

## The Work Foundation calls on Government to prioritise job protection and long-term skills investment in the Autumn Budget

*Regardless of whether we see a one year Spending Review extension, or a longer term four year Spending Review for the remainder of this Parliament, there are a series of vital steps that the Government must take to protect workers and businesses over the coming winter months, and help workers to develop their skills and access employment opportunities in the future.*

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Prior to the COVID-19 pandemic, the labour market was already characterised by high levels of job insecurity for many low paid workers. There were 5.1 million workers in low paid, insecure work during Q4 of 2019,<sup>1</sup> with wage levels having largely stagnated for a decade following the financial crisis, as well as an increasing number of people facing uncertainty regarding the number of hours they were contracted to work and many lacking a range of key employment protections.

As further waves of COVID-19 loom large and new public health restrictions come into force, millions of workers face the prospect of either losing their jobs, or seeing their hours and wages reduced further, with low paid workers most at risk. The latest PAYE data shows that there are already 695,000 fewer people on the payroll today than in March 2020, and job vacancy numbers remain 50% lower than before the crisis.<sup>2</sup> In addition, research conducted by the Institute for Employment Studies found that low paid workers were twice as likely to have worked fewer hours due to being laid off or being put on short-time working than high-paid workers.<sup>3</sup>

Given the nature of the public health crisis, those most at risk tend to be clustered in specific sectors of the economy, such as retail, hospitality and tourism. The retail sector was already characterised by low pay before the pandemic, with full time retail workers earning on average £135 per week less than those in other sectors.<sup>4</sup> The sector has also seen more workers furloughed than any other sector (1.9 million workers, 42% of all workers as of August 2020).<sup>5</sup> Meanwhile the UK Hospitality's Quarterly Tracker showed that the sector had seen sales decline by 21.3% in the first quarter of 2020.<sup>6</sup> The latest public health measures introduced in September are forecast to

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<sup>1</sup> New Economics Foundation (2020). Tackling insecure work is vital to any meaningful recovery from crisis. <https://neweconomics.org/2020/06/why-tackling-insecure-work-is-an-important-part-of-any-meaningful-recovery-from-crisis>

<sup>2</sup> Work Foundation (2020). The start of the storm: new ONS labour market data shows the jobs crisis is just getting started. <https://www.lancaster.ac.uk/work-foundation/news/blog/the-start-of-the-storm-new-ons-labour-market-data-shows-the-jobs-crisis-is-just-getting-started>

<sup>3</sup> Institute for Employment Studies (2020). Covid-19 and the low paid: Early analysis of Labour Force Survey. [https://www.employment-studies.co.uk/system/files/resources/files/IES%20briefing%20-%20Covid-19%20and%20the%20low%20paid%20FINAL2\\_0.pdf](https://www.employment-studies.co.uk/system/files/resources/files/IES%20briefing%20-%20Covid-19%20and%20the%20low%20paid%20FINAL2_0.pdf)

<sup>4</sup> Work Foundation (2020). No returns: a new direction to tackle insecurity in retail following COVID-19. <https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/NoReturns-final2ndSept.pdf>

<sup>5</sup> Ibid

<sup>6</sup> UK Hospitality. New Hospitality tracker sees first quarter sales drop 21.3%. [https://www.ukhospitality.org.uk/news/504592/New-Hospitality-tracker-sees-first-quarter-sales-drop-21.3.htm?mod=article\\_inline](https://www.ukhospitality.org.uk/news/504592/New-Hospitality-tracker-sees-first-quarter-sales-drop-21.3.htm?mod=article_inline)

remain in place for the next six months, meaning pre-COVID-19 levels of business activity and consumer demand in these sectors will not return for the foreseeable future.

**Without sustained intervention to support these workers over the coming period, we will see a significant rise in unemployment and in-work poverty as a result of the COVID-19 crisis.** We know that workers in insecure and low-paid work face serious challenges in transitioning into more secure and well-paid employment. Research from Professor Geraint Johnes at Lancaster University found that women and those with limited qualifications face longer periods of unemployment after losing their job in retail.<sup>7</sup> And analysis from the Social Mobility Commission found that just 1 in 6 low-paid workers (17%) managed to permanently escape from low pay between 2006-2016.<sup>8</sup> This will be even more challenging given the economic contraction we will see over the coming months.

**In order to escape low paid, insecure work or access new opportunities in the labour market beyond the current crisis, those workers most at risk will need support to improve their skills and qualifications.** Such measures may include accredited training and courses in key skills necessary for job progression that can be completed online, at low cost and on a flexible basis, such as digital badging. For example, an evaluation of Open University badging pilots run across the UK has found that badged learners not only gain new skills, but also seek out further learning opportunities.<sup>9</sup>

**Many workers at risk will be in their mid-career and will require focussed support to re-train or improve their skills if they are to improve their working conditions or gain new employment in the future.** In the longer term, we know that large proportions of mid-career workers will need to re-train and move into new roles as digitalization and automation shape the future of work. It is already clear that the pandemic is accelerating these trends in certain sectors, such as retail, where the move to online shopping has grown substantially, accounting for 30% of all sales during lockdown.<sup>10</sup> This will significantly reduce the number of jobs in the sector overall and drive a structural shift in the kind of jobs that remain, with fewer roles in-store, and more logistics and delivery jobs emerging.

