
When furlough has to stop

Next steps to avert long-term unemployment

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About

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Our vision is for a prosperous and fair society in which learning and work provide opportunities for everyone to realise their potential and ambitions throughout life.

Working with partners, we inspire people to learn and help transform people's experiences of learning and employment. What we do benefits individuals, families, communities and the wider economy.

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Proposals

Proposal 1:

The Government should implement a Universal Support Offer for all furloughed workers, those at risk of redundancy and workers in the retail and hospitality sectors. This should include online advice and one-to-one support, delivered through different channels in order to fit with people's lives and maximise take-up.

Proposal 2:

Adult skills funding should be extended to give everyone an entitlement to funding for a qualification, or modules of a qualification, up to and including level 3. Those learning in a priority sector and those with a minimum National Insurance contributions history should be entitled to funding for a qualification, even if they are already qualified to that level.

Proposal 3:

The Government should advertise the Offer widely, including in HMRC and DWP communications with low-paid workers. HMRC should direct businesses using the Coronavirus Jobs Retention Scheme to encourage their workers, who are already permitted to undertake training, to take advantage of the offer.

Proposal 4:

To ensure rapid support for workers at risk of unemployment, companies placing furloughed staff at risk of redundancy should be required to immediately inform HMRC, and the current requirement that firms inform the Redundancy Payments Service if 20 or more staff are at risk should be reduced to five.

Proposal 5:

The Government should rapidly increase employment support through an Into Work Service and a minimum 10,000 increase in the number of Jobcentre Plus work coaches.

Proposal 6:

Jobcentre Plus and the National Careers Service should identify which workers from those furloughed or at-risk workers accessing the Universal Support Offer would most benefit from career changer support. These workers should be offered access to enhanced career advice and a £5,000 learning account for accredited training. The Government should work with businesses to deliver sector-based *Ambition* programmes and apprenticeships to provide opportunities and training for career switches.

Proposal 7:

To help individuals to undertake career switches, and mitigate wage drops as people start over in a new sector, Government should introduce a time-limited means-tested maintenance grant of up to £3,000 (a Career Changer Grant) or a Career Changer Premium in Universal Credit. Eligibility could be linked to an individual's National Insurance contributions history. To incentivise employers both to hire apprentices and career changers, and to pay living wages, the Government should allow firms to use a proportion of their apprenticeship levy to support wages, with an equivalent grant for SMEs.

Proposal 8:

The Government should define the offer for those at risk of unemployment, looking for new jobs and seeking a career switch. Schemes should then be delivered locally, with discretion to tailor the offer to the local economy. Agreements should be put in place to define the responsibilities of each. Governments in Wales, Scotland and Northern Ireland should develop similar offers.

1. The scale of the challenge

The scale of the threat to health posed by the coronavirus is unprecedented in modern times. The economic impact, and potential unemployment crisis, are similarly unparalleled. The gradual reopening of the economy is the first step towards recovery, but we are only in the first stages. Unless immediate and ambitious action is taken, the Government may face the worst unemployment crisis since the Great Depression.

Signs of record unemployment

The most recent labour market data does not make for happy reading. While the headline unemployment rate for the three months to April remained unchanged on the previous quarter, the more up to date claimant unemployment data tells another story. In May, this stood at 2.8 million – an increase of 1.6 million in just two months, and the largest spike in claims since records began. Data from HMRC shows the number of people in employment fell by more than 600,000 in April and May.¹

That number would have been far higher had the Government not implemented the Coronavirus Job Retention Scheme (CJRS). It remains to be seen what proportion of the 9.1 million² workers who have been furloughed remain in employment as the CJRS is phased out, but with social distancing measures continuing and consumer spending likely to remain depressed there is a clear risk of significant job losses. Polling by YouGov undertaken between 22 May and 7 June found that half of businesses expect to lay off workers within three months of the CJRS ending, with just a third anticipating no redundancies.³ The Government should therefore anticipate and prepare for a significant number of redundancies.

