Wakefield Council, UK
Policy Alert: Corona – update 4th June

  - The challenge for the Government in removing the short-term support they have put in place is to do it in a way that does not cut off support while the former category of business finds its feet, while not prolonging support for the latter, which both delays people moving to another job where possible and is not a great use of taxpayers’ money.
  - A three-phase approach helps to understand how to do this. We are currently in Phase I, where a number of businesses are closed due to lockdown and those that can work from home continue to do so. Phase II is a transition phase, in which the Government should start to vary its approach by sector. Phase III should represent a shift in all policy away from supporting the business to supporting the worker.
  - recommendations:
    - Once lockdown is lifted for pubs, cafés and restaurants, support should change from blanket support for all sectors to splitting businesses into two camps depending on their role in local economies. For ‘local services’ businesses such as shops and cafés, policy should switch to boosting demand for them through a local voucher scheme, for example.
    - The Covid Job Retention Scheme (CJRS) should transition into an employment and skills scheme, so that support switches from supporting businesses to more directly supporting workers.
    - The Government should use the data it has created through the CJRS and related programmes, along with data from HMRC, to measure what is going on at the local level in real time to help target and tailor support.
  - Policy proposals:
    - A temporary VAT cut. While this may encourage spending, it will not necessarily be spent locally. This is not a bad thing for the national economy – money spent with Amazon or a local shop contributes to national output. But if the goal is to help sustainable local services to find their feet again, this will be a fairly blunt approach.
    - Temporary cuts for specific types of business, such as cuts to alcohol duties for pubs. The benefit of this is that it would be much more likely to be spent locally. The downside is that it is limited in its focus as only a handful of goods are subject to specific duties.
    - Offer people time limited vouchers to spend locally, either in the form of a lump sum or a discount on any spend. If policy is attempting to restore businesses back towards their sustainable positions before the crisis because there is value to having these amenities available, then this short term approach may be the most effective.
    - Local authorities could ease planning rules to allow cafés, bars and restaurants to temporarily take up space rent free on pavements and parking spaces outside their properties, increasing their floorspace and allowing them to serve more customers. This would likely need to be done alongside road closures to maintain space for pedestrians. They could also ease restrictions around use classes of property to allow businesses to temporarily expand into adjoining properties where that property is currently vacant.
    - Policymakers will need to further consider if they deem it necessary to deal with business debt, for example through paying it off or trying to mediate so that the business and the landlord share the burden of cost, rather than it all falling on the individual business.
    - Local government should focus on the management of a local economy and as a coordinator and disseminator of information from national government to businesses. In particular this means adjusting planning rules temporarily to help businesses trade, dealing with the safe movement of people through high streets and helping public transport operate under the constraints of social distancing.
• This does not preclude other more direct interventions to help businesses and workers, but this must clearly be additional to the national level support available and be clear as to why further support is necessary.

• ONS: Labour market economic analysis: June 2020
https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/labourmarketeconomicanalysisquarterly/june2020
  o The number of paid employees fell by 1.2% compared with April 2019 and by 1.6% compared with March 2020.
  o Average weekly actual hours worked fell by 2.5% between January and March 2019 and the same period in 2020, compared with a decline of 2.2% in the period January to March 2008 and the same period in 2009.
  o Between January to March 2019 and January to March 2020 the largest loss of average actual hours worked was recorded in the accommodation and food services industry (negative 11.8%).
  o Actual hours worked in the human health and social work activities industry had the smallest decline of 0.4% in the year to January to March 2020, followed by the finance, insurance and real estate activities industry with a decline of 1.9%.
  o Young workers aged 16 to 24 years experienced the largest fall in average actual hours (negative 5.9%) compared with other age groups, followed by those aged 65 years and older (negative 4.8%).
  o Young workers are most concentrated in the distribution (21.4%) and accommodation and food services (16.3%) industries. They also constitute a large proportion of workers on non-standard forms of employment (zero-hours contracts etc).
  o Older workers in the age groups 50 to 64 years and 65 years and over have higher employment concentrations in the human health and social work activities (15.8% and 12.6% respectively) and education (11.2% and 12.7% respectively) industries.
  o Actual hours worked by men decreased by more than for women. Actual hours worked by men decreased by 3.0% to a record low of 35.4 hours, while those for women decreased by 1.5% to 27.0 hours. Generally, men tend to work more hours than women, and women are disproportionately represented in part-time work.
  o Vacancies decreased across all industries, with the largest percentage decrease recorded in the accommodation and food services industry (negative 41.5%) in the period between February to April 2019 and February to April 2020.
  o The decline in vacancies was recorded across firms of all sizes but was more severe among smaller firms. Small firms with 1 to 9 employees and 10 to 49 employees recorded the largest decreases in vacancies on the year of 36.3% and 36.1% respectively. Very large firms, employing 2,500 workers and over, experienced the lowest decrease in vacancies of 13.0%.

