 80% of their usual earnings.” Employees who earn less than £120 per week do not qualify. Kate Bell, Head of Rights, International, Social and Economics at the TUC, told us “decent” sick pay was needed so that, “if people are told to self-isolate, they are not forced to come into work because they are worried about the cost of staying at home.”<sup>142</sup>
118. Professor Portes told us that the Government’s sick pay policy was an example of health and economic policy being too poorly integrated. He said:
- “by increasing sick pay, you could, for maybe £5,000 or £10,000, save one infection... There is no forum anywhere in government, as far as I can see, that brings together the economics of policy measures like this with the epidemiology of policy measures like this and provides integrated advice and assessment to Ministers that lets them make rounded decisions that take into account the health and the economic effects of specific measures.”<sup>143</sup>
119. On 19 March 2020, the Resolution Foundation said that extending Statutory Sick Pay to the 2 million employees who earn less than £120 per week would cost around £200 million. It said that increasing Statutory Sick Pay to £160 per week would ensure it covered half the earnings of employees that rely

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139 Department for Work and Pensions, ‘Sick pay from day one for those affected by coronavirus’ (4 March 2020): <https://www.gov.uk/government/news/sick-pay-from-day-one-for-those-affected-by-coronavirus> [accessed 4 December 2020]

140 Prime Minister’s Office, ‘New package to support and enforce self-isolation’ (20 September 2020): <https://www.gov.uk/government/news/new-package-to-support-and-enforce-self-isolation> [accessed 6 December 2020]

141 OECD, ‘Paid sick leave to protect income, health and jobs through the COVID-19 crisis’ (2 July 2020): [https://read.oecd-ilibrary.org/view/?ref=134\\_134797-9iq8w1fnju&title=Paid-sick-leave-to-protect-income-health-and-jobs-through-the-COVID-19-crisis](https://read.oecd-ilibrary.org/view/?ref=134_134797-9iq8w1fnju&title=Paid-sick-leave-to-protect-income-health-and-jobs-through-the-COVID-19-crisis) [accessed 4 December 2020]

142 Q 7 (Kate Bell)

143 Q 164 (Prof Jonathan Portes)

on it, up from the current third, and cost a further £800 million if the Government met the costs for small and medium-sized firms.<sup>144</sup>

120. **Statutory sick pay helps to slow the spread of the virus by enabling those who may be affected to stay home from work. We heard that the cost of providing adequate sick leave to quarantined workers is small in comparison to the cost of them not isolating and spreading the virus further. As a priority, the Government should raise the level of statutory sick pay and expand eligibility to the lowest paid.**

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<sup>144</sup> Resolution Foundation, *Doing what it takes: Protecting firms and families from the economic impact of coronavirus* (19 March 2020): <https://www.resolutionfoundation.org/app/uploads/2020/03/Doing-what-it-takes.pdf> [accessed 1 December 2020]

## CHAPTER 3: ECONOMIC RECOVERY

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### Training and skills

121. We heard that enhanced training and skills policies will be integral to the economic recovery and to reduce long-term unemployment. Stephen Evans, Chief Executive of the Learning and Work Institute, said:

“ For those who cannot find a job, or for those who have low basic skills ... let us get them into training, skills or volunteering. It is about ensuring that we get to every person, get an action plan and try to find them a job or a training place, or find them some other opportunity. We will face quite a substantial rise in unemployment, and it will have very negative consequences, so we need to do as much as we can to help everybody in that circumstance.”<sup>145</sup>

122. Andy Burnham, Mayor of Greater Manchester, told us, “We should now be getting funding into schemes that will scale up the training programmes, so that people can shift from the industry they have left to a growth industry, but I do not yet see a join-up between response and recovery.”<sup>146</sup> Lord Macpherson of Earl’s Court, a former Permanent Secretary to the Treasury, told us:

“In the last 100 years, every Government have noted that the skills system in this country is hopeless. They claim that they will do a radical reform of it. They rearrange the deckchairs, and skills remain precisely the same problem as they have always been. If the Government were to do anything in this period, creating a skills system that really makes a difference would be truly revolutionary. Sadly, I am not holding my breath.”<sup>147</sup>

123. The Government has introduced a series of schemes under its Plan for Jobs. Box 6 summarises the main policies.

#### Box 6: Training, skills, and employment support schemes

**Kickstart Scheme:** a £2 billion fund to create six-month work placements aimed at those aged 16–24 who are on Universal Credit and deemed at risk of long-term unemployment.<sup>148</sup>

**New funding for National Careers Service:** an additional £32 million funding over the next two years has been provided for the National Careers Service.

**New funding for traineeships:** an additional £111 million will be provided in 2020–21 for traineeships in England for 16–24-year olds.<sup>149</sup>

**Incentives to hire new apprentices:** a new payment of £2,000 to employers in England for each new apprentice they hire aged under 25, and a £1,500 payment for each new apprentice they hire aged 25 and over, from 1 August 2020 to 31 January 2021. These payments will be in addition to the existing £1,000 payment the Government provides for new 16–18-year-old apprentices and those aged under 25 with an Education, Health and Care Plan.

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145 [Q 61](#) (Stephen Evans)

146 [Q 115](#) (Andy Burnham)

147 [Q 147](#) (Lord Macpherson of Earl’s Court)

**Courses for school and college leavers:** £101 million of funding for the 2020–21 academic year will be provided to give all 18–19-year olds in England the opportunity to study targeted high-value Level 2 and 3 courses where there are no employment opportunities available to them.

**Enhanced work search support:** the Government has committed to providing £895 million to enhance work search support by doubling the number of work coaches in Jobcentre Plus in Great Britain before the end of financial year 2020–21.

**Job finding support service:** £40 million will be provided to fund private sector capacity to introduce a job finding support service in Great Britain in autumn 2020. This online, one-to-one service will be targeted at those who have been unemployed for less than three months.

**Flexible Support Fund:** the Government will increase funding for the Flexible Support Fund by £150 million in Great Britain, including to increase the capacity of the Rapid Response Service. It will provide local support to claimants by removing barriers to work, such as travel expenses for attending interviews.

**New funding for sector-based work academies:** an additional £17 million will be provided in 2020–21 to triple the number of sector-based work academy placements in England in order to provide vocational training and guaranteed interviews for more people, helping them gain the skills needed for jobs available in their local area.

**Lifetime Skills Guarantee:** adults without an A Level or equivalent qualification will be offered a free, fully funded college course. This offer will be available from April 2021 in England and will be paid for through the National Skills Fund.

**Merging the National Retraining Scheme and the National Skills Fund:** on 13 October 2020 the Government announced that the National Retraining Scheme would be merged with the National Skills Fund. The Government said it is considering what role the fund could play in meeting more immediate needs in response to the COVID-19 pandemic.

Source: HM Treasury, *Plan for Jobs*, CP 261, July 2020: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/898421/A\\_Plan\\_for\\_Jobs\\_Web\\_.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/898421/A_Plan_for_Jobs_Web_.pdf) [accessed 7 December 2020]; Prime Minister's Office, 'Major expansion of post-18 education and training to level and prepare workers for post-COVID economy' (29 September 2020) <https://www.gov.uk/government/news/major-expansion-of-post-18-education-and-training-to-level-up-and-prepare-workers-for-post-covid-economy> [accessed 7 December 2020] and *HC Deb*, 13 October 2020, [UIN HCWS506](#).

124. In the Spending Review, the Chancellor announced that he would invest £375 million from the National Skills Fund in 2021–22. This includes funding for technical courses for adults, traineeships and sector-based work academy placements.<sup>150</sup> However, Tony Wilson, Director of the Institute for Employment Studies, said that “with workplace training falling and the

148 The funding available for each ‘Kickstarter’ will cover 100% of the relevant National Minimum Wage for 25 hours a week plus associated employer National Insurance contributions and employer minimum automatic enrolment contributions.

149 The Government will fund employers who provide trainees with work experience at a rate of £1,000 per trainee. The Government has said that it will improve provision and expand eligibility for traineeships to those with Level 3 qualifications and below.

150 HM Treasury, ‘Spending Review 2020’ (25 November 2020): <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020> [accessed 4 December 2020]

need for retraining increasing, [the Spending Review] again felt like a missed opportunity.”<sup>151</sup>

125. The Local Government Association told us that the training and skills system is fragmented, with “17 funding streams managed by eight departments or agencies, spending more than £10 billion a year.” It said this had led to a “lack of join up at a local level and a system that doesn’t work for everyone, where many people fall through the gaps.” It said that the various training and skills programmes would be more effective if they were planned locally and responded to local labour market shortages.<sup>152</sup>
126. Andy Burnham told us that devolving responsibility for training and skills could support the Government’s levelling up agenda. He said, “levelling up has to be about people and equipping people with the skills to make headway in the new economy.”<sup>153</sup>
127. Sandra McNally, Professor of Economics at the University of Surrey, told us that cuts to the adult skills budget had reduced the effectiveness of adult training programmes. She said that this had resulted in the number of mature adult and part-time students, at all levels, falling over time. She argued that investment in skills and training “is not just about spending money with no return into a big black hole. The economy will recoup it in the future, but ... it should not be a short-term response at the absolute minimum cost.”<sup>154</sup>
128. Jesse Norman MP, Financial Secretary to the Treasury, said, “there is a recognition in Government that we are some way short of international best practice in a context where it takes a very long time to build up the kind of capability to build strong skills across a nation.” He said the training and skills system was “continuing to get better.”<sup>155</sup>
129. The Government has introduced a number of new skills and training policies under its ‘Plan for Jobs’. We heard that for these to be successful, the Government will need to ensure that they are joined-up and aligned with enhanced employment support and new measures to create jobs. This will be particularly important in areas where skills or employment levels are comparatively low and should form a key part of the Government’s ‘levelling up’ agenda. We set out a framework for how to do so below.

### Department for Work and Pensions: employment support

130. In our July 2020 report on Universal Credit, we said that the Government’s “preoccupation with sanctions-backed compliance needs to be reconsidered, with more emphasis on and resources for personalised employment support for those who can work.”<sup>156</sup> We recommended that the Government “ramp up and improve the provision of training that is available to claimants.”

