



# Winter plan for jobs, incomes and communities

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Produced by NEF for the  
**Build Back Better**  
coalition

# Everyone agrees we must build back better. But how we respond to this crisis today will define what we can do tomorrow.

**Coronavirus has upturned our lives and this winter is set to be the most challenging chapter of the crisis yet. If left unchecked, the virus will overwhelm our National Health Service and cause untold death and suffering. But it will also wreck the economy, as people become too afraid to travel, work or socialise for fear of their own safety, and that of their family and community.**

The economy exists to serve people, not the other way round. Thinking about the pandemic as a choice between our health or our economy will ultimately cost us both. Until we have an effective vaccine programme or more sophisticated means of controlling, mitigating and adapting to Covid-19, the best thing for our health and the economy is to suppress the virus.

But having to reduce economic activity is hugely challenging. Ten years of austerity and stagnant wages, followed by ten weeks of lockdown, have pushed millions of families to the edge even before a second wave of the pandemic. Rarely have so many people suddenly and simultaneously experienced the same fears over how they will feed their families, how they will heat their homes and whether they will have jobs to return to in the new year.

We can choose to address those fears. Sustained government intervention to protect jobs and incomes can alleviate the pain and prevent it from becoming permanent. Germany, France, Denmark and other major economies recognise this and are taking action. The UK must too.

Our government has listened to calls to strengthen support schemes, showing that we can protect people's livelihoods while we fight the pandemic. But it must go further to prevent millions from facing intolerable hardship this winter and to set us on course for a better future.



We need action to:

- **Protect incomes**  
Provide a living income that guarantees at least £227 a week to those that need it, so that everyone can live in dignity during the worst of the pandemic.
- **Protect jobs**  
Replace arbitrary job protection deadlines with a guarantee that workers can be furloughed for as long as, and wherever, there are severe social distancing restrictions in place.
- **Create jobs**  
Invest now to create over a million new low-carbon jobs and reskill people to take these up in the next 18 months.

Everyone agrees we must build back better. But how we respond to this crisis today will define what we can do tomorrow. In Spring, the job was only half done – with millions falling through cracks that are yet to be repaired. This time we have to get it right: to look out for each other, to strengthen the systems that support us all when times are tough, and to design a better future.



# Protect jobs

Replace arbitrary job protection deadlines with a guarantee that workers can be furloughed for as long as, and wherever, there are severe social distancing restrictions in place.

## KEY PROPOSALS

- The Job Retention Scheme (JRS) should remain in place until 30 days after any national or local area moves below tier 3 level restrictions.
- Outside of tier 3 restrictions, the JRS should be made available to employers whose premises are forced to close by a localised outbreak.
- Where the level of lock down is below tier 3, a strengthened version of the Job Support Scheme should be made available to all business that have suffered a fall in demand as a result of the pandemic.

## The challenge

Covid-19 has had a huge impact on the UK jobs market. Employment growth stalled from April 2020 and reversed throughout the summer, with unemployment reaching a four-year high by September 2020.<sup>1</sup> But such headline indicators barely scratch the surface.

The furloughing of workers since March successfully prevented this year's record-breaking recession from filtering through into the headline employment rate. But look beneath the bonnet and the true nature of the damage becomes clear. From July to September, total hours worked in the economy were still a huge 12.1% lower than the same time last year, equivalent to losing around 3.5 million full-time jobs, and dwarfing the 3.9% fall in hours during the worst of the 2008 financial crisis.<sup>2</sup> The contraction was also almost twice as fast outside London as in the capital, accelerating regional inequalities and making 'levelling up' even more urgent.<sup>3</sup>

## The government's response

This autumn, the government revised its headline job protection scheme five times in as many weeks. The original Job Support Scheme (JSS), announced in September and due to replace the Job Retention Scheme (JRS) from 1 November, was simply not up to the task of preventing an unemployment crisis through the winter. Mandatory employer contributions towards salary for unworked hours were set prohibitively high, leaving 2.2 million jobs with too little protection.<sup>4</sup> Following pressure from NEF and others,<sup>5</sup> the government later revised down the employer contribution to 5% of unworked hours, reducing the number of exposed jobs to around 450,000.<sup>6</sup> And following the announcement of a new national lockdown in England, the government eventually chose to delay the JSS completely, instead opting to extend the original JRS just hours before it was due to expire – first until December 2020 and then until March 2021.