The challenge ahead

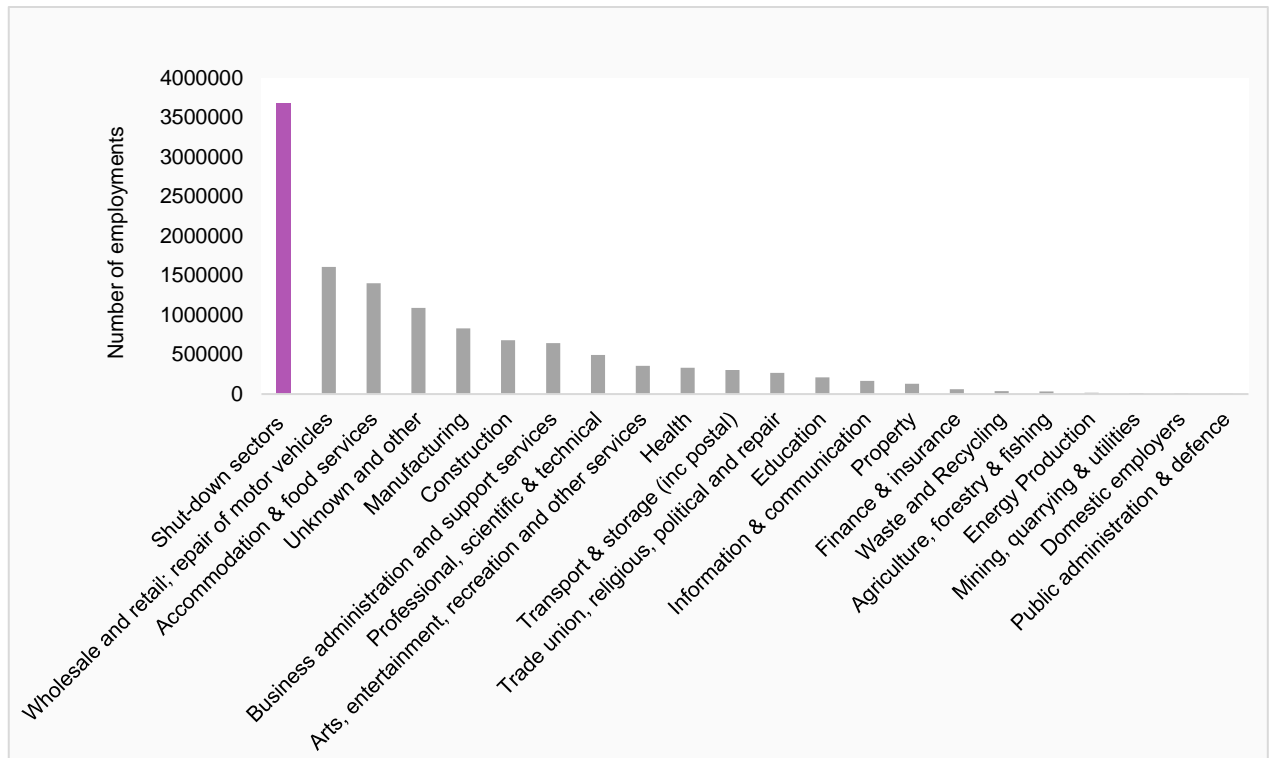
Looking at the profile of those employments that have been furloughed gives the clearest picture of the challenge ahead: almost 3.7 million employments have been furloughed in shut-down sectors, making up four in every ten furloughed employments (Figure 1 below). Collectively (if counted as a single sector) this is the largest number of employments furloughed by sector. The majority of these are in the hospitality and retail sectors, which make up a third of furloughed employments.

¹ Office for National Statistics, 'Labour Market Overview, UK', Web Page, 16 June 2020.

² HM Revenue & Customs, *HMRC Coronavirus (COVID-19) Statistics: May 2020*, 2020.

³ YouGov, 'Half of Businesses Would Have to Lay off Staff within Three Months If Furlough Scheme Ended', Web Page, 17 June 2020.

Figure 1: The number of employments furloughed by sector



Source: HMRC, *Coronavirus Job Retention Scheme statistics: June 2020, Reform/LWI analysis*. N.b. Sectors counted as 'shut down' were 'Wholesale and retail; repair of motor vehicles', 'Transport and storage', 'Accommodation & food services', 'Arts, entertainment, recreation and other services', and 'Domestic employers'.

The coming months will likely see a significant increase in the number of planned redundancies, as businesses who have been shut down for more than three months with little to no revenue are required to start contributing to the cost of furloughed workers. If even one in five furloughed employees in shut down sectors lose their jobs, that would mean over 700,000 more people out of work.

Job losses will also not be confined to shut down sectors; many in other at-risk occupations may lose their jobs. McKinsey estimate that 44 per cent of jobs (or almost 1.5 million) in elementary occupations are 'at risk', defined by how likely they are to have been affected by the lockdown, and reduced demand for certain sectors of the economy.⁴ The coronavirus has been a catalyst for accelerating certain trends, from increases in remote working, to online retail.⁵

⁴ Tera Allas, Marc Canal, and Vivian Hunt, *COVID-19 in the United Kingdom: Assessing Jobs at Risk and the Impact on People and Places* (McKinsey & Company, 2020).

⁵ Torsten Bell and Hannah Slaughter, *Crystall Balls vs Rear-View Mirrors: The UK Labour Market after Coronavirus* (Resolution Foundation, 2020).

When furlough has to stop

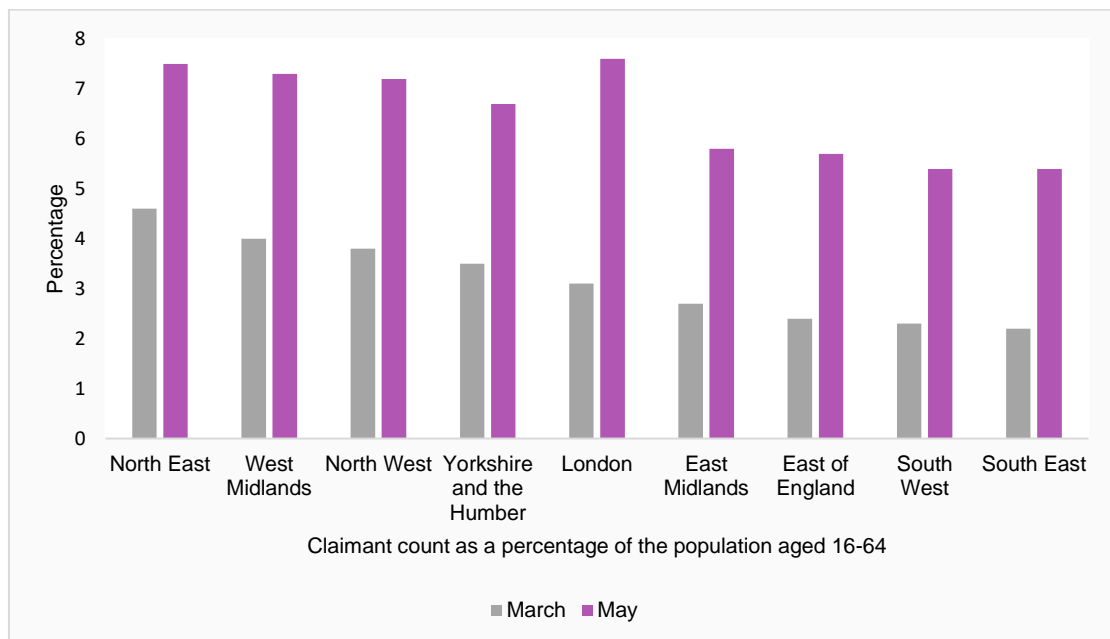
The unemployment rate is already forecast to reach double figures by the end of this year.⁶

Levelling down

The employment impacts of coronavirus are not equally distributed across different demographics and geographies. In many cases, the labour market fallout from the pandemic is exacerbating pre-existing inequalities.

