

The Full Monty

Facing up to the challenge of the
coronavirus labour market crisis

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Executive Summary

The coronavirus crisis has been unparalleled in its scale and speed. Never before has the UK government shut down such large swathes of the economy. As the lockdown disproportionately hit big, labour-intensive sectors like retail and hospitality, it quickly became clear that this was going to be not just a health crisis, but a jobs crisis, too. The Government took unprecedented action to save millions of jobs when it introduced the Coronavirus Job Retention Scheme (JRS), preventing mass unemployment in this initial lockdown phase of the crisis.

But the storm has not passed. This report takes stock of the impact of coronavirus so far, considers what further labour market challenges the pandemic has in store, and sets out proposals for tackling them. Because those challenges are large, and more difficult to address than those experienced so far, our proposals are for a labour market policy response of unprecedented size and breadth. The alternative is that unemployment and economic inactivity do lasting damage to our living standards and our nation's prosperity.

The lockdown has delivered a huge, fast and jobs-focused economic hit

The coronavirus crisis has, in just a couple of months, caused the biggest contraction in economic activity in living memory. At the end of March, the Government shut down large parts of the economy to protect public health, with the result that GDP in April was a full 25 per cent lower than in February.

In stark contrast, to date the most commonly used measure of unemployment has not budged. However, this should not be taken as a sign that all is well in the labour market. Without the JRS, unemployment would have surged, and the labour market shock can be seen playing out in other indicators. Employment fell by 430,000 in April, economic inactivity is rising, the claimant count measure of unemployment has hit levels last seen in the early 1990s, and vacancies have fallen by more than half. The total number of hours worked across the economy fell by almost 9 per cent between January-March and February-April – its fastest decline on record – capturing the combined impact of job losses, furloughing, and cuts to hours for those still in work.

The labour market shock is being borne disproportionately by the young, the low paid, and those in atypical work

Although we don't have official data, emerging survey evidence is clear about which groups have been most likely to be affected by the lockdown. The lowest earners before the pandemic have lost their jobs at four times the rate of the highest earners (8 per cent compared to 2 per cent), and 18-24-year-olds are twice as likely to have been furloughed or lost their job as those in their forties. People in atypical forms of work, such as agency workers and those on a temporary contract, are much more likely to have lost work than employees in more typical work, as are self-employed workers.

The distribution of economic pain from this crisis largely reflects its unprecedentedly sectorally concentrated nature, with hospitality and retail alone accounting for 15 and 11 per cent, respectively, of the output falls during the lockdown. This explains the impact on the young, with the sectors most affected by the initial lockdown employing workers who are younger, on average, than those in other sectors. But while it also contributes to the disproportionate impact on low-paid workers, there is evidence that this is not just a sector effect, with low earners more likely than their higher-paid counterparts to have been furloughed even after accounting for the sectors they work in and controlling for a range of other characteristics.

Alongside the sectoral concentration, the other key feature of this labour market shock is its geographical dispersion. Every region of the UK has been affected, and there isn't a single local authority claimant count that hasn't risen over the past two months, compared to 17 per cent that actually fell in the heat of the financial crisis. Within this overall picture of geographic dispersion, the areas that have been hit hardest are those that rely on people travelling to them to spend money. Coastal areas reliant on tourism, and city centres suffering from lower footfall and empty offices, have experienced the biggest take up of the JRS and the fastest increases in claimant counts.

This is not a normal recession, and policy needs to reflect that

Government must now prepare for another phase of bold and innovative policy making to confront the job losses to come.

Some will say this is unnecessary – that this recession has been unlike anything we've seen before in the speed that it hit, and that it will be unprecedented in the speed of the recovery, too. This will be true in the initial bounce back, as the lockdown is lifted, businesses reopen and furloughed workers return. But what matters is whether the bounce is strong enough to return to pre-crisis levels of employment, and there are strong reasons for thinking it will not be.

History shows that unemployment tends to fall more slowly than it rises, recovering significantly more slowly than GDP. Meanwhile, ongoing social distancing measures will markedly constrain activity levels in parts of the economy, most obviously in hospitality and leisure. In France and Germany, trips for retail and recreation remain 17 and 13 per cent down, respectively, despite reopening significantly ahead of the UK.

As a result of these ongoing sector-specific constraints, and the more common recession experience of reduced demand by households and firms across the economy, unemployment is expected to reach three million by the autumn. The phasing out of the Job Retention Scheme may itself drive one million

redundancies, with half of business leaders saying they expect to make some furloughed workers redundant.

The economic context for this recession also affects the likely path of our labour market. Inflation is low, ruling out the kind of real wage adjustment that protected jobs and hit pay after the financial crisis. Meanwhile, firms' profit levels have been falling since 2016 and are lower than they were before the financial crisis, leaving less scope to hold on to workers through difficult times.

Others argue that while it is clear that the UK is set for a period of high unemployment, the policy priorities remain those in normal recessions. Proposals just to stimulate demand and provide back-to-work support implicitly accept that there will be outflows of workers from the hardest-hit sectors, and aim to reallocate them to other, growing, parts of our economy.

Such sector switching will be important in the months ahead, but an examination of our labour market leads us to conclude it is unwise to adopt an approach relying on a totally unprecedented level of such reallocation to avoid an employment disaster. Over the past decade, three-quarters of those losing jobs have returned to work in the same sector. The speed at which workers will make big decisions about future work, and at which firms will respond by changing how they work to absorb newly available labour, will also be limited by the huge uncertainty around how long this coming pre-vaccine reopening phase will last. The workers likely to be worst affected in the months ahead are also less likely to travel significant distances for new work (with commute times a fifth lower than average). And they are among the lowest qualified, meaning they may face barriers to entry into many other sectors.

The nature of the labour market crisis we face is one of large outflows of workers from the hardest-hit sectors such as hospitality, taking place on such a scale and speed, and involving such workers, that we should be cautious about assuming they automatically translate into inflows into other sectors. Without significant policy action, lasting unemployment or inactivity may be a more likely result for many.

Big changes are needed

How, then, should policy makers think about this next, more challenging, phase of the jobs crisis? Policy now needs to be just as bold as it was with the introduction of the JRS, but to operate across a wider range of areas. It should recognise the key features of this labour market crisis, which include its unprecedentedly concentrated – but largely temporary – impact on some sectors, and its geographical dispersion.

This should lead policy makers to two objectives. First, actively aiming to reduce the outflows from the hardest-hit sectors and, second, because the rise in unemployment will still be very significant, driving inflows to jobs in sectors that can grow, and are well spread around the country.

Affected sectors will need support to keep people in their jobs

The first objective should be to minimise outflows from the heavily affected sectors of non-food retail, hospitality and leisure. It will not be enough just to reduce supply constraints, as policy is doing now: reducing the two-metre rule to ‘one-metre-plus’ can only go so far. Our analysis suggests that over one million furloughed workers could lose their jobs, and vacancies in the hospitality sector are down by 90 per cent as labour demand has collapsed. So we need to reduce labour costs too, in order to reduce the scale of redundancies we will see as the JRS phases out.

To achieve this, the Government should replace the JRS (which pays the wages for work employees are unable to do) with a new Job Protection Scheme, that subsidises the work employees are able to do in the hardest-hit sectors. The Job Protection Scheme should provide a 10 per cent subsidy of all labour costs, capped at £2,500 per year, and would cost an estimated £5 billion a year.

This approach is preferable to a generalised employer National Insurance contributions (NICs) cut that some have proposed, principally because it addresses the sector-specific nature of the supply hit. If the Government is averse to a new policy tool that

builds on the success of the JRS, the same objective could also be achieved through an increase in the employer NICs threshold that applies only in those same hard-hit sectors. However, such an approach would not reduce the costs of employing the lowest earners, who make up a significant proportion of employees in these sectors.

But policy makers will also need to support greater flows of workers between sectors than will take place automatically

Inevitably, though, the retail, hospitality and leisure sectors won't be operating at full capacity for the foreseeable future. The Government will need to step in to support a reallocation of workers, because the private sector alone will not be able to deliver this at the speed that is required given the uncertainty it faces.

Here, there is a different role for wage subsidies or payroll tax cuts to support job creation: hiring could be incentivised via a temporary increase in the NICs threshold for firms outside the hardest-hit sectors that increase their headcount via new hires. Raising the employer NICs threshold to £15,000 for additional workers for their first year could cost up to £1.3 billion. While there is significant uncertainty around this costing given it depends on the scale of job mobility and firm growth, such a policy would be relatively easy for the Government to administer given it knows firms' total headcounts via PAYE systems.

In addition to hiring subsidies, significant public investment will be required to deliver job creation at the scale, and of the form, needed. There are two clear candidates for investment in labour-intensive sectors that would also support longer-term policy goals – social care, and retrofitting houses to become more energy efficient. Crucially, both are geographically dispersed, with relatively low barriers to entry for the types of workers most at risk of losing their jobs in the next phase of this crisis. The same cannot be said for grand infrastructure projects like train lines or power stations.

For example, increasing spending on social care by £5 billion could add an additional 180,000 workers, which would bring the ratio of care workers to the over-70 population back to its 2014 level, as well as facilitating a move to the real Living Wage across the sector.

We will, of course, also need broad-based, tried-and-true labour market policies, including short-term activation and training support. And job guarantees, which have been successful in the past, should be introduced and targeted at younger workers who are most at risk of the long-term scarring effects of unemployment. However, we will need to be realistic about the scale on which these could be delivered given the significant legwork done by local authorities – whose capacity has fallen significantly over the past decade – last time round.

The challenge that the labour market is facing as the economy reopens and initial support schemes are wound down is like nothing we've seen before. As such, it will require policy action above and beyond our go-to tools, that is calibrated to the specific nature of this crisis, in particular its impacts on specific sectors. There remains huge uncertainty about the scale of the jobs challenge we face, but there are reasons to believe it could be very large. For that reason, policy makers should prepare for the worst with a full-spectrum response such as the one we have set out here, and then roll policy back if the crisis proves less severe.

Section 1

Introduction

The economic effects of the coronavirus pandemic have hit the labour market hard. As large parts of the economy shut down and the Government imposed restrictions on travel and social interaction, it quickly became clear that millions of jobs were at stake.

Bold policy action has so far focused on mitigating these effects and protecting workers' incomes in the lockdown phase. At the forefront has been the Coronavirus Job Retention Scheme (JRS), which has protected 9 million jobs so far, while the Self-Employed Income Support Scheme (SEISS) and increases in the generosity of Universal Credit (UC) have gone some way to cushion the blow for other groups.

But harder to address labour market challenges are still to come as the economy opens back up, driven by both the usual economy wide reductions in demand that characterise recessions and ongoing supply restrictions in certain sectors that reflect the very particular nature of this crisis. Supporting the labour market effectively through these challenges will require policy action as bold as, but more difficult than, the JRS.

There are big uncertainties around where our labour market is heading – not least in terms of its interaction with the spread of the virus and the nature of the health response. Despite these uncertainties, this report provides an assessment of what might happen next in the jobs market on the basis of evidence on what has happened to date. It then sets out how policy should rise to the challenges ahead.

Our assessment is set out over five further sections, as follows:

- Section 2 summarises the impact on the labour market of the lockdown so far;
- Section 3 discusses the groups most affected by what has been primarily a sector-driven crisis;
- Section 4 considers the challenges faced by the next phase of the policy response;
- Section 5 proposes next steps for policy makers as the economy reopens;
- Section 6 concludes.

Section 2

The scale of the crisis to date

The effects of the coronavirus pandemic on Britain's jobs market have been close to unprecedented in their speed and scale. Never before has the Government acted to shut down large sections of the economy. While the lockdown restrictions were unavoidable to protect public health, the fallout for jobs and workers has been huge.

Unlike measures such as GDP, the official unemployment rate is yet to register this fallout. This principally reflects the impact of the Coronavirus Job Retention Scheme, which has protected more than nine million jobs.

But that is only part of the story: wider labour market indicators are showing much more worrying signs, including the claimant count and the economic inactivity rate. Meanwhile, vacancies have fallen by more than half, signalling reduced demand for labour, and real-time information from HM Revenue and Customs indicates that 600,000 fewer employees were paid through the PAYE system in May than in March. The overall impact of the lockdown phase of this crisis on work is made clear in total hours worked in the economy, which have registered the biggest fall on record.

The big economic hit has not yet shown up in the Labour Force Survey's unemployment rate

The coronavirus pandemic, because of the lockdown measures it rightly necessitated, quickly developed into an economic crisis. GDP fell by around 25 per cent between March and April,¹ while close to two-thirds of businesses say their turnover has declined.² It quickly became clear how many jobs were at stake as the economy began to shut down, meaning the policy debate moved rapidly from the March Budget promise of sick pay during self-isolation³ to the state stepping in to underwrite millions of employees' wages through the Coronavirus Job Retention Scheme (JRS) just nine days later.⁴

¹ Office for National Statistics, [GDP monthly estimate, UK: April 2020](#), June 2020.

² Office for National Statistics, [Coronavirus and the latest indicators for the UK economy and society: 25 June 2020](#), June 2020.

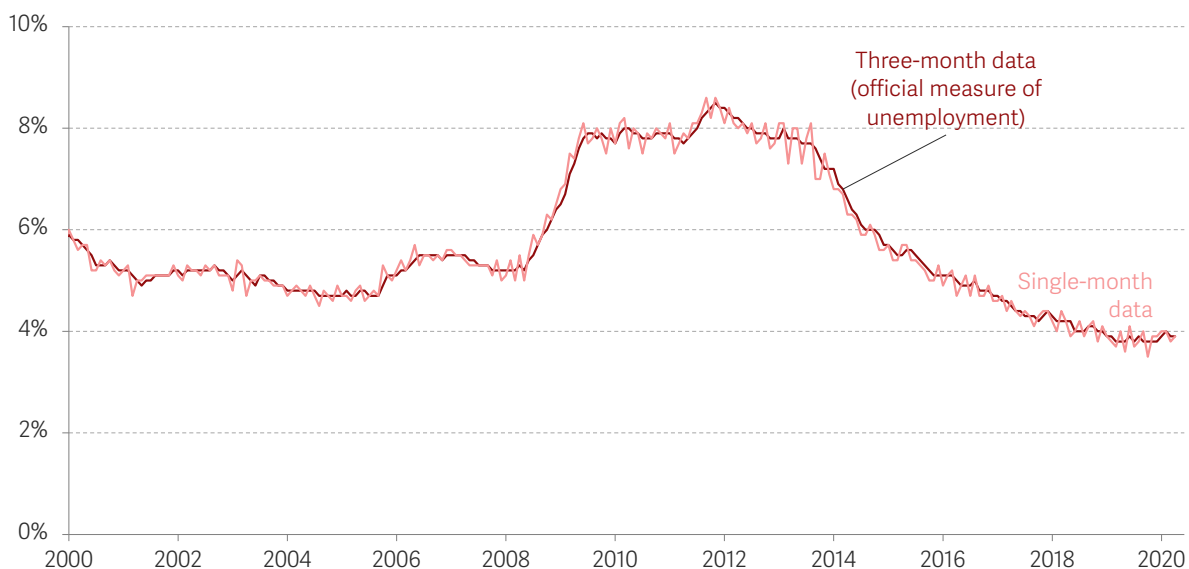
³ HM Treasury, [Budget speech 2020](#), March 2020.

⁴ Resolution Foundation, [Doing what it takes: Protecting firms and families from the economic impact of coronavirus](#), March 2020; HM Treasury, [The Chancellor Rishi Sunak provides an updated statement on coronavirus](#), March 2020.

It may be surprising, then, that there is little sign (yet) of this economic hit in the unemployment rate in our go-to labour market data, the Labour Force Survey (LFS).⁵ The unemployment rate as measured in the LFS remained at 3.9 per cent in April, even when we look only at the single-month figures (rather than the usual three-month average) so as to isolate the lockdown period, as Figure 1 shows.

FIGURE 1: The headline unemployment rate has withstood the crisis so far

16+ unemployment rate: UK



NOTES: Latest single-month data is for the whole of April 2020.
SOURCE: RF analysis of ONS, Labour market statistics.

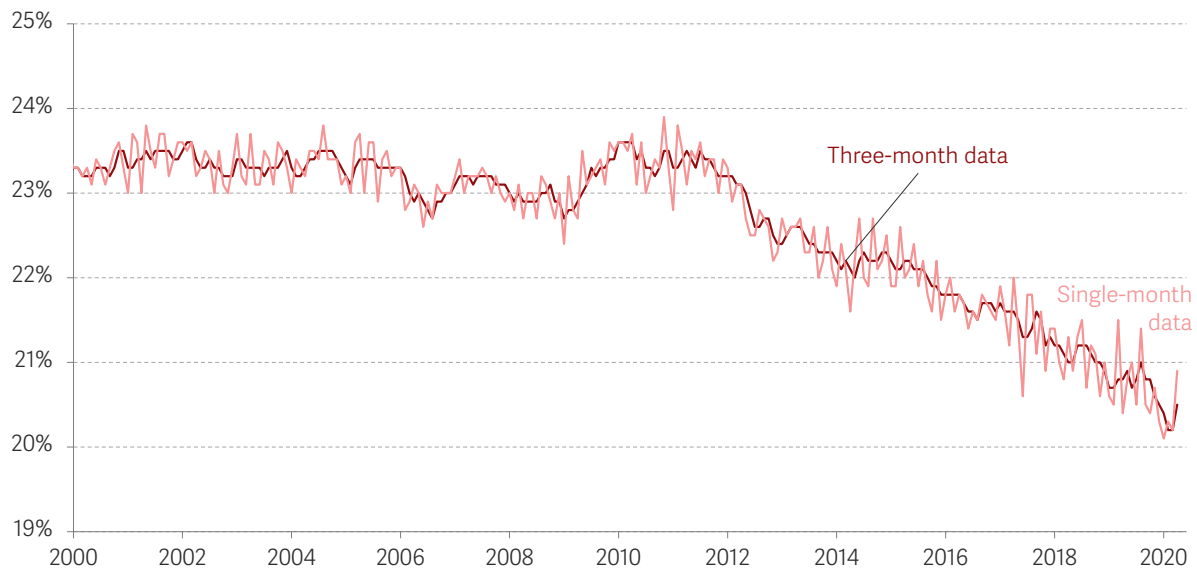
But there are some signs of movement elsewhere in the data. For a start, economic inactivity among 16-64-year-olds rose by 292,000 between March and April, bringing the inactivity rate up from 20.2 per cent to 20.9 per cent (Figure 2). All of the increase is accounted for by people who want a job, and by people inactive for 'other' reasons than the usual ones (studying, health problems and caring responsibilities). It therefore seems likely that the inactivity rise has been driven by people who can be thought of as very similar to the unemployed, but who are not technically so because they are not searching for work due to the lockdown and the switching off of job-search conditionality in the benefits system. As the lockdown is eased and more people start to actively look for work, we expect much of this group to move into the 'unemployed' category.

This inactivity rise means that while there has been no movement in unemployment, the number of people employed fell 430,000 between March and April. The fact that the fall in the number of employees was not bigger is due to the JRS, which has kept people paid

⁵ We start by looking at the LFS because it is the best data source that tells about all facets of the labour market in a consistent way. However, the data does lag, with the latest information available from April, so we turn to timelier data below.

and attached to employers even though millions have had no work to do. Figure 3 shows that the scheme has, at some point over the course of the last two months, protected more than nine million jobs that might otherwise have been lost as demand dried up.