### **Steps to mitigate job insecurity and increase skills among the workforce**

In the short term, with a series of new public health restrictions being introduced just as the Coronavirus Job Retention Scheme (CJRS) is due to be wound down in October, a number of steps are necessary to protect low skilled workers from facing greater levels of insecurity or losing their job over the coming months. These measures should be substantial, recognising the severity

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<sup>7</sup> Johnes, G. (2018) "Retail Therapy: Worker displacement and re-employment in the UK" International Journal of Sales, Retailing and Marketing Vol 8 No.1

<sup>8</sup> Social Mobility Foundation (2017). The Great Escape? Low pay and progression in the UK's labour market. <https://www.resolutionfoundation.org/app/uploads/2017/10/Great-Escape-final-report.pdf>

<sup>9</sup> The Open University (2014). Digital Badging at The Open University: recognition for informal learning. [https://oro.open.ac.uk/41354/2/Digital%20badging%20at%20the%20Open%20University\\_Full%20Paper\\_Law.pdf](https://oro.open.ac.uk/41354/2/Digital%20badging%20at%20the%20Open%20University_Full%20Paper_Law.pdf)

<sup>10</sup> Work Foundation (2020). No returns: a new direction to tackle insecurity in retail following COVID-19. <https://www.lancaster.ac.uk/media/lancaster-university/content-assets/documents/lums/work-foundation/NoReturns-final2ndSept.pdf>

of the impact that the COVID-19 crisis is having on businesses and workers affected, and targeted at those parts of the economy most likely to be hit.

Our recommendations include:

1. With further waves of the pandemic likely to require additional lockdown measures at a national level, **we urge the Government to maintain substantial job protection measures beyond the planned winding down of the CJRS at the end of October.**

Just as a number of EU nations are persisting with their job protection schemes throughout 2021, the CJRS should be replaced by a new, more targeted scheme that will protect against mass redundancies and support the sectors that have been most affected by the pandemic, with businesses needing to demonstrate that their activity has been affected by COVID-19 restrictions to qualify for support. Businesses already hit by local lockdowns would qualify for the support automatically.

In designing this support, the Government could take inspiration from the 'working time reduction schemes' in operation in other countries, which would allow employers to reduce working hours for some staff and receive a subsidy for hours that aren't worked. This would enable more workers to remain on the payroll during the coming months and prevent them falling into unemployment.

One example of such a programme is the 'short-time working allowance' (**Kurzarbeit**) scheme run in Germany and Austria during economic downturns. The scheme allows employers, in consultation with affected employees, to reduce the number of hours each individual works, with the employer paying for hours worked and the short work-time scheme supplementing 60% of the remaining wage, and up to 67% for parents. The scheme is estimated to have saved between 300,000 and 350,000 jobs during the financial crisis,<sup>11</sup> and the German Government estimates 2.35 million people will be supported through it this year.<sup>12</sup>

Alongside these new support measures, it is vital that Government invests in training and up-skilling infrastructure and programmes to help prepare workers to access new employment opportunities in the future.

2. In order to support those workers who do lose their jobs or find themselves trapped in low paid, insecure work, **the Government should accelerate and bolster the National Retraining programme.** This programme should be brought forward and streamlined through the pooling of individual initiatives such as the Adult Education Budget, National

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<sup>11</sup> Eurofound (n/a). Short-time working allowance (Kurzarbeit) EMCC – European Monitoring Centre on Change. <https://www.eurofound.europa.eu/observatories/emcc/erm/support-instrument/short-time-working-allowance>

<sup>12</sup> The Financial Times (23 March 2020). Kurzarbeit: a German export most of Europe wants to buy. <https://www.ft.com/content/927794b2-6b70-11ea-89df-41bea055720b>

Skills Fund and National Retraining Scheme. The Joseph Rowntree Foundation have estimated that this could create a combined budget of £7 billion over the next three years to be focused on supporting people to transition into new jobs and targeted specifically at low paid workers.<sup>13</sup> Part of this investment should include the provision of personal learning accounts.

As part of this investment further policy development is needed to support adult education, including a new right to paid time off for education and training for workers, as well as a new entitlement to a mid-life skills/career review, and development of an all-age careers guidance service.

3. In order to support more people and communities impacted by the COVID-19 crisis, **the Treasury should urgently bring forward the Shared Prosperity Fund** to provide communities with additional resource to support local people to develop their skills and re-enter the labour market.

Funding should be prioritised for those local areas with the lowest rates of employment and levels of pay. In particular, local authorities should use this resource to develop Employment Hubs which can help to provide brokerage with employers seeking labour and engaging local people with a range of skills, including those furthest away from the labour market being put forward and matched for relevant opportunities.

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<sup>13</sup> Joseph Rowntree Foundation (2020). A good jobs recovery: Labour market support to stem the unemployment tide. <https://www.jrf.org.uk/report/Good-jobs-recovery-Labour-market-support-stem-unemployment-tide>