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151 Tony Wilson, ‘Spending Review 2020: Good marks on support to find work, more to do on raising demand’ (25 November 2020): <https://www.employment-studies.co.uk/news/spending-review-2020-good-marks-support-find-work-more-do-raising-demand> [accessed 4 December 2020]

152 Written evidence from the Local Government Association (EMP0011)

153 Q 116 (Andy Burnham)

154 Q 58 (Prof Sandra McNally)

155 Q 179 (Jesse Norman MP)

156 Economic Affairs Committee, *Universal Credit isn’t working: proposals for reform* (2nd Report, Session 2019–21, HL Paper 105) para 212

131. On 25 November 2020, the Government announced a £2.9 billion ‘Restart Programme’ to fund a three-year, UK-wide scheme that will provide tailored job support for people who have been unemployed for 12 months or more.<sup>157</sup>

132. We heard that employment support should place a greater emphasis on ‘skills profiling’ when attempting to match job seekers with vacancies. Skills profiling schemes are designed to find individuals suitable vacancies based on their skillset, rather than their current occupation or qualifications. Laura Dewar, Policy Officer at Gingerbread, said that active labour market policies should “assess what skills someone has and look at the jobs that are available”, instead of stringent job search requirements taking priority.<sup>158</sup> Katharine Mullock, a labour market economist at the OECD, said:

“That is something that both France and Belgium had implemented even prior to Covid-19, where they had their public employment service help individuals to translate their CVs from occupations and qualifications and convert them into a list of their skills.”

Katherine Mullock said that a similar approach had been used in Sweden to match airline staff who had been made redundant with growing vacancies in hospitals during the pandemic. She also told us the Australian government used a skills profiling website which “helps workers to identify transferable skills they have based on their previous work experience, [which] then matches those skills with occupations that are in high demand.”<sup>159</sup>

133. Some witnesses said that the Government should adopt a more interventionist approach to transitioning workers from declining to growing sectors. Katherine Mullock said there are good examples of employment support services intervening to transition workers from sectors or businesses which are “clearly declining.” She said in Austria the government and automotive industry had partnered to support workers into new jobs when factories closed down: “they set up transition centres within factories that provided affected workers with career guidance, retraining support and recognition of prior learning, so that they could get recognition for the skills that they had acquired.” As a result of that intervention “something like 84% of workers had either found new employment or were at the age of retirement” when the factory closed.<sup>160</sup>

134. On 12 October 2020, the RSA published a report which identified workers most at risk from the economic effects of the COVID-19 pandemic and automation. The report recommended a transition service for workers at greatest risk of being made unemployed.<sup>161</sup> Fabian Wallace-Stephens, a senior researcher at the RSA, said a transition service:

“would aim to redeploy workers that are most at risk into sectors that are more resilient, by providing information about local labour markets as

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157 HM Treasury, ‘Spending Review 2020’ (25 November 2020): <https://www.gov.uk/government/publications/spending-review-2020-documents/spending-review-2020> [accessed 4 December 2020]

158 Q 135 (Laura Dewar)

159 Q 10 and Q 14 (Katharine Mullock)

160 Q 13 (Katharine Mullock)

161 RSA, *Who is at risk? Work and automation, in the time of Covid-19* (October 2020): [https://www.thersa.org/globalassets/foundation/new-site-blocks-and-images/reports/2020/10/work\\_and\\_automation\\_in\\_time\\_of\\_covid\\_report.pdf](https://www.thersa.org/globalassets/foundation/new-site-blocks-and-images/reports/2020/10/work_and_automation_in_time_of_covid_report.pdf) [accessed 4 December 2020]

well as access to career coaching and training opportunities, supporting these workers up to the point of placing them in a new job.”<sup>162</sup>

135. He said the service could build on the Jobcentre Plus infrastructure and that, in the longer term, it could be available to all workers at risk from automation and not just those being made redundant or receiving social security benefits.<sup>163</sup>
136. We also heard that better alignment was needed at local level between employment, education and training services. Helen Barnard said:
- “We have an incredibly centralised [training and skills] system, and I do not think that works well because it is better if the people spending the money are closer to users. I would like to see the three pots of money for adult education combined into one streamlined funding stream and devolved to mayoral combined authorities in England, so they can be spent alongside labour market and local growth policies.”<sup>164</sup>
137. Clare McNeil, Associate Director for Work and Welfare State at the IPPR, said, “When it comes to the role of Jobcentre Plus, we would like to see local authorities having a much bigger role in schemes such as Kickstart and apprenticeships”.<sup>165</sup> Andy Burnham advocated further devolution of employment support to regional authorities:
- “We have an element of DWP devolution in Greater Manchester for those longest out of the workplace. The future is devolving that, so that you bring the DWP and education side of things together and create more bespoke routes into employment.”<sup>166</sup>
138. Jesse Norman MP did not “think it would be wise for any Government to rule out where ... skills are developed.” He said that he wanted people “to have information about the possibility of improving their own situation in different ways. If that means more local investment, whether by companies or public authorities, that would be welcome. ... The Treasury is no longer the high citadel of centralisation that it might ever have been thought to be.”<sup>167</sup>
139. **We welcome the Restart Programme and the increased funding for employment support services. The Department for Work and Pensions should include a greater emphasis on skills profiling in its employment support offer, which can help to redeploy people quickly into growing sectors based on the skills of jobseekers and the needs of the local labour market.**
140. **The Government should also examine successful examples in other countries, such as in Sweden and Austria, of employment services intervening early with declining businesses and sectors to transition workers quickly to more viable employment. These measures could be integrated into the Restart Programme.**

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162 [Q 149](#) (Fabian Wallace-Stephens)

163 In the long-term, the RSA’s proposal involves an early intervention system which would require changes to employment law in order to increase the notice period that workers have when they are made redundant. See [Q 153](#) (Fabian Wallace-Stephens).

164 [Q 85](#) (Helen Barnard)

165 [Q 20](#) (Clare McNeil)

166 [Q 116](#) (Andy Burnham)

167 [Q 180](#) (Jesse Norman MP)

141. **The Department for Education and the Department for Work and Pensions should devolve more programmes and resources to local areas, including to combined and local authorities, to employers and directly to education and training providers. This should include increased resources for the design and delivery of employment and training programmes for both young and older people. There is strong evidence internationally that this approach is effective.**

### Aligning Kickstart and apprenticeships

142. The Kickstart Scheme provides funding for employers to create new job placements for 16–24-year-olds on Universal Credit who are deemed to be at risk of long-term unemployment. Employers can apply for funding to cover 100% of the National Minimum Wage for 25 hours per week for a total of 6 months, employer National Insurance contributions, and automatic enrolment contributions. Applications must be for a minimum of 30 job placements; where a single employer cannot provide 30 placements, they can apply through an intermediary such as a local authority, charity, or trade body.<sup>168</sup>
143. Many witnesses welcomed the Kickstart scheme, but some raised concerns about its scope and said it was not sufficiently joined-up with other aspects of the Government’s training and skills offer.
144. Ben Fletcher, Executive Director of Policy and Engagement at Make UK, told us there had been “appreciable level of interest” from employers.<sup>169</sup> However, in written evidence, Make UK said “manufacturers are also pulling back on their existing education and training programmes with work experience.” It said that it would be challenging for manufacturers to offer six-month placements even with the financial incentives provided by the Government.<sup>170</sup>
145. Kate Bell, Head of Rights, International, Social and Economics at the TUC, expressed concern about the quality of Kickstart placements: “One of the things we have been concerned about, but that might have a common solution, is the quality of the jobs and whether they are real opportunities.” She said that there was concern about whether the placements will be sufficiently linked to local labour markets and skill shortages, and the extent to which they would provide real training. She argued that the Government should explore designing a ‘standard employment contract’ for a Kickstart placement that would ensure quality provision.<sup>171</sup>
146. The Government has said that a Kickstart application from a business must be for a minimum of 30 job placements. If a single employer cannot provide this many job placements, it will need to work through a ‘Kickstart gateway’, such as a local authority, charity or trade body.<sup>172</sup> We heard that this requirement would make many small businesses less likely to apply. Rain Newton-Smith, Chief Economist at the CBI, said, “You cannot always get a consortium of

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168 Department for Work and Pensions, ‘Kickstart Scheme’ (2 September 2020): <https://www.gov.uk/government/collections/kickstart-scheme> [accessed 26 November 2020]

169 Q 109 (Ben Fletcher)

170 Written evidence from Make UK (EMP0048)

171 Q 4 (Kate Bell)

172 Department for Work and Pensions, ‘Apply for a Kickstart Scheme grant: 29 or less job placements’ (9 October 2020): <https://www.gov.uk/guidance/apply-for-a-kickstart-scheme-grant-29-or-less-job-placements> [accessed 4 December 2020]

businesses together quickly to meet that minimum requirement.”<sup>173</sup> Martin McTague from the Federation of Small Businesses said that the requirement to work through an intermediary received a “reaction from most small employers that, “This is not aimed at me. This is not for me””.<sup>174</sup>

147. Mencap said that making only young people on Universal Credit eligible had excluded many with a learning disability who are still claiming legacy benefits and who are unlikely to move to Universal Credit in the near future.<sup>175</sup> The Learning and Work Institute told us that the Kickstart scheme should be “open to young people, including apprentices made redundant, not on benefits” and that “partners, such as local authorities, should be able to refer young people in this group to Kickstart.”<sup>176</sup>
148. Several witnesses said that Kickstart should be aligned more closely with apprenticeships. Professor Anne Green, Professor of Regional Economic Development, City-REDI, at the University of Birmingham told us that a Kickstart placement should be used as a ‘stepping stone’ to an apprenticeship.<sup>177</sup> The Learning and Work Institute set out how the Kickstart scheme could be aligned with apprenticeships under the auspices of a ‘Youth Guarantee’. It said that guidance for Jobcentre Plus Work Coaches should make clear the range of options, including apprenticeships, open to young people and that there should be focus on supporting young people into apprenticeships after their Kickstart job. It said, “In this way, Kickstart jobs can almost become a traineeship/pre-apprenticeship programme.”<sup>178</sup>
149. Jesse Norman MP told us that it is “too early to reach a judgment on how [Kickstart] is growing and what its eventual size will be.” He added that the “scheme is still in its very early stages and is targeted specifically on those most at risk” and that the Government has “ambitions to expand the scheme over time”.<sup>179</sup>
150. **Kickstart should be made available to more young people than just those who have claimed Universal Credit for a minimum of six months. Local authorities and other civil society partners should be able to refer young people not on benefits to the scheme.**
151. **The Government should introduce support for young people on Kickstart to look for a follow-on job once their Kickstart placement ends. The Government should consider encouraging Kickstart employers to offer apprenticeships for those completing their Kickstart placement.**
152. **The Government should introduce a standardised employment contract for Kickstart jobs to provide clear criteria for ensuring that jobs are good quality. The Government should also consider incentives to help young people move towards jobs with opportunities to develop skills in digital and other growing sectors.**