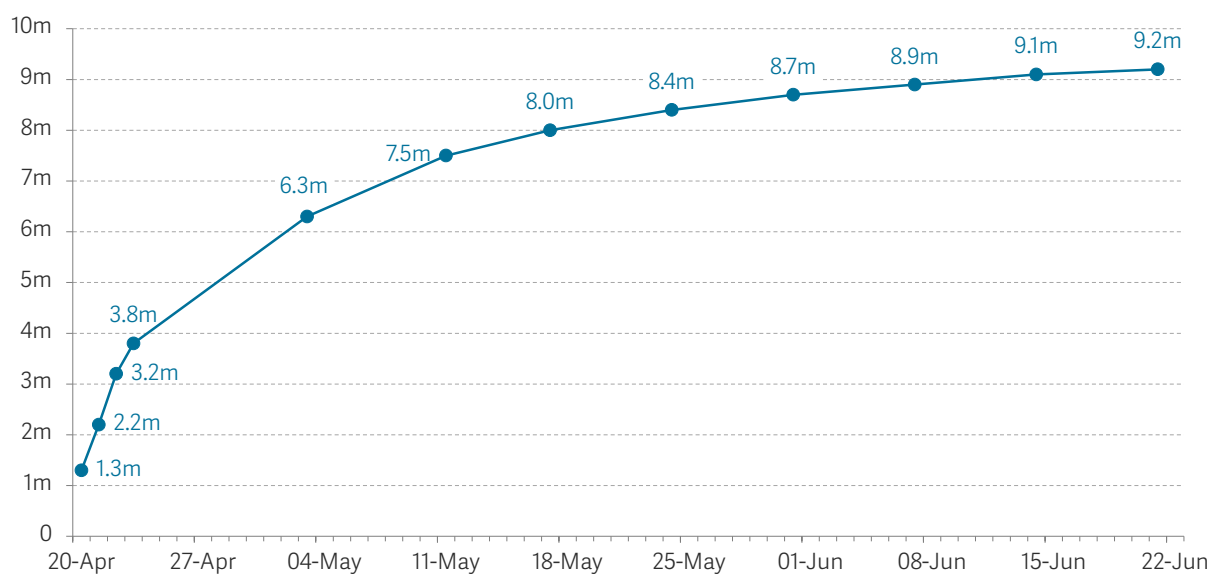
FIGURE 2: Joblessness is showing up as inactivity, rather than unemployment
16-64-year-old inactivity rate: UK



NOTES: Latest single-month data is for the whole of April 2020.
SOURCE: RF analysis of ONS, Labour market statistics.

FIGURE 3: The Job Retention Scheme has protected more than nine million jobs

Number of jobs furloughed: UK, 20 April 2020 to 21 June 2020



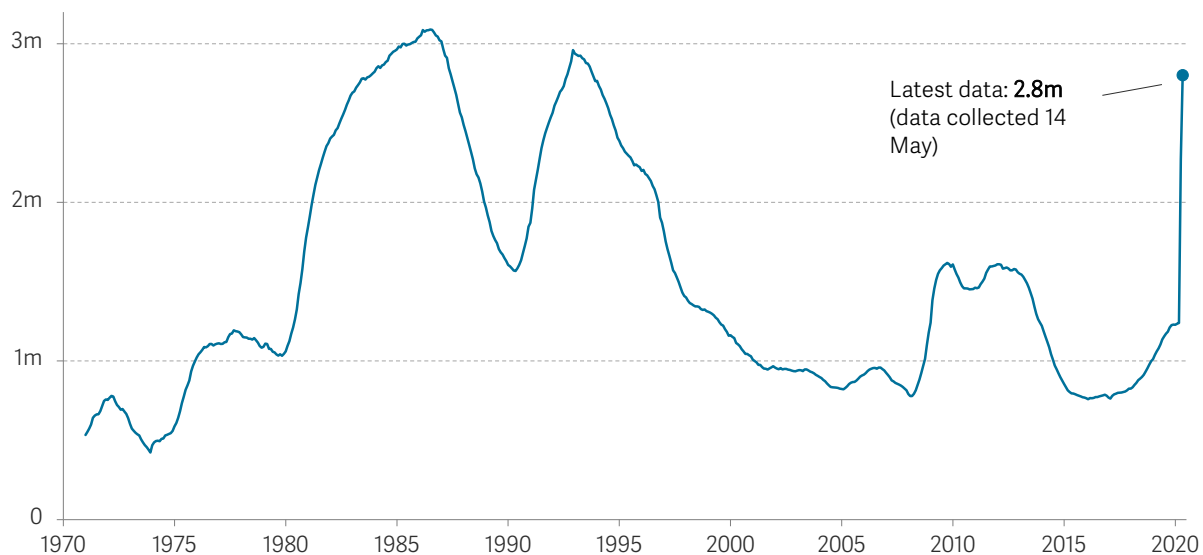
SOURCE: HMRC.

Wider and timelier indicators are showing signs of the crisis

Looking at timelier labour market indicators shows further – and more pronounced – signs of labour market weakness.⁶ The claimant count has risen dramatically between March and May (including a sharp increase between March and April when the unemployment rate stayed flat), reaching levels last seen in the early 1990s, as Figure 4 shows.

FIGURE 4: The claimant count is already back up to the levels seen in the 1980s and 1990s recessions

Number of people claiming unemployment-related benefits: UK



NOTES: The claimant count is not the same as total unemployment. The measure includes all claimants subject to work-search requirements, which may include some employed claimants on low hours/earnings. Data is seasonally adjusted.

SOURCE: ONS, Labour Market Statistics.

The claimant count measures the number of people claiming unemployment-related benefits, so its discrepancy with the official (survey-based) unemployment data may seem perplexing. We note that the claimant count should not be treated as an equivalent measure to unemployment and is far from perfect when used to make longer term historical comparisons, for example because it now includes some people on low pay and hours (and because some claimants may currently be appearing as economically inactive in the official survey data, as discussed above). It also suffers measurement challenges relating to both the ongoing transition to Universal Credit and the response to the current crisis, which are likely to mean recent increases are overstated. Forthcoming

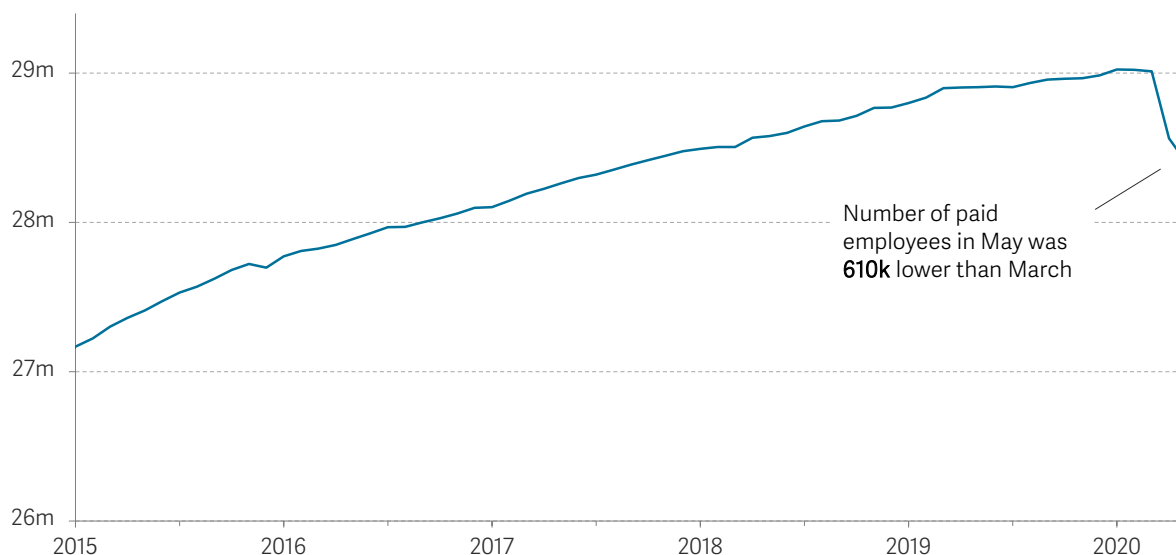
⁶ In the following section, we turn to evidence that focuses on changes in individuals' employment status rather than overall employment levels. Data from Understanding Society, for example, shows that 4 per cent of employees have lost their jobs (see Figure 11).

Resolution Foundation analysis will explore these issues in detail.

At the same time, real-time data from HM Revenue and Customs' (HMRC's) PAYE system indicates that 600,000 fewer employees were paid through PAYE in May compared to the beginning of the lockdown in March (see Figure 5). This includes a much more pronounced fall in employee numbers (down 450,000) between March and April than implied by the changes in the official labour market data (which includes the effects of falling self-employment too, as discussed in the next section).⁷ Alongside delving into claimant count increases, forthcoming Resolution Foundation analysis will explore in detail how these different data sources match up.⁸

FIGURE 5: The number of paid employees registered for PAYE fell by 600,000 between March and May

Number of paid employees according to HMRC real-time PAYE data: UK



NOTES: This data includes furloughed workers since they are still paid employees. Monthly data is an average for the whole month.

SOURCE: ONS, Labour Market Statistics.

Discrepancies and measurement challenges notwithstanding, it's clear that this timelier data for PAYE employees and claimants underscores the speed and scale of the hit to our jobs market during lockdown.

⁷ The March to April fall in employment in the LFS was 430,000, but the three-month-on-three-month changes between January-March and February-April suggest that this fall is likely to have been driven by self-employment rather than employees.

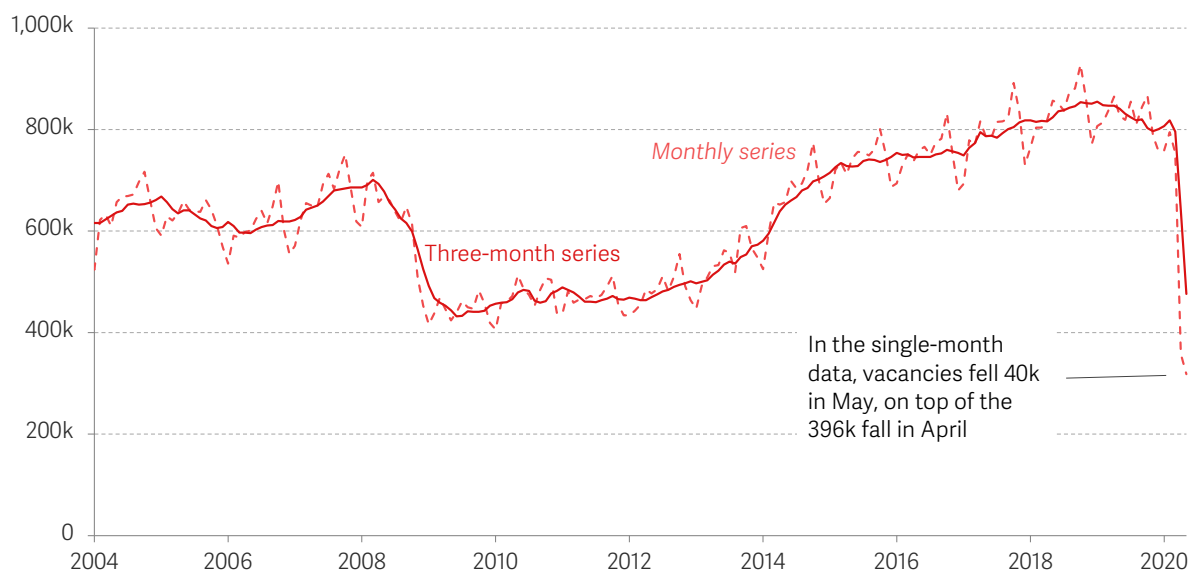
⁸ The Institute for Employment Studies has suggested that some of the fall in PAYE employees could be accounted for by people who were due to start a job just before the lockdown, but whose start date has been delayed. This group might count themselves as having a job that they're away from, meaning that they count as employed in the survey data, but will not show up as paid employees in the HMRC series. See: T Wilson, [What's going on with the unemployment data?](#), Institute for Employment Studies, June 2020.

There are other signs of slowing demand for labour

Of course, there are other ways that falling demand for labour can show up in the data. As Figure 6 shows, the number of vacancies fell by more than 400,000 between early March and early May – or more than half – reaching its lowest level on record. Meanwhile real-time data from Indeed shows that vacancies have remained near record lows even as the lockdown began to be eased.⁹ Those who have become unemployed so far have very limited opportunities to re-enter work.

FIGURE 6: Total vacancies have fallen by more than half

Number of vacancies, seasonally adjusted: UK



NOTES: The latest data point in the single-month series is for May, with data collected on 7 May.

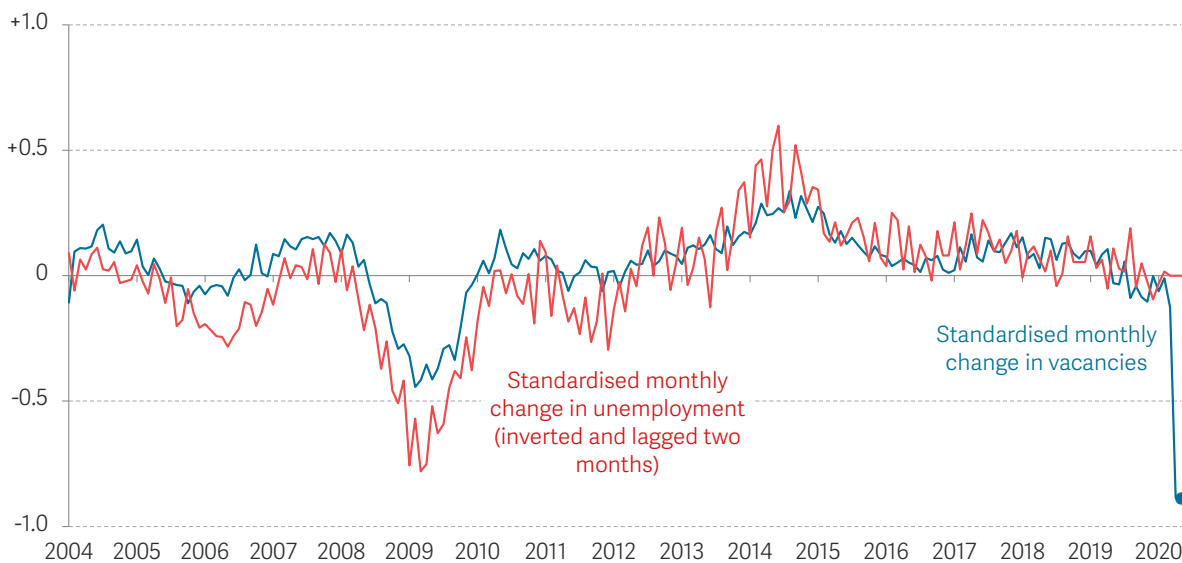
SOURCE: ONS, Labour Market Statistics.

This is a particular worry because a fall in vacancies has historically been associated with a rise in unemployment, with a lag of about two months, as Figure 7 shows. Policy makers need to recognise that the forward trajectory of unemployment in this crisis is about both the numbers flowing out of work and the numbers flowing back in. If hiring remains subdued, unemployment will rise even without any increase in redundancies.

⁹ J Kennedy, *UK employment figures, June 2020: Slump in vacancies show hit to labour market after lockdown*, Indeed Hiring Lab, June 2020.

FIGURE 7: Unemployment normally follows a fall in vacancies

Standardised monthly change in vacancies and unemployment (standard deviations): UK



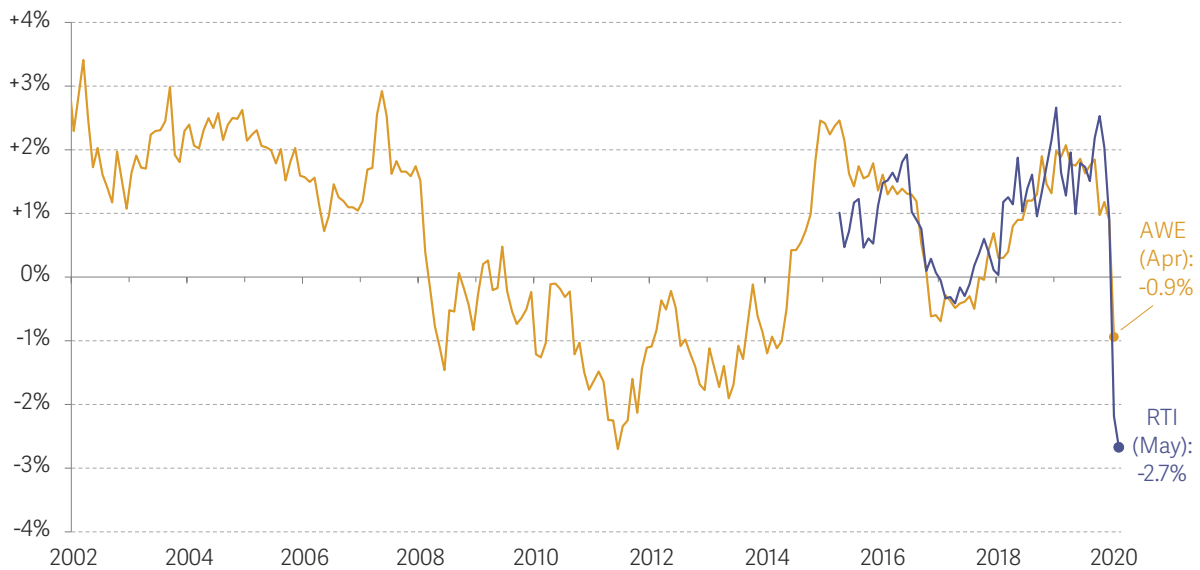
SOURCE: RF analysis of ONS, Labour Market Statistics.

Another traditional sign of weakening labour demand is falling real pay growth. Because nominal hourly wages rarely go down (discussed further in Section 3), this does not tend to happen very quickly in the absence of sudden inflationary pressures. But as Figure 8 shows, real pay has fallen in the latest data, with the most up-to-date information from HMRC showing a pay fall of 2.7 per cent in May compared to a year earlier. While much of this will reflect lower pay for furloughed workers, many of whom have had their pay reduced to the 80 per cent covered by the JRS,¹⁰ it may also reflect temporary hours reductions and wider pay restraint in the face of a major recession.

¹⁰ We estimate that two-thirds of workers have had their pay reduced to either 80 per cent of their usual rate or the £2,500 limit covered by the scheme. Source: L Gardiner & H Slaughter, *The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey*, Resolution Foundation, May 2020.

FIGURE 8: Real pay growth is negative, largely reflecting furloughing

Real (CPIH-adjusted) annual growth in average pay, Average Weekly Earnings series and Real Time Information median monthly pay series: GB/UK



NOTES: The Average Weekly Earnings series is regular average weekly pay (excluding bonuses) covering GB, whereas the Real Time Information data is median monthly pay covering the UK. Both include employees only.

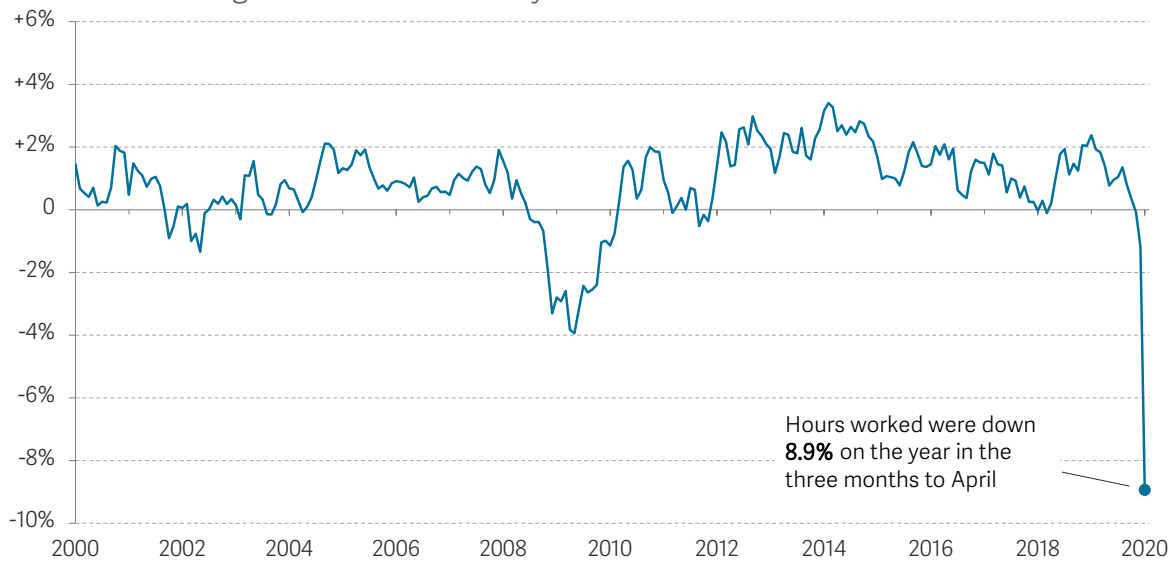
SOURCE: RF analysis of ONS, Labour Market Statistics.