As Figure 2 shows, there were already significant geographical disparities in unemployment rates pre-pandemic.

Figure 2: Claimant Count by region (Mar/Apr 2020) and Unemployment rate (Nov-Jan)



Source: Claimant Count by unitary and local authority (March 12th and May 14th), Office for National Statistics.

There is also significant variation in how many jobs are furloughed across different areas. This creates different levels of employment vulnerability: certain areas are likely to be harder hit with redundancies when the CJRS ends, due to the sector make-up of their labour market, or consumer demand returning more slowly. In 82 local authorities in England more than one in four workers are furloughed, and in twelve it is closer to one in three.

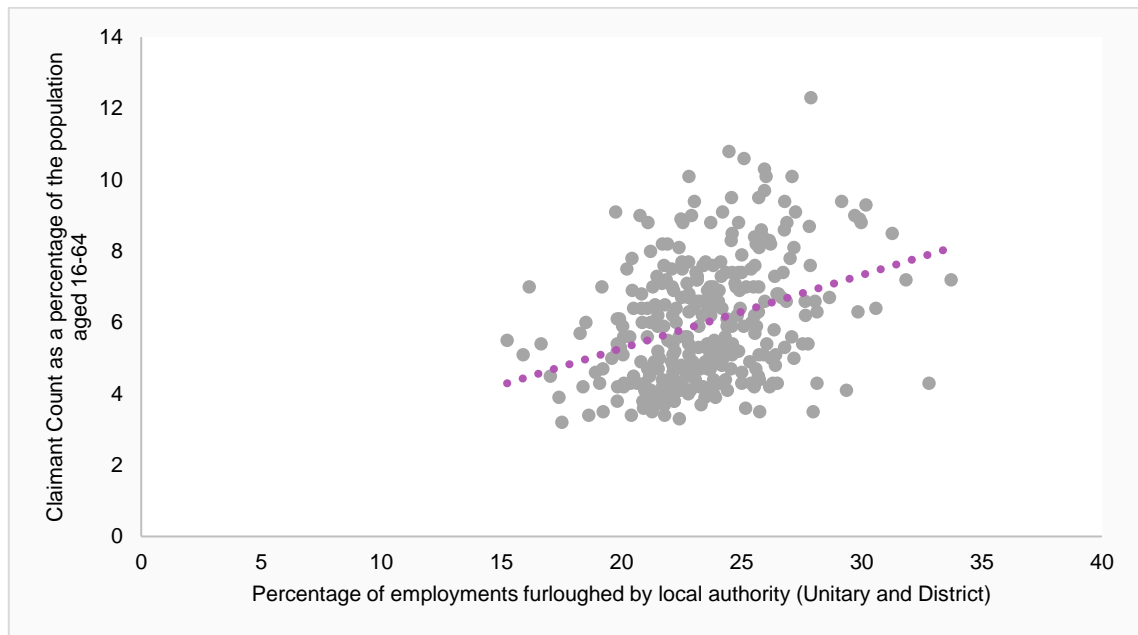
Figure three shows how varied levels of furloughed employment are across different areas. Worryingly, it reveals that local authorities with a higher proportion of furloughed

⁶ OECD, 'United Kingdom Economic Snapshot', Web Page, June 2020.

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employments are more likely to have a higher proportion of their population claiming benefits, and so are already facing the greatest employment challenges.

Figure 3: Local authorities by their claimant count (percentage of local population) and the proportion of their employments furloughed



Source: HMRC, *Coronavirus Job Retention Scheme statistics: June 2020*; and Claimant Count by unitary and local authority (May 14th), Office for National Statistics, Reform and LWI analysis.

The profile of the workforce in at-risk occupations and sectors puts certain groups at greater risk. Low earners are seven times more likely to work in shut down sectors, meaning rising unemployment will most heavily affect households that are least well protected.⁷ Nearly 50 per cent of at-risk jobs are in occupations earning less than £10 an hour, and in the 20 lowest-income areas, 23-29 per cent of jobs are at-risk, compared to just 18-25 per cent in the 20 highest-income areas.⁸ In addition, Learning and Work Institute has found that these workers are likely to be younger and female.⁹

Workers in at-risk occupations also more likely to have no qualifications, and are far less likely to be qualified to at least degree level, as figure four shows. Evidence shows that less-qualified adults are more likely to be unemployed, meaning that, without Government support to retrain, those people will be the least resilient to long-term unemployment.¹⁰