• Resolution Foundation: A new settlement for the low paid: Beyond the minimum wage to dignity and respect
  o It is the UK’s 4.2 million low-paid workers on whom the pandemic has imposed the greatest cost. Lower earners are three times as likely to have lost their job or been furloughed as high earners, and are more than twice as likely to do jobs exposing them to health risks.
  o Debate has turned to the low pay and insecure conditions of such workers. Half of frontline care workers are paid less than the real living wage, while estimates of those paid below the legal minimum wage vary between 20,000 and 160,000. Delivery drivers are regularly forced into self-employment, missing out on sick pay and the minimum wage. In 21st century Britain, an employer can cancel a shift for a zero-hours contract worker who has already paid for a train fare to get to the job.
  o Recommendations:
• Further increases in the minimum wage should continue, with the aim of abolishing low pay by the middle of this decade by raising the National Living Wage to two thirds of typical hourly pay.
• Workers should have a right to a contract that reflects the actual hours they work, a right to two weeks advance notice of work schedules, and a right to compensation where shifts are cancelled without reasonable notice.
• A right to request a longer-hours contract, mirroring the right to request flexible working that can help workers reduce hours.
• Workers in large firms should have the right to choose how regularly they are paid, and workers should be involved in decisions about payroll regularity even in smaller employers.
• Sick pay should be extended to lower earners, and workers should qualify for unfair dismissal after one year in post.
• Fines for underpayment of the minimum wage should be increased.
• Local authorities need to be resourced to carry out health and safety spot-checks to protect those lower paid workers bearing the greatest health risk.
• Unions should be given the right to enter workplaces to raise awareness among workers.
• 21st century Wage Boards should be established in a small number of industries in clear need of improved standards, starting with social care. They should have the power to set sectoral minimum standards, and even wages, to police the blurred boundary between employment and self-employment, and to drive up training.

  - The 1.1 million total of people below the pre-Covid poverty line will be some 7% more than the 14.7 million projected, had the crisis not occurred.
  - The number of children newly pushed into poverty since before the pandemic is likely to be 300,000 at the end of this year. This number is partially offset by the 100,000 children likely to have moved out of poverty, due to emergency reforms to the Universal Credit system introduced in March.
  - The increase in child poverty is driven by expected falls in income for 800,000 households with children. Those newly forced to rely on Universal Credit will experience a major hit to their living standards.
  - This will be particularly damaging for households with high rents as a proportion of their incomes, or which have existing debts and low levels of savings.
  - Removing the two-child limit and the benefit cap, imposed in 2015 as part of the government’s austerity measures, combined with increasing Child Benefit by £5 per week per child, could entirely prevent the expected rise in child poverty - and could instead induce a modest fall. Further increases to Child Benefit would help stabilise incomes at a time of financial instability for many families.

  - Resilience economics principles defined as:
    - Social resilience. economic security for everyone, not only those with wealth. Stronger social institutions, cohesive and integrated communities and first rate public services.
    - Economic resilience. An economy which gives us absolute confidence that it will deliver the goods and services to maintain quality of life, create good jobs and economic equality to create economic security for all.
    - Environmental resilience. Restore and protect the environment.
  - Recommendations for the Scottish economy:
- Create an economy which is more productive and useful and which reduces low-pay and insecure jobs with high-pay, secure ones.
- Do much more to prioritise domestic productive business over corporations and help and encourage those businesses to develop themselves as part of a new green economy.
- Get property price inflation under control so excessive rents and mortgages don’t undermine the economy again.
- Make banking safe and boring so that a reliable and resilient banking sector can be trusted to provide crucial services – with risk-takers being allowed to fail.
- Reduce the volume of commercial retail and to transition away from a reliance on the low-pay service sector.
- Begin a major programme of green reindustrialisation and increase domestic manufacturing capacity.
- Scotland’s recovery must be driven in part by land-based industries and so land reform will be crucial.
- Adopt an ‘entrepreneurial state’ model working to a national industrial strategy.
- Very substantially increase the proportion of our economy which is domestically owned.
- Use the economic rebuilding post-virus to move rapidly to start a radical Green New Deal.
- Nothing in Scotland’s recovery and its subsequent reindustrialisation process must be considered if it does not decrease economic inequality and poverty.