The fall in hours worked shows the full impact of the lockdown

Taking together job losses to unemployment or inactivity, furloughing, workers still attached to jobs but not currently working for other reasons and reductions in hours from those still working, the hit to jobs is summarised in the huge decline in total hours worked in the three months to April in the go-to LFS data. As Figure 9 shows, total hours worked across the economy fell by 8.9 per cent, the biggest fall since records began in 1971. Given that the lockdown began more than half way through the three months covered by the data, hours are likely to fall further in the figures covering the three months to May.

FIGURE 9: The fall in hours worked is the largest on record

Annual change in total actual weekly hours worked: UK



NOTES: Year-on-year change in three-month average.

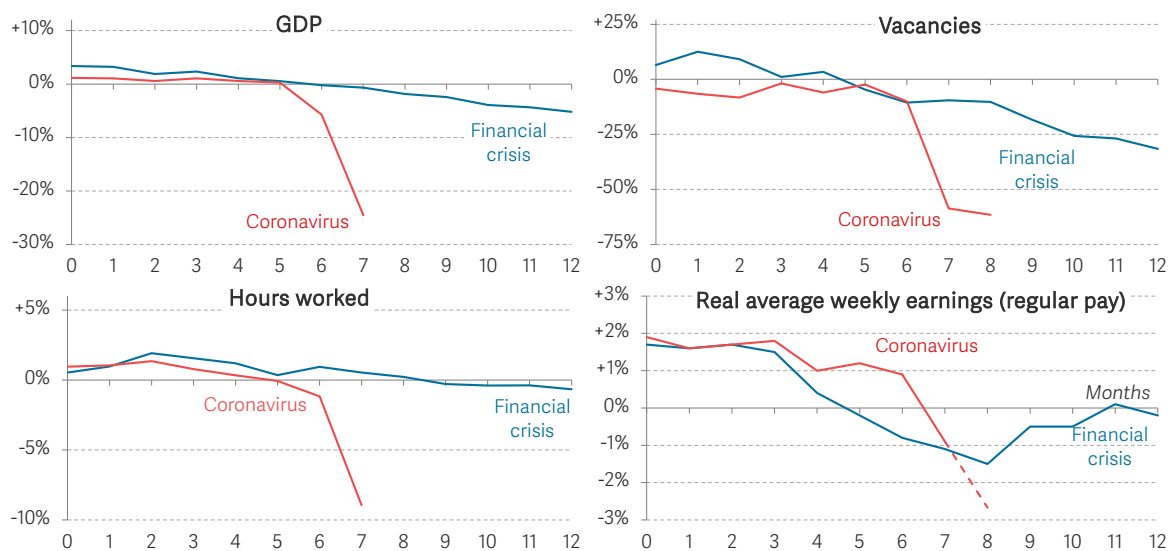
SOURCE: RF analysis of ONS, Labour Market Statistics.

The speed of this crisis is unprecedented

Everything we have learned so far about the lockdown period points towards the swiftest change in the labour market on record. The speed of the economic shutdown, driven in turn by how quickly the pandemic set in, means that on most measures, the crisis is much more dramatic than the financial crisis, both in scale and speed.

FIGURE 10: This crisis is hitting harder and faster than the financial crisis

Annual growth in GDP, vacancies, hours worked, and real average weekly earnings (regular pay), financial crisis and coronavirus crisis: GB/UK



NOTES: The horizontal axes show the number of months since January 2008 (financial crisis) and September 2019 (coronavirus). GDP, vacancies and hours worked data cover the UK, while earnings data covers GB (with the change to May 2020 based on real-time PAYE data covering the UK).

SOURCE: RF analysis of ONS, Labour Market Statistics.

As Figure 10 shows, the hits to vacancies, hours worked, and overall economic output are much larger, and have happened much more quickly, than during the previous recession.

The lockdown, while necessary to contain the pandemic, has had an economic impact that is unprecedented in scale and speed. Economic inactivity and the claimant count are rising, vacancies are down by more than half, and total hours worked have fallen at a record rate. Unsurprisingly, the impact has not been equal across all workers. The next section explores which groups have been most affected.

Section 3

The groups who have been affected so far

The previous section showed that this crisis has hit the labour market hard and fast. As large parts of the economy have shut down, millions of people have stopped working, either through job loss or furloughing. But beneath these headline figures, it is important to explore who has been most affected to date, not least to improve our understanding of the cohort that policy makers will need to support back into work.

Early modelling work indicating that low-paid and younger workers were most likely to be hit has been confirmed by the emerging survey evidence. In large part this is because the lockdown has had the biggest impact on sectors like retail and hospitality, which tend to employ younger and lower-paid workers. But there is evidence that the low-paid are still more likely to be furloughed than their higher-paid counterparts, even once we take into account which sector people work in and a range of other characteristics.

Those in more insecure forms of work, such as temporary workers and employees on zero-hours contracts, and the self-employed are particularly likely to have lost work. While the economic impacts have been quite evenly spread across regions of the UK, the places struggling most are those whose demand needs to travel to reach them such as tourism-reliant areas and city centres. And although the effect has been fairly equal across most demographic splits, there are significant differences in furlough and job loss rates between different ethnic groups.

Low-paid and younger employees have felt the biggest impacts

Modelling work early in the coronavirus crisis suggested that low-paid and younger workers were most likely to work in shutdown sectors and least likely to be able to work from home, making them most susceptible to the economic impacts of the pandemic.¹¹ This has been borne out in survey evidence, including a survey fielded by academics in March and April,¹² and one commissioned by the Resolution Foundation in partnership with the Health Foundation in early May.¹³

FIGURE 11: Two-in-five of the lowest-paid fifth of employees have been furloughed, or lost jobs or hours

Proportion of employees who have experienced job changes since the coronavirus outbreak, by employee earnings quintile prior to the outbreak: UK, April 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak and provided information on their usual earnings prior to the coronavirus outbreak (apart from for the 'all employees' category). Earnings quintiles are based on net (take-home) usual employee pay prior to the coronavirus outbreak. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings.

SOURCE: RF analysis of ISER, Understanding Society.

Figure 11 shows the distribution of furloughing, job losses, and cuts in hours using April's wave of the longitudinal Understanding Society (USoc) survey, which similarly shows that low-paid employees have felt the crisis hardest. According to USoc, more than two-in-five employees in the bottom earnings quintile have been furloughed, lost their jobs, or were

¹¹ M Gustafsson & C McCurdy, *Risky business: Economic impacts of the coronavirus crisis on different groups of workers*, Resolution Foundation, April 2020.

¹² A Adams-Prassl et al., *Inequality in the Impact of the Coronavirus Shock: Evidence from Real Time Surveys*, IZA Discussion Paper No. 13183, April 2020.

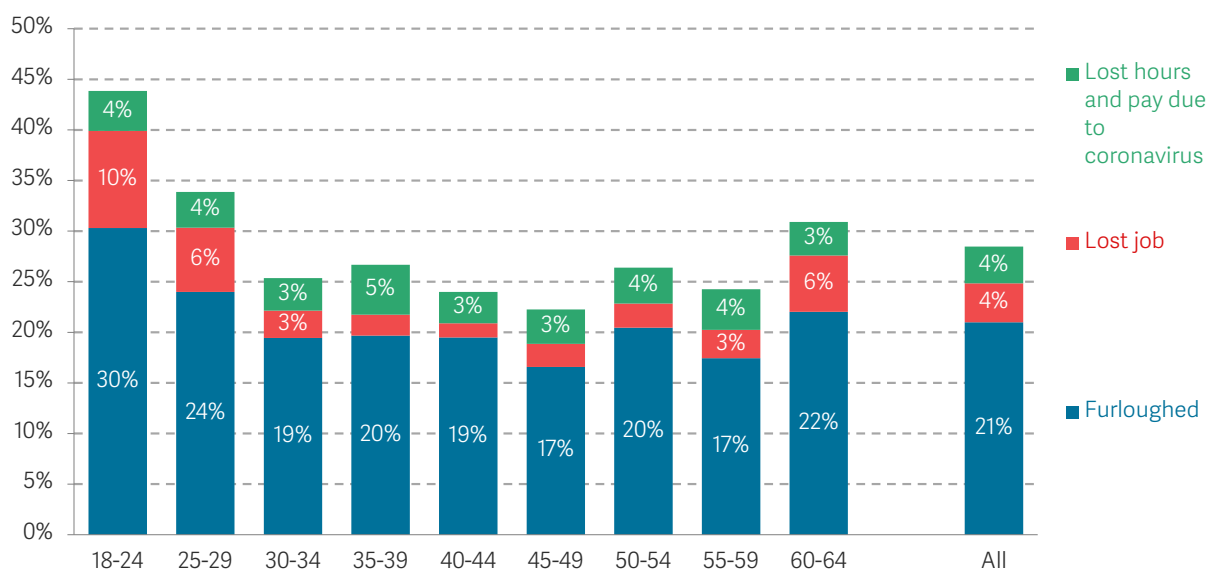
¹³ L Gardiner & H Slaughter, *The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey*, Resolution Foundation, May 2020.

working fewer hours (alongside a loss in pay) in April than at the beginning of this year, compared to under 15 per cent of the highest earners. And some 8 per cent of the lowest earners had lost their jobs, four times the rate among the highest earners.

Survey results confirm that younger workers, too, have been at the forefront of the crisis.¹⁴ Figure 12 shows that as of April, 44 per cent of 18-24-year-old employees had been furloughed, lost their job, or lost hours, compared to less than a quarter of employees in their forties. Most strikingly, one-in-ten 18-24-year-olds had lost their main job, more than double the 4 per cent average across all age groups. But it is not all about the young: Figure 12 shows that the chances of job loss and furloughing have also been higher for the oldest employees.

FIGURE 12: More than two-fifths of 18-24-year-olds have lost work due to furloughing or job loss

Proportion of employees who have experienced job changes since the coronavirus outbreak, by age group: UK, April 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and which coincide with decreases in earnings.

SOURCE: RF analysis of ISER, Understanding Society.

¹⁴ For further analysis of the impacts of coronavirus across age groups, see: M Gustafsson, [Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey](#), Resolution Foundation, May 2020.

Younger workers bearing the brunt of a recession is nothing new: during the financial crisis, the unemployment rate for those aged 18 to 29 rose by more than double the overall increase.¹⁵ For this group in particular, the effects of the crisis may not be temporary: young adults, particularly those without a university degree, are at risk of their pay and employment prospects being scarred for years to come from leaving education and beginning careers during recession. And the scale of the impact is likely to be substantial, with Resolution Foundation analysis finding that the cohort leaving education this summer are between 13 and 37 per cent less likely (depending on their qualification level) to be in employment in three years' time than they would have been with no change in the unemployment rate.¹⁶

The unprecedented sectoral nature of the lockdown has shaped this crisis

The trends set out above are hardly surprising given the make-up of the most affected sectors. Figure 13 (which, in contrast to the charts above, uses data from a survey commissioned by the Resolution Foundation in early May¹⁷) shows that hospitality – a sector in which more than half of workers earn below two-thirds of average hourly pay,¹⁸ and which provides one-in-five entry-level jobs for young people entering the labour market for the first time¹⁹ – has accounted for more furloughs and job losses than any other sector. At the other end of the spectrum, Figure 13 shows that just one-in-ten health and social care employees, and one-in-twenty employees in the public administration sector, have lost work.

¹⁵ S Clarke, *Growing pains: The impact of leaving education during a recession on earnings and employment*, Resolution Foundation, May 2019.

¹⁶ K Henehan, *Class of 2020: Education leavers in the current crisis*, Resolution Foundation, May 2020.

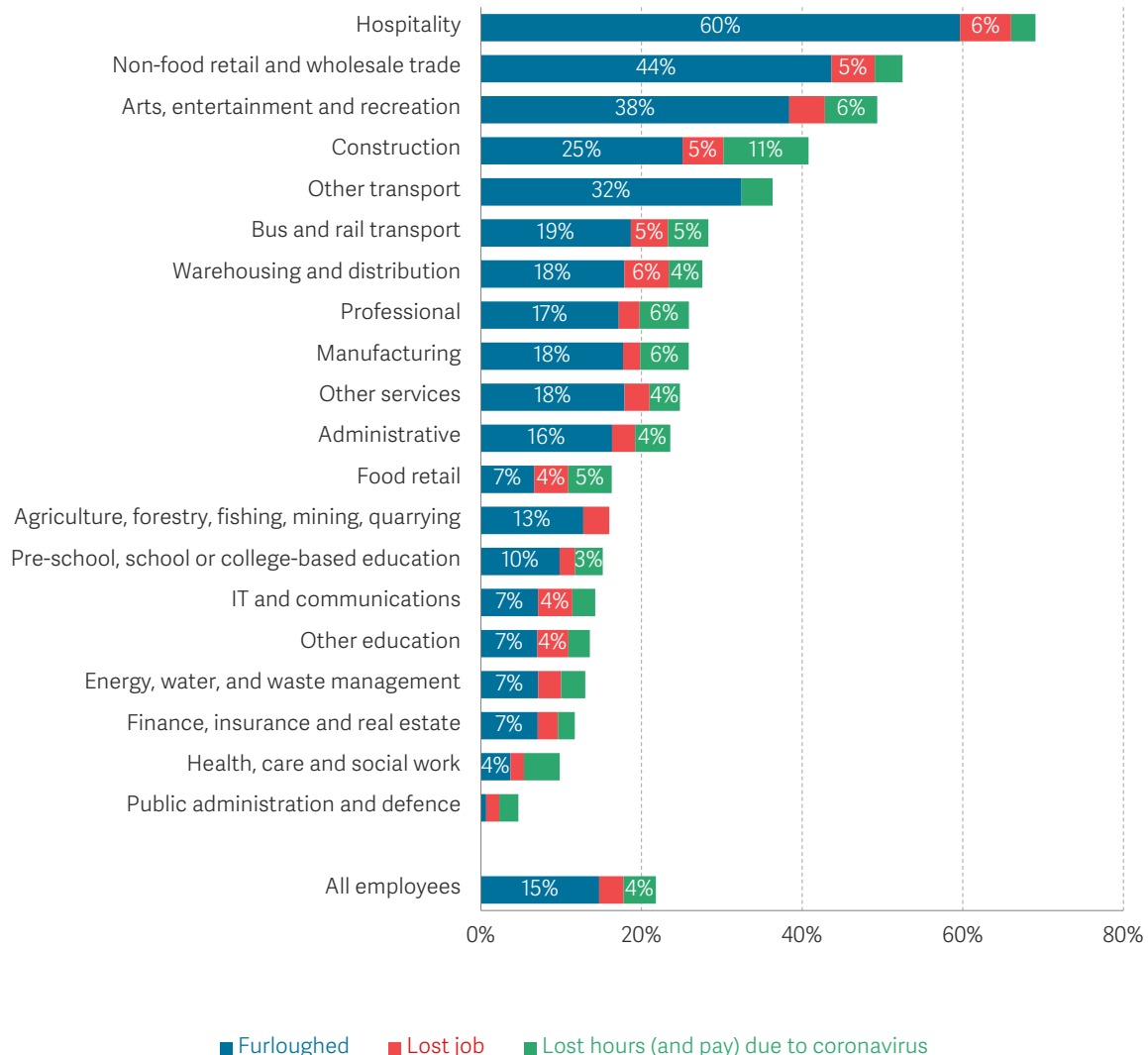
¹⁷ We switch to using this survey because it includes detailed questions about the jobs that respondents were doing just before the crisis. The survey was designed and commissioned from YouGov by the Resolution Foundation, in partnership with the Health Foundation (although the views in this report are not necessarily those of the Health Foundation). The figures have been analysed independently by the Resolution Foundation and are not the views of YouGov. The total sample size was 6,005 working age adults. Fieldwork was undertaken during 6-11 May 2020. The survey was carried out online. The figures have been weighted and are representative of all UK adults (aged 18+) according to age, gender, and region.

¹⁸ T Bell, N Cominetti & H Slaughter, *A new settlement for the low paid: Beyond the minimum wage to dignity and respect*, Resolution Foundation, June 2020.

¹⁹ In 2018-19, 19 per cent of 18-24-year-olds entering the labour market for the first time joined the hospitality sector. Source: RF analysis of ONS, Labour Force Survey Two-Quarter Longitudinal Datasets.

FIGURE 13: Furloughing and job losses have been common in the sectors hit by social distancing measures

Proportion of employees who have experienced job changes since the coronavirus outbreak, by industry prior to the outbreak: UK, 6-11 May 2020



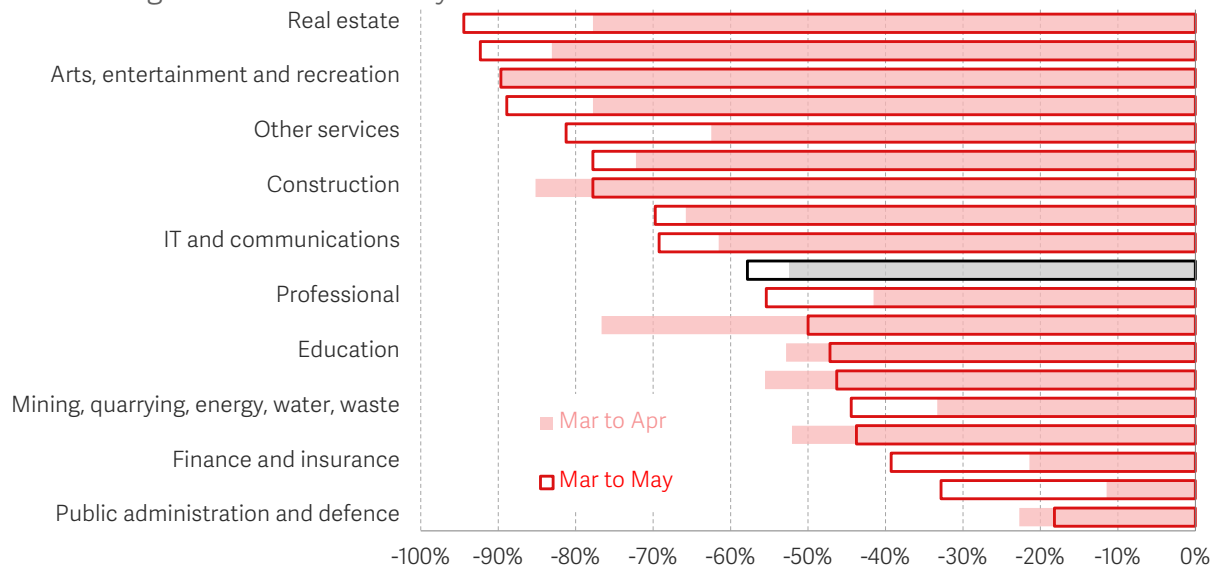
NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

Not only are far more people than average leaving sectors like hospitality (whether permanently or on furlough), but far fewer than usual are able to enter new jobs in these industries. Figure 14 illustrates that while vacancies have fallen by more than half across the board, they have gone down by over 90 per cent in the real estate and hospitality sectors.

