

Written evidence submitted by the Learning and Work Institute

About Learning and Work Institute

1. Learning and Work Institute is an independent policy, research and development organisation dedicated to lifelong learning, full employment and inclusion.
2. We are leading a programme of work to understand the effects of the Coronavirus outbreak on the labour market.
3. Our first report explored early evidence of the impact of the lockdown across the UK and on different groups of workers.¹ Our second report explored the next steps for the Coronavirus Job Retention Scheme.² Our latest report, published with a coalition of research institutes, think tanks and labour market experts, set out how we can support Britain get back to work after the crisis.³

Summary

4. Our research has analysed the impact of the protective measures put in place by the government to protect jobs, maintain economic activity and support individuals and business. It shows that:
 - Almost 10 million people – nearly one in three of those in employment before the crisis – were employed in the occupations that could be most directly affected by the coronavirus pandemic;
 - Over 5 million people – nearly one in five of those in employment before the crisis – were working in the ‘shutdown sectors’ which have been hit hardest by the crisis;
 - Even with the Coronavirus Job Retention Scheme, we likely saw five years of employment growth wiped out during this period;
 - We estimate that unemployment has risen to more than 8%;
 - Without the Coronavirus Job Retention Scheme, one in five people may have been unemployed.
5. The impact of the coronavirus has been unprecedented, but the Government has acted swiftly and decisively to protect jobs and businesses. As the Government seeks to ease the lockdown, and re-start the economy, we have made the following recommendations⁴:

¹ [Coronavirus and the labour market: impacts and challenges, L&W, April 2020](#)

² [Next steps for the Coronavirus Job Retention Scheme, L&W, May 2020](#)

³ [Help wanted: getting Britain back to work, L&W, May 2020](#)

⁴ [Help wanted: getting Britain back to work, L&W, May 2020](#)

- **Targeted support for furloughed workers.** Providing support to find new work for furloughed workers who lose their jobs as the Coronavirus Job Retention Scheme is withdrawn between August and October;
 - **Investing up to £800 million to scale up back-to-work support for the newly unemployed.** This would mobilise Jobcentre Plus work coaches, the recruitment industry and local and voluntary sector employment and training services to get people back to work quickly;
 - **Ensure the long-term unemployed and disadvantaged are not left behind.** Invest up to £2.4 billion in personalised support alongside access to training, volunteering and other specialist help. Even before this crisis began, 3.2 million people were out of work who wanted to work. National and local government must work with employers and civic society to address this;
 - **Education and employment promise for young people.** Everyone leaving education this year should be guaranteed support to find work or a place in education or training. That should include intensive employment support for all unemployed young people, underpinned by a £1 billion Jobs Guarantee for those out-of-work for the longest;
 - **Building for the future.** We should plan now for how to level up access to well paid, high quality work, and ensure world class employment and skills services for all young people and adults.
6. Emergency support, such as the Coronavirus Job Retention Scheme should only be unwound in line with the easing of public health restrictions, which may require more targeting in the months ahead to particular firms and sectors.
7. Moreover, we anticipate there will be a large gap for upskilling, retraining and re-employment support for those workers that have been furloughed. It is important that the Government recognises that not all of these individuals will be able to return to their previous jobs and should be supported to re-enter the labour market.

Job retention scheme

- ***How effective have these schemes been in maintaining employment and reducing job losses?***
8. The Coronavirus Job Retention Scheme (CJRS) has helped to maintain employment and reduce job losses; our analysis suggests that ***one in five people may have been unemployed without the CJRS, worse than in the Great Recession.***⁵

⁵ [Next steps for the Coronavirus Job Retention Scheme, L&W, May 2020](#)