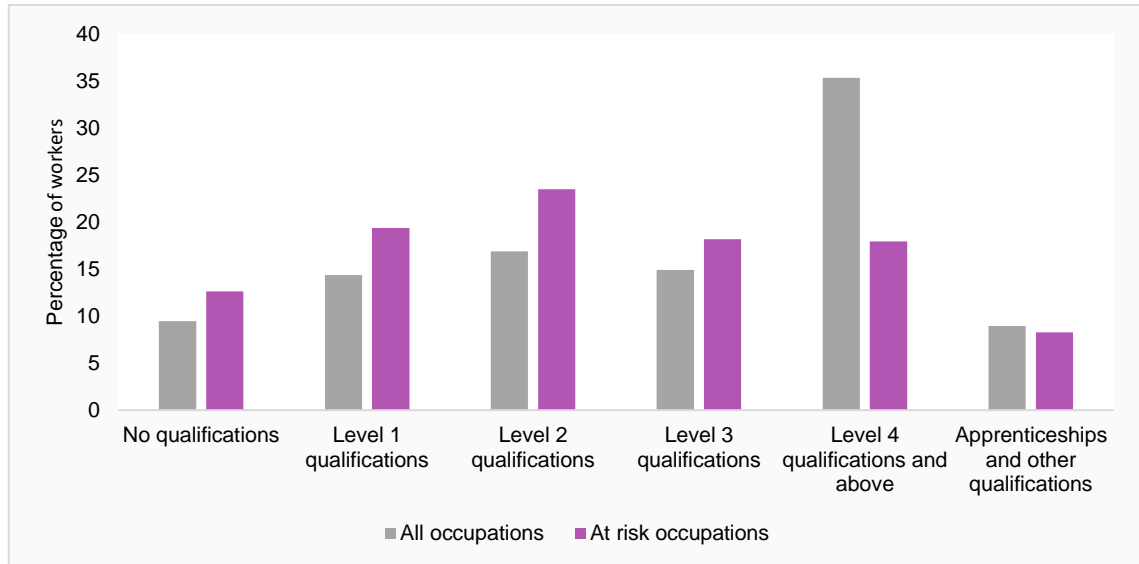
⁷ Robert Joyce and Xiaowei Xu, *Sector Shutdowns during the Coronavirus Crisis: Which Workers Are Most Exposed?* (Institute for Fiscal Studies, 2020).

⁸ Allas, Canal, and Hunt, *COVID-19 in the United Kingdom: Assessing Jobs at Risk and the Impact on People and Places*, 19.

⁹ Stephen Evans and Joe Dromey, *Coronavirus and the Labour Market: Impacts and Challenges* (Learning and Work Institute, 2020).

¹⁰ Rodrigo Castaneda Valle, Simon Normandeau, and Gara Rojas Gonzalez, *Education at a Glance Interim Report: Update of Employment and Educational Attainment Indicators* (OECD, 2015).

Figure 4: Qualification levels for all occupations and at-risk occupations



Source: 2011 Census data, Reform and LWI analysis. Occupations counted as ‘at risk’ were ‘Administrative and secretarial occupations’, ‘Caring, leisure and other service occupations’, ‘Sales and customer service occupations’, and ‘Elementary occupations’. N.b. It was not possible to discount ‘Caring’ occupations, but these are not ‘at-risk’.

The prospects for all at-risk workers – those newly unemployed, furloughed, or still at work – depends, of course, on the shape of the economic recovery. There are several factors that will impact the speed of the recovery and nature of any longer-term damage to growth prospects. One of those factors is how cautious consumers are even as restrictions are lifted. The high level of fear among the population may mean a subdued response to the economy reopening – 69 per cent of people say they are avoiding crowded public spaces, and almost half are scared about catching the virus.¹¹

In ‘left behind’ communities, which will have higher levels of deprivation, consumer demand is likely to be more suppressed regardless of consumer confidence, making job losses more likely. Analysis of family incomes by the Resolution Foundation found that while reductions in incomes are similar across the income distribution, those at the wealthier end have also seen sizeable reductions in expenditure.¹² The recovery will in part depend on those better off households spending their “excess savings” – and fewer of these families live in ‘left behind’ areas.

The furlough scheme is mitigating against some of these place-based factors, and the increase in Universal Credit will have helped low-income families. Yet without urgent action to avert massive rises in unemployment, those inequalities that the Government aims to address as part of their levelling up agenda will be made substantially worse.

¹¹ YouGov, ‘COVID-19 Public Monitor’, Web Page, 2020.

¹² Mike Brewer and Laura Gardiner, *Return to Spender: Findings on Family Incomes and Spending from the Resolution Foundation’s Coronavirus Survey* (Resolution Foundation, 2020).

2. The case for an urgent and bold response

The scale of the challenge facing government is therefore daunting, but so too was that facing the Chancellor when lockdown was announced. The Treasury responded by designing and implementing a broad package of support for individuals and businesses, including rapidly standing up the new CJRS and Self Employment Income Support Scheme. The price tag for the CJRS alone is £10.5 billion a month.¹³ A similarly ambitious response is needed to prevent millions of those currently furloughed from becoming unemployed – at considerable human and economic cost.

We do not yet know what shape the recovery will take, but do know that ongoing fears about a second peak, and the ability of the NHS to cope if that spike coincides with a winter crisis, means a staggered withdrawal of lockdown measures. We also know that for some sectors, this process will be particularly slow, likely leading, as discussed above, to business failures and redundancies.

It took several years for jobs to recover from each of the last three recessions.¹⁴ This time, while demand may bounce back more quickly as people are, literally, able to start spending again, the sectoral shape of the labour market will look markedly different. As the OECD stated in April, public employment services “will not only be facing a surge in the number of jobseekers but also the need to potentially reallocate many of them across occupations, sectors and regions”.¹⁵ Standard active labour market policies, while essential, will not be sufficient.

The Government cannot afford to delay. We know that the longer someone is out of work the harder it is to get back into the labour market, and the greater the likelihood of scarring effects on their career prospects. We also know that higher unemployment is linked to slower economic growth. A comprehensive package of support must be available the moment that workers receive redundancy notices, and a clear and ambitious offer should be made to those furloughed workers in sectors facing the greatest risk of job losses. In both cases, reskilling for career switches must form a central plank of that support.