- LSE Blog: Five million self-employed in the UK have been hit hard by the pandemic
  https://blogs.lse.ac.uk/covid19/2020/06/01/5-million-self-employed-in-the-uk-have-been-hit-hard-by-the-pandemic/
  - On average, the self-employed have been struck exceptionally hard by the crisis. Three-quarters of participants reported that they have had less work in April 2020 than they would usually have at that time of year.
  - The distribution of hours and incomes have shifted down substantially. In April, the self-employed worked an average of 11-20 hours per week, down from 31-40 hours in the previous year. Over 60% of workers earned less than £1,000 this April, more than twice as many as the previous year.
  - For those who remain working, an alarmingly high proportion report feeling that their health is at risk. That this is particularly high among app workers whose fear of losing future work is consistent with concerns about how much flexibility digital platforms really offer their contracted workers.
  - Over a third of self-employed workers have struggled to pay for essentials since the start of the crisis. We also find the shock to be larger for older workers, and among those without employees.
  - By far the most significant predictor of hours and income changes is the extent to which a job can be performed at home. Self-employed workers in office and administrative support report that 87% of their tasks can be performed at home on average, whereas workers in construction report only 17%.
  - For the self-employed, however, there is no noticeable gender difference on average. This is primarily driven by the fact that self-employed women are more likely to be able to work from home.
  - On average, self-employed workers believe that their work will go back to normal in September 2020. Most self-employed workers appear to be expecting a “v-shaped” dip in their hours, income, and work behaviour, with things back to normal relatively soon.
  - However, a fifth think it will take until 2021 and 1 in 20 expect that their work will never return back to normal. Among those working in Arts, Design, Entertainment, Sports and Media occupations 35% believe that things will not go back to normal until after the end of 2020.
  - In terms of an ongoing government support package for the self employed - On average, self-employed workers would be prepared to sacrifice 10% of their income in exchange for such a support guarantee. Over three-quarters of self-employed workers would be prepared to sacrifice 2% of their pre-tax income in order to receive such support. In ongoing academic work. In
percentage terms, the solo self-employed are observed to value income support by twice as much as the self-employed with employees.

- IHS Markit: UK construction Industry May 2020:
  https://www.markiteconomics.com/Public/Home/PressRelease/faa1e220c6264e9eb24890b64aac1971
  - 64% of those surveyed reported a drop in construction activity during May, while only 21% signalled an expansion. Where growth was reported, this was mostly attributed to a limited return to work on site following shutdowns in April.
  - Construction companies recording a drop in activity during May often cited furloughed staff across the supply chain, as well as prolonged business closures in other parts of the economy and disruptions from social distancing measures on existing projects.
  - Residential work was the most resilient category in May (index at 30.9), followed by civil engineering (28.6). Commercial building also fell at a slower pace during the latest survey period, but was the worst performing broad area of construction (26.2).
  - Supply chain disruptions were frequently reported by survey respondents in May, with lead times for construction products and materials continuing to lengthen at a rapid pace.
  - A number of firms commented that a lack of capacity for deliveries and ongoing business closures had resulted in the need to source alternative suppliers, which had also pushed up costs.
  - Looking ahead, construction companies remain downbeat about their prospects for the next 12 months, with sentiment holding close to April’s low. Recession worries and fears of postponements to new projects were commonly reported in May.