In this case, late was definitely better than never. But the unnecessary delay and confusion in extending the JRS has proven costly. Employer surveys tell us that during the first half of October, there were plans to make 9.1% of all employees redundant within three months, a total of 2.7 million – and 3.5% of employees (one million) were scheduled to be laid off within two weeks.<sup>7</sup> The final extension to the JRS made it technically possible to bring redundant workers back and place them on furlough. But to what extent this is likely to have happened in practice is less clear, particularly where planned redundancies were accompanied by more permanent workplace restructures or deteriorating relations between employers and their employees. It is probable that tens, if not hundreds, of thousands of jobs were lost unnecessarily in the first half of October that could otherwise have been saved if economic protection had been extended automatically in step with the level of economic lockdown.

## Build Back Better proposal: Protect jobs through the winter

Jobs are easily lost and hard won. The priority for government now is to provide greater certainty in the future, minimising the number of jobs lost unnecessarily. Pushing the expiry date of the JRS back to March may have lessened the jobs crisis in the short term, but it risks a second, costly cliff edge in March unless businesses can receive more certainty now over the level of future protection. For this reason, we recommend a new principle for job protection: instead of arbitrary deadlines, job protection and support schemes should be pegged automatically to the level and severity of local or national lockdown.

We propose:

- The Treasury should give certainty to workers and business by **guaranteeing that the JRS will remain in place until at least 30 days after any national or local area moves below tier 3 level restrictions.**
- Outside of tier 3 restrictions, **the JRS should also be made available to employers whose premises have been forced to close directly**, for example as a result of a localised outbreak.
- For parts of the country where the level of lockdown is below tier 3, **a strengthened version of the JSS should be made available to all businesses that have suffered a fall in demand as a result of the pandemic.** As with the current JSS, employees would need to work a minimum of 20% of their usual hours and employers would need to pay no more than 5% of pay for unworked hours. However, **the government should also increase the level of grant to cover pay for unworked hours from the current 62% to 75%, ensuring that employees continue to receive the same level of overall income protection (80% of gross pay) as on the JRS.** Alternatively, the JSS could also be reformed further, such as in line with proposals from the IPPR for a 'Coronavirus work-sharing scheme'.<sup>8</sup>

Reforming job protection in line with the recommendations above would provide employers with the necessary information to plan effectively in advance, while also ensuring that the level of pay protection is the same for anyone who is unable to work full hours due to Covid-19. It would also provide a natural pathway to more locally targeted economic support as different parts of the country eventually leave tier 3 restrictions on different timetables, depending on the level of local infection and lockdown.



# Protect incomes

Provide a living income that guarantees at least £227 a week to those that need it, so that everyone can live in dignity during the worst of the pandemic.

## KEY PROPOSALS

- Every working age adult could apply for a weekly payment worth £227 per week, equivalent to the minimum income standard estimated by the Joseph Rowntree Foundation.
- Those already on benefits, or eligible through sick pay, would get an automatic top-up to their main payment.
- For all other new applicants, payments would be non-conditional and non-means tested at the point of access through the advanced payment system of universal credit, meaning no five-week wait.
- For those not claiming universal credit or other income support, and on incomes above £227 per week, the payment would act like an interest-free loan, with the difference above £227 per week paid back through future tax.

## The challenge

It is not going to be possible to save every job. Even with new guarantees for job protection along the lines outlined above, hundreds of thousands of people are likely to fall through the cracks, whether due to the delays in October, because employers refuse to meet the costs of furlough, or because people were moving between jobs at the wrong time or were self-employed but don't fit the criteria for the self-employed income support scheme (SEISS). During the first lockdown millions of people were thought to have fallen through the cracks in this way. A total of 1.6 million people who applied for the SEISS were found to be ineligible, and the number of people relying on means-tested benefits jumped from 2.6 million to 4.3 million in just three months between February and May – every one of these representing a financial distress for yet another family.<sup>9</sup>

Without further intervention from government, millions of people could be left relying on the UK's inadequate income safety net this winter. At the outset of the pandemic, the UK had one of the weakest employment safety nets, either among

advanced economies globally, or in our own post-war history. Total out-of-work payments received in the first six months were on average around 34% of previous in-work income – the fourth lowest among 35 OECD advanced economies where data is available.<sup>10</sup> And at less than 15% of average earnings, the main adult unemployment payment was worth less than at any time since the 1948 creation of the welfare state.<sup>11</sup>

Prior to 2019, analysis by the Joseph Rowntree Foundation (JRF) suggested that around 19 million people, 29% of the UK population, resided in families with incomes below the level needed for a “minimum socially acceptable standard of living” – with around 11 million (17%) living below 75% of that threshold and at high risk of deprivation. Come Christmas this year, these already distressing statistics are set to get considerably worse.

## The government’s response

Compared with the innovation applied to job protection policy, unemployment support has been a blind spot for the UK government throughout this crisis. Working tax credits and UC received a temporary uplift back in March, with a £20 increase in the main adult payment to around £90 per week, as well as allowing the self-employed to claim at similar levels to other workers.<sup>12</sup> But this £7 billion injection of cash amounts to little more than one fifth of the cuts to welfare seen since 2010.<sup>13</sup> Even after these changes, the UK still has one of the weakest safety nets in its post-war history, far weaker than the majority of advanced economies.