FIGURE 14: Vacancies are down across the board, but especially in the hardest-hit sectors

Change in total vacancies by sector: UK

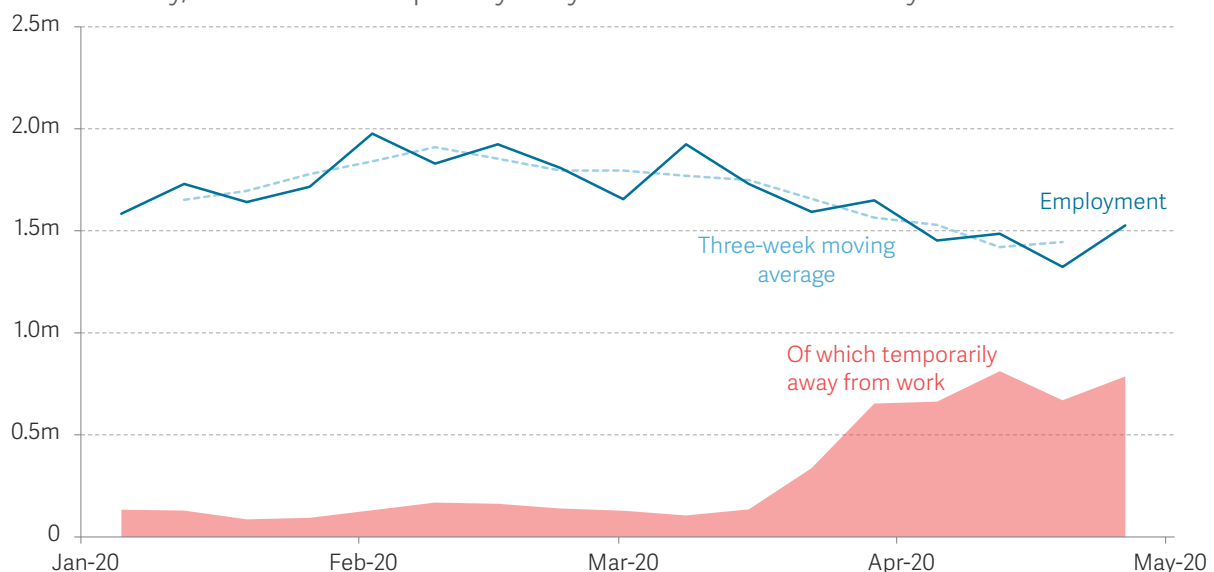


SOURCE: RF analysis of ONS, Labour Market Statistics.

Official datasets underscore the challenge in some sectors in particular. Figure 15, which uses weekly data from the Labour Force Survey, shows that although there is considerable volatility week to week, the number of people employed in hospitality has been steadily declining since early March.

FIGURE 15: Official data is starting to show evidence of falling employment in hospitality

Number of people employed in the hospitality (accommodation and food services) industry, and number temporarily away from work in this industry: UK



NOTES: This chart covers only people whose main job is in the hospitality sector.

SOURCE: RF analysis of ONS, Labour Force Survey.

This is in spite of the protection afforded by the JRS, which (alongside others attached to employers but not working, for example due to holiday or sickness) shows up as a five-fold increase in the number of people temporarily away from work between mid-March and mid-April as the scheme kicked in.

But sector is not the only important factor

It is clear that sector matters a huge amount in this jobs crisis, because the recession's huge differences between sectors is, along with speed, its defining feature. But is sector the only driver of who is being furloughed or losing their job? To test this, we ran logistic regressions of these employment outcomes on a series of personal and job characteristics.²⁰

For the most part, it appears that sector (and other job characteristics, including contract type, which is discussed in more detail below) can explain the patterns we have seen above in pay and age. After controlling for other characteristics, younger workers are no more likely to have been furloughed or lost their job than older workers, and low-paid workers are no more likely to have lost their jobs than higher earners.

The one relationship that does still hold, however, is that employees in the bottom three earnings quintiles are still more likely than higher-paid workers to have been furloughed, after controlling for other characteristics. As Figure 16 shows, with a range of personal and job characteristics held constant across all employees, we would expect the bottom earnings quintile to be furloughed at more than three times the rate of the top quintile.²¹ While it is possible that this relationship could be explained by other, unobserved factors,²² it could be related to the fact that lower-paid workers in a given industry are more likely to be in public-facing roles which have been more affected by social distancing measures, and which cannot be done from home.

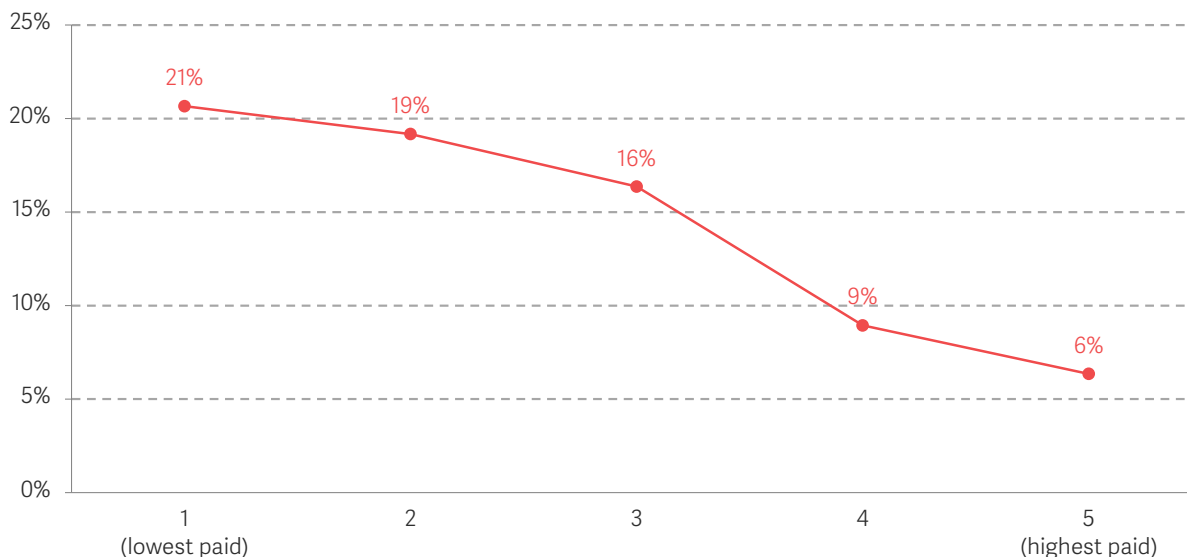
²⁰ We ran separate logit regressions looking at (i) whether someone had been furloughed and (ii) whether someone had lost their job, using robust standard errors, on the following personal and job characteristics: sex, age, region, highest qualification, industry, public / private / third sector, employee pay quintile, whether in atypical work (including being non-salaried, having variable hours, being on a zero-hours contract, having more than one job, being on a temporary contract, and being an agency worker), number of employees at the respondent's workplace, time in employment, and usual working hours before the crisis.

²¹ The gap has widened slightly compared to the relationship shown in Figure 11 because controlling for other characteristics had more of an impact on the predicted furloughing rate of higher earners (reducing the predicted rate compared to the actual value) than that of lower earners.

²² We have tested this relationship using Understanding Society data, which has the particular advantage of including an occupation variable, which is missing from our survey (though we have tried to capture a measure of skill level by including education), as well as a more granular industry breakdown. The broad conclusions remain the same, but we present the results from the Resolution Foundation survey here because many of the job characteristics from Understanding Society are only available in the last full wave of the survey in 2017-18.

FIGURE 16: Low-paid workers are still more likely to have been furloughed, all else equal

Predicted proportion of employees who have been furloughed since the coronavirus outbreak, after controlling for personal and job characteristics, by employee earnings quintile prior to the outbreak: UK, 6-11 May 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak and provided information on their usual earnings prior to the coronavirus outbreak. Earnings quintiles are based on net (take-home) usual employee pay prior to the coronavirus outbreak. 'Furloughed' relates to employees' main job. Predicted furloughing rates are based on the results of a logit regression of whether individuals have been furloughed on sex, age, industry, whether public, private or third sector, qualification level, whether in a form of atypical work, firm size, hours worked previously (and hours worked squared), time in job, and region.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

People in contingent work have been most likely to lose work

Our regression analysis showed that, aside from sector, the other major driver of people losing work was being in atypical forms of employment. Figure 17 shows how different forms of atypical work have been hit – most strikingly, for example, almost a fifth of people in a temporary job are now out of work²³, despite the fact that insecure forms of work are common among some groups of key workers.²⁴ Delivery drivers in the gig economy and supermarket workers on zero-hours contracts have been largely exempt from the economic impacts of the crisis (if not the health impacts) – but their non-key-worker counterparts have been much more likely to lose work than people in more typical forms of employment. Given that much of the employment growth following the financial crisis was in atypical work, the labour market is more vulnerable to impacts on insecure workers than it was going into the previous recession.²⁵

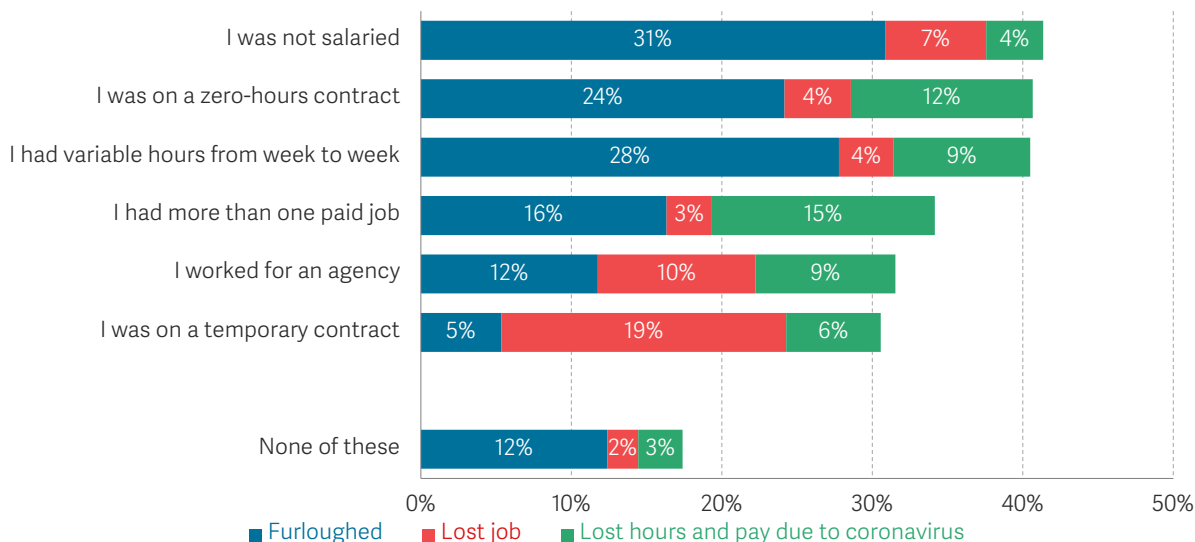
²³ Figure 17 first appeared in: L Gardiner & H Slaughter, *The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey*, Resolution Foundation, May 2020.

²⁴ 26 per cent of key workers in our survey were in some form of atypical work in early May, compared to 21 per cent of people who weren't key workers. Source: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

²⁵ S Clarke & N Cominetti, *Setting the record straight: How record employment has changed the UK*, Resolution Foundation, January 2019.

FIGURE 17: Employees in atypical work are more likely to have been furloughed, or lost jobs or hours

Proportion of employees who have experienced job changes since the coronavirus outbreak, by type of work arrangement prior to coronavirus: UK, 6-11 May 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. Employees can fall into multiple atypical work categories. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings. SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

Self-employed workers, whose numbers recently reached a record high of more than 5 million,²⁶ have felt the crisis hardest of all. Figure 18 shows that almost half of self-employed people have lost work, whether for economic reasons (such as a lack of demand, limited access to supplies, or lockdown restrictions) or health or caring reasons (including self-isolation, shielding, and childcare). This is also implied by recent changes in the LFS employment totals: the quarterly data (comparing January-March to February-April) suggest that most of the recent downward movement in employment (64 per cent) has been driven by falling self-employment, with falling employee numbers only accounting for 23 per cent of the three-month-on-three-month fall.²⁷

The earnings pattern shown in Figure 18, however, is quite different to that seen for employees. Those in the bottom earnings quintile have been affected least by the crisis, while the highest earners are most likely to have stopped working entirely. Contrary to the results for employees, there is no evidence that self-employed workers in particular

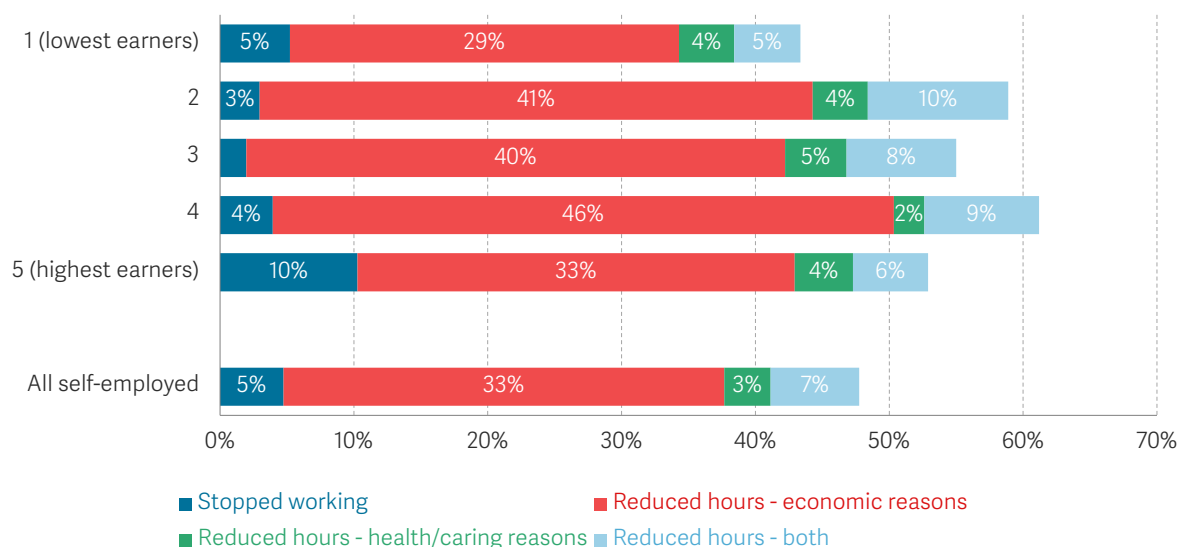
²⁶ N Cominetti, *A record-breaking labour market – but not all records are welcome*, Resolution Foundation, February 2020.

²⁷ These percentages do not sum to 100 because there have also been small falls in unpaid family workers and those on government employment and training schemes.

sectors have been at a disadvantage (though this may be partly because the sample is much smaller than the employee sample and the way that self-employed workers allocate themselves to sectors can be inexact).²⁸

FIGURE 18: Almost half of self-employed workers have lost work

Proportion of self-employed workers who have experienced job changes since the coronavirus outbreak, by self-employed weekly pay quintile prior to the outbreak: UK, April 2020



NOTES: Base = all UK adults aged 18-65 who were self-employed prior to the coronavirus outbreak and provided information on their usual earnings prior to the coronavirus outbreak (apart from for the 'all self-employed' category). Earnings quintiles are based on net (take-home) usual self-employed earnings prior to the coronavirus outbreak. 'Reduced hours' includes only self-employed workers who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings.

SOURCE: RF analysis of ISER, Understanding Society.

The jobs market effects of the lockdown have been quite evenly spread geographically, but coastal areas and city centres have fared the worst

Unsurprisingly given the dispersed nature of the most affected sectors in this highly sectoral crisis, the lockdown has hit labour markets across the country hard. At a headline regional level, job loss and furloughing have been fairly evenly spread.²⁹ Every local authority has experienced an increase in the claimant count (the proportion of working-age residents claiming benefits primarily for the reason of being unemployed); by contrast, in the first half of 2008 as the financial crisis began to hit, 17 per cent of

²⁸ Self-employed people in the lowest earnings quintile were more likely than average to be in the 'wholesale and retail', 'professional, scientific and technical', 'education', and 'other service activities' sectors. Of these, self-employed workers in the 'education' and 'professional, scientific and technical' sectors were least likely to have lost work.

²⁹ C McCurdy, *Local differences: Responding to the local economic impact of coronavirus*, Resolution Foundation, June 2020.

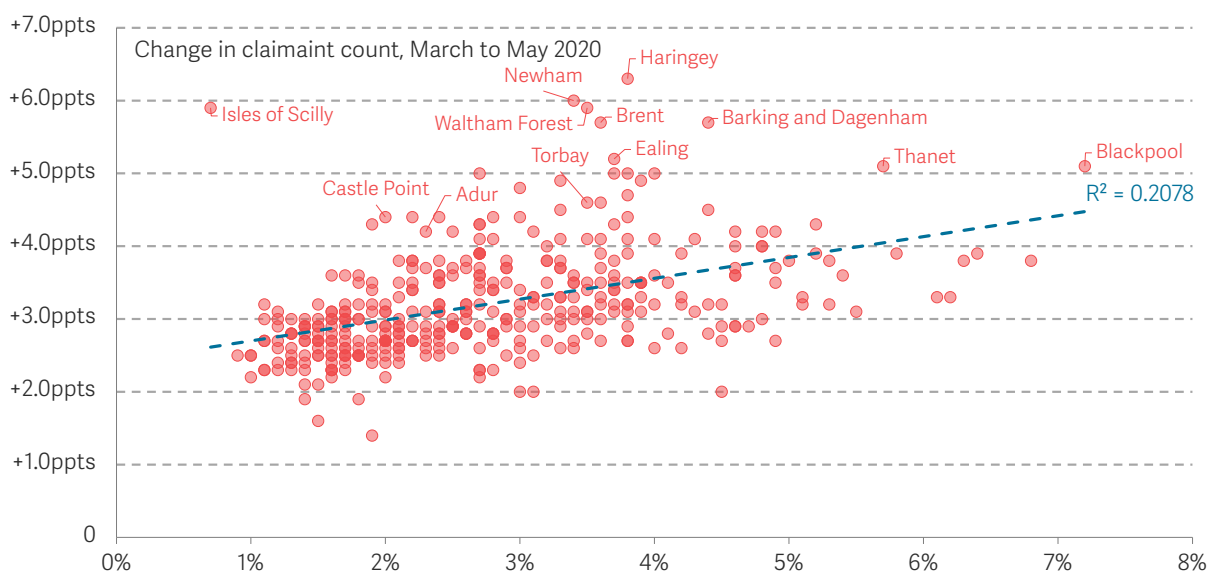
local authorities saw a fall in their claimant count.³⁰ Not every area has been hit evenly though: in the first month of the coronavirus lockdown, the economic hit was particularly concentrated in tourism-reliant areas and places that had weaker labour markets to begin with, as measured both by the claimant count and JRS take-up.³¹

The latest data, covering May, shows that other areas of the country appear to be catching up. Between April and May, as the claimant count rose further, it was areas within cities in the more prosperous south of England that experienced the biggest rise in claims.³² Figure 19, which charts the overall change between March and May in each local authority against its initial claimant count, shows that many of the hardest-hit areas since the crisis began are in London or coastal areas.

Overall, the areas that have been hardest hit are those whose demand has to travel from elsewhere. That includes both coastal areas where summer demand should soon be nearing its peak, or businesses in city centres (whose workers usually live further out), which have experienced huge drops in footfall since the pandemic (and widespread home working) began.³³

FIGURE 19: All areas of the country have experienced significant job disruption

Working-age claimant count compared to change in working-age claimant count, local authorities, residence-based: UK, March to May 2020



NOTES: The figures relate to the proportion of 16-64-year-olds claiming unemployment-related benefits on 12 March and 14 May.