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173 [Q 4](#) (Rain Newton-Smith)

174 [Q 4](#) (Martin McTague)

175 Written evidence from Mencap ([EMP0041](#))

176 Written evidence from the Learning and Work Institute ([EMP0056](#))

177 [Q 60](#) (Prof Anne Green)

178 Written evidence from the Learning and Work Institute ([EMP0056](#))

179 [Q 178](#) (Jesse Norman MP)

153. **The Government should reconsider the requirement for employers wanting to offer fewer than 30 Kickstart roles to apply through a representative organisation.**

### Apprenticeship incentives

154. The number of new apprenticeships has fallen during the COVID-19 pandemic. Between 23 March and 31 July 2020, 58,160 apprenticeship starts were reported, down from 107,750 reported for the same period in 2019, a decrease of 46%.<sup>180</sup> Make UK told us, “45% of manufacturers plan to recruit an apprentice in the next 12 months, a figure that would typically stand at around 75%.”<sup>181</sup> A Sutton Trust survey found that 8% of apprentices were made redundant in April 2020; in October 2020 that increased to 12%. “Almost half had been, or were still furloughed, with just 31% of apprentices having continued their apprenticeship without disruption since the beginning of the pandemic.”<sup>182</sup>
155. We heard that the most significant barrier to hiring apprentices is cost. Make UK said:

“The Government’s incentive scheme of £1,500 per apprentice hired aged 16–24, and £2,000 aged 25 and above, is a drop in the ocean in covering the cost of taking on an apprentice. Apprenticeships in engineering and manufacturing can cost anywhere upwards of £80,000—a significant investment that manufacturers see as crucial to their business. Whilst the intent behind the scheme may be admirable, the incentive simply doesn’t go far enough.”<sup>183</sup>

It said that the way in which the Government’s incentive payments are paid—through instalments once the apprenticeship training has begun—does little to support companies with the upfront costs of recruiting an apprentice.<sup>184</sup>

156. We also heard that the apprenticeship levy should be reformed. Cadent Gas Limited, a gas distribution network, said that the expiry date for using levy funds should extend past the current two-year limit.<sup>185</sup> Tees Valley Combined Authority also called for an extension “to ensure funds are not lost due to inevitable recruitment or training freezes.”<sup>186</sup> Make UK recommended extending the limit from 24 to 36 months. It said that this further year for employers to use their digital levy funds would “ensure that those apprentices who were furloughed do not miss out on the chance to complete their training due to expiration of the levy funds.”<sup>187</sup>
157. **The most significant barrier to hiring apprentices is cost. Faced with falling numbers of apprenticeship starts and reduced recruitment,**

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180 Department for Education, *Apprenticeships and Traineeships, England: October 2020* (8 October 2020) p 3: [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/924957/october\\_2020\\_release\\_main\\_text.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/924957/october_2020_release_main_text.pdf) [accessed 4 December 2020]

181 Written evidence from Make UK (EMP0048)

182 Sutton Trust, ‘New Sutton Trust survey shows COVID-19 is continuing to have an impact on apprentices’ (12 November 2020): <https://www.suttontrust.com/news-opinion/all-news-opinion/new-sutton-trust-survey-shows-covid-19-is-continuing-to-have-an-impact-on-apprentices/> [accessed 4 December 2020]

183 Written evidence from Make UK (EMP0048)

184 *Ibid.*

185 Written evidence from Cadent Gas Limited (EMP0033)

186 Written evidence from Tees Valley Combined Authority (EMP0034)

187 Written evidence from Make UK (EMP0048)

**the Government should consider raising the level of hiring subsidies for apprentices. At the least it should reconsider its policy of paying incentives in instalments, which does not help employers enough with the upfront costs of recruiting and training apprentices. Incentive payments should be paid upfront.**

158. **In the short term, the Government should consider extending the lifetime of apprenticeship levy funds from 24 to 36 months to give employers a further year to use their funds to support the training of apprentices, and ensure that apprentices who were furloughed do not miss out on the chance to complete their training due to expiration of levy funds.**

### **Jobs, skills and training guarantee**

159. Several witnesses called for a jobs, skills, and training guarantee available to young people not in education or employment. Since the start of the COVID-19 pandemic there has been a large increase in unemployment among those aged 16–24. Youth unemployment has increased by 17%, or 88,000 people, since February 2020. Almost 200,000 more young people were economically inactive. The number of people claiming unemployment-related benefits increased by 281,000 from March to October 2020, an increase of 120%.<sup>188</sup>
160. Professor Gregg has calculated that the number of young people searching for employment over the next year is likely to be around 1.5 million. He says that the Government’s “suite of initiatives ... represent a reasonable attempt at a plan but fall significantly short of what is needed for a Guarantee” which should integrate the positive elements of the Government’s plans with a guaranteed training or job offer.<sup>189</sup>
161. An opportunity guarantee should include public sector job creation and hiring incentives for private sector job creation. Professor Diane Coyle, co-Director of the Bennett Institute for Public Policy at the University of Cambridge, said that in the absence of demand for new employees from the private sector the Government should increase investment in direct job creation. She said that this “is essential, particularly for all those young people coming into an absolutely terrible jobs market.”<sup>190</sup>
162. Jonathan Portes, Professor of Economics and Public Policy at King’s College London, said that the Government should invest in job creation that is aligned to its long-term objective to decarbonise the economy, and invest additional money in sectors affected by the pandemic, such as social care. Investing in job creation now would create certainty and “lever in” private sector investment.<sup>191</sup>
163. Stephen Evans, Chief Executive of the Learning and Work Institute, said that young people should be guaranteed a job, training place or apprenticeship

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188 House of Commons Library, Youth Unemployment Statistics, Briefing paper, [Number 5871](#), 10 November 2020

189 Alliance for Full Employment, *Youth Report: A Million Reasons to Act* (19 October 2020): <https://open.c3a.myftpupload.com/wp-content/uploads/2020/10/Youth-Unemployment-Who-will-Need-Help-and-Policy-Design.pdf> [accessed 4 December 2020]

190 [Q 162](#) (Prof Diane Coyle)

191 [Q 162](#) (Prof Jonathan Portes)

offer.<sup>192</sup> The Learning and Work Institute’s proposal for a Job Guarantee targets young people who are not able to find work through the Government’s Plan for Jobs. It recommends creating a ‘job creation fund’ that includes a hiring incentive of £8,500 to create additional six-month jobs paid at minimum wage:

“This would create ring-fenced [work] for young people out of work for more than 9 months and adults (25+) out of work for more than one year. It would provide grants of up to £8,500 per job created, which would cover employee wage costs, employer NICs, and a contribution towards indirect costs such as management ... Assuming 100,000 participants in the next 19 months, the scheme would cost £850 million.”<sup>193</sup>

164. The Social Market Foundation recommended a new jobs guarantee scheme to ensure that newly unemployed people are given jobs with training that pay the National Living Wage. Its proposal prioritises state-backed subsidies for private employers who “should receive funding contingent on the provision of in-work training.” It said that the scheme should be centrally defined but locally implemented, taking account of local skill shortages and areas of greatest need of support.<sup>194</sup> The TUC made a similar proposal. It proposed the Government provide funding to support jobs, lasting a minimum of six months with accredited training paid at the real living wage. It said that the scheme should be funded by the Government but delivered at regional and local level.<sup>195</sup>
165. We heard that temporarily cutting employer National Insurance contributions would be an effective hiring incentive. Professor Gregg told us that reductions in National Insurance contributions could be targeted at young people. He said:
- “reductions in employer National Insurance contributions ... could be targeted on young people, or could be better targeted by increasing the allowance before national insurance payments by employers are made, so that you get it at the lower end of the costs of employing people, and it is more focused on entry jobs.”<sup>196</sup>
166. Thomas Pope said that any job guarantee scheme should be targeted at groups that are particularly vulnerable to long-term unemployment, such as those who are early in their careers. It would “need to ensure that the opportunities are good opportunities, and that they ... give people an attachment to the labour market and help them to develop skills and give them greater opportunities going forward.”<sup>197</sup>

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192 [Q 61](#) (Stephen Evans)

193 Learning and Work Institute, ‘Emergency exit: How we get Britain back to work’ (June 2020) p 31, available at: <https://learningandwork.org.uk/resources/research-and-reports/emergency-exit-how-we-get-britain-back-to-work/> [accessed 4 December 2020]

194 Social Market Foundation, *A new safety net: Guaranteeing jobs and training after the crisis* (May 2020) p 13: <https://www.smf.co.uk/wp-content/uploads/2020/05/A-new-safety-net-guaranteeing-work-and-training-after-the-crisis-May-2020.pdf> [accessed 4 December 2020]

195 TUC, ‘A new plan for jobs - Why we need a new jobs guarantee’ (4 May 2020): <https://www.tuc.org.uk/research-analysis/reports/new-plan-jobs-why-we-need-new-jobs-guarantee> [accessed 4 December 2020]

196 [Q 136](#) (Prof Paul Gregg)

197 [Q 148](#) (Thomas Pope)

167. **The Government’s Plan for Jobs and the Restart Programme will not be a sufficient response to the level of youth unemployment which has been forecast.**
168. **The Government should join up its skills and training policies under the auspices of a new job, skills and training guarantee, available to every young person not in full-time education or employment for one year. The guarantee should include public job creation and hiring incentives for private job creation. The scheme should be managed at a regional level, with mayors, local authorities and Local Enterprise Partnerships providing coordination, prioritisation and leadership. Local authorities should be provided with adequate funding to deliver these objectives.**

### **Investment and the recovery**

169. Witnesses said that during the COVID-19 pandemic the Treasury had focused on job retention through wage support schemes but had not done enough to create new jobs.
170. Tony Wilson said that the Treasury is gambling “on a strong, private sector-led recovery in the new year.” While he welcomed the level of capital investment in the Spending Review 2020, he said, “in the shorter term we missed an opportunity to create stronger incentives for firms to create new jobs, or for a temporary boost in employment in public services to help compensate for temporary weak demand in the private sector.”<sup>198</sup>
171. Helen Barnard said that other elements of the Government’s approach need to be “ramped up”. She said that “we need to see a lot more on skills and creating new, good quality jobs.”<sup>199</sup> Professor Coyle said “now is the time to move from more reactive to more strategic responses and think about the longterm policy responses for recovery that will need to come into play.”<sup>200</sup>
172. Professor Portes told us that the Government should set out its investment and job creation plans in order to “create some certainty, and hence lever in private demand and private investment.”<sup>201</sup> He added, “We know that we have a long-term strategy ... to decarbonise the economy ... If [the Government] put the money behind it now, it would create jobs in both the public and private sectors.”<sup>202</sup>
173. **The Government’s fiscal interventions have focused on measures to rescue businesses and jobs affected by lockdowns and public health restrictions. The Government should now set out a plan for creating job opportunities. Investment should be directed towards jobs that are:**
- **suitable for those most at risk of unemployment;**
  - **needed across the country as a whole; and**
  - **most likely to have long-term benefits to the UK.**