There are significant barriers to implementing such an approach, some perceived and some practical, but failing to act will come with a far higher price tag.

¹³ Office for Budget Responsibility, *Coronavirus Analysis*, 2020.

¹⁴ Stephen Evans and Joe Dromey, *Emergency Exit: How We Get Britain Back to Work* (Learning and Work Institute, 2020).

¹⁵ OECD, *Public Employment Services in the Frontline for Jobseekers, Workers and Employers*, 2020.

Targeting support

One of the barriers to an early intervention approach to employment support is that government cannot easily identify businesses that will fail, and therefore the workers who will lose their jobs.

Some people will therefore argue that spending money on people who may, or may not, lose their jobs is 'deadweight' – or wasted – expenditure. This is a mistaken position for two key reasons.

Firstly, the severity of the situation. The Government did not place restrictions on which businesses could access the CJRS, meaning that taxpayers' money has almost certainly gone both to those firms facing failure without the scheme *and* to those whose profits have barely changed. Just as the need for urgent action to support jobs was more important than developing a targeted, and therefore more complicated, initiative, so too is the need to prevent mass unemployment.

Secondly, rather than being deadweight, it is hard to argue that investing in skills, particularly among low-paid workers, is anything other than long overdue. Government spending on adult learning in England declined 47 per cent in the decade from 2009-10, and employers spend comparably less than their international counterparts (half, for example, the EU average investment per worker¹⁶). Last year's Learning and Work Institute Adult Participation in Learning Survey recorded the lowest participation rate since the survey began 23 years ago.¹⁷ Engagement has been particularly low for the least qualified and those in lower social grades – the very people hardest hit by the current crisis. In fact, the UK has a particularly high proportion of people with low skills, ranking 6th in the G7,¹⁸ at a time when job growth is skewed towards higher skill levels.¹⁹

This should be sounding warning bells in the Treasury, which lists "Increas[ing] employment and productivity, ensuring strong growth and competitiveness" as one of its four objectives in its Single Departmental Plan.²⁰ Investing in improving skills – at all levels – is key to boosting productivity, meaning that improving the quality of the workforce will support innovation and growth more broadly.²¹ The Conservative manifesto recognised the vital role that upskilling the nation should play in boosting growth and 'levelling up', and pledged a £3 billion National Skills Fund in England. Now is the time to for the Government to step up.

¹⁶ Stephen Evans and Corin Egglestone, *Time For Action: Learning and Skills for Economic Growth and Social Justice* (Learning and Work Institute, 2019).

¹⁷ Rosie Smith et al., *Adult Participation in Learning Survey 2019* (Learning and Work Institute, 2019).

¹⁸ Evans and Egglestone, *Time For Action: Learning and Skills for Economic Growth and Social Justice*.

¹⁹ Duncan Melville and Paul Bivand, *Local Skills Deficits and Spare Capacity* (Learning and Work Institute, 2019); Tera Allas et al., *The Future of Work: Rethinking Skills to Tackle the UK's Looming Talent Shortage* (McKinsey & Company, 2020).

²⁰ HM Treasury, *HM Treasury Single Departmental Plan*, 2019.

²¹ Department for Business Innovation & Skills, *UK Skills and Productivity in an International Context*, 2015; Economic and Social Research Council, *Workforce Skills at All Levels Boost Innovation and Productivity*, 2018.

Stimulating job creation

According to the latest data, vacancies are down 60 per cent since February, with around nine unemployed people for every opening.²² No matter how good the employment and skills response, people need jobs to move in to. Government can help to change that. While the nature of any stimulus is outside of the scope of this paper, the need for urgent action is clear – a bold employment and skills plan must be matched with an equally bold jobs recovery plan.

The Chancellor will make a ‘summer statement’, but reports suggest that big stimulus commitments will not be announced until the Autumn.²³ The Treasury is said to be cautious about acting at a time of high uncertainty. However unnecessarily delaying stimulus decisions until further easements to lockdown have been enacted and the JRS and SEISS have been wound up risks delaying the recovery – and with it increasing the chances of scarring, for individuals and the economy. It is, of course, important to choose the right stimulus measures at the right time, recognising the different nature of this recession compared to previous downturns, but action is needed now.

The OECD’s economic outlook, published earlier this month, suggests a ‘v-shaped’ recovery is possible, but with longer-term impacts on growth – with unemployment remaining, as the Bank of England has also forecast, at elevated levels for several years.²⁴ On the basis that measures taken to support job growth, even ‘shovel ready’ projects, will take time to roll out, waiting even a few months is a mistake. In addition, the delivery of employment and skills support, particularly in the context of career switching, needs swift planning and coordination between national and local government.

Engaging workers

The sector shifts we are likely to see are being hastened by the measures taken to tackle coronavirus, not created by them. There has long been a need to encourage workers to retrain and update their skills, but as learning participation rates show, too little progress has been made.

The current crisis, however, provides an opportunity to accelerate progress: evidence shows that adults are more likely to engage in training when they experience a significant change in their circumstances, for example returning to work after caring.²⁵ Being on furlough, and fearing job loss,²⁶ is likely to mean more adults considering career changes, upskilling and retraining. This is particularly so given that opportunities to stay

²² Learning and Work Institute, ‘Labour Market LIVE from Learning and Work Institute’, Web Page, 16 June 2020.

²³ Chris Giles and George Parker, ‘Sunak Pushes Back Stimulus Plan until Autumn’, *The Financial Times*, 5 June 2020.

²⁴ OECD, ‘United Kingdom Economic Snapshot’; Bank of England, *Monetary Policy Report*, 2020.

²⁵ Fiona Aldridge et al., *Learning at Life Transitions* (Adult Learning Within Reach, Learning and Work Institute, 2019).