This not only presents a financial challenge to individual families, and a moral one to policy makers presiding over children going hungry in one of the richest economies in the world, but it also presents a challenge to the economy as well. As incomes become squeezed, spending in the economy falls, reducing demand for goods and services – ultimately slowing the recovery and putting even more jobs at risk permanently.

## Build Back Better proposal: A Minimum Income Guarantee

NEF proposes the creation of a new Minimum Income Guarantee (MIG) as part of a plan to deliver a genuine living income in the UK, by referring to provide a safety net during the pandemic to catch people falling through existing job and income support schemes. Given the need for a second national lockdown, the immediate priority for government should be to put in place a comprehensive, sufficient, non-conditional, non-means tested (at the point of access), minimum income floor to support everyone who does not have enough to live on.

We propose that the MIG is built out of the existing architecture of the present social security system, similar to the scheme recommended by NEF in March:<sup>14</sup>

**Value:** Every working age adult would be entitled to apply for a weekly payment worth £227 per week. This is equal to the value of the 2020 minimum income standard (estimated by the JRF and the Centre for Research in Social Policy) for a single adult, excluding any housing or childcare costs.<sup>15</sup> A couple payment would be available for two-person households worth double this amount. To deliver this payment, the main adult element of Universal Credit (UC) and key legacy benefits (including statutory sick pay, jobseekers allowance and employment support allowance) would be immediately increased to the equivalent of £227 per week. The cash differential between the previous main adult element for these benefits and any disability or carers’ elements would be preserved, so claimants entitled to these elements would see their payments rise by the same absolute value as everyone else.

**Administration:** For existing claimants, the top-up to their current benefits would be automatic and would not interact with the benefit cap (in effect the benefit cap would be suspended). New claims for MIG through sick pay would operate on the same basis as sick pay today – with an effective increase in sick pay to £227 per week. For all other new claims, the MIG award could be made through the advance payment system of UC. This facility would be used to make the new main adult payment of £227 per week, while foregoing an assessment period and therefore the five-week wait and any earnings or savings tests. This payment should also not be deductible from future benefit awards (but may incur an additional future tax rate for higher earners – see below). Further awards in UC, for example for housing, children and disabilities, would be paid on top in the usual way.

**Entitlement:** Initial entitlement to the MIG would be extended to all working age adults who wish to apply via the advanced payment system in UC. Claimants would also be able to apply for and receive their MIG payments while receiving support from the JRS or the SEISS, but the MIG payment will only top up post-tax income to a combined maximum of £227 per week for those already on other income protections schemes. Workers who still have some level of earnings and are not using either the JRS or SEISS would also be entitled to the MIG. For anyone who receives a MIG payment but is not otherwise eligible for UC, any payment received from the MIG that takes disposable income above £227 per week should be repaid in additional tax in the 2021/22 fiscal year – effectively turning the MIG into an interest-free loan in these cases. Delivering MIG in this way would also help to ensure the payment could remain non-means tested at the point of access, with a retrospective means test applied to determine any future tax liability, where appropriate.<sup>16</sup>



# Create jobs

Invest now to create more than a million new low-carbon jobs and reskill people to take these up in the next 18 months.

## KEY PROPOSALS

- The government should look to create new jobs, directly or indirectly, in excess of the 1.1 million rise in unemployment expected by the end of 2021.
- A £28 billion investment over 18 months in green infrastructure, such as energy efficiency, reforestation and transport, would create 400,000 jobs.
- A £15-20 billion investment over 18 months in social infrastructure, such as care workers, nursing assistants and teaching assistants, would create 700,000 jobs.
- Free training for these opportunities should be available to anyone in receipt of support from the Job Retention Scheme, Job Support Scheme or Minimum Income Guarantee.

## The challenge

The income emergency this winter will soon become a jobs emergency. While many jobs will return as the UK learns to manage, adapt and mitigate the effects of Covid-19, nobody believes the economy will ever be the same again. Many of the changes in behavior that we are already seeing, relating to travel, work and consumption, are likely to prove permanent, shifting the structure of the UK jobs market for decades to come. Sectors like high street retail, tourism and aviation travel have already seen job numbers collapse by tens of thousands, and much of this adjustment may yet prove to be permanent.