9. This was a significant achievement, given the initial scale of the challenge facing the labour market. Our research has shown that:
 - Between March and April, 2.5 million individuals made claims for Universal Credit;
 - Claims in this early period were running at seven times their usual levels at their peak;⁶
 - Even with the CJRS, we likely saw five years of employment growth wiped out during this period, and unemployment has likely risen to above 8%,
 - The number of vacancies in the economy fell by three fifths,
10. If the CJRS had not been in place, it's likely that job losses would have been significantly higher, increasing an already unprecedented demand on the social security system.
11. Over eight million employees are furloughed. While the cost of the scheme is high, our research suggests that the costs of not acting would have been significant in the short term – including through an increased demand on the welfare bill of between £3bn and £5bn – and higher in the long term, with more business failures, and the lasting scarring impact of long-term unemployment.
12. However, the CJRS is not a permanent solution. The government's plans extend the scheme to October, and to offer additional flexibility for part-time work are welcome.
13. But, given the differential impact of the crisis on different sectors, ***the Government will need to consider the effects of unwinding the scheme on those firms most affected or the sectors most impacted by ongoing social distancing measures, such as hospitality.***⁷
14. Irrespective of when the CJRS comes to an end, there will be many furloughed workers who will be unable to return to their previous job. The economy will take some time to get back up to full speed, and both ongoing social distancing and lasting changes in consumer behaviour mean there will be no going back to the pre-crisis labour market.
15. We believe that ***the Government should develop a furloughed worker support scheme, which provides support for the 8 million furloughed workers, but with a particular focus on those unlikely to be able to return to their previous role.***

⁶ [Coronavirus and the labour market: impacts and challenges, L&W, April 2020](#)

⁷ [Next steps for the Coronavirus Job Retention Scheme, L&W, May 2020](#)

▪ ***How and when should the Government's support packages be wound up?***

16. In unwinding this support, the Government needs to strike a balance between helping people to comply with social distancing restrictions, protecting viable businesses, protecting workers and their incomes, and enabling the transition to a potentially very different labour market.

17. Our analysis sets out a series of challenges that the Government will need to consider as part of this:

- Social distancing measures will need to remain in place for at least the rest of the year to prevent a surge in the number of cases when the lockdown is eased. This will prevent some businesses from re-opening, it will limit the number of customers some businesses are able to serve at any one time, and it will also influence how some workers, particularly those with health issues, are able to return to work.
- The effects of coronavirus will also likely lead to profound behavioural change in the medium term. Even when lockdown measures are eased, employers and employees may have concerns about returning to 'business as usual', while customers may not return in the same numbers.
- The crisis may accelerate previous trends, such as more flexible working and working from home, and a move away from some business travel (due to increased use of technology). Even once all restrictions are removed, the post-crisis economy and labour market will look different.⁸

18. While the CJRS is open to any firm in any sector of the economy, over time some sectors will be allowed to open up and begin to operate at usual levels. ***We recommend the government targets support on those firms or sectors most affected by ongoing social distancing measures.***

19. While some sectors may require support beyond October, ***the government should make support conditional on commitments to minimum standards around pay and job quality, including paying the Living Wage.*** The Government should also consider ***taking equity stakes*** in large private employers in exchange for ongoing support through the CJRS and other business support, where appropriate.

20. In addition to minimising the loss of employment, ***the government should also seek to improve support for people who do lose their jobs.*** This can be

⁸ [Next steps for the Coronavirus Job Retention Scheme, L&W, May 2020](#)

achieved through further increasing Universal Credit and providing active labour market support to build skills and quickly find new work.

21. We need to start to shift our focus towards ***investing more in active labour market policies***. It is estimated that £80 billion will be spent on supporting wages through the CJRS; we know from our long record of research and evaluation of labour market programmes that even a small fraction of this amount being invested in active labour market policies could make a transformational difference.⁹
- ***What actions does the Government need to undertake to pursue to support a successful exit strategy?***
22. A successful exit strategy will mean helping as many people as possible to retain their current jobs, supporting those who lose their jobs to find new work quickly, and cushioning the financial impact in the short term.
23. An exit strategy is also an opportunity to help fix some of the underlying challenges we entered this crisis with. These include gaps in our safety net, economic insecurity, poor skills and productivity, inequalities in access to work, and better support for people and businesses to grow.
24. Alongside the steps we have outlined above in unwinding the CJRS, we have set out five steps the government should take to pursue a successful exit strategy:
- **Targeted support for furloughed workers.** Providing support to find new work for furloughed workers who lose their jobs as the Coronavirus Job Retention Scheme is withdrawn between August and October.
 - **Investing up to £800 million to scale up back-to-work support for the newly unemployed.** This would mobilise Jobcentre Plus work coaches, the recruitment industry and local and voluntary sector employment and training services to get people back to work quickly.
 - **Ensure the long-term unemployed and disadvantaged are not left behind.** Invest up to £2.4 billion in personalised support alongside access to training, volunteering and other specialist help. Even before this crisis began, 3.2 million people were out of work who wanted to work. National and local government must work with employers and civic society to address this.
 - **Education and employment promise for young people.** Everyone leaving education this year should be guaranteed support to find work or a place in education or training. That should include intensive employment support for all

⁹ [Help wanted: getting Britain back to work, L&W, May 2020](#)

unemployed young people, underpinned by a £1 billion Jobs Guarantee for those out-of-work for the longest.