  - The current Covid-19 crisis is likely to impact the services sector in ways that are not yet clear. Some businesses have managed to operate through the restrictions, others have shut down. Brexit will help shape the post-Covid economy and will have significant regional as well as national impacts.
  - The UK is predominantly a services economy. Services contributed 81% to the economy in 2019, or around 30 million jobs.
  - While the UK imports more goods than it exports, it ran an overall trade surplus in services totalling £28 billion in 2018. Other business services such as legal, accounting and consultancy services made up 29% of this export total, followed by financial services, which alone contributed 22%.
  - 46% of UK exports are in services, compared to 33% of US exports and 17% of German exports.
  - Services are characterised by their breadth and diversity: they include sectors as varied as IT and hairdressing, architecture and the arts, health services, education and financial services.
  - The EU’s single market is the primary destination for UK services exports, and the UK runs a trade surplus with the EU in services. The services sector also depends heavily on EU migrant workers, whether in financial services, education, the health service or road haulage.
  - The UK government’s post-Brexit migration proposals may lead to staff shortages in service sectors, such as hospitality and delivery, that rely on workers who will not meet the salary thresholds for the scheme.
  - Major North/south (and London/rest) in terms of UK business services economy
  - Investment in green buildings can support the most jobs in the short run and provides societal and resilience benefits - The green building sector has a total annual investment need of £12bn and this will support at least 85,000 direct jobs in green retrofitting by 2030, with installing heating and cooling supporting an additional 7,000 jobs, given the small size of the sector currently.
  - Investment in nature and biodiversity is a vital part of the uk recovery, including investing in rural employment and adapting to adverse climate effects and impacts.
  - Investing in clean energy infrastructure, especially in offshore wind and electricity grids, can support green jobs. Currently the UK offshore capacity is 8.5GW and the government has committed to increasing this to 40GW by 2030, which could support 28,000 jobs, including in manufacturing.
  - Carbon capture and storage (ccs) has the potential of supporting around 30,000 jobs.
  - The uk automotive sector already supports over 100,000 jobs and low-carbon investment in electric vehicles (evs) and ev infrastructure could help support further growth. Currently, the sector is characterised by job substitution, where workers with skills to produce petrol/diesel vehicles can transfer these to EV assembly, supporting around 11,000 jobs by 2030. New jobs can be supported in complementary sectors: batteries and charging infrastructure, with an investment need of over £1bn annually, can support around 5,500 jobs.
  - Investments of around £0.5bn annually in low-carbon buses would support many jobs as the 34,000-strong UK bus fleet will need replacing. In the long run, the UK will be able to export low-carbon buses, and this will support 3,500 bus manufacturing jobs by 2050.
  - Major new policy initiatives, such as a carbon tax and an obligation scheme – if well designed – are well suited to raising the required funds. Taxes will need to be raised in the medium term to some degree. A carbon tax of £50 per tonne of CO2 in 2020, rising to £75 in 2030, would generate sufficient revenue to cover the investments above even after lower income households are compensated.

  - COVID-19 looks set to cause ongoing disruption to childcare provision, placing significant limits on the opening of schools and nurseries. The scale of the childcare squeeze looks set to be
unprecedented. Without immediate strategic action on the part of government, many women could lose their jobs or pay as they struggle to balance work and care.

- Prior to the crisis 75% of families in England with children aged 0 to 14 used some form of childcare during their most recent term-time week. Just over three in five families used formal childcare such as nurseries, schools, childminders, breakfast clubs, after-school clubs and holiday clubs. 35% used informal provision including grandparents, relatives and friends.

- Key workers have struggled to access childcare during the crisis. 67% of early years providers have been unable to offer provision to any parents, having to close completely on a temporary basis. Many fear they will be unable to reopen due to financial loss.

- Recommendations:
  - Protect women’s incomes during the Covid-19 crisis: A more limited form of the job retention scheme should remain in place beyond October to support parents who are unable to return to work because of childcare responsibilities and enable them to remain on it until schools and childcare settings are fully reopened.
  - Enable parents to balance work and care: Give staff the right to work as flexibly as possible from their first day in the job. Flexible working can take lots of different forms, including the right to predictable hours, working from home, jobsharing, compressed hours and term-time working.
  - Prevent a large-scale collapse of the childcare sector: Give an urgent cash injection to the childcare sector to ensure existing levels of provision can be maintained and meet the needs of working families. Additional funding should be provided and targeted at children from low income households to ensure they do not lose out.
  - Ensure parental leave is fit for purpose: Give all workers, regardless of their employment status, a day one right to 10 days paid parental leave. This could be used, for example, to cover parents who are unable to work during a 14-day self-isolation mandated by NHS Track and Trace.
  - Employers must be given clear messages from the government: Employers will be breaking the law if they unfairly select women for redundancy because of caring responsibilities.