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198 Tony Wilson, ‘Spending Review 2020: Good marks on support to find work, more to do on raising demand’ (25 November 2020): <https://www.employment-studies.co.uk/news/spending-review-2020-good-marks-support-find-work-more-do-raising-demand> [accessed 4 December 2020]

199 [Q 80](#) (Helen Barnard)

200 [Q 159](#) (Prof Diane Coyle)

201 [Q 161](#) (Prof Jonathan Portes)

202 *Ibid.*

174. **We heard a range of ideas for how the Government should invest to create jobs. In line with these principles, we believe the Government should place investment in the UK’s ‘social infrastructure’ and in meeting its objectives on climate at the heart of a recovery plan.**

#### Investment in ‘social infrastructure’

175. Witnesses said the Government should invest in forms of social infrastructure to create jobs.<sup>203</sup> Professor Gregg said, “Care ... is one of the big entry points into the labour market. Anything that we can do to stimulate that as an entry point into the labour market is positive for tackling the problem.”<sup>204</sup> The Women’s Budget Group told us that “investment of 2.8% of GDP in a combination of child and social care would create nearly 2 million jobs” and that investment on this scale “would increase the employment rate by 4.8%”.<sup>205</sup>

#### Social care

176. Our 2019 report, *Social care funding: time to end a national scandal* set out conclusions and recommendations to put the sector on a sustainable footing and improve pay and conditions for the workforce.<sup>206</sup> On 3 September 2019, the Secretary of State for Health and Social Care informed us that the Government would not respond to our report within the usual two month timeframe, “as it would be premature to do so before setting out [the Government’s] proposals.”<sup>207</sup> The Government has still not responded to our report.
177. On 28 October 2020 Lord Bethell, Parliamentary Under-Secretary of State at the Department for Health and Social Care, said that the COVID-19 pandemic had delayed the Government’s work on designing a sustainable social care funding model: “There simply is not the management or political capacity to take on a major generational reform of the entire industry in the midst of this massive epidemic.”<sup>208</sup>
178. Kate Bell told us that there are over 100,000 vacancies in social care and that the sector is an opportunity to create “good, decent jobs ... and jobs that are right across the country.”<sup>209</sup> Baroness Shafik said that the care sector will continue to need more workers and that it is not vulnerable to automation. However, she said “those are very low-paying jobs, by and large.”<sup>210</sup>

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203 We use the term social infrastructure to broadly define the construction and maintenance of social services. Types of social infrastructure include healthcare, the provision of care, education, public facilities, and transportation.

204 [Q 137](#) (Dr Katy Jones, Tracy Fishwick OBE, Laura Dewar and Prof Paul Gregg)

205 Written evidence from the Women’s Budget Group ([EMP0004](#))

206 Economic Affairs Committee, *Social care funding: time to end a national scandal* (7th Report, Session 2017–19, HL Paper 392)

207 Letter from the Secretary of State for Health and Social Care to the Chair of the Economic Affairs Committee (3 September 2019): <https://old.parliament.uk/documents/lords-committees/economic-affairs/Hancock%20to%20Chairman%203%20Sept%202019%20.pdf> [accessed 4 December 2020]

208 HL Deb, 28 October 2020, [col 226](#)

209 [Q 5](#) (Kate Bell)

210 [Q 163](#) (Baroness Shafik)

179. We heard that pay and conditions in the sector need improvement to incentivise more people to apply for the vacancies which are available. Andy Burnham, Mayor of Greater Manchester, said:
- “We should be building a single workforce that works across social care and the NHS, with much higher standards and much more respect as regards levels of pay and training.”<sup>211</sup>
180. The Women’s Budget Group said that the Government should invest in skills to benefit the social care workforce. It said that most of those working in child and adult care are classified as “unskilled, given minimal training, often on zero-hours contracts, with little or no prospects for promotion.” However, “care work is high-skilled work requiring substantial training throughout a workers’ career.”<sup>212</sup>
181. In June 2020, the Resolution Foundation said the sector would require an additional 180,000 care workers (an increase of 15%) to restore care roles to their 2014 peak. It calculated that this would cost £3.9 billion per year, with an additional £1 billion to pay all social care workers the Real Living Wage.<sup>213</sup>
182. Jesse Norman MP told us that the Government was “trying to promote social care jobs to jobseekers” and “There is a recognition that social care is a big piece of unfinished business that successive Governments have not properly engaged with.” He said the Government was providing local authorities with an additional £1.5 billion to support adult and children’s social care, on top of maintaining £2.5 billion in social care grants, to meet the rising demand and to stabilise the system.<sup>214</sup>
183. **The UK has an aging population and shortage of care workers. The Resolution Foundation said it would take an extra 180,000 care workers just to bring the ratio of carers to the over-70s population back to its 2014 peak. The Government should significantly expand the number of care workers by increasing funding in the social care sector with stipulations that it should be used to raise wages and improve training and conditions in the sector.**

### *Childcare*

184. The childcare sector relies on public and private funding. One quarter of funding comes from the Government’s Dedicated Schools Grant, also known as free entitlement funding, for all 3–4-year olds and disadvantaged 2-year olds. It is paid to local authorities in support of their schools’ budget. Local authorities distribute these funds to childcare providers.<sup>215</sup> The remaining funding for childcare comes from fees paid by parents.<sup>216</sup>

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211 [Q 120](#) (Andy Burnham)

212 Written evidence from the Women’s Budget Group ([EMP0004](#))

213 Resolution Foundation, *The Full Monty: Facing up to the challenge of the coronavirus labour market crisis* (June 2020): <https://www.resolutionfoundation.org/app/uploads/2020/06/The-Full-Monty.pdf> [accessed 4 December 2020]

214 [Q 182](#) (Jesse Norman MP)

215 Department for Education, ‘Use of free early education entitlements funding during coronavirus (COVID-19)’, 20 July 2020, Section 1: <https://www.gov.uk/government/publications/use-of-free-early-education-entitlements-funding-during-the-coronavirus-outbreak/use-of-free-early-education-entitlements-funding-during-coronavirus-covid-19> [accessed 4 December 2020]

216 *Ibid.*, p 17

185. The childcare sector faced challenges before the COVID-19 pandemic.<sup>217</sup> In 2019, a Ceeda survey found that one in five childcare providers in England's most deprived areas anticipated having to close in the next year; 43% had cut back on learning resources; and 19% had lowered the quality of food that they provided to children.<sup>218</sup> Neil Leitch, Chief Executive of the Early Years Alliance, said, "This is what a sector in crisis looks like. Providers are straining to deliver quality childcare on funding levels set in 2015, leaving them forced to choose between reducing quality and charging ever higher fees or closing their doors."<sup>219</sup>
186. The IPPR found that the COVID-19 pandemic had put additional strains on the childcare sector.<sup>220</sup> Department for Education statistics showed that 400,000 children attended childcare on a given day in mid-July 2020 compared with 1.4 million children before the COVID-19 pandemic.<sup>221</sup> The Institute for Fiscal Studies said the pandemic had damaged many childcare providers financially, with one in five providers estimated to have run a significant deficit during lockdown.<sup>222</sup> The IPPR said that in disadvantaged areas 42% of childcare providers reported that they may need to make redundancies.<sup>223</sup>
187. Pregnant Then Screwed, a group that supports parents against discrimination, found that 46% of working mothers and pregnant women who had been made redundant said a lack of childcare played a role in their selection for redundancy.<sup>224</sup> A poll by the TUC found one in six working mothers had to reduce their hours at work due to being unable to access childcare. This disproportionately affected parents on lower incomes.<sup>225</sup>
188. Kate Bell told us, "There is evidence that we are facing a widespread collapse in the childcare sector, so, without support there, it will be very difficult for people to go back."<sup>226</sup> Laura Dewar, Policy Officer at Gingerbread, said:
- "for single parents the childcare sector needs to work better for them to enable them to work. ... The cap on childcare costs has been in place since 2003. It is quite a limitation for single parents, particularly in London and the south-east, when they have to meet those costs."<sup>227</sup>
189. In October 2020 the IPPR recommended the Government should continue to provide free entitlement funding to local authorities and childcare providers at pre-pandemic occupancy rates until they returned to normal levels, at an estimated cost of £400 million. It recommended "at least £88 million

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217 *Ibid.*, p 12

218 Early Years Alliance, 'Early years funding crisis "hits poorest children"' (11 July 2019): <https://www.eyalliance.org.uk/news/2019/06/early-years-funding-crisis-hits-poorest-children> [accessed 4 December 2020]

219 *Ibid.*

220 IPPR, [A Family Stimulus: Supporting children, families and the economy through the pandemic](#)

221 Institute for Fiscal Studies, *Challenges for the childcare market: implications of COVID-19 for childcare providers in England* (September 2020) p 49: <https://ifs.org.uk/uploads/R175-Challenges-for-the-childcare-market-the-implications-of-COVID-19-for-childcare-providers-in-England-1.pdf> [accessed 4 December 2020]

222 *Ibid.*, p 9

223 IPPR, [A Family Stimulus: Supporting children, families and the economy through the pandemic](#)

224 Written evidence from Pregnant Then Screwed ([EMP0044](#))

225 IPPR, [A Family Stimulus: Supporting children, families and the economy through the pandemic](#)

226 [Q 7](#) (Kate Bell)

227 [Q 137](#) (Laura Dewar)

transitional funding in line with that provided to schools to help prevent redundancies and ensure providers can continue to operate.”<sup>228</sup>