²⁶ “Two in five workers worry that they will lose their job because of COVID-19 - ‘Two Thirds of Furloughed Workers Worry They’ll Lose Their Job | YouGov’, Web Page, 23 June 2020.

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in the same sector are likely to be more limited for people working in industries like retail and hospitality, which are hardest hit.

The CJRS also provides a lever for Government that is unique to this recession – a direct line to those most vulnerable to unemployment. Working with businesses that have accessed the scheme, the Government can advertise learning and skills opportunities. If the firm is able to retain the employee then they benefit from a more skilled workforce, if they have to let them go then that employee is better placed to find new employment. Add to this the general benefit to the economy of skills investment outlined earlier, and it's a win-win.

3. A way forward

Claimant unemployment is almost certainly above 3 million already, with a further spike likely as the CJRS unwinds. To avoid the worst unemployment crisis since the Great Depression, the Government must put in place a clear and ambitious offer of support for furloughed and at-risk workers, helping them to switch jobs and change careers.

We cannot afford to delay. It is already more than three months since the start of lockdown. As discussed above, waiting for furloughed workers to become unemployed before support is offered risks significant costs to individuals and the taxpayer.

After a decade of decline in adult learning and training, this can also kickstart stalled progress in improving skills. This is essential for future prosperity and making the most of the opportunities of future economic, demographic and technological change.

All furloughed workers, anyone placed at risk of redundancy, and all workers in the retail and hospitality sectors should receive a clear, easily accessible Universal Support Offer. These are the workers most immediately at risk of unemployment – in total this is around 10 million workers. There should be a more targeted offer for job switchers – who need relatively light-touch support to find a new job – and an enhanced offer should be made available to career changers, who need greater support.

In total, our proposals could cost around £3.2 billion over the next year. By comparison, as of mid-June 2020, the CJRS had already cost £20.8 billion, and is projected to cost £60 billion over the lifetime of the scheme.²⁷ Invested effectively, this £3.2 billion could help to prevent the economic and social costs of a second spike in unemployment, and boost productivity.

Over time, these offers could be rolled out more widely to support people to build their skills and transition to new roles in the labour market.

A Universal Support Offer

There should be a Universal Support Offer for all furloughed workers, those at risk of redundancy and workers in the retail and hospitality sectors. Its aim would be to get as many of the 10 million furloughed and most at-risk workers into learning, career planning or, where appropriate, job searching. To achieve this, a high-quality offer and action to engage people is required.

The measures detailed below can be rapidly introduced: for example, expanding the National Career Service, extending current efforts to make learning more flexible, and widening current entitlements to free learning. Time is of the essence, with employers being asked to part-fund the employment costs of workers furloughed under the CJRS

²⁷ Office for Budget Responsibility, *Coronavirus Analysis*, 2020.

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from August and the scheme due to end entirely in October, this support offer needs to be in place by the end of the summer.

The offer should include:

1. Information, advice and guidance

The National Career Service and Skills Toolkit websites should be refocused so that furloughed and at-risk workers can search for local courses, see how they can access careers advice, and understand the support they are entitled to. This should be supplemented by one-to-one careers advice, delivered online, via phone and face-to-face, to support adults interested in career changes to better understand their existing skills and how these can be adapted and developed for work in different sectors. If the Government increased funding for the National Career Service by £30 million, it could help an additional 250,000 furloughed and at-risk workers over the next year.²⁸

Humber Jobs Fuse²⁹

The service has been established to support individuals and employers facing difficulties as a result of the pandemic. The service provides a telephone service to individuals offering skills assessment, access to training, careers advice, and information on the local labour market and jobs available.

2. Lifelong learning entitlement

To ensure that furloughed and at-risk workers can undertake the skills development they need to move into new jobs, including moving sectors, government should expand the funding available for learning. All adults should be entitled to free learning for their first full qualification, or modules of a qualification, up to and including level 3. People should be entitled to a second qualification or modules up to level 3 where it is either in an economic priority area or they have significant National Insurance contribution records.

This would be a much wider entitlement than most adults have today, and the increased flexibility of funding modules of learning would enable people to gain specific skills for moving into a new role, rather than forcing them to undertake a lengthy qualification that they may not want to do.

The Government should announce that the lifelong learning entitlement will be introduced from September, enabling providers to engage with furloughed and at-risk

²⁸ This is based on the maximum £145 per person that is paid to National Career Service providers for engaging with a customer, giving them career advice, and that person achieving a learning or job outcome. In practice, not all customers will achieve all of these outcomes, so the additional £30 million may support more customers than we estimate; Education & Skills Funding Agency, *Funding Rules for the National Careers Services*, 2020.

²⁹ Humber Local Enterprise Partnership, 'Humber Jobs Fuse', Web Page, 2020.

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workers over the summer to see if there is a suitable course for them. An additional £1 billion would support a further 200,000 furloughed and at-risk workers into learning.³⁰

Greater Manchester

Free education and training has been extended to all learners without a level 2 qualification, and for those earning below the national living wage. The devolved Adult Education Budget is also being used to fund units of training at level 3 linked to the city-region's key priority sectors.³¹

3. Flexible learning

We need to offer learning in ways that fit with people's lives and work. That includes online learning, blended learning, face-to-face, and a combination of all of these. Many providers offer some of these options; commissioners need to work with providers to accelerate this, perhaps making it part of their funding agreements or offering funds to help facilitate this. This would build on the Flexible Learning Fund which trialled ways to deliver learning more flexibly, the Career Tech Challenge which is looking at the use of digital solutions to improve career adaptability, and the move to online provision taken by many providers during the crisis.