- **Building for the future.** We should plan now for how to level up access to well paid, high quality work, and ensure world class employment and skills services for all young people and adults.

Economy, public finances and monetary policy

- ***Which sectors are likely to be impacted by economic scarring?***

25. Learning and Work Institute's analysis suggests almost 10 million people are employed in the occupations that could be most directly affected.¹⁰

26. The sectors and jobs most likely to be impacted by economic scarring include, hospitality, leisure, travel and related personal services, and culture, media and sports. Of course, not all of these jobs will be lost: some businesses will continue to operate, these roles are split across a range of sectors not all of which are affected, many people can work at home, and many businesses will have furloughed staff thus keeping them in employment.

27. However, unemployment would double if even one in five of the most at risk staff lost their jobs.¹¹

- ***What will be the economic impacts of the coronavirus outbreak and the social distancing measures in terms of sectors and regions and how temporary/permanent will they be?***

28. Our analysis shows that economic impact will be felt unequally across the country, as well as within certain regions. London has the highest proportion of employment in vulnerable industries, with 18.4% of all jobs being in shutdown sectors, such as hospitality, and travel and leisure.

29. Looking at the number of people previously working in shutdown sectors, we estimate that London has the highest number, with 808,000, followed by the South East of England, with 730,000, and the North West with 584,000.

30. The proportion of employment in at risk occupations also varies significantly by region. London has the lowest level of employment in at risk occupations, (31.9%), followed by the South East (32.5%). Northern Ireland (36.6%), the North West (36.3%), and the North East (36.1%) have the highest proportion of employment in at risk occupations.

¹⁰ [Coronavirus and the labour market: impacts and challenges, L&W, April 2020](#)

¹¹ [Coronavirus and the labour market: impacts and challenges, L&W, April 2020](#)

31. Looking at the data across both industry and occupation, the North East and the North West appear to be most at risk. These regions have both a high level of employment in shutdown sectors, and a high proportion of employment in occupations at risk from the crisis. These regions also had lower employment rates before the coronavirus crisis hit, leading to concerns that the crisis may deepen pre-existing regional inequalities, and frustrate the government's 'levelling-up' agenda.
- ***What will be the impact on inequalities within society and how should the Government address inequalities that may have been exacerbated by the crisis?***
32. The impact of the outbreak on the labour market will be felt widely, but our research shows that women, young people, and adults with lower levels of qualification face the highest risk.¹²
33. The gender gap in employment has declined significantly in recent years, falling from 13 percentage points in 2004 to 8 percentage points in 2019. Our analysis suggests that the outbreak could disproportionately effect women and reverse this progress. Our analysis found that two in three workers in the occupations most at risk from the shutdown are women.¹³
34. Similarly, those in their early 20s are 2.5 times more likely to work in a shutdown sector than other workers. A poll in March found that 8% of 18-24 year olds had already lost their jobs during the outbreak, compared to 5% of all adults.¹⁴
35. Preventing a rise in youth unemployment should be a policy priority. There is an extensive evidence base demonstrating that long term youth unemployment can have long lasting 'scarring' impacts on employment and earnings.
36. Workers in lower level occupations and with lower levels of qualifications are also more vulnerable to the crisis. Our evidence shows that just over 10% of those with a degree or equivalent work in a shutdown sector most directly affected by restrictions, compared to between 17% and 25% of people qualified to other levels.¹⁵
37. The differential impact of coronavirus on women, young workers and those with lower levels of qualifications outlined above risks exacerbating pre-existing economic inequalities.

¹² [Coronavirus and the labour market: impacts and challenges, L&W, April 2020](#)

¹³ [Coronavirus and the labour market: impacts and challenges, L&W, April 2020](#)

¹⁴ [How is Covid-19 affecting British opinions, jobs and wellbeing? YouGov, March 2020](#)

¹⁵ [Coronavirus and the labour market: Impacts and challenges, L&W, April 2020](#)

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