190. Jesse Norman MP said that in 2019–20 the Government spent almost £6 billion on childcare; that local government spent another £1.4–1.5 billion. He said, “Eligibility for childcare has been maintained for people who are in the schemes.”<sup>229</sup>
191. **The childcare sector has sustained significant damage during the pandemic. The sector can employ large numbers of people across the country quickly and provides a service which helps others re-join the workforce. To prevent further closure of childcare providers, the Government should continue to provide free entitlement funding to local authorities and childcare providers at pre-pandemic occupancy rates until they have returned to normal levels. It should provide transitional funding in line with that provided to schools to help prevent redundancies and ensure providers continue to operate.**

### A ‘green industrial revolution’

192. The International Monetary Fund (IMF) recommended green investment to create jobs and to support economic recovery after the COVID-19 pandemic. It said that as lockdowns begin to ease and economies stabilise:
- “the scope and need for broad-based fiscal stimulus will increase, especially for green measures that both boost aggregate demand and employment. And even in the crisis-containment phase, there could still be policy actions that support climate goals without undermining the effectiveness of crisis containment policies.”<sup>230</sup>
193. The IMF said that there are a series of “shovel-ready” activities in which advanced economies should invest. These include:
- investing in ‘climate smart’ infrastructure such as renewable energy and public transport;
  - developing battery, hydrogen and carbon capture technologies; and
  - supporting adaptation across communities by investing in flood defences and resilient roads and buildings.<sup>231</sup>
194. The OECD said that while governments seek swift recoveries, they must ensure that emergency response measures and investments do not conflict with environmental standards and so exacerbate environmental challenges. It said governments should invest in renewable energy and accelerating programmes to improve energy efficiency in buildings, as such projects tend to be labour-intensive and can be scaled up quickly.<sup>232</sup>
195. Some witnesses said that the fiscal response to the COVID-19 pandemic was an opportunity to invest in green initiatives to create jobs and to help reach

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228 IPPR, *A Family Stimulus: Supporting children, families and the economy through the pandemic*

229 Q 182 (Jesse Norman MP)

230 International Monetary Fund, ‘Greening the recovery’ accessible at: <https://www.imf.org/en/Topics/climate-change/green-recovery> [accessed 21 November 2020]

231 *Ibid.*

232 OECD, *Making the green recovery work for jobs, income and growth* (6 October 2020): [https://read.oecd-ilibrary.org/view/?ref=136\\_136201-ctwt8p7qs5&title=Making-the-Green-Recovery-Work-for-Jobs-Income-and-Growth](https://read.oecd-ilibrary.org/view/?ref=136_136201-ctwt8p7qs5&title=Making-the-Green-Recovery-Work-for-Jobs-Income-and-Growth) [accessed 4 December 2020]

the Government’s objective of net zero carbon emissions by 2050. Professor Coyle told us investment in green infrastructure has high multiplier effects.<sup>233</sup>

196. Professor Coyle also said that investment in natural capital such as parks and other green spaces could provide growth.<sup>234</sup> Research by the Bennet Institute for Public Policy at the University of Cambridge said that ‘natural capital’ such as outdoor recreation, urban trees and woodlands can add economic value through providing employment, maintaining productivity and health benefits, and reducing burdens on social services.<sup>235</sup>
197. The Local Government Association said that there could be 700,000 direct jobs in England’s low-carbon and renewable energy economy by 2030, up from 185,000 in 2018. The largest growth sectors for jobs would be in “clean electricity generation and providing low-carbon heat for homes and businesses (manufacturing wind turbines, installing solar panels and installing heat pumps).” It said that these jobs are “projected to be generated across England’s local authorities and regions.”<sup>236</sup> Research by the IPPR found that investment in low-carbon jobs, including a nationwide drive to insulate homes and prepare for new low-carbon heating, could create 1.6 million new jobs over the next decade.<sup>237</sup>
198. The Local Government Association said that a range of new skills will be needed to deliver a green recovery.<sup>238</sup> The CBI set out policy priorities that could deliver green investment and job creation, including accelerating the delivery of electric vehicle charging infrastructure, retrofitting homes and buildings, and developing sustainable aviation fuels.<sup>239</sup>
199. Steve Rotheram told us that the Government’s levelling-up agenda could be aligned with investment in green projects. He said that the Liverpool City Region has “a detailed recovery plan, which includes a green industrial future for our area. It just needs the Government to want to work with us so that we can get it delivered.”<sup>240</sup> We heard that some green projects, such as a retrofitting programme, could employ thousands of people across different regions in the country.<sup>241</sup>
200. On 18 November 2020, the Prime Minister set out a ‘Ten Point Plan for a Green Industrial Revolution’. The plan would support “90,000 jobs across the UK within this Parliament, and up to 250,000 by 2030”. It sets out a vision to invest in offshore wind farms, nuclear plants and hydrogen technologies. The Government intends to create new jobs in nature and land

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233 [Q 160](#) (Prof Diane Coyle)

234 *Ibid.*

235 Bennet Institute for Public Policy, *Building Forward: Investing in a Resilient Recovery* (2020): [https://www.bennettinstitute.cam.ac.uk/media/uploads/files/WER\\_Building\\_Forward\\_Investing\\_in\\_a\\_resilient\\_recovery.pdf](https://www.bennettinstitute.cam.ac.uk/media/uploads/files/WER_Building_Forward_Investing_in_a_resilient_recovery.pdf) [accessed 3 December 2020]

236 Written evidence from the Local Government Association ([EMP0011](#))

237 IPPR, *Transforming the economy after COVID-19: A clean, fair and resilient recovery* (2 July 2020): <https://www.ippr.org/files/2020-07/transforming-the-economy-after-covid19-july2020.pdf> [accessed 4 December 2020]

238 Written evidence from the Local Government Association ([EMP0011](#))

239 CBI, *Conference Series: Achieving net zero: The government decisions needed to deliver a green recovery*: <https://www.cbi.org.uk/media/5579/cbi-green-recovery-roadmap.pdf> [accessed 21 November 2020]

240 [Q 119](#) (Steve Rotheram)

241 [Q 115](#) (Andy Burnham)

management and to establish new National Parks and Areas of Outstanding Natural Beauty.<sup>242</sup>

201. The Government said the plan “mobilises £12 billion—and potentially more than three times as much from the private sector—to place green jobs at the heart of our economic revival.”<sup>243</sup> The IPPR said that there is a £30 billion annual gap between the Government’s planned investments and its stated goals for decarbonisation and restoration of nature.<sup>244</sup>
202. **The Government should prioritise green projects that can be delivered at scale, quickly, and across the country. This would help align economic recovery with the Government’s longer-term objectives on levelling-up and climate change. We heard that investment in parks and green spaces, making cities friendlier to cyclists and pedestrians, retrofitting buildings, and switching gas boilers to low-carbon alternatives could create jobs quickly. The Government should also examine expediting renewable energy projects.**
203. **Investment in sustainable industries, social infrastructure and in the employment and skills system should be a major element of the Government’s ‘levelling up’ agenda and it should help the people and places that have been hardest hit during the pandemic.**

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242 HM Government, *The Ten Point Plan for a Green Industrial Revolution: Building back better, supporting green jobs and accelerating our path to net zero* (18 November 2020): [https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment\\_data/file/936567/10\\_POINT\\_PLAN\\_BOOKLET.pdf](https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/936567/10_POINT_PLAN_BOOKLET.pdf) [accessed 1 December 2020]

243 *Ibid.*

244 IPPR, *Transforming the economy after COVID-19: A clean, fair and resilient recovery* (2 July 2020) p 33: <https://www.ippr.org/files/2020-07/transforming-the-economy-after-covid19-july2020.pdf> [accessed 4 December 2020]

## SUMMARY OF CONCLUSIONS AND RECOMMENDATIONS

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### COVID-19 and the economy

1. The COVID-19 pandemic has affected different businesses and people in different ways. The young and the low paid have experienced substantial damage to their livelihoods and prospects. They have suffered the highest number of job losses and the biggest losses in income. In contrast, other businesses and groups of workers, including many of the highest paid workers, have experienced little or no financial hardship and their savings have risen because of the lockdowns and the unavailability of many services. These different impacts and experiences should inform how the Government designs policy to support the recovery. (Paragraph 8)
2. We congratulate the Treasury for acting swiftly and boldly at the start of the COVID-19 pandemic to protect businesses and jobs. The scale of Government's intervention cushioned the impact of the economic shock on the labour market. However, the labour market is expected to weaken significantly when the Job Retention Scheme ends in 2021 and unemployment will rise. (Paragraph 11)
3. How the Government responds to rising unemployment in 2021 will be critical to supporting the recovery and reducing the extent of 'economic scarring'. Over the next 12 to 18 months, the Government will need to shift public spending away from untargeted wage subsidies and towards policies that are more tightly focused on creating job opportunities. (Paragraph 18)
4. The Government will also need to plan economic and health policy further ahead and set out criteria for how these policies will interact and change in response to the course of the pandemic. The Government will need to be flexible so that it can react to changing circumstances, but this should not prevent it from providing more certainty to businesses and workers. (Paragraph 19)
5. In previous reports we have set out the effects of Government inaction and underinvestment in areas which include skills and training, social care and Universal Credit. The COVID-19 pandemic has emphasised the urgent need to take action in these areas. In this report we build on our earlier work and set out how the Government can join up policies to build a sustainable recovery in line with the Government's longer-term policy objectives. These include meeting the net zero carbon emissions target, improving the UK's social infrastructure and implementing the levelling up agenda. The Government should support people to find routes into employment, including into jobs which support these objectives, by enhancing the UK's skills and training system. (Paragraph 20)
6. The COVID-19 pandemic and associated lockdowns have led to unprecedented public spending to support jobs. The Government should not repeat past mistakes by withdrawing economic support too soon. Over the next 12–18 months it will need to continue to spend to generate a sustainable recovery and to address rising poverty and unemployment. (Paragraph 24)
7. The Government will need to restore order to the public finances in the future, but this should only become a priority once the recovery has been established. (Paragraph 25)