Having a high-quality Universal Support Offer is only helpful, however, if furloughed and at-risk workers are aware of it. A large-scale awareness campaign is therefore needed. The Government should also include details of the offer in communications with low paid and at-risk workers, such as tax credit and Universal Credit letters. It should also work with organisations such as Housing Associations, trades unions, sector employer bodies, chambers of commerce and others to promote the offer.

Unlike previous recessions, the Coronavirus Job Retention Scheme provides a direct line to those most vulnerable to unemployment. All businesses using the CJRS should therefore be asked to provide furloughed workers with information about the Universal Support Offer. Furloughed workers are already permitted to undertake training while away from the workplace and should be encouraged to do so. As the CJRS unwinds, firms who are able to retain their employees will benefit from having a more skilled workforce as they seek to rebuild their business, while those who become unemployed will be better placed to find new employment.

³⁰ This is based on the Augar Review recommendation that extending an entitlement to a first level 2 and 3 qualification would cost £0.5 billion per year. We are proposing a wider entitlement, and demand is likely to be higher given the economic circumstances. A unit cost of £5,000 per learner is used, in line with what many have argued for for 16-17 year olds. In practice, the unit costs of qualifications varies widely depending on the subject, mode of delivery, whether modules or full qualifications etc.; Philip Augar, *Independent Panel Report to the Review of Post-18 Education and Funding*, 2019.

³¹ Greater Manchester Combined Authority, *Amendments to Adult Education Budget: Funding & Performance Management Rules Due to COVID-19 Pandemic*, 2020.

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Proposal 3:

The Government should advertise the Offer widely, including in HMRC and DWP communications with low-paid workers. HMRC should direct businesses using the Coronavirus Jobs Retention Scheme to encourage their workers, who are already permitted to undertake training, to take advantage of the Offer.

Job switchers

Even with a proactive Universal Support Offer for furloughed and at-risk workers, there will inevitably be some people who need additional support to find a new job. For many, this will mean only light touch support, such as signposting to vacancies and CV writing, but it is essential that this support reaches people as quickly as possible.

To ensure this happens, businesses placing furloughed staff at risk of redundancy should be required to immediately inform HMRC. At present, businesses are only required to notify government where 20 or more employees are placed at risk of redundancy. We propose that this requirement should be reduced to five or more employees.

In previous reports, we have set out the case for an Into Work Service, drawing on the expertise of the recruitment industry to help those placed at risk of redundancy or having recently lost their jobs.³² This should be in addition to expanding the capacity of Jobcentre Plus – at least an additional 10,000 work coaches, doubling current numbers, will be needed to meet demand. We estimated this would require investment of up to £1 billion.³³

³² Learning and Work Institute, *No Time To Lose: Getting People into Work Quickly*, 2020.

³³ Ibid.

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There can be no further delay. Those who lost their jobs in the initial wave of unemployment have spent up to four months out of work already, while the requirement to consult on larger numbers of proposed redundancies means these will likely be triggered by many employers through the summer.

Proposal 4:

To ensure rapid support for workers at risk of unemployment, companies placing furloughed staff at risk of redundancy should be required to immediately inform HMRC, and the current requirement that firms inform the Redundancy Payments Service if 20 or more staff are at risk should be reduced to five.

Proposal 5:

Government should rapidly increase employment support through an Into Work Service and a minimum 10,000 increase in the number of Jobcentre Plus work coaches.

Career changers

In addition to the Universal Support Offer and support for job switchers, some furloughed and at-risk workers will need more targeted and in-depth support to change careers or update their skills. It is difficult to accurately predict the number of people who may need this support, but it is plausible that it could be at least 100,000-200,000.³⁴ This support could be funded through the £3 billion National Skills Fund, designed as a first step to a Right to Retrain and building on the Lifelong Learning Entitlement.

The challenges include: identifying which workers would benefit from more in-depth support; ensuring this helps them make the most rapid transition to a new career; making sure support is tailored to employer needs and focused on specific roles; and supporting people with the cost of living while they are changing career.

Jobcentre Plus and the National Careers Service should identify which workers from those furloughed or at-risk workers accessing the Universal Support Offer would most benefit from career changer support. The criteria for doing this could include an individual's desire to change career, future prospects for their current industry, a lack of current vacancies in their sector, vacancies available in other sectors, and future projected demand for other sectors in that locality.

Career changer support should include:

- 1. High-quality career advice.** This could include a series of sessions with a National Career Service advisor, or a voucher to use at a registered careers

³⁴ It is plausible that 10-20 per cent of the 10 million furloughed and at risk may lose their jobs, based on the business surveys cited earlier. Perhaps 10-20 per cent of these may need more in-depth career changer support.

advice organisation. A total of six careers advice sessions would cost an additional £240 per person, in addition to the Universal Support Offer entitlement detailed earlier, meaning an additional total cost of £100-200 million.

2. **A £5,000 learning account to help finance the costs of retraining.** Any accredited learning at the Education and Skills Funding Agency or Office for Students-registered providers with at least a 'good' rating would be eligible.
3. **A series of sector-based *Ambition* programmes to develop training tailored to specific career pathways and jobs.** These programmes would bring together businesses and skills providers to develop and deliver skills provision that meet the needs of current and future jobs and the economy. Employers would be asked to guarantee interviews for career changers completing these programmes. These programmes would build on the successful WorkAdvance³⁵ model in the US, as well as previous similar *Ambition* programmes introduced in the UK in the early 2000s.

WorkAdvance is a US sectoral workforce development programme that includes:

- Intensive screening of applicants for motivation and readiness
- Sector-focused pre-employment and career readiness services, including orientation to the sector and career advancement coaching
- Sector-specific occupational skills training aligned with employer needs
- Sector-specific job development and placement services
- Post-employment and retention support, including ongoing contact, coaching, skills training and rapid re-employment help if needed.