SOURCE: RF analysis of ONS, Claimant count by unitary and local authority.

³⁰ Calculated using the percentage point difference between the proportion of 16-64-year-olds claiming unemployment benefits in January and July 2008 in each local authority. Source: RF analysis of ONS, Claimant count data.

³¹ C McCurdy, *Local differences: Responding to the local economic impact of coronavirus*, Resolution Foundation, June 2020.

³² E Magrini, *What does May's unemployment claimant count data tell us about how the economic crisis is unfolding?*, Centre for Cities, June 2020.

³³ BBC News, *Coronavirus: High streets see 'fastest ever' footfall drop*, May 2020.

The relationship in Figure 19, which shows that areas with higher claimant counts to begin with have experienced the biggest absolute rises since the crisis began, is entirely accounted for by the change between March and April – the local claimant count rises between April and May had no correlation with the March or April claimant count rate at all. The labour market shock looks set to be more broad-based than it originally appeared.

The burden has also been evenly spread across most demographic breakdowns, except for ethnicity

As with regions of the country, the impacts of this crisis on the jobs market have been fairly even-handed across most demographic groups, in some cases, surprisingly so. Figure 20 finds only a very slightly higher impact on people with a long-standing health condition, mostly accounted for by people who have lost hours (alongside pay), perhaps due to shielding. And contrary to what many (including the Resolution Foundation) were expecting,³⁴ Understanding Society data backs up our own survey results³⁵ in finding that women appear to have been slightly less affected by the economic crisis than men (though Box 1 explores some of the nuances of this broad conclusion).

But there are far bigger differences between different ethnic groups. Figure 20 shows that employees in the 'mixed or other ethnic group' category³⁶ – who are most likely to work in the worst-affected sectors – have experienced the greatest overall impact, largely driven by a rate of job loss among this group that is three times higher than the average (12 per cent compared to 4 per cent). And although Asian and Black workers are slightly less likely than average to have experienced an economic hit overall, Asian or Asian British employees are much more likely than average to have lost their job rather than to have been furloughed. This effect requires further investigation, because it cannot be explained by any of the personal or job characteristics that we observe.

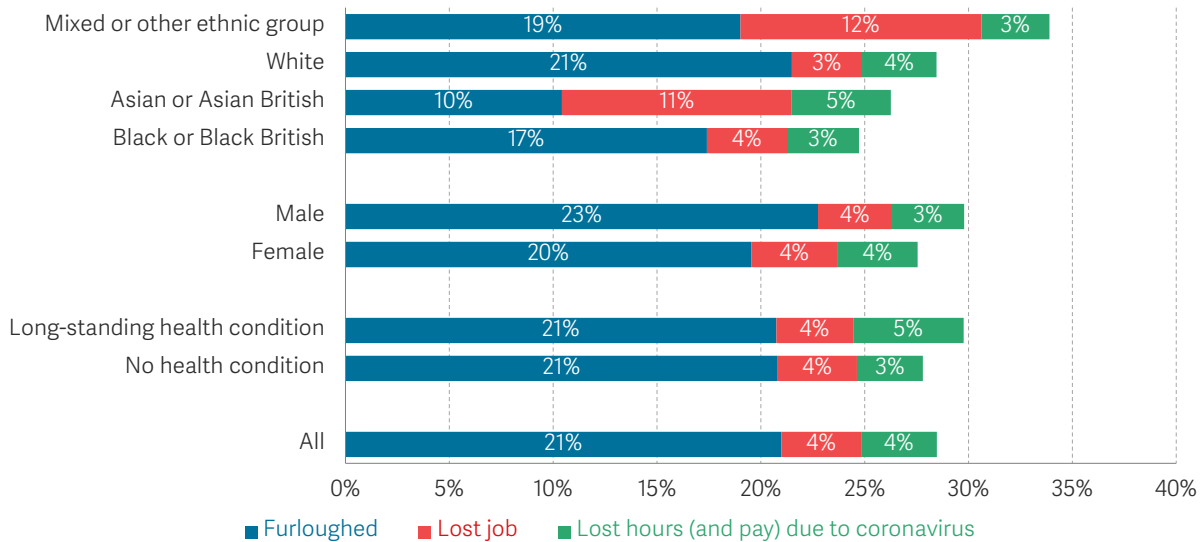
³⁴ M Gustafsson & C McCurdy, *Risky business: Economic impacts of the coronavirus crisis on different groups of workers*, Resolution Foundation, April 2020.

³⁵ L Gardiner & H Slaughter, *The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey*, May 2020.

³⁶ This combines two ethnic groups in the data, 'mixed' and 'other ethnic group', due to small sample sizes.

FIGURE 20: Demographic differences are relatively small, except between some ethnic groups

Proportion of employees who have experienced job changes since the coronavirus outbreak, by demographic characteristics: UK, April 2020



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak. 'Mixed' and 'other ethnic group' have been combined due to small sample sizes. 'Furloughed' and 'lost job' relate to employees' main job; 'lost hours and pay due to coronavirus' captures employees not in either of these first two groups who are working fewer hours than their usual hours before the coronavirus outbreak, which they state has happened for coronavirus-related reasons, and who have also experienced decreases in earnings. The health breakdown refers to whether respondents said they had a 'long-standing illness or impairment' in the last full survey wave in 2017-18.

SOURCE: RF analysis of ISER, Understanding Society.

BOX 1: Women in the crisis

Emerging evidence of the impact of the coronavirus crisis on men and women has been mixed. Although an early study by Abi Adams-Prassl et al. showed that women were more likely to have stopped working than men,³⁷ more up-to-date survey evidence (with a much larger sample) from Understanding Society has shown

little difference between the sexes,³⁸ while our own survey (also with a larger sample) indicated that women are very slightly less likely to have had their work affected.³⁹ This is not what we expected based on early modelling work, which estimated that 23 per cent of women were working in 'shutdown sectors' (those most impacted by social

³⁷ A Adams-Prassl et al., *Inequality in the Impact of the Coronavirus Shock: Evidence from Real Time Surveys*, IZA Discussion Paper No. 13183, April 2020.

³⁸ T Crossley et al., *Understanding Society COVID-19 Survey, April Briefing Note: The Economic Effects*, ISER, University of Essex, June 2020.

³⁹ L Gardiner & H Slaughter, *The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey*, Resolution Foundation, May 2020.

distancing measures), compared to 16 per cent of men.⁴⁰

In part, the smaller-than-anticipated impact on women can be accounted for by women being more likely than men to be key workers – 50 per cent of women in April's Understanding Society survey self-identified as key workers, facing the biggest health risks, compared to 38 per cent of men.⁴¹ Men are also more likely to be self-employed, which puts them at higher risk of losing work (see Figure 18) – in 2019, two-thirds of self-employed people were men.⁴² And male-heavy sectors such as construction, transport, and warehousing have experienced above-average rates of furloughing and job loss, while female-heavy education and health have been largely protected from the economic impacts, as Figure 13, above, shows.

Aside from the differences in the jobs that men and women do, high-level gender breakdowns are likely to miss much stronger differential impacts between parents. Research from the Institute for Fiscal Studies, for example, has found that mothers are significantly more likely than fathers to have stopped working since the crisis began.⁴³

While initial evidence and modelling work pointed to a greater concentration of the effects of this crisis on the work of women, more up-to-date and robust surveys suggest a fairly even impact across the sexes. However, the challenge of looking after children in the lockdown has not been shared evenly, meaning there is clear evidence that mothers have taken a greater hit to their paid work than fathers.

This section has shown that the disproportionate impact of the lockdown on sectors such as retail and hospitality, which is unique to this crisis, has translated into far more job losses and furloughs among lower-paid and younger employees. People in atypical work and the self-employed have also been hit hard. Though all regions have been hit relatively evenly, coastal areas and city centres have experienced the most acute hits to demand. And while the impacts have been more equal across most demographic breakdowns, some ethnic minority groups have been much more affected.

On the basis that those who have so far lost jobs or been furloughed are very likely to be the groups at highest risk of worklessness in the months to come, particularly as the

⁴⁰ M Gustafsson & C McCurdy, *Risky business: Economic impacts of the coronavirus crisis on different groups of workers*, Resolution Foundation, April 2020.

⁴¹ Source: RF analysis of ISE, Understanding Society.

⁴² Office for National Statistics, *Coronavirus and self-employment in the UK*, April 2020.

⁴³ A Andrew et al., *How are mothers and fathers balancing work and family under lockdown?*, Institute for Fiscal Studies, May 2020.

JRS winds up, it is these groups in particular that policy support will need to target as we move into the next phase of the crisis. To understand the challenges that policy makers should be focused on in further detail, the next section turns to what happens next.

Section 4

What will happen next?

Having documented the effects of this crisis in the 'lockdown' phase, along with the sectors and groups of workers most affected, this section considers what comes next, as the economy reopens and the Job Retention Scheme is wound down from August.

By focusing on the specific nature of this crisis, we aim to counter two misapprehensions. The first is that there will be a V-shaped, complete and swift, recovery. We disagree. Although activity will increase rapidly in the coming weeks and months – with most furloughed workers going back to work – ongoing supply constraints, alongside the damage done to some households' finances, mean we shouldn't expect activity to fully return to pre-crisis levels in some employment-heavy sectors until there is a vaccine or other solution to the outbreak. This partial recovery means that some of the workers whose jobs are currently being subsidised will be made redundant. Both employers and furloughed workers themselves expect this to happen. Unemployment will therefore rise.

The second misapprehension is that the normal policy response to high unemployment (generalised demand stimulus and employment support for the unemployed) is a sufficient response to rising unemployment this time round. This position expects workers exiting shutdown sectors to readily find work elsewhere in the economy. But the scale and nature of this crisis makes it unwise to rely on an adjustment on the scale required to avoid lasting high unemployment and inactivity. The structural economic change that major reallocation of workers between sectors amounts to is always hard, but there are additional barriers to sectoral reallocation in this crisis. These include the fact that we are asking firms and workers to adjust to a new normal of highly uncertain duration, but that should be temporary. In addition, workers exiting the hardest-hit sectors have historically moved within them rather than to other parts of the economy, and tend to be less willing to travel for work.

All recessions are different – understanding what will happen next requires identifying what is usual and what is particular to this one

So far in this report we've documented what has happened to the labour market in the 'lockdown' phase of this crisis, both in terms of overall impacts, but also focusing on the sectors and groups of workers most affected. Although the hit to the economy has been severe, the Job Retention Scheme and other support measures have limited the impact on jobs and incomes. Rather than mass unemployment, we have instead experienced the mass subsidy of private sector jobs, with 9.2 million jobs furloughed at some point in the past three months.

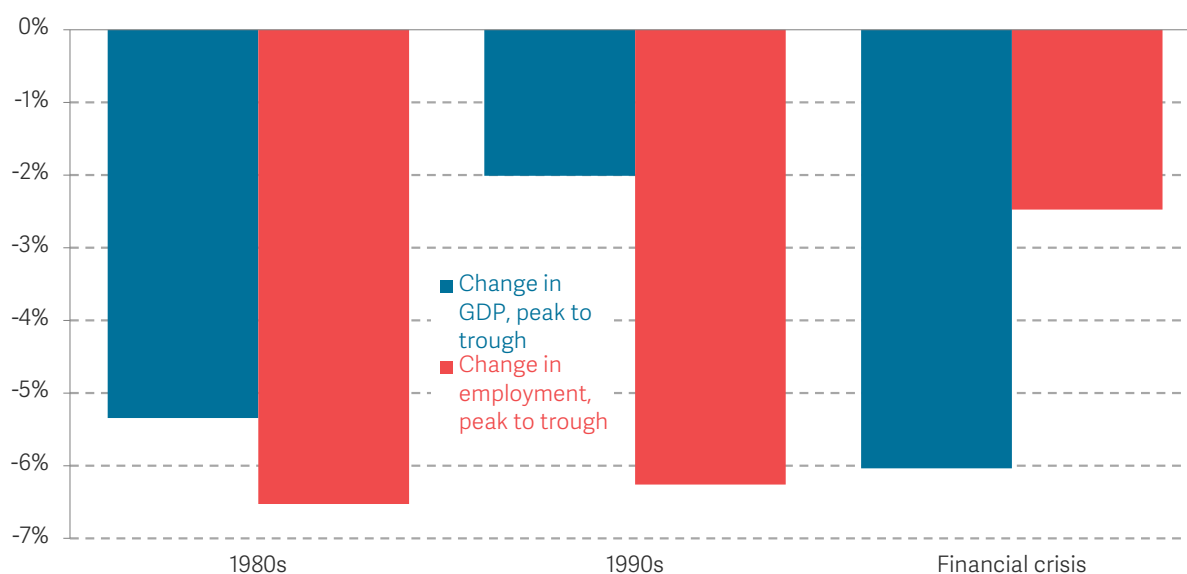
We are now moving into a new phase of this crisis – reopening. Restrictions on activity are easing, some sectors are allowed to do business for the first time in weeks. At the same time, however, the state is set to step back from the JRS. This section of the report therefore tries to understand what this means for the labour market. Although there is a high degree of uncertainty, we think there are two sets of misapprehensions which should be countered, both of which underplay the defining feature of this crisis: its sector-specific impacts.

Before we delve into those arguments, it's worth first acknowledging the degree of uncertainty involved in predicting where next for the labour market. This is both because the extent of the recovery in output is uncertain, and because the feed-through into employment is, too. As Figure 21 shows, the relationship between output and employment has varied substantially in the UK's recent recessions. The financial crisis had a small impact on employment relative to the scale of the contraction in output, while in the 1990s, the opposite happened. The 1980s recession sits in the middle, with the fall in output feeding into the fall in employment on a roughly one-for-one basis.⁴⁴ The signs point to a jobs-heavy crisis this time (i.e. more like the 1980s or the 1990s than the financial crisis). But even without that being the case, the scale of the fall in output expected this year would imply high unemployment – the highest in a generation. The Bank of England's May forecast was of a 14 per cent fall in output in 2020 as a whole, with unemployment reaching 9 per cent, a level the UK has not experienced since 1994.

⁴⁴ This chart and accompanying discussion are inspired by a recent blog by Paul Gregg. See: P Gregg, [Unemployment: The coming storm](#), UCL Centre for Education Policy and Equalising Opportunities, June 2020.

FIGURE 21: Recessions vary in the relationship between output and employment

Change in GDP and employment (peak to trough) in successive recessions: UK



SOURCE: RF analysis of ONS, National Accounts; ONS, Workforce Jobs.

The widely varying employment outcomes across recessions show that it is important to understand the unique factors shaping this crisis, rather than assuming that it will resemble a previous downturn. Of course, this crisis will have some aspects that are common to all recessions, particularly the hit to incomes, and ongoing uncertainty depressing demand across the economy.

But on top of those normal recession dynamics, the central differentiating feature of this crisis is that certain sectors are facing a deep and ongoing – but fundamentally temporary, in the expectation of a vaccine or effective treatment – supply shock, which will endure over the new ‘semi-normal’ reopening period (of unknown length) we are now entering. These ongoing restrictions on specific sectors – alongside the more generalised weakness across the economy that is common to all recessions – make a full and quick, V-shaped, recovery unlikely. But the fact that this next reopening phase should fundamentally be temporary, plus the nature of the specific sectors (and people working in them) that are hardest hit, should caution against optimism that the pace and scale of reallocation across sectors can remove the threat of lastingly high unemployment and inactivity. Those factors together give policy makers a challenging task.

Misapprehension 1: A ‘V-shaped’ recovery

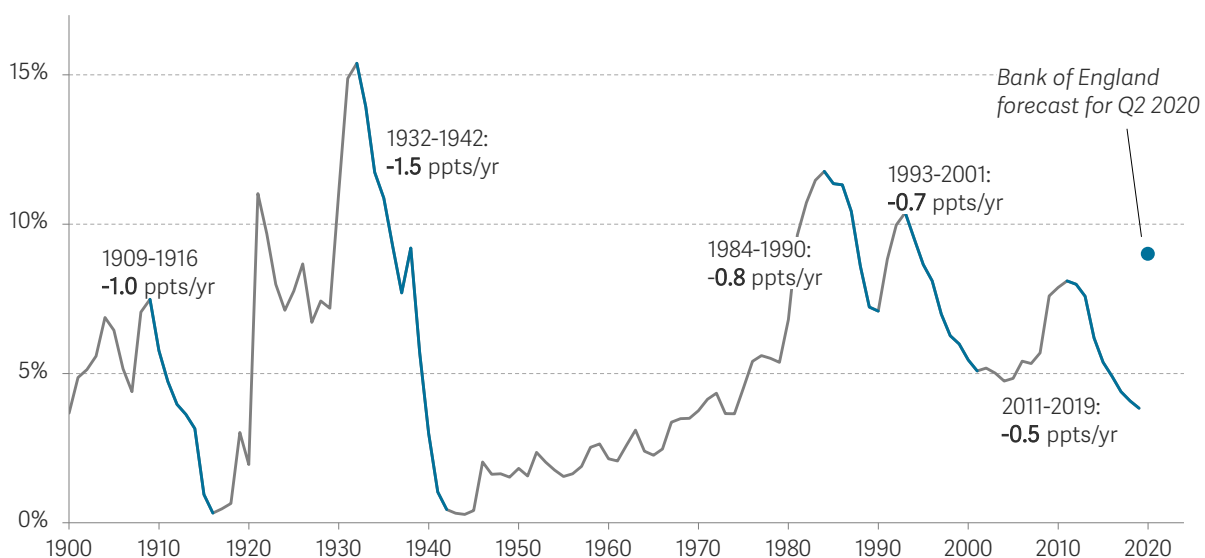
The first idea that needs challenging is the notion that, once restrictions are eased, we can expect a fast and full ‘V-shaped’ recovery. Unlike a normal recession, goes this view,

this time the fall in output was a result of deliberate government intervention, not of underlying economic weakness. George Osborne provided something approaching this view in his evidence to the Treasury Select Committee in early June. He said, “I am more optimistic... If you look at the history of pandemics and plagues and the like in our society, then the bounce back is going to be relatively rapid”.⁴⁵

Our view is that this is an overly optimistic reading of the situation, unless a vaccine or treatment were to arrive in very short order this autumn. First, this is because a common feature across recessions in the past 50 years has been a tendency for unemployment to fall at a relatively steady pace. This pattern is visible in the recessions of the 1980s onwards in Figure 22, and is due to flows out of unemployment to employment rising more slowly than the spike in job exits. Recent work on recession dynamics in the US also suggests that it’s because, in recoveries, workers find themselves in sub-optimal matches, and sometimes endure repeated spells out of work as they seek better job matches.⁴⁶

FIGURE 22: A century of unemployment and recovery

Unemployment rate (age 16+): UK



SOURCE: Bank of England, Millennium of Macroeconomic Data; ONS, Labour Market Statistics.

There will of course be a very significant initial bounce back as the lockdown is lifted and some parts of the economy go from zero to significant levels of activity. On the jobs front, the normal recovery frictions mentioned above will also be less of a challenge in the

⁴⁵ BBC News, [Coronavirus: Ex-chancellors warn of severe unemployment ahead](#), June 2020.

⁴⁶ R Hall & M Kudlyak, [What do recoveries from past US recessions teach us about the recovery from the pandemic recession?](#), VoxEU, June 2020.

initial phase of the recovery. Reactivating furloughed workers is a hugely easier process than seeking work as an unemployed jobseeker, and should also involve better job matches.