### Economic rescue

8. It was understandable that the Government attempted to tailor wage support to the course of the pandemic and towards more viable businesses. Once COVID-19 cases began to increase again in the autumn, it was forced to make a series of policy reversals on the level of wage support it would provide before finally extending the Job Retention Scheme until the end of March 2021. This created a significant amount of uncertainty for businesses and employees and put jobs at risk. (Paragraph 35)
9. We are disappointed that the Government did not make training more integral to the Job Retention Scheme. Many employees will need access to training in the coming months. We welcome the Lifetime Skills Guarantee but note that it will not begin until April 2021. The Government should expedite its implementation. (Paragraph 42)
10. The Government has not taken action to better target the Self-Employment Income Support Scheme at those most affected by the pandemic, despite having had months to reform the scheme. Too many people may again receive significant payments despite being largely unaffected, and over 500,000 workers who received no support despite being without work entirely will again miss out because of eligibility rules. The Government should target payments more closely to those who have suffered genuine loss of income. (Paragraph 49)
11. Lockdowns and tiered regional restrictions are designed to save lives, but they cause significant harm to businesses, putting jobs at risk. The Government should continue to search for ways of supporting the businesses and jobs that are most affected by closure and restrictions. (Paragraph 58)
12. The Government's calculation of business support funding for regions in tier 3 was opaque. We were told it did not take enough account of differences between different places. The Government should ensure that the level of support pays due regard to the concentration of businesses, particularly those that are vulnerable to restrictions. (Paragraph 59)
13. The effects of the COVID-19 pandemic on social and economic life mean that health and economic policy need to be designed in tandem. We note that the Government has published an analysis of the health, economic and social impacts of the tiered approach to restrictions. However, this was not sufficiently detailed to enable Parliament and others to determine the level of business and wage support that was needed. (Paragraph 60)
14. The Government should publish a framework setting out the business and employment support that will be provided in response to evolving public health restrictions, to provide more certainty to people and businesses. The public health restrictions and fiscal support will differ depending whether the economy is in lockdown, is reopening or is in recovery. The framework should be drafted in consultation with devolved administrations at national and regional level. It should be updated as viable alternatives to lockdowns or tiered restrictions are developed. (Paragraph 61)
15. We heard that business rates relief had made a significant difference to many struggling businesses. However, we are disappointed that the Government did not take steps to ensure that it was targeted at those businesses that needed it most. Many supermarket and other retailers that were not closed during

lockdown benefited from rates relief despite increased sales and revenue during the pandemic. We commend those businesses that have said they will pay back the money they accumulated from this support. (Paragraph 66)

16. We welcome the Government's action to address rising debt among businesses, particularly SMEs, by extending repayment relief to those with Government-guaranteed loans. However, it is likely that a significant proportion of the debt will never be repaid, and indebtedness will weigh on balance sheets for years. The scale of the debt challenge is substantial and will require bold solutions. (Paragraph 77)
17. The Government should create a new state entity to manage debt and repayments, along the lines of the UK Recovery Corporation proposed by TheCityUK. (Paragraph 78)
18. We are concerned that Government-backed loans will be recovered in the same way as standard commercial loans. The COVID-19 loans schemes should be converted into more manageable obligations such as liabilities collected through the tax system or future revenue-linked structures. Repayments could be limited to a percentage of total turnover or profit with the difference covered by the Government guarantee. (Paragraph 79)
19. The Government's focus on debt has meant that the role of equity has been overlooked. The Government should consider innovative proposals for increasing equity injections into businesses of a sufficient size. We heard that this could be achieved through the private sector with state coordination, or through a new state corporation. (Paragraph 80)
20. The extended Job Retention Scheme will keep many people employed who might otherwise have lost their job. However, it will not protect every job and the social security system will need to provide an adequate safety net for those out of work. It will also need to provide strong employment support to help people back into work. The Government should use the time provided by extending the Job Retention Scheme to bolster Universal Credit and the social security system, so that it is able to meet the demands of the labour market crisis. Our July 2020 report on Universal Credit set out what should be done. (Paragraph 86)
21. In our July 2020 Universal Credit report, we set out evidence on the effects of cuts to social security made over the last decade on the poorest. We concluded that Universal Credit had been inadequate for many to live on and that the emergency increase in the standard allowance should be made permanent. This would make a significant difference to many but would be only a small increase in expenditure on the social security system compared with previous cuts to it. The Government should now commit to making the increase in the standard allowance permanent. (Paragraph 94)
22. The Government should ensure that those on legacy benefits receive an uplift comparable to that of Universal Credit. (Paragraph 98)
23. The Government should retain the emergency increase in Local Housing Allowance and set out how the benefit will mirror changes in rents. (Paragraph 102)
24. The benefit cap was designed to encourage people into work. This mechanism will function less effectively when there are substantially more claimants chasing fewer suitable vacancies; therefore, it was a mistake to have allowed

the grace period to end for many new claimants. It is not good enough for the Government to review the cap at the “appropriate time”. It should be done now. (Paragraph 109)

25. We agree that increasing the child element of Universal Credit and Child Tax Credit would be a better way to target support than a uniform increase in Child Benefit. The Government should assess the merits of these proposals and increase the generosity of social security for struggling families. In addition, there is evidence that spending money on social security can have strong multiplier effects because low-income families have a greater propensity to spend additional income. (Paragraph 114)
26. Statutory sick pay helps to slow the spread of the virus by enabling those who may be affected to stay home from work. We heard that the cost of providing adequate sick leave to quarantined workers is small in comparison to the cost of them not isolating and spreading the virus further. As a priority, the Government should raise the level of statutory sick pay and expand eligibility to the lowest paid. (Paragraph 120)

### **Economic recovery**

27. We welcome the Restart Programme and the increased funding for employment support services. The Department for Work and Pensions should include a greater emphasis on skills profiling in its employment support offer, which can help to redeploy people quickly into growing sectors based on the skills of jobseekers and the needs of the local labour market. (Paragraph 139)
28. The Government should also examine successful examples in other countries, such as in Sweden and Austria, of employment services intervening early with declining businesses and sectors to transition workers quickly to more viable employment. These measures could be integrated into the Restart Programme. (Paragraph 140)
29. The Department for Education and the Department for Work and Pensions should devolve more programmes and resources to local areas, including to combined and local authorities, to employers and directly to education and training providers. This should include increased resources for the design and delivery of employment and training programmes for both young and older people. There is strong evidence internationally that this approach is effective. (Paragraph 141)
30. Kickstart should be made available to more young people than just those who have claimed Universal Credit for a minimum of six months. Local authorities and other civil society partners should be able to refer young people not on benefits to the scheme. (Paragraph 150)
31. The Government should introduce support for young people on Kickstart to look for a follow-on job once their Kickstart placement ends. The Government should consider encouraging Kickstart employers to offer apprenticeships for those completing their Kickstart placement. (Paragraph 151)
32. The Government should introduce a standardised employment contract for Kickstart jobs to provide clear criteria for ensuring that jobs are good quality. The Government should also consider incentives to help young people move towards jobs with opportunities to develop skills in digital and other growing sectors. (Paragraph 152)

33. The Government should reconsider the requirement for employers wanting to offer fewer than 30 Kickstart roles to apply through a representative organisation. (Paragraph 153)
34. The most significant barrier to hiring apprentices is cost. Faced with falling numbers of apprenticeship starts and reduced recruitment, the Government should consider raising the level of hiring subsidies for apprentices. At the least it should reconsider its policy of paying incentives in instalments, which does not help employers enough with the upfront costs of recruiting and training apprentices. Incentive payments should be paid upfront. (Paragraph 157)
35. In the short term, the Government should consider extending the lifetime of apprenticeship levy funds from 24 to 36 months to give employers a further year to use their funds to support the training of apprentices, and ensure that apprentices who were furloughed do not miss out on the chance to complete their training due to expiration of levy funds. (Paragraph 158)
36. The Government's Plan for Jobs and the Restart Programme will not be a sufficient response to the level of youth unemployment which has been forecast. (Paragraph 167)
37. The Government should join up its skills and training policies under the auspices of a new job, skills and training guarantee, available to every young person not in full-time education or employment for one year. The guarantee should include public job creation and hiring incentives for private job creation. The scheme should be managed at a regional level, with mayors, local authorities and Local Enterprise Partnerships providing coordination, prioritisation and leadership. Local authorities should be provided with adequate funding to deliver these objectives. (Paragraph 168)
38. The Government's fiscal interventions have focused on measures to rescue businesses and jobs affected by lockdowns and public health restrictions. The Government should now set out a plan for creating job opportunities. Investment should be directed towards jobs that are:
  - suitable for those most at risk of unemployment;
  - needed across the country as a whole; and
  - most likely to have long-term benefits to the UK. (Paragraph 173)
39. We heard a range of ideas for how the Government should invest to create jobs. In line with these principles, we believe the Government should place investment in the UK's 'social infrastructure' and in meeting its objectives on climate at the heart of a recovery plan. (Paragraph 174)
40. The UK has an aging population and shortage of care workers. The Resolution Foundation said it would take an extra 180,000 care workers just to bring the ratio of carers to the over-70s population back to its 2014 peak. The Government should significantly expand the number of care workers by increasing funding in the social care sector with stipulations that it should be used to raise wages and improve training and conditions in the sector. (Paragraph 183)
41. The childcare sector has sustained significant damage during the pandemic. The sector can employ large numbers of people across the country quickly and provides a service which helps others re-join the workforce. To prevent

further closure of childcare providers, the Government should continue to provide free entitlement funding to local authorities and childcare providers at pre-pandemic occupancy rates until they have returned to normal levels. It should provide transitional funding in line with that provided to schools to help prevent redundancies and ensure providers continue to operate. (Paragraph 191)

42. The Government should prioritise green projects that can be delivered at scale, quickly, and across the country. This would help align economic recovery with the Government's longer-term objectives on levelling-up and climate change. We heard that investment in parks and green spaces, making cities friendlier to cyclists and pedestrians, retrofitting buildings, and switching gas boilers to low-carbon alternatives could create jobs quickly. The Government should also examine expediting renewable energy projects. (Paragraph 202)
43. Investment in sustainable industries, social infrastructure and in the employment and skills system should be a major element of the Government's 'levelling up' agenda and it should help the people and places that have been hardest hit during the pandemic. (Paragraph 203)

## APPENDIX 1: LIST OF MEMBERS AND DECLARATIONS OF INTEREST

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### Members

Lord Forsyth of Drumlean (Chair)  
 Baroness Bowles of Berkhamsted  
 Lord Burns  
 Viscount Chandos  
 Lord Cunningham of Felling (did not participate in the inquiry)  
 Lord Fox  
 Baroness Harding of Winscombe (did not participate in the inquiry)  
 Baroness Kingsmill  
 Lord Livingston of Parkhead  
 Lord Monks of Blackley  
 Lord Skidelsky  
 Lord Stern of Brentford  
 Lord Tugendhat

### Declarations of interest

Baroness Bowles of Berkhamsted  
*Non-executive Director, London Stock Exchange plc*  
*Adviser, Valloop Ltd (an investment fund which is now considering investing in ways to help refund debts).*