Evaluation of WorkAdvance identified large increases in participation in each element of the programme, with high rates of training completed and qualifications achieved.³⁶ Participants benefited from higher wages and employment levels than would have been otherwise achieved.

4. **Greater use of apprenticeships.** Apprenticeships can be a great way to combine learning with earning. The Government and local and combined authorities should work with employers to stimulate demand and supply of apprenticeships, particularly focused on career changers and young people newly employed at their employer.

This should include financial incentives as set out below, as well as other measures such as ringfencing part of employers' levy funds and the overall apprenticeship budget for spending on young people and new starters (as opposed to apprenticeships for longstanding, existing employees). We estimate that fully funding apprenticeships for 16-18-year olds from government funding, rather than levy payers accounts, would cost £450 million.

³⁵ MDRC, 'WorkAdvance', Web Page, 2020.

³⁶ Richard Hendra et al., *Encouraging Evidence on a Sector-Focused Advancement Strategy* (MDRC, 2016).

When furlough has to stop

The Tees Valley Apprenticeship Support Grant³⁷ supports SMEs to create apprenticeships in priority sectors. Funding is available to cover 100 per cent of wages in the first 6 months of an apprenticeship and 50 per cent of wages for the remainder of the apprenticeship, up to a maximum of two years. Apprentices will be employed for at least 30 hours per week and paid the national minimum wage.

- 5. Help with living costs.** Some career changers may need to take a step down in their careers in order to step across to a new sector. This may impact on their standard of living and present a barrier to retraining. We propose two ways to mitigate this:
- a. **Career Changer Grant / Premium.** People identified by Jobcentre Plus or the National Career Service as being eligible for career changer support should be entitled to additional financial support, over and above their Universal Credit entitlement, for one year while they are retraining or starting out in their new role. This should be either a means-tested maintenance grant (called a Career Changer Grant) or a Career Changer Premium in Universal Credit. Both approaches would build on existing infrastructure and hence be deliverable quickly. They could be also be a contributory benefit, i.e. open only to those with a certain number of years of work history. We estimate that this would require additional investment of £300 million.³⁸
 - b. **Wage support via the Apprenticeship Levy.** For the next two years, employers should be able to use a proportion of their apprenticeship levy to support one half of the wage costs of apprentices aged 16-24 and apprentices and career changers who have recently joined the employer. For apprentices and career changers aged 25 and over, this would be contingent on paying at least the living wage, to minimise deadweight and make sure this is supporting living standards rather than low wages. A grant equivalent to the same value should be available to SMEs who do not pay the apprenticeship levy and the apprenticeship budget should be increased to accommodate this without the need to reduce other training opportunities. We estimate that this would require additional investment of £400 million.³⁹

³⁷ Tees Valley Combined Authority, *Apprentice Grants*, 2020.

³⁸ Based on the Augar Review recommendation of a maintenance grant of £3,000 per year, and that 100,000 career changers would be eligible for this through the means testing.

³⁹ Based on 100,000 apprentices and career changers being supported at a cost of £4,000 each.

Proposal 6:

Jobcentre Plus and the National Careers Service should identify which workers from those furloughed or at-risk workers accessing the Universal Support Offer would most benefit from career changer support. These workers should be offered access to enhanced career advice and a £5,000 learning account. Government should work with businesses to deliver sector-based *Ambition* programmes and apprenticeships to provide opportunities and training for career switches.

Proposal 7:

To help individuals to undertake career switches, and mitigate wage drops as people start over in a new sector, the Government should introduce a time-limited means-tested maintenance grant of up to £3,000 (a Career Changer Grant) or a Career Changer Premium in Universal Credit. Eligibility could be linked to an individual's National Insurance contributions history. To incentivise employers both to hire apprentices and career changers, and to pay living wages, the Government should allow firms to use a proportion of their apprenticeship levy to support wages, with an equivalent grant for SMEs.

Delivering the offer

The Universal Support Offer and core support for job switchers and career changers should be defined by the UK Government. This is because of both the scale of the challenge and the need to give a clear offer and set of entitlements to people. However, many aspects are devolved to Scotland, Wales and Northern Ireland and so their governments should look to take forward the principles of these offers, applied to their national contexts.

Delivery should be coordinated locally with local areas being able to top up the core entitlements. For example, one Mayoral Combined Authority (MCA) may want to particularly focus on an *Ambition* programme in a local growth sector, whereas a local authority elsewhere may want to focus on job switchers more than career changers if these are more numerous.

One way to manage this model of 'national offer, locally delivered' would be for the UK government (primarily DWP and DfE) to reach agreements with MCAs and other areas of local government in England on the rights and responsibilities of each. Governments in Wales, Scotland and Northern Ireland should develop similar offers. Whatever the precise mechanism, a partnership approach will be key.

Proposal 8:

The Government should define the offer for those at risk of unemployment, looking for new jobs and seeking a career switch. Schemes should then be delivered locally, with discretion to tailor the offer to the local economy. Agreements should be put in place to define the responsibilities of each. Governments in Wales, Scotland and Northern Ireland should develop similar offers.

This offer is not a substitute for good-quality employment support for those out of work, nor for investment and action to create jobs. However, it could make a real difference and be a first step towards the investment needed to help people and employers meet long-term economic challenges, as well as tackling the immediate crisis.

We need urgent and ambitious action to prevent the worst unemployment crisis since the Great Depression. This crisis has exacerbated challenges associated with low levels of training and support available to UK workers. By taking action now, we can avoid a worst-case scenario and provide a blueprint for the future.

When furlough has to stop

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