What's more, quick recovery in activity is already apparent in some UK data. Retail sales in May were up 12 per cent on April (which still left them 13 per cent down on February).⁴⁷ Data on mobility, meanwhile, shows that shopping trips and public transport use in the UK have been increasing steadily throughout May and June, although in both cases remain below half their pre-crisis level.⁴⁸ On this basis, we are clear that the initial improvement in the economy in this crisis will be faster than usual, given the specific nature of restrictions on activity, and the policy response to them via the JRS.

However, levels, not just rates of change, matter, and output and employment are likely to remain lower than before the crisis throughout the reopening phase (i.e. in the period before there is a vaccine or solution to the outbreak). This is, first, because social distancing measures will continue to constrain supply in parts of the economy. This is most obviously the case in hospitality and leisure. Even though pubs and restaurants will be allowed to reopen this weekend, social distancing guidelines will continue to limit capacity. In France, for example, where cafes and restaurants were allowed to reopen in early June, trips for retail and recreation remained 17 per cent down on the pre-crisis period at the end of June. In Germany, which is also ahead of the UK in its reopening, such trips remain 13 per cent down.⁴⁹ And of course, these outcomes don't just reflect policy measures. Ongoing concern about the virus will drag on consumer activity, regardless of hard distancing guidelines. The importance of behavioural responses is well demonstrated by the significant fall in activity experienced in Sweden, despite much more limited lockdown measures.⁵⁰

Alongside these specific supply restrictions, the impact that this crisis has had on household finances – particularly those of lower-income households – will limit 'bounce-back-ability' via the more typical recession effects on demand. Government measures to protect family incomes from the huge reductions in economic activity have prevented even bigger initial falls in demand, while lockdown-imposed spending reductions have driven 'enforced saving', which should increase the ability of some to restart consumption.

However, the type of households experiencing savings increases should make us cautious about the idea that they can be the answer to the challenging times to come.

⁴⁷ Source: ONS, Retail Sales, Great Britain: May 2020.

⁴⁸ Source: Google: Community Mobility Reports (<https://www.google.com/covid19/mobility/>), accessed 25 June 2020.

⁴⁹ Source: Google: Community Mobility Reports (<https://www.google.com/covid19/mobility/>), accessed 25 June 2020.

⁵⁰ Schools were closed to over-16s, and mass gatherings were discouraged, but the hospitality and leisure sectors remained open. See: H Habib, Has Sweden's controversial covid-19 strategy been successful?, BMJ, June 2020.

While lower- and higher-income families are similarly likely to have experienced an income hit in this crisis, lower-income families (who spend less on non-essential items) have been less able to cut back on spending.⁵¹ As a result while high-income families are most likely to be saving more, lower-income families are most likely to have increased their use of consumer debt.⁵² With worse finances, and in the face of ongoing concerns about job losses, those families are unlikely to return to spending at pre-crisis levels. Higher savings are less likely to translate into higher spending when held by higher-income families. Similar problems apply to firms. Many have suffered in this crisis, which, combined with uncertainty over the pace of the recovery (along with the risks of a second wave), is likely to impair investment and hiring.

What does this mean for the withdrawal of the Job Retention Scheme, which will begin in August when employers have to start making contributions?⁵³ For the reasons set out above, this will take place with overall activity still down on pre-crisis levels, and significantly so in the worst-affected sectors. Inevitably, this means some workers whose jobs are being subsidised on the scheme will be made redundant.

It's hard to gauge what scale of redundancies to expect, but one starting point might be furloughed workers themselves, of whom one-in-four said that they expected to lose their job (Figure 23). That would translate into around two million redundancies.⁵⁴ However, that estimate comes from our survey which was in the field in early May, and so workers' expectations might have improved now that the economy has started to reopen. Another reference point is employers. In a recent YouGov survey of business leaders, half said they expected to make some furloughed workers redundant in the three months following the scheme's end.⁵⁵ 10 per cent said they expected to make at least half their furloughed workers redundant. A very crude weighted average of those results suggests that business leaders as a whole expect to make around 15 per cent of furloughed workers redundant – which would still imply more than a million redundancies.⁵⁶

⁵¹ M Brewer & L Gardiner, Return to spender: Findings on family incomes and spending from the Resolution Foundation's coronavirus survey, Resolution Foundation, June 2020.

⁵² G Bangham & J Leslie, Rainy Days: An audit of household wealth and the initial effects of the coronavirus crisis on saving and spending in Great Britain, Resolution Foundation, June 2020.

⁵³ Employers will have to pay employer National Insurance and pension contributions from August, a further 10 per cent of wage costs in September, and 20 per cent in October. The scheme will close after that. See: HM Revenue and Customs, Changes to the Coronavirus Job Retention Scheme, June 2020.

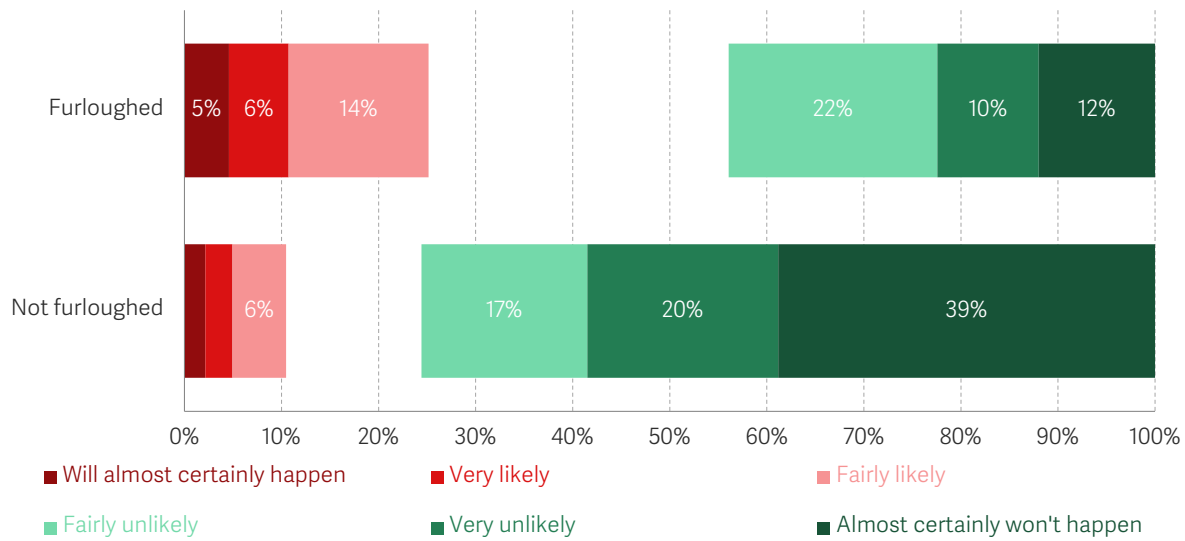
⁵⁴ This is a very rough figure, because the JRS cumulative furloughed jobs total cannot be directly translated into a count of workers that have been affected, because workers may have more than one furloughed job, and because the JRS cumulative total may include jobs that have been furloughed more than once.

⁵⁵ M Smith, Half of businesses would have to lay off staff within three months if furlough scheme ended, YouGov, June 2020.

⁵⁶ This was calculated very crudely by multiplying the mid-point of the ranges offered (the 60+ per cent category was given a value of 65 per cent), and multiplying by the proportion of respondents.

FIGURE 23: One-in-four furloughed workers expect to lose their job

Employees' perceived likelihood of being laid off / made redundant or their firm going bust, by whether furloughed: UK, 6-11 May 2020



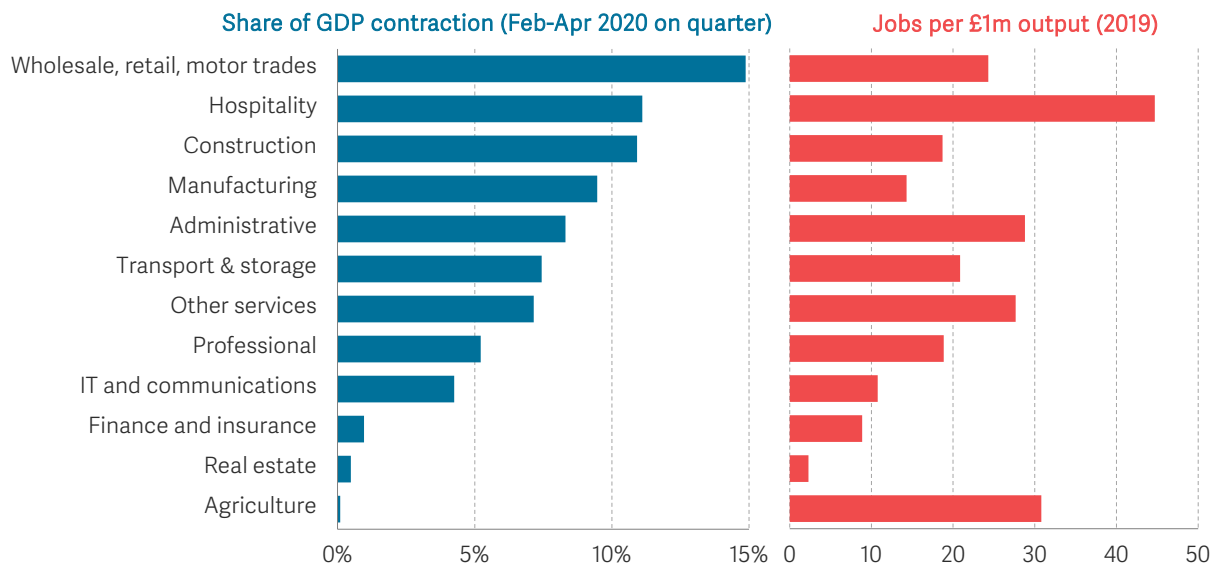
NOTES: Base = all UK adults aged 18-65 who were employees prior to the coronavirus outbreak and who have not already lost their job. The gaps in the middle of each set of bars includes people who responded 'neither likely nor unlikely' or 'don't know'.

SOURCE: RF analysis of YouGov, Adults aged 18 to 65 and the coronavirus (COVID-19).

The sectors that have been worst affected in this crisis also point to higher employment falls relative to the GDP hit, because they are not only among the most labour intensive but also tend to drive employment re-entries from unemployment after recessions. Figure 24 plots the proportion of the GDP contraction accounted for by each sector in the three months to April against a measure of sectoral labour intensity (the inverse of labour productivity). At the level of broad sector groups, the worst-affected sectors in terms of economic output have been wholesale, retail and motor trades; hospitality; and construction. Hospitality is the most labour-intensive part of the economy, with 45 jobs per million pounds of output. The other two are moderately labour-intensive. Some of the least-affected sectors, on the other hand, are the least labour-intensive – finance, information and communication, and professional activities. In the financial crisis the story was different – the sectoral impact was more even, with labour-intensive and highly productive sectors affected to similar degrees.

FIGURE 24: This crisis is concentrated on jobs-rich sectors

Proportion of GDP contraction, and labour intensity, by sector: UK



NOTES: This chart only shows sectors for which both productivity and GDP sectoral data are available (we exclude the public sector and arts and entertainment).

SOURCE: RF analysis of ONS, GDP monthly estimate, UK: April 2020; ONS, Labour Productivity.

Related to the labour intensity of the hard-hit sectors is the outsized contribution they make to hiring unemployed workers. In the previous recession, hospitality and non-food retail accounted for a fifth of all moves from unemployment to employment, while only accounting for a tenth of all jobs.⁵⁷ The sectors which are less affected in this crisis don't hire as many unemployed workers.

A second reason to be pessimistic about the degree of employment bounce back in the reopening phase of this crisis is that we're unlikely (without intervention) to see a repeat of the real wage adjustment which, in the financial crisis, mitigated the impact on employment. Thanks to a large sterling devaluation, which pushed CPIH inflation to nearly 5 per cent, real wages fell.⁵⁸ That didn't happen in the 1980s or 1990s recessions. And it looks unlikely this time. Inflation is already very low (CPIH inflation was 0.7 per cent in May; CPI 0.5 per cent) and sterling has been broadly flat. It is possible we will see more nominal pay adjustment in this crisis, with early US evidence suggesting nominal wage cuts are twice as common in this crisis as they were during the financial crisis.⁵⁹ The experience of the Job Retention Scheme – where two-thirds of furloughed workers have not had their 80 per cent subsidised pay topped up by their employer, i.e. their pay has

⁵⁷ T Bell, L Gardiner & D Tomlinson, Getting Britain working (safely) again: The next phase of the Coronavirus Job Retention Scheme, Resolution Foundation, May 2020.

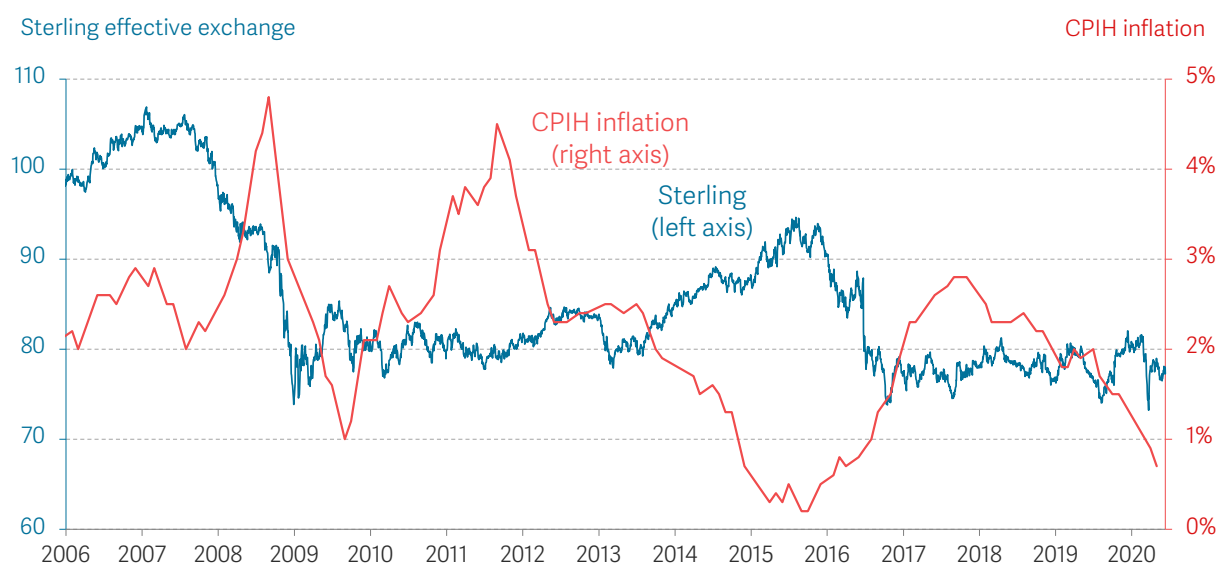
⁵⁸ See: S Clarke & P Gregg, Count the pennies: Explaining a decade of lost pay growth, Resolution Foundation, October 2018.

⁵⁹ T Cajner et al., The US Labor Market During the Beginning of the Pandemic Recession, Becker Friedman Institute, University of Chicago, June 2020.

been cut by 20 per cent⁶⁰ – might have changed norms in the UK, leaving workers more amenable to nominal pay cuts. But the size of the nominal pay cuts required to materially ease the pressure on employment seems unlikely, particularly given many of the most-affected sectors have high proportions of workers on or very near the minimum wage.

FIGURE 25: **We're not likely to see a significant real wage adjustment this time**

Exchange rate and CPIH inflation: UK



SOURCE: ONS.

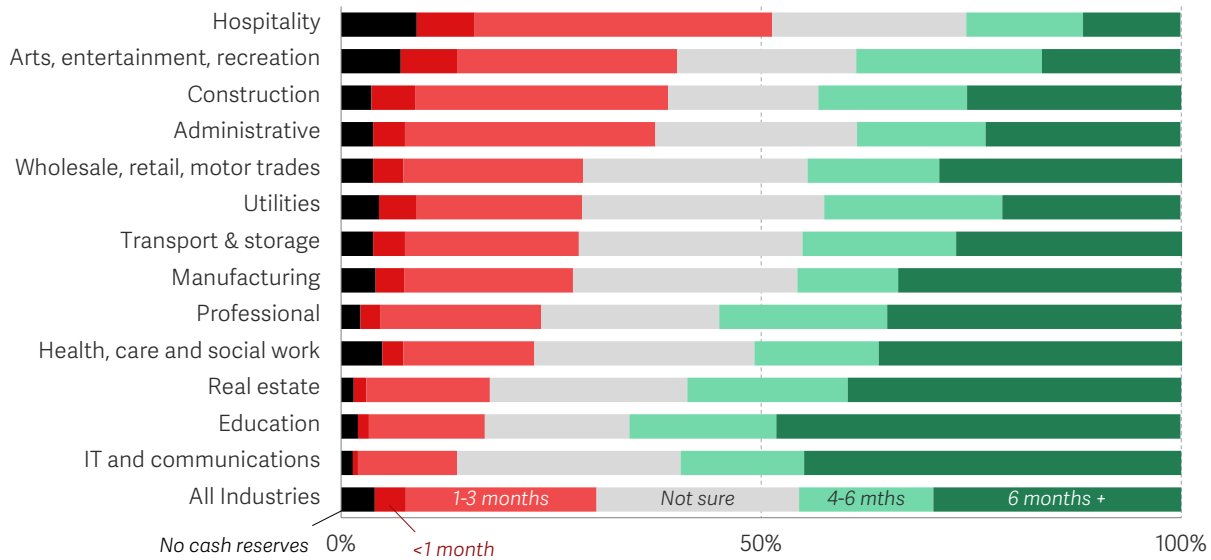
A third factor that will limit the speed of the employment bounce back – once the JRS unwinds – is firms' financial positions, particularly in the hardest-hit sectors where decisions about the scales of redundancies are material. All else equal, firms with weaker finances are more likely to make redundancies in response to a negative shock, since they have less room to 'wait and see' how a crisis develops. Firms' financial positions had already been weakening in advance of this crisis, with profit margins falling since 2016. Net private non-financial profits were just above 9 per cent at the end of 2019, down from around 11 per cent in 2008 – meaning firms went into this crisis in a weaker position than before the financial crisis.⁶¹ In addition, cash-flow challenges are now an acute concern for many firms. In May, over half of firms in hospitality said they expected to run out of cash within three months (Figure 26), along with three-in-ten firms across all sectors.

⁶⁰ L Gardiner & H Slaughter, The effects of the coronavirus crisis on workers: Flash findings from the Resolution Foundation's coronavirus survey, Resolution Foundation, May 2020.

⁶¹ Source: ONS, Profitability of UK companies time series.

FIGURE 26: Half of businesses in hospitality expect to run out of cash within three months

How long businesses that have not permanently stopped trading think their cash flow will last: UK, 4-17 May 2020



SOURCE: ONS, Business Impact of Coronavirus Survey, wave 5.