Lord Burns  
*Vice Chairman, Hay Festival of Literature & Arts Ltd (used furlough scheme)*  
*Chairman, Young Classical Artists Trust (YCAT) (used furlough scheme)*

Viscount Chandos  
*Chairman, Credit Services Association*  
*Chairman, The Theseus Agency Limited*  
*Director, Ambie Media Limited*  
*Vice-Chair, London Academy of Music and Dramatic Arts (LAMDA)*

Lord Cunningham of Felling  
*No relevant interests declared*

Lord Forsyth of Drumlean (Chair)  
*Chairman and Non-executive Director, Secure Trust Bank plc*  
*Director, Denholm Enterprise Ltd (investment company whose principal investments are shares in J&J Denholm and Denholm Oilfield Services)*  
*Non-executive Director, Denholm Logistics Group Limited*  
*Non-executive Director, J&J Denholm Ltd (parent company of Denholm Group which has four divisions: shipping, logistics, seafoods and industrial services)*

Lord Fox  
*No relevant interests declared*

Baroness Harding of Winscombe  
*Interim Chair, National Institute of Health Protection*  
*Chair, NHS Improvement*  
*Deputy Chair, Court of the Bank of England*

Baroness Kingsmill  
*Board member, Theatre Royal Stratford East*  
*Board member, Inditex S.A (Zara)*

Lord Livingston of Parkhead

*Chairman, Dixons Carphone plc (the company has utilised a number of government support measures)*

*Member, Advisory Committee, Livingbridge (private equity investor, some of Livingbridge investments may have used government support schemes)*

Lord Monks

*No relevant interests declared*

Lord Skidelsky

*No relevant interests declared*

Lord Stern of Brentford

*Adviser on climate issues, NatWest*

Lord Tugendhat

*Holds shares in Tussell, a data analytics start up founded by his son, which is in receipt of a bounce back loan*

A full list of Members' interests can be found in the Register of Lords' interests: <https://members.parliament.uk/members/lords/interests/register-of-lords-interests>

### Specialist Adviser

Andrew Westwood

*Theme leader, ESRC Productivity Institute (on Institutions, Governance and Policy), University of Manchester*

*Adviser on Covid-19 recovery, ESRC expert panel (Lord Stern is on the panel)*

*Policy consultant, Public First (specifically on city regions and FE/HE policy) (paid)*

*Governor, NIESR*

*Adviser on regions in industrial transition, EU*

## APPENDIX 2: LIST OF WITNESSES

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Evidence is published online at <https://committees.parliament.uk/work/480/employment-and-covid19/publications/> and available for inspection at the Parliamentary Archives (020 7219 3074).

Evidence received by the Committee is listed below in chronological order of oral evidence session and in alphabetical order. Those witnesses marked with \*\* gave both oral and written evidence. Those marked with \* gave oral evidence and did not submit any written evidence. All other witnesses submitted written evidence only

### Oral evidence in chronological order

- |    |  |                          |
|----|--|--------------------------|
| *  | Rain Newton-Smith, Chief Economist, Confederation of British Industry  | <a href="#">QQ 1–8</a>   |
| *  | Martin McTague, National Vice Chair Policy and Advocacy, Federation of Small Businesses                                  | <a href="#">QQ 1–8</a>   |
| *  | Kate Bell, Head of Rights, International, Social and Economics, Trades Union Congress                                    | <a href="#">QQ 1–8</a>   |
| ** | Andy Chamberlain, Director of Policy, The Association of Independent Professionals and the Self-Employed                 | <a href="#">QQ 1–8</a>   |
| *  | Katharine Mullock, Labour Market Economist, Organisation for Economic Co-operation and Development                       | <a href="#">QQ 9–16</a>  |
| *  | Guntram Wolff, Director, Bruegel   | <a href="#">QQ 9–16</a>  |
| *  | Professor Len Shackleton, Editorial and Research Fellow, Institute of Economic Affairs                                   | <a href="#">QQ 17–29</a> |
| *  | Clare McNeil, Associate Director for Work and Welfare State, Institute for Public Policy Research                        | <a href="#">QQ 17–29</a> |
| *  | Dr Hande Küçük, Director, National Institute of Economic and Social Research   | <a href="#">QQ 17–29</a> |
| ** | Kate Nicholls, Chief Executive Officer, UKHospitality  | <a href="#">QQ 30–26</a> |
| *  | Marc Crothall, Chief Executive, Scottish Tourism Alliance  | <a href="#">QQ 30–26</a> |
| *  | Jean-Philippe Monod, Vice President, Government Affairs, Expedia and Vice Chair, UK Short Term Accommodation Association | <a href="#">QQ 30–26</a> |
| *  | Claire Walker, Co-Executive Director, British Chamber of Commerce  | <a href="#">QQ 37–44</a> |
| *  | Rebecca Lowe, Research Director, Business Growth Fund  | <a href="#">QQ 37–44</a> |
| *  | Marcus Scott, Chief Operating Officer, TheCityUK   | <a href="#">QQ 37–44</a> |
| *  | Tom Ironside, Director (Business and Regulation), British Retail Consortium  | <a href="#">QQ 45–52</a> |

*	Professor Joshua Bamfield, Director, Centre for Retail Research	<a href="#">QQ 45–52</a>
**	Joanne Cairns, Deputy Head of Research and Economics, Usdaw	<a href="#">QQ 45–52</a>
*	The Rt Hon. Lord Heseltine CH	<a href="#">QQ 53–57</a>
*	Professor Sandra McNally, Professor of Economics, University of Surrey	<a href="#">QQ 58–64</a>
*	Professor Anne Green, Professor of Regional Economic Development, City-REDI, University of Birmingham	<a href="#">QQ 58–64</a>
**	Stephen Evans, Chief Executive, Learning and Work Institute	<a href="#">QQ 58–64</a>
*	Andy Bagnall, Chief Strategy Officer, Rail Delivery Group	<a href="#">QQ 65–72</a>
*	Graham Vidler, Chief Executive, Confederation of Passenger Transport	<a href="#">QQ 65–72</a>
*	Rt Hon. Norman Baker, Adviser to the CEO, Campaign for Better Transport	<a href="#">QQ 65–72</a>
*	Robert Griggs, Policy and Public Affairs Director, Airlines UK	<a href="#">QQ 65–72</a>
*	James Smith, Research Director, Resolution Foundation	<a href="#">QQ 73–86</a>
*	Paul Johnson, Director, Institute for Fiscal Studies	<a href="#">QQ 73–86</a>
*	Helen Barnard, Director, Joseph Rowntree Foundation	<a href="#">QQ 73–86</a>
**	Julian Bird, Chief Executive, UK Theatre and Society of London Theatre	<a href="#">QQ 87–96</a>
*	Horace Trubridge, General Secretary, Musician’s Union	<a href="#">QQ 87–96</a>
*	Abigail Pogson, Managing Director, Sage Gateshead	<a href="#">QQ 87–96</a>
*	Peter Heath, Managing Director, Professional Lighting and Sound Association	<a href="#">QQ 87–96</a>
*	Professor Paul Nightingale, Director of Special Projects, UK Research and Innovation	<a href="#">QQ 97–104</a>
*	James Heywood, Head of Welfare and Opportunity, Centre for Policy Studies	<a href="#">QQ 97–104</a>
*	Professor Richard Jones, Chair in Materials Physics and Innovation Policy, University of Manchester	<a href="#">QQ 97–104</a>
*	Paul Everitt, CEO and FIL Chairman, ADS Group	<a href="#">QQ 105–113</a>
*	Andrea Hough OBE, Managing Director, ATEC	<a href="#">QQ 105–113</a>
**	Paul Davies, President and Managing Director, Alexander Dennis Ltd	<a href="#">QQ 105–113</a>

**	Ben Fletcher, Executive Director of Policy and Engagement, Make UK	<a href="#">QQ 105–113</a>
*	Andy Burnham, Mayor, Greater Manchester Combined Authority	<a href="#">QQ 114–121</a>
*	Steve Rotheram, Mayor, Liverpool City Region Combined Authority	<a href="#">QQ 114–121</a>
*	Nisha Katona MBE, Founder and Chief Executive Officer of Mowgli Street Food restaurants and television presenter	<a href="#">QQ 122–129</a>
*	Mark Da Vanzo, Chief Executive, Liverpool Everyman & Playhouse Theatres	<a href="#">QQ 122–129</a>
*	Anna Goodband, Principal and Acting Director, Liverpool School of English	<a href="#">QQ 122–129</a>
*	Steven Hesketh, Chief Executive Officer, Savvy Hotel Group	<a href="#">QQ 122–129</a>
*	Dr Katy Jones, Senior Research Associate, Manchester Metropolitan University	<a href="#">QQ 130–138</a>
*	Tracy Fishwick OBE, Managing Director, Transform Lives Company	<a href="#">QQ 130–138</a>
*	Professor Paul Gregg CBE, Professor of Economic and Social Policy, University of Bath	<a href="#">QQ 130–138</a>
**	Laura Dewar, Policy Officer, Gingerbread	<a href="#">QQ 130–138</a>
*	Thomas Pope, Senior Economist, Institute for Government	<a href="#">QQ 139–148</a>
*	Lord Macpherson of Earl’s Court, former Permanent Secretary to the Treasury 2005–2016, HM Treasury	<a href="#">QQ 139–148</a>
*	Fabian Wallace-Stephens, Senior Researcher, Royal Society for Arts, Manufactures, and Commerce	<a href="#">QQ 149–158</a>
*	Tera Allas CBE, Director of Research and Economics, McKinsey & Company	<a href="#">QQ 149–158</a>
*	Professor Diane Coyle, Co-director of the Bennett Institute for Public Policy, University of Cambridge	<a href="#">QQ 159–169</a>
*	Baroness Shafik, Director, London School of Economics	<a href="#">QQ 159–169</a>
*	Professor Jonathan Portes, Professor of Economics and Public Policy, Kings College London	<a href="#">QQ 159–169</a>
**	The Rt Hon. Jesse Norman MP, Financial Secretary, HM Treasury	<a href="#">QQ 170–188</a>
*	Lindsey Whyte, Director of Personal Tax, Welfare and Pensions, HM Treasury	<a href="#">QQ 170–188</a>