Across a panel of 20 independent macroeconomic forecasts made in October this year, the average estimate for the unemployment rate by the final quarter of 2021 was 7%, an increase in unemployment of around 1.1 million compared with the same period in 2019.<sup>17</sup> Meanwhile, long-term challenges that were present before Covid have not gone away. The pandemic created a small pause for breath in terms of carbon emissions globally, but economic activity has since resumed on a wholly unsustainable trajectory, particularly in countries like China where the rebound

has been prominent.<sup>18</sup> At the same time, population growth and aging are set to accelerate through the 2020s, putting additional strain on vital public services like social care and childcare that have already been starved of ambition and resources for more than a decade.

## The government's response

While Germany has announced an economic stimulus worth a reported 130 billion euros, and containing 30 billion euros in 'green' job creation,<sup>19</sup> the UK has announced around £15 billion in job creation so far, with a disappointing £8 billion targeted at green jobs through the Green Industrial Strategy.<sup>20</sup> The prime minister has recognised the imperative to use the recovery to green the economy, but so far the strength of action has not matched his words. The strategy includes roughly £6 billion of additional investment in zero-carbon infrastructure, such as upgrading homes and public buildings (£3 billion) and cycling and walking infrastructure (£2 billion). But the majority of this has since been confirmed as a re-profiling of existing spending commitments prior to Covid-19. Similarly, the government has redirected £2.5 billion at retraining workers, such as through the lifetime skills guarantee and the national retraining scheme, now merged with the national skills fund. But it is clear that these partially recycled funds from previous commitments will not deliver the capacity needed to meet the scale of economic transition that is at stake.

Similarly, the government has sought to provide additional, temporary resources to key services such as public health and local government provision of adult social care. But UK spending on jobs like care workers, social workers, and nursing and teaching assistants as a proportion of the population continues to lag behind either that of comparable European countries or our own recent past.<sup>21</sup> At the same time, the local government sector in England is on course for an estimated deficit of £7.4 billion largely driven by unfunded commitments on social care.<sup>22</sup>

## Build Back Better proposal: Create more than one million low-carbon jobs

First and foremost, government should look to create new jobs, directly or indirectly, in excess of the 1.1 million rise in unemployment that is expected by the end of 2021. But in doing so, policy makers should also be looking to the future, for example by strengthening the UK's resilience to climate change and shifting demographics. We therefore propose a plan for jobs with three key priorities: expanded green infrastructure, expanded social infrastructure and new funded training.

**New jobs in green infrastructure:** Government should adopt a framework for choosing projects from a longlist of zero-carbon investment opportunities, based on the speed at which projects can begin, the intensity of jobs created, the extent to

which jobs are spread across the country with flexibility to intensify where they are most needed, and the extent to which projects are resilient to further tightening of social distancing, among other factors.

Analysis by NEF examined a long list of all projects recommended by the Committee on Climate Change in order to achieve net zero emissions in the UK, against the criteria outlined above.<sup>23</sup> The result shows that 11 projects show particular potential for rapid job creation as part of a recovery from Covid-19, covering areas such as energy efficiency, reforestation, transport infrastructure and recycling infrastructure. Modelling by NEF found that it would be possible to invest a total of £28.3 billion over an 18-month period across the priority areas listed above, creating around 400,000 full-time equivalent jobs after taking into account multiplier effects in the economy.

**New jobs in social infrastructure:** Similar to green infrastructure, NEF proposes that the government adopts a framework for identifying opportunities to quickly expand jobs in social infrastructure, based on factors like strong evidence of immediate shortages (excess demand for services), the ability to create new jobs through the public sector, the speed at which new workers can become qualified, and the extent to which these jobs are linked to low-carbon emissions, among other things.

Analysis by NEF examined a longlist of potential social infrastructure jobs at the fourth digit for occupational codes, against the criteria outlined above.<sup>24</sup> The result shows that 11 occupations have particular potential for rapid job creation as part of a recovery from Covid-19, covering areas such as care workers, nursing assistants and teaching assistants. Modelling by NEF (forthcoming) has also found that it would be possible to invest around £15-20 billion over an 18-month period across these priority areas, creating a little under 700,000 full-time equivalent jobs after taking into account multiplier effects.

**New funded training:** Across all the areas of investment listed above, across both green and social infrastructure, the UK is suffering a skills gap. The estimates for job creation above were in many cases constrained by the availability of the right skills, in the right places. In short, were there a greater abundance of skills in areas such as nursing, care, engineering and construction, it would be possible to create and fill even more jobs than the estimates above. We therefore propose the significant expansion of funded training, reskilling, work-based training and apprenticeships, made available free to anyone in receipt of the Job Retention Scheme, Job Support Scheme or Minimum Income Guarantee.<sup>25</sup>




## Endnotes

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An aerial photograph of a residential neighborhood during sunset. The sky is filled with warm, orange and pink clouds, with the sun low on the horizon. The houses below have dark roofs and many chimneys. A church spire is visible in the distance. The overall mood is peaceful and nostalgic.

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