Misapprehension 2: Reallocation across sectors provides the whole solution

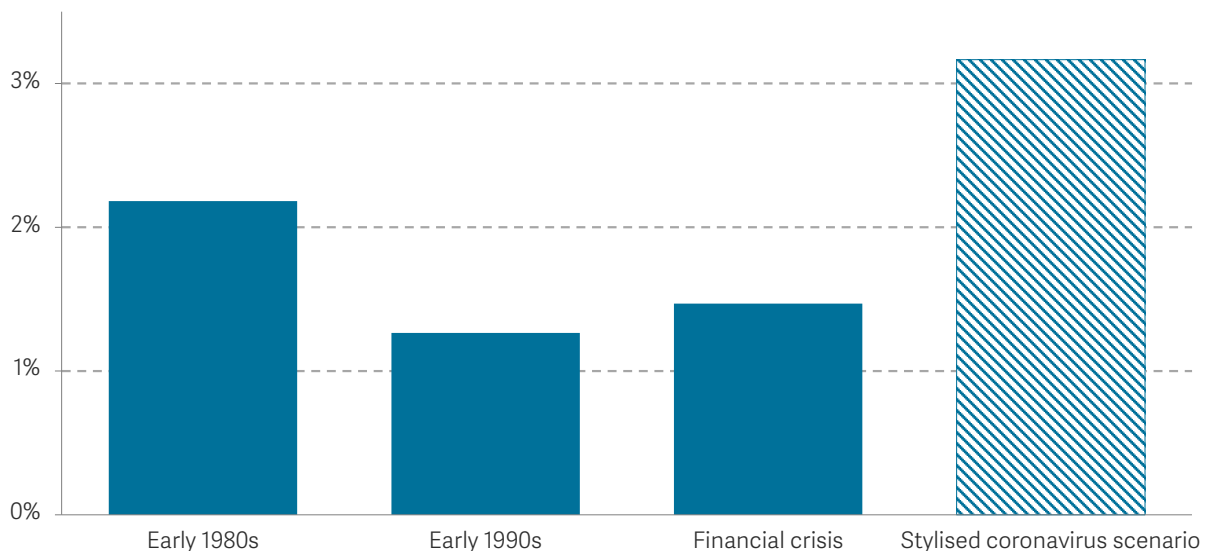
The second misapprehension is subtler than the V-shaped recovery idea. It is the idea that, although there will be ongoing constraints in some sectors, reallocation of workers to other sectors (supported by generalised fiscal stimulus and back-to-work support) will provide a solution that avoids high and lasting unemployment or inactivity. Again, this looks overly optimistic. Some reallocation will certainly happen (and should be encouraged), but history suggests that it is unlikely to happen on anything like the scale required to compensate for significant shrinking of previously high-employment sectors.

A first reason for this conclusion is that the pace of reallocation that may be required, given the size of the constraints facing the hardest-hit sectors, looks implausible. Figure 27, below, tries to illustrate this. It constructs a measure of gross sectoral change in recent recessions by adding up the absolute change in employment across sectors during the crisis and expressing this change on an annual basis, relative to initial employment. The coronavirus scenario depicts the scale of sectoral reallocation that would be involved if employment in retail, hospitality and leisure was to be 10 per cent lower in 18 months' time (the 10 per cent figure is roughly based on early data for other countries, mentioned above, and modelling based on Google Mobility Trends data for around the world), but with other sectors growing by enough in the same period to take

up the slack. It shows that the pace of sectoral reallocation would be significantly higher than following the 1980s recession, and more than twice the pace of sectoral reallocation that took place following the financial crisis. Given the underlying uncertainty of this coming reopening phase, relying on firms to respond to the availability of labour by creating new opportunities in unprecedentedly large volumes is a high-risk strategy.

FIGURE 27: Speedy sectoral reallocation at the scale needed is unlikely

Measure of annual sectoral reallocation during previous recessions, and stylised coronavirus scenario assuming reallocation happens within 18 months: UK



NOTES: The measure used is the absolute change at the industry section level from peak-to-return-to-peak employment, divided by peak employment, divided by the length of the time in years taken to return to peak employment. The coronavirus scenario is a stylised calculation to illustrate the scale of sectoral reallocation that may be required for people losing work in the hardest-hit sectors. Hospitality, retail, and leisure are each assumed to lose 10 per cent of employment, which other sectors absorb according to their proportion of total employment (less the hardest-hit sectors). This change is assumed to happen over 18 months.

SOURCE: RF analysis of ONS, Workforce Jobs.

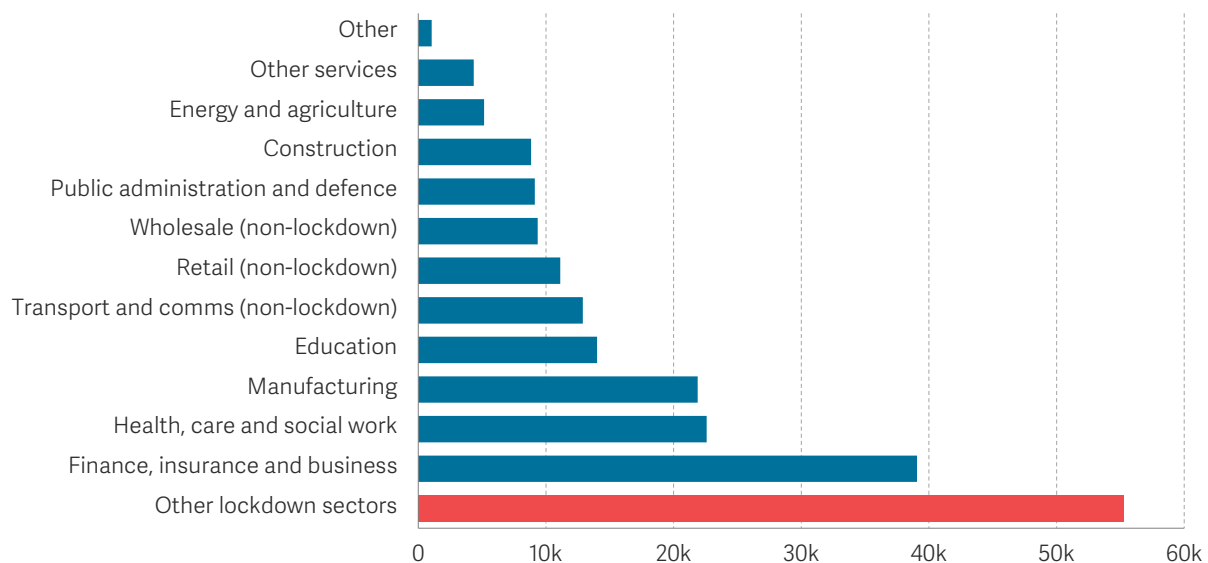
A second reason to doubt the scale of reallocation comes when we look at previous labour market patterns at the level of individuals. Workers are not prone to reallocating across sectors when facing unemployment. In general, around three-quarters of people return to work in the same sector following a short period out of work (either unemployment or inactivity).⁶² A similar conclusion comes when examining those leaving the sectors hard-hit in this crisis not via unemployment. Figure 28 shows that a majority of workers making job-to-job moves to a different sector from the hardest-hit parts of the economy typically leave to non-hard-hit parts of the economy, with business services and health and social care both common routes. However, a very significant proportion

⁶² Source: RF analysis of ONS, Labour Force Survey Five-Quarter Longitudinal Datasets.

of exits go to other sectors within the hard-hit group. The scale of those moves should also give pause for thought, in the context of the many multiples of these numbers that expected redundancies from the JRS amount to.

FIGURE 28: The most common destination of workers leaving the 'lockdown' sectors are other lockdown sectors

Average quarterly job-to-job moves to different sectors, from 'lockdown' sectors, by destination sector: UK, 2010-2019



NOTES: 'Lockdown' sectors are those that have been worst affected by the coronavirus restrictions introduced in March and April. They include: motor retail/wholesale; retail excluding food and general retailers; passenger air, sea and river transport; hotels, restaurants and pubs; real estate activities; photographic activities; renting and leasing of motor vehicles and personal household goods; travel and tour operators; cleaning activities; organisation of conventions and trade shows; other education (sports, recreation, cultural, driving school); arts, entertainment and recreation; repair of personal household goods; dry-cleaning, hairdressing, and physical well-being activities.

SOURCE: RF analysis of ONS, Labour Force Survey Two-Quarter Longitudinal Datasets.

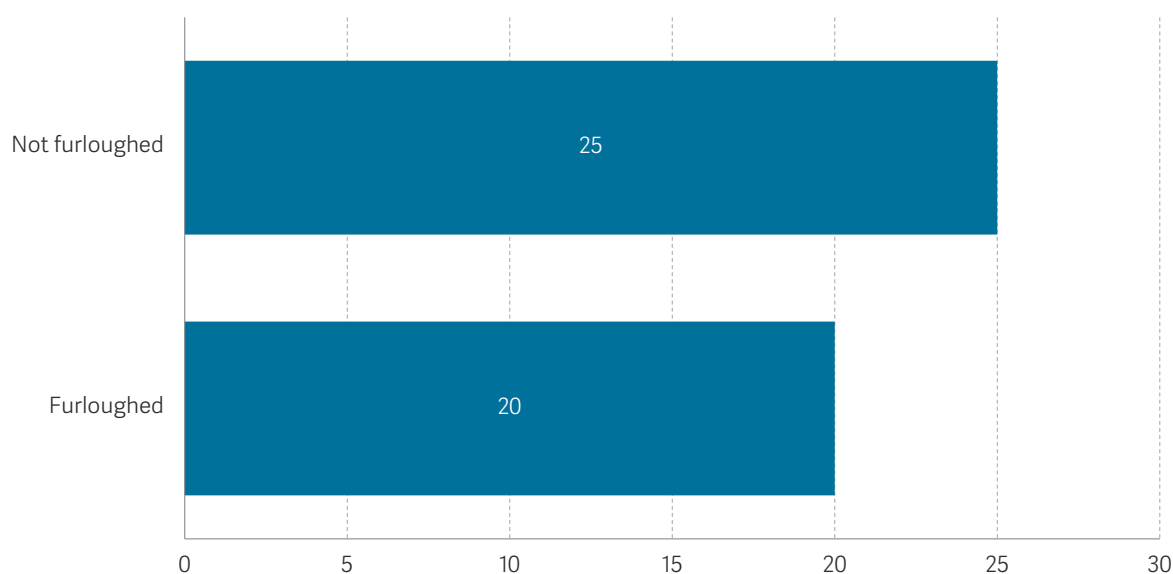
Finally, the type of workers who have been affected in this crisis (those in the hardest-hit sectors, comprising the young and the low paid in particular) may have a bearing on the likelihood of reallocation. Workers in the sectors we have identified as hardest-hit have below-average qualifications, implying that the skill-based entry requirements to other sectors may be prohibitive for them. For example, in 2019, 17 per cent of workers in hospitality had degree-or-equivalent qualifications, a lower proportion than in any other sector apart from 'transport and storage' and 'agriculture, forestry and fishing'.⁶³ This is especially concerning given that it is likely to be much easier to 'trade down' qualifications-wise than to 'trade up' during periods of economic weakness.

⁶³ Source: RF analysis of ONS, Labour Force Survey.

In addition, the median commute time of workers who have been furloughed is, at 20 minutes, a fifth less than non-furloughed workers (25 minutes), implying that affected workers may have smaller job-search horizons than the workforce as a whole (Figure 29).⁶⁴ This will be a particular constraint on those with childcare responsibilities. And previous Resolution Foundation research has shown that the likelihood of workers (particularly the UK born) moving residence for work is low and has been declining in recent years, implying that this form of mobility to facilitate job matching and reallocation will also be limited.⁶⁵

FIGURE 29: Furloughed workers had shorter commutes than other workers

Median home-to-work travel time in minutes prior to coronavirus of furloughed and non-furloughed workers: UK, 2017-18



NOTES: Base = all UK adults aged 18-65 who had an employee job prior to the coronavirus outbreak and provided information on their time spent travelling to work in the last full wave of Understanding Society (except for the 'all employees' bar). Furloughing relates to employees' main job. Time spent travelling to work refers to 2017-18, i.e. the last full wave of Understanding Society.

SOURCE: RF analysis of ISER, Understanding Society.

Having argued that we should not be complacent about the speed and scale of bounce back that will happen, and that there are barriers to sectoral reallocation during the pre-vaccine reopening phase we are now entering, the next section considers how policy should respond to both these challenges.

⁶⁴ Source: RF analysis of ISER, Understanding Society.

⁶⁵ L Judge, Moving matters: Housing costs and labour market mobility, Resolution Foundation, June 2019.

Section 5

What should policy makers do?

As we move from lockdown to reopening, the challenge facing economic policy makers becomes harder, not easier. Rather than trying to keep the economy on ice during lockdown we now seek a swift, safe return to economic activity, but with significant ongoing supply restrictions in some sectors meaning we cannot simply return to a pre-virus economy.

The next phase of this crisis is likely to involve a large outflow of workers from the hardest-hit sectors, which the remainder of the economy will struggle to absorb quickly. So, policy makers need a new radical twin approach: minimising those outflows and, for those that still take place, maximising the inflows to work in other parts of the economy. Neither will be easy, and both will require action as bold as the Job Retention Scheme. Pursuing these two objectives is where a recognition of the underlying nature of this crisis should take us.

To reduce outflows from employment, the Government should extend the Job Retention Scheme (which pays the wages for work employees are unable to do) through the autumn in the hardest-hit sectors, before replacing it with a new Job Protection Scheme (that subsidises the work employees are able to do) for those sectors. This will reduce labour costs, recognising that sector-specific wage flexibility will not otherwise be sufficient to avoid very large job losses.

The depth of the hit to these sectors will still mean high unemployment, so policy should also look to speed up the reallocation of these workers into other sectors. This should include encouraging private sector firms to grow, with a temporary employer National Insurance cut for new hires into expanding firms. And because the private sector is likely unable to respond at the speed required, the Government should also create jobs in retrofitting of buildings and provision of social care. These roles are crucial because they are both needed given other goals, and as geographically dispersed as the jobs being lost. Job guarantees and training should also be provided for the young.

Of course, there remains huge uncertainty about the scale of the economic challenge posed by the health response to coronavirus. But it could turn out to be very significant indeed. For that reason, policy makers should prepare for the worst with such a full-spectrum response, and then roll policy back if the crisis proves less severe.

The Government's planned move from protection to activation comes too soon for the hardest-hit sectors

So far in this report, we have shown the initial impact of the lockdown phase, where the key feature has been the subsidising of huge numbers of private-sector jobs that are temporarily without work to do. As a result, although the number of families receiving Universal Credit has risen rapidly, we have been spared the wave of redundancies or business failures that would otherwise have occurred when economic activity was shut down.

The real labour market problems, however, are still to come. The misconceptions that a V-shaped recovery is around the corner or that sufficiently fast reallocation of workers between sectors can occur have meant that policy discussions to date have been too narrowly focused on the tools we would turn to in any normal recession: general demand stimulus and back-to-work support. In our opinion, such an agenda does not respond to the scale and nature of the current challenge. As we set out in the previous section, this is a crisis which:

- Is highly **sector-specific**, which also means it is concentrated on the kinds of people (the young, and the low paid) who work in those sectors.
- Has had a large and fast impact, but one that is (or at least, is expected to be) fundamentally **temporary**. This means we should put more effort into protecting jobs than we might in other crises.
- Is **geographically dispersed**, which means solutions must also be.

The first two points are worth elaborating on, since they are the main factors underpinning our single biggest recommendation: the replacement of the JRS with a Job Protection Scheme to provide ongoing support to wages in the hardest-hit sectors. Those sectors (we focus on hospitality, leisure, and non-food retail) will need more time than the rest of the economy to adjust to ongoing supply restrictions and ongoing weak

demand. That is why we have previously suggested that the JRS should be phased out more slowly in those sectors over the autumn.⁶⁶

We still think that would be the right approach, but an indefinite extension would not be, because it would risk scarring effects on workers from a lengthy spell of inactivity. So, we do not support the indications coming from France, for example, that their job retention scheme may be extended for up to two years in the hardest-hit sectors.

But while paying the wages of people who are not working over a long period is unwise, maintaining more employment than would otherwise take place in the hardest-hit sectors should be a policy objective. Not only is output in these sectors likely to be suppressed relative to pre-pandemic levels until a *vaccine or effective treatment is available*, but the costs of producing that output will also be higher. Because significant sector-specific real wage adjustments cannot take place, the result will be very large redundancy rates.

To reduce, but not eliminate, these job losses, we should reduce labour costs in those sectors. To that end we set out plans for a Job Protection Scheme below, which should replace the Job Retention Scheme by providing a wage subsidy for work that is done, rather than paying the wages associated with work that does not take place. The usual arguments against such an approach, such as that it incentivises lower-productivity work by holding workers in less productive jobs, make little sense given that this is a temporary hit to the productivity of these sectors, and that the alternative is more likely to be higher unemployment or inactivity than work elsewhere.

Regardless of the success of efforts to minimise employment outflows, unemployment will rise significantly. So, the second broad policy objective in the reopening phase should be to maximise the creation of new employment opportunities, and the flow of people into those positions. This will require more than just the usual support provided to jobseekers (including intensive support for those at risk of long-term unemployment) – the potential scale of the crisis means that policy makers must think bigger. We should start preparing now to create large numbers of jobs directly through hiring incentives for the private sector, and spending by the public sector. These plans can then be scaled back if the economic impact of coronavirus turns out to be less severe.

The rest of this section outlines specific policy ideas to meet those two objectives: minimising outflows from the hardest-hit sectors, and maximising hiring elsewhere in the economy.

⁶⁶ T Bell, L Gardiner & D Tomlinson, *Getting Britain working (safely) again: The next phase of the Coronavirus Job Retention Scheme*, Resolution Foundation, May 2020.

Policy Objective 1: Minimise outflows from the hardest-hit sectors (with a 'Job Protection Scheme')

As we set out above, policy during the next stage of the crisis should seek to minimise unnecessary outflows from the hardest-hit sectors. Ultimately, the most direct way to protect jobs is for the Government to facilitate a labour cost adjustment in those sectors, either through wage subsidies or a cut in employment taxes – such as employer National Insurance contributions (NICs). Of the two, a wage subsidy scheme is preferable because it could be better targeted at low earners.

A wage subsidy scheme, which we will hereafter call a **Coronavirus Job Protection Scheme** (JPS), should be introduced to replace the Job Retention Scheme in the hardest-hit sectors (we define these as encompassing all of the hospitality and recreation industries plus the parts of the retail sector most affected by the lockdown, i.e. not food-retail, garages and other businesses that have remained open during the lockdown). Whereas the JRS pays the wages of employees not working, the JPS would subsidise work. As set out above, the purpose of such a policy would be to reduce firms' labour costs for the duration of the reopening phase, to maximise the number of workers that firms retain in the face of lower levels of output and higher costs. There are a number of design considerations that flow from this objective.

The first is the rate of subsidy. Because we are seeking to reduce the need for workforce adjustments, the subsidy should reflect the reduction in activity relative to pre-crisis. Of course, this is highly uncertain. We mentioned in Section 4 that, a month after the easing of lockdown measures, activity in hospitality and leisure sectors remains approximately 15 per cent down in France and Germany. It's reasonable to think that activity will recover to closer to its pre-pandemic level in the coming weeks and months (our own modelling of Google Mobility Trends data suggests that activity in the hardest-hit sectors could remain around 8-10 per cent down on pre-vaccine levels in the reopening phase). Therefore, a reasonable starting point would be a 10 per cent wage subsidy. But policy makers would be able to review this as better evidence became available.

The second is timing. In the first instance, policy makers should commit to running the scheme until at least the end of 2021. Final decisions on its availability would depend on the development of a vaccine or treatment. If those lead us to conclude that they are a very long time away (say, more than two years) there would be a case for easing the subsidy over time, as the pick-up in vacancies in the wider economy allows structural adjustments to happen instead.

Beyond those two key design questions, there are a number of practical considerations. For example, should the subsidy vary across sectors within the overall hard-hit sector

group? This would be desirable, since the point is to match the subsidy to the level of the shortfall in activity relative to pre-crisis, and this will be different within the hardest-hit sectors.⁶⁷ However, any additional granularity would come at the cost of complexity, which would make it harder to administer.

Policy makers would likely also want to keep the costs down of such a scheme. This could be done by capping the cash level of the subsidy, similar to the way in which contributions under the JRS have been capped. Under the JRS, the maximum subsidy is £2,500 per month. Below, we have costed a scheme where contributions are capped at £2,500 per year. Such a scheme is illustrated in Figure 30, below.⁶⁸

FIGURE 30: Capping the subsidy means a lower proportion of high earners' wage costs are subsidised

Annual subsidy level under the proposed Job Protection Scheme, and subsidy as a proportion of overall wage costs, by gross annual salary



NOTES: Total wage costs include salary costs, employer NICs, and auto-enrolment contributions. Assumes employer pension contributions of 3 per cent above the £6,240 threshold for all employees (i.e. including those earning below the £10,000 trigger), up to £50,000 of earnings.