**Alphabetical list of all witnesses**

	ABTA	<a href="#">EMP0017</a>
	Tera Allas CBE, Director of Research and Economics, McKinsey & Company ( <a href="#">QQ 149–158</a> )	
	Arts Council England, Libraries Connected and CILIP	<a href="#">EMP0022</a>
	Association of British Insurers	<a href="#">EMP0009</a>
	Association of Convenience Stores	<a href="#">EMP0037</a>
	Association of Local Authority Medical Advisers	<a href="#">EMP0052</a>
	Association of Professional Staffing Companies (Global) Ltd	<a href="#">EMP0062</a>
*	Andy Bagnall, Chief Strategy Officer, Rail Delivery Group ( <a href="#">QQ 65–72</a> )	
*	Rt Hon. Norman Baker, Adviser to the CEO, Campaign for Better Transport ( <a href="#">QQ 65–72</a> )	
*	Professor Joshua Bamfield, Director, Centre for Retail Research ( <a href="#">QQ 45–52</a> )	
*	Helen Barnard, Director, Joseph Rowntree Foundation ( <a href="#">QQ 73–86</a> )	
*	Kate Bell, Head of Rights, International, Social and Economics, Trades Union Congress ( <a href="#">QQ 1–8</a> )	
**	Julian Bird, Chief Executive, UK Theatre and Society of London Theatre ( <a href="#">QQ 87–96</a> )	<a href="#">EMP0010</a>
	British Beer and Pub Association	<a href="#">EMP0014</a>
	British Youth Council	<a href="#">EMP0060</a>
*	Andy Burnham, Mayor, Greater Manchester Combined Authority ( <a href="#">QQ 114–121</a> )	
	Cadent Gas Limited	<a href="#">EMP0033</a>
**	Joanne Cairns, Deputy Head of Research and Economics, Usdaw ( <a href="#">QQ 45–52</a> )	<a href="#">EMP0051</a>
	Carnegie UK Trust	<a href="#">EMP0046</a>
	Centre for Ageing Better	<a href="#">EMP0027</a>
**	Andy Chamberlain, Director of Policy, The Association of Independent Professionals and the Self-Employed ( <a href="#">QQ 1–8</a> )	<a href="#">EMP0019</a>
	CIPD	<a href="#">EMP0038</a>
	Citizens Advice Scotland	<a href="#">EMP0006</a>
	Coventry Citizens Advice	<a href="#">EMP0025</a>
*	Professor Diane Coyle, Co-director of the Bennett Institute for Public Policy, University of Cambridge ( <a href="#">QQ 159–169</a> )	

- \* Marc Crothall, Chief Executive, Scottish Tourism Alliance ([QQ 30–26](#))
- \*\* Paul Davies, President and Managing Director, Alexander Dennis Ltd ([QQ 105–113](#)) [EMP0066](#)
- \* Laura Dewar, Policy Officer, Gingerbread ([QQ 130–138](#))
- District Councils’ Network [EMP0067](#)
- Employment Lawyers Association [EMP0023](#)
- EngineeringUK [EMP0031](#)
- Evangelical Alliance [EMP0061](#)
- \*\* Stephen Evans, Chief Executive, Learning and Work Institute ([QQ 58–64](#)) [EMP0056](#)
- \* Paul Everitt, Chief Executive Officer and FIL Chairman, ADS Group ([QQ 105–113](#))
- Feeding Britain [EMP0012](#)
- \* Tracy Fishwick OBE, Managing Director, Transform Lives Company ([QQ 130–138](#))
- \*\* Ben Fletcher, Executive Director of Policy and Engagement, Make UK ([QQ 105–113](#)) [EMP0048](#)  
and [EMP0063](#)
- Dr Sarah Forbes and Dr Holly Birkett, Lecturers at University of Birmingham [EMP0045](#)
- Gatwick Airport Limited [EMP0032](#)
- \* Anna Goodband, Principal and Acting Director, Liverpool School of English ([QQ 122–129](#))
- \* Professor Anne Green, Professor of Regional Economic Development, City-REDI, University of Birmingham ([QQ 58–64](#))
- \* Professor Paul Gregg CBE, Professor of Economic and Social Policy, University of Bath ([QQ 130–138](#))
- \* Robert Griggs, Policy and Public Affairs Director, Airlines UK ([QQ 65–72](#))
- Pierre-Jean Hanard, PhD researcher, King’s College London, Professor Ute Stephan, Professor of Entrepreneurship, King’s College London and Dr Przemysław Zbierowski, Maria Skłodowska-Curie Research Fellow, King’s College London [EMP0035](#)
- \* Peter Heath, Managing Director, Professional Lighting and Sound Association ([QQ 87–96](#))
- \* The Rt Hon. Lord Heseltine CH ([QQ 53–57](#))
- \* Steven Hesketh, Chief Executive Officer, Savvy Hotel Group ([QQ 122–129](#))

- \* James Heywood, Head of Welfare and Opportunity,  
Centre for Policy Studies ([QQ 97-104](#))
- \* Andrea Hough OBE, Managing Director, ATEC ([QQ 105-113](#))  
Imagine Theatre Ltd [EMP0002](#)  
Institute of Engineering and Technology [EMP0028](#)
- \* Tom Ironside, Director (Business and Regulation),  
British Retail Consortium ([QQ 45-52](#))
- \* Paul Johnson, Director, Institute for Fiscal Studies  
([QQ 73-86](#))
- \* Dr Katy Jones, Senior Research Associate,  
Manchester Metropolitan University ([QQ 130-138](#))
- \* Professor Richard Jones, Chair in Materials Physics  
and Innovation Policy, University of Manchester ([QQ 97-104](#))  
Just Fair [EMP0029](#)
- \* Nisha Katona MBE, Founder and Chief Executive  
Officer of Mowgli Street Food restaurants and  
television presenter ([QQ 122-129](#))
- \* Dr Hande Küçük, Director, National Institute of  
Economic and Social Research ([QQ 17-29](#))  
Labour Behind the Label [EMP0005](#)  
Dr Marek Laskiewicz [EMP0068](#)  
Local Government Association [EMP0011](#)  
London Councils [EMP0030](#)
- \* Rebecca Lowe, Research Director, Business Growth  
Fund ([QQ 37-44](#))  
Market Research Society [EMP0054](#)
- \* Lord Macpherson of Earl's Court, former Permanent  
Secretary to the Treasury 2005-2016, HM Treasury  
([QQ 139-148](#))
- \* Professor Sandra McNally, Professor of Economics,  
University of Surrey ([QQ 58-64](#))
- \* Clare McNeil, Associate Director of Work and  
Welfare State, Institute for Public Policy Research  
([QQ 17-29](#))
- \* Martin McTague, National Vice-Chair Policy and  
Advocacy, Federation of Small Businesses ([QQ 1-8](#))  
Mencap [EMP0041](#)  
Mind [EMP0024](#)

- \* Jean-Philippe Monod, Vice President, Government Affairs at Expedia and Vice Chair, UK Short Term Accommodation Association ([QQ 30–26](#))
- \* Katharine Mullock, Labour Market Economist, Organisation for Economic Co-operation and Development ([QQ 9–16](#))  
National Farmers Union [EMP0053](#)
- \* Rain Newton-Smith, Chief Economist, Confederation of British Industry ([QQ 1–8](#))
- \*\* Kate Nicholls, Chief Executive Officer, UKHospitality ([QQ 30–26](#)) [EMP0043](#)
- \* Professor Paul Nightingale, Director of Special Projects, UK Research and Innovation ([QQ 97–104](#))  
Norfolk County Council [EMP0040](#)
- \*\* The Rt Hon. Jesse Norman MP, Financial Secretary, HM Treasury ([QQ 170–188](#)) [EMP0050](#)  
Octopus Group [EMP0018](#)  
Office of National Statistics [EMP0057](#)  
Dr Jane Parry, Lecturer in Organisational Behaviour and HRM, University of Southampton, Dr Zoe Young, Director, Half the Sky and Professor Stephen Bevan, Head of HR research development, Institute for Employment Studies [EMP0064](#)  
John Phillips, Senior Consultant, JPH Performance Management [EMP0059](#)
- \* Abigail Pogson, Managing Director, Sage Gateshead ([QQ 87–96](#))
- \* Thomas Pope, Senior Economist, Institute for Government ([QQ 139–148](#))
- \* Professor Jonathan Portes, Professor of Economics and Public Policy, Kings College London ([QQ 159–169](#))  
Pregnant Then Screwed [EMP0044](#)  
Dr Sarah Price, Research Associate, University of Sheffield and Professor Vanessa Toulmin, Professor and Director of City and Culture, University of Sheffield [EMP0049](#)  
Dr Christopher Rauh, Lecturer, University of Cambridge and Professor Abi Adams-Prassl, Associate Professor, University of Oxford [EMP0039](#)  
Steve Rotheram, Mayor, Liverpool City Region Combined Authority ([QQ 114–121](#))  
Royal College of Midwives [EMP0013](#)  
Scope [EMP0020](#)

- \* Marcus Scott, Chief Operating Officer, TheCityUK  
([QQ 37–44](#))  
Seetec [EMP0036](#)
- \*\* Professor Len Shackleton, Editorial and Research  
Fellow, Institute of Economic Affairs ([QQ 17–29](#)) [EMP0021](#)
- \* Baroness Shafik, Director, London School of  
Economics ([QQ 159–169](#))
- \* James Smith, Research Director, Resolution  
Foundation ([QQ 73–86](#))  
Tees Valley Combined Authority [EMP0034](#)  
The National Deaf Children’s Society [EMP0007](#)  
The Open University [EMP0065](#)
- \* Horace Trubridge, General Secretary, Musician’s  
Union ([QQ 87–96](#))  
UK Women’s Budget Group [EMP0004](#)  
Understanding Society, University of Essex [EMP0055](#)  
University of Glasgow, MRC/CSO Social and Public  
Health Sciences Unit [EMP0047](#)
- \* Mark Da Vanzo, Chief Executive, Liverpool  
Everyman & Playhouse Theatres ([QQ 122–129](#))
- \* Graham Vidler, Chief Executive, Confederation of  
Passenger Transport ([QQ 65–72](#))
- \* Claire Walker, Co-Executive Director, British  
Chamber of Commerce ([QQ 37–44](#))
- \* Fabian Wallace-Stephens, Senior Researcher, Royal  
Society for Arts, Manufactures, and Commerce ([QQ  
149–158](#))  
We Belong [EMP0042](#)
- \* Lindsey Whyte, Director of Personal Tax, Welfare  
and Pensions, HM Treasury ([QQ 170–188](#))
- \* Guntram Wolff, Director, Bruegel ([QQ 9–16](#))  
Women Against State Pension Inequality Campaign [EMP0016](#)  
Working Families [EMP0026](#)