How much would such a scheme cost? If total wage costs are assumed to include salary, employer NICs, and employer auto-enrolment contributions at the minimum level (3 per cent of salary between £6,240 and £50,000), and assuming that the sectors covered are hospitality, arts and recreation, and non-food retail, and with a 10 per cent subsidy and a cap at £2,500 per year, we estimate that this scheme would cost approximately £5.1 billion per year, at 2019 employment levels.

⁶⁷ For similar considerations in a US context, see: O Blanchard, T Philippon & J Pisani-Ferry, [A New Policy Toolkit Is Needed as Countries Exit COVID-19 Lockdowns](#), Peterson Institute for International Economics, June 2020.

⁶⁸ The subsidy is applied to total wage costs, including employer NICs and auto-enrolled pension contributions.

Other than tricky design questions, such as the Government's ability to easily differentiate these hardest-hit sectors,⁶⁹ the main downside to a new wage subsidy scheme, as compared to a NICs cut, is that it requires the civil service to put in place new structures, and to do so quickly, and businesses to spend time understanding the scheme and submitting applications. It is therefore worth considering what could be achieved via a NICs cut in these hardest-hit sectors, which could be much easier and quicker to implement, and would automatically benefit eligible employees without employers having to actively make a claim.

If going down the NICs route, then it would be better to raise the threshold above which employer contributions are made, rather than lowering the contribution rate, so as to better target support to lower earners.⁷⁰ By way of example, Figure 31 shows the impact on wage costs across the wage distribution from raising the NICs threshold, as opposed to lowering the contribution rate. In both cases, we have set the parameters of the scheme such that it costs the same (£5.1 billion) in the hardest-hit sectors as the Job Protection Scheme, outlined above.⁷¹

As Figure 31 makes clear, raising the NICs threshold would have a bigger impact on low earners than lowering the contribution rate. At a cost of £5.1 billion per year when limited to the hardest-hit sectors, the threshold could be raised the current £8,800 to £28,600. This would reduce real wage costs for workers on median salaries by more than 8 per cent, whereas keeping the threshold where it is but lowering the contribution rate from 13.8 per cent to 3.4 per cent (a policy that would lead to the same loss of revenue to the Exchequer) would only achieve something approaching that level of wage cost reduction for higher earners.

The very significant downside to cutting NICs, compared to introducing a wage subsidy via the JPS, is that it would not have any impact on the wage costs of those who already earn below the employer contribution threshold (currently £169 per week). This group includes one-in-three workers in hospitality, and one-in-four workers in retail and arts and recreation.⁷² Furthermore, employer NICs for under-21s were abolished in 2015, so it also wouldn't affect the very youngest. This is problematic: as we showed in Section 3, low-paid and younger workers have already been hit hardest in this crisis, and are likely to be more vulnerable to future job losses, too.

⁶⁹ For a discussion of these challenges and how they might be dealt with, see: T Bell, L Gardiner & D Tomlinson, [Getting Britain working \(safely\) again: The next phase of the Coronavirus Job Retention Scheme](#), Resolution Foundation, May 2020.

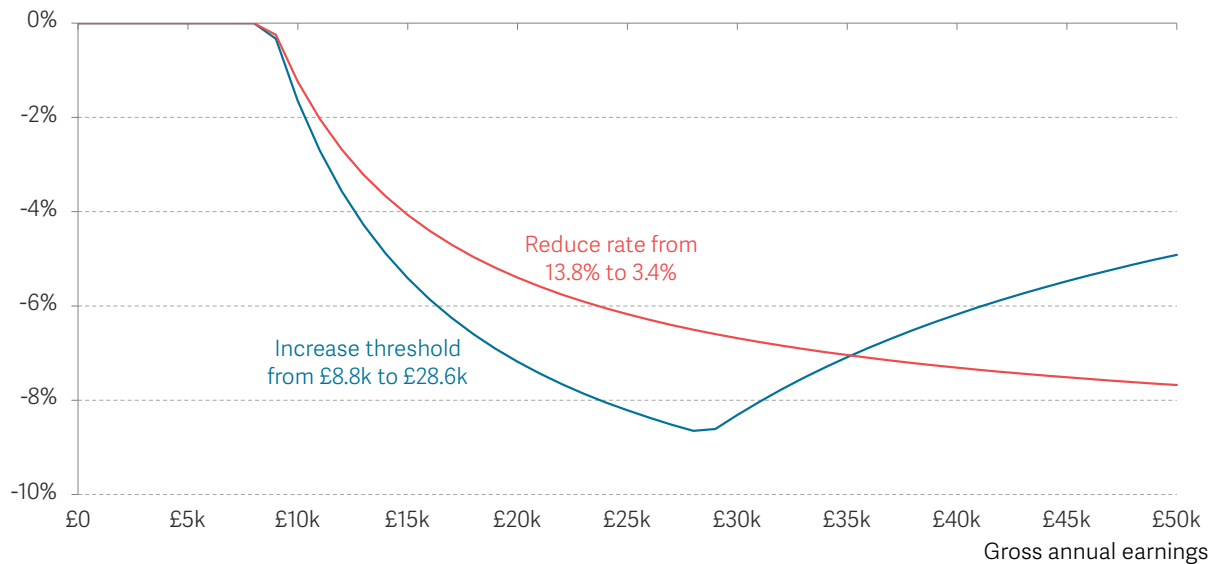
⁷⁰ We should note that Tony Wilson from the Institute of Employment Studies made this argument earlier this month. See: See T Wilson, [Cut taxes or spend more: Tackling unemployment in next month's budget](#), Institute for Employment Studies, June 2020.

⁷¹ We do this using the HMRC 'direct effects of illustrative tax changes' ready reckoner, with costings scaled to the proportion of total employee wages in the economy that the hardest-hit sectors (hospitality, leisure and non-food retail) account for (7.4 per cent in 2019). Source: RF analysis of ONS, Labour Force Survey.

⁷² Source: Table 4 in ONS, Annual Survey of Hours and Earnings 2019.

FIGURE 31: If we want to lower employer NICs, threshold increases provide a more targeted adjustment than changing the rate

Effective real wage adjustment (reduction in total wage costs) from changes to employer NICs with equal cost implications



NOTES: Total wage costs include salary costs and employer NICs.

SOURCE: RF calculations.

Policy Objective 2: Maximise job creation and flows into employment

Wage subsidies or cuts to employer NICs should help minimise flows into unemployment from the hardest-hit sectors after the JRS winds down. But because many jobs will still be lost in these sectors, policy makers must additionally focus on both stimulating new job creation, and on accelerating the flow of the unemployed into those jobs. Because direct job creation measures have been under-discussed in the debate so far, we will start there.

Job creation via public investment

Ramping up spending on infrastructure is often brought forward as an effective fiscal response to recessions, and one that can create new jobs. But, in reality, even so-called 'shovel-ready' projects are slow to get going. Another risk is some types of infrastructure projects would create jobs, but only in specific locations. As we showed in Section 3, we need new employment opportunities in all parts of the country, reflecting the geographical dispersion of the hardest-hit sectors and the workers affected (even if some areas with especially high dependence on tourism and hospitality are facing bigger impacts). Therefore, the focus should be on jobs which can be created all across the UK, and created quickly, ideally in time to provide opportunities for those we expect to be made redundant in the autumn.

Specifically, we think a job creation scheme suitable for this crisis needs to meet the following criteria:

1. It should generate as much additional employment as possible, and in all parts of the country.
2. It should be as easy and quick to deliver as possible.
3. It should create opportunities that job seekers can readily take up (i.e. with entry requirements that match their skills and experience).
4. It should achieve wider social goals.

Here we highlight two areas of job creation that meet these criteria: significant expansion in public funding for social care, and retrofitting and carbon-saving measures in the domestic property stock.

Social care is the best place to start. As we explain below, it meets the above criteria: it's something we need more of (particularly in the face of ongoing health risks), it is labour-intensive work, and the barriers to scaling up activity are low.

The case for hiring additional care workers is evident from the fact that there is growing unmet need. In 2018, 24 per cent of those in England who said they needed help did not receive any (on top of that will be those who received some support, but less than their needs dictated).⁷³ And demand for care is rising (the number of requests for care made to local authorities rose by 5.7 per cent between 2015-16 and 2018-19), while the number of people actually receiving care is falling (over the same period, the number receiving care fell by 1.7 per cent).⁷⁴

These trends predate a pandemic that has illustrated the shortcomings in the sector, while also creating new demands for a bigger social care workforce to protect health in the here and now.

Employment in social care can be ramped up quickly. The entry requirements for workers are low – although social care work is far from easy, there are typically no requirements for formal qualifications, so it is a plausible option for those losing work in the current 'lockdown' sectors, or others who are currently unemployed.⁷⁵ Indeed, data on job moves before the crisis suggests that it is a switch that has been made many times before: as

⁷³ Quoting data from the Health Survey for England in: S Bottery & G Babalola, Social Care 360: 2020 report, The King's Fund, May 2020.

⁷⁴ Ibid.

⁷⁵ <https://www.skillsforcare.org.uk/Careers-in-care/Starting-your-career/Starting-your-career.aspx>, accessed 26 June 2020.

we show in Figure 28 in the previous section, over the past 10 years, 22,000 workers a quarter, on average, move from the hardest-hit sectors to the broad health and social care sector.

How many jobs could or should be created in social care, and how much would it cost? The Government should aim to expand the number of care workers to meet need. This is of course difficult to estimate, but one ready reckoner would be to restore the ratio of adult care workers to the elderly (aged 70+) population to its recent peak.⁷⁶ We estimate that would require an additional 180,000 care jobs – roughly a 15 per cent increase. In terms of cost, factoring in wages, employer NICs and auto-enrolment pension contributions, plus an approximate uplift for on-costs associated with increasing staff numbers, this increase in staff numbers across the UK would entail an additional £3.9 billion in social care funding per year.⁷⁷

Of course, expanding the workforce should not be the Government's only goal when it comes to carers. As we argued recently, Government should also improve pay and conditions in the sector – the extra reliance on these workers during this crisis has made the moral case for doing so more pressing.⁷⁸ We think that funding in the sector would have to increase by around a further £1 billion to lift social care wages to the level of the real Living Wage.⁷⁹ So, we suggest a total funding injection of around £5 billion in social care, alongside measures to ensure this funding (which would be distributed to local authorities that commission publicly funded care) goes towards raising wages and increasing staff numbers.

A second compelling option, and one that has already received support from both the TUC⁸⁰ and the CBI,⁸¹ is to invest in 'green' jobs, which is a catch-all term for jobs related to climate change mitigation. Within that overall category, the activity that appears to most readily fit the criteria laid out above is home retrofitting.

In 2019, the Committee on Climate Change (an independent body which advises the Government on climate change policy) said that retrofitting homes should be a major infrastructure priority.⁸² Energy use in homes accounts for about 14 per cent of UK greenhouse gas emissions, and the UK's legally-binding climate change targets will

⁷⁶ That ratio fell by 13 per cent from its peak in 2014 to 2019. Source: RF analysis of ONS, Labour Force Survey.

⁷⁷ We estimate average total payroll costs for care workers (wages plus employer NICs and pension contributions) to be £18,400 per year, and apply a 20 per cent uplift for on-costs. Source: RF analysis of ONS, Labour Force Survey.

⁷⁸ N Cominetti, L Gardiner & G Kelly, *What happens after the clapping finishes?: The pay, terms and conditions we choose for our care workers*, Resolution Foundation, April 2020.

⁷⁹ This figure is based on our 2015 estimate that £1.4 billion additional gross public costs would be required to lift care workers' wages to the real Living Wage. This figure likely now represents an upper estimate, given that the introduction of the National Living Wage has significantly increased the pay of the lowest-paid care workers. A growing workforce and rising real Living Wage rates will have pushed in the other direction, however. For these reasons, we estimate the cost of raising pay to the real Living Wage at £1 billion here. See: L Gardiner & S Hussein, *As if we cared: the costs and benefits of a living wage for social care workers*, Resolution Foundation, March 2015.

⁸⁰ TUC, *Rebuilding after recession: A plan for jobs*, June 2020.

⁸¹ CBI, *Priorities for a green recovery following the coronavirus pandemic*, June 2020.

⁸² Committee on Climate Change, *UK housing: Fit for the future?*, February 2019.

not be met without the near-complete elimination of greenhouse gas emissions from UK buildings. And there is certainly a great deal of unmet need: in most local authority areas, between 50 per cent and 80 per cent of houses fall below the Energy Performance Standard Band C. This equates to roughly 10 homes that need retrofitting per claimant unemployed.⁸³

Aside from contributing to decarbonisation, there are two other reasons why retrofitting is attractive as a means of job creation in the current crisis. First, there is a need for this work across the UK, as there are homes that need retrofitting in all parts of the country.

Second, it aligns well with existing government policy. The Conservative Party committed in its 2019 manifesto to investing £9.2 billion in the energy efficiency of the building stock.⁸⁴ This builds on the previous Government's Clean Growth Strategy, which set out an ambition to improve the energy efficiency of all 'fuel poor' homes by 2030, and 'as many [homes] as possible' by 2035, with a specific aim to improve the Energy Performance Standard of those homes to Band C.

So how many jobs would be delivered by a retrofitting scheme, and how much would it cost? A 2014 study by Cambridge Econometrics estimated that directly funding all low-income homes to be upgraded to Energy Performance Standard Band C by 2025, alongside providing zero-interest loans to other households to facilitate upgrading, would generate 108,000 jobs per year over the period 2020-2030, requiring £85 billion investment in that period.⁸⁵ That implies a cost of roughly £8 billion per year (although it's worth noting that this includes investment from private, 'able-to-pay' households, who in the modelling in the study are provided zero-interest, loans but no direct funding). Setting a more ambitious timeline would, of course, create more jobs per year, although there could be challenges in training so many workers very quickly.

Hiring subsidies for expanding firms

In addition to stimulating job creation directly through public spending on social care or home retrofitting, the Government may also want to consider supporting the private sector to increase hiring, via hiring subsidies or reducing employer NICs. We discussed these options above in the context of minimising employment outflows in the hardest-hit sectors. Here, because we are seeking to incentivise new hiring rather than to protect existing jobs, the policy choices are different, with a NICs cut preferable to a subsidy. This is because the lesson from past hiring subsidy schemes is that they suffer from low take up. For example, the Youth Contract wage incentive – a £2,275 payment to employers for

⁸³ Source: MHCLG, Domestic Energy Performance of Buildings Certificates and dwelling stock; ONS, Labour Market Statistics.

⁸⁴ Conservative Party, *2019 Manifesto*, November 2019.

⁸⁵ P Washan, J Stenning & M Goodman, *Building the future: The economic and fiscal impacts of making homes energy efficient*, Verco and Cambridge Econometrics, October 2014.

hiring young people who had been unemployed for six months, which started in 2012 – only delivered payments for 36,470 young people over a three-year period.⁸⁶

As with our discussion when it came to cutting NICs to encourage job retention in the hardest-hit sectors, raising the threshold is preferable to lowering the contribution rate because it would focus the impact on the low paid. The difference, when it comes to encouraging hiring in non-hard-hit sectors, is that the threshold increase should only apply to new hires, not to all workers. And to ensure additionality, it should only be for firms that are expanding.

Estimating the likely flow of job entries in expanding firms in the non-hardest-hit sectors, and therefore the likely costs of such a hiring subsidy, is challenging (although will be relatively easy for the Government to administer, given it knows firms' total employee numbers via the PAYE system). To provide a rough estimate, we note that in 2019, there were 3.5 million job entries into sectors of our economy other than those we define as hardest hit. We assume that a quarter to half of this number might take place in the coming years, into firms that are expanding headcounts. A one-year lifting of the starting threshold for employer NICs to £15,000 in these instances – offering a maximum subsidy of £860 per year and an average subsidy per hire of £745⁸⁷ – could therefore cost £0.6-£1.3 billion.

Activation and job guarantees to drive flows into employment

The final priority under the objective of increasing flows into employment is the need to ramp up employment support services. This topic has been covered by several reports recently, including 'Help Wanted' by a consortium of employment-focused organisations and charities,⁸⁸ and 'Emergency Exit' by the Learning and Work Institute.⁸⁹ Those reports provide valuable detail on how to design and fund such schemes, drawing on a rich body of evidence on what works in helping the unemployed return to work. We agree with the key policy proposals made in those papers. We also made similar recommendations in a report published in April.⁹⁰ The key points are:

1. A return to a strong focus on job-search support for all unemployed claimants, including in the earliest phases of a claim. This will require rapid ramping up of 'work coach' capacity in Jobcentre Plus (JCP) offices. The Institute for Employment Studies' estimate is that the number of work coaches will need

⁸⁶ Department for Work and Pensions, *Youth Contract official statistics, April 2012 to May 2015*, August 2015. For an overview of the evidence on past hiring subsidy schemes, see Annex B in: Institute for Employment Studies et al., *Help Wanted: Getting Britain Back to Work*, May 2020.

⁸⁷ Estimated based on the wage distribution in the non-hardest-hit sectors in 2019. Source: RF analysis of ONS, Labour Force Survey.

⁸⁸ Institute for Employment Studies et al., *Help Wanted: Getting Britain Back to Work*, May 2020.

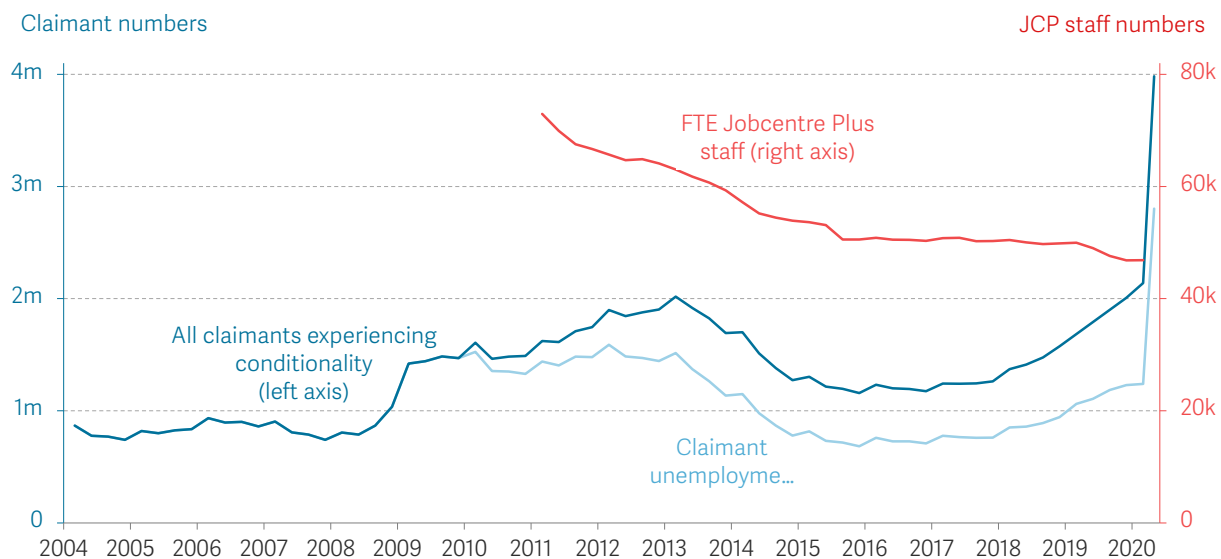
⁸⁹ S Evans & J Dromey, *Emergency exit: How we get Britain back to work*, Learning and Work Institute, June 2020.

⁹⁰ R Hughes et al., *Doing more of what it takes: Next steps in the economic response to coronavirus*. Resolution Foundation, April 2020.

to expand from 11,000 to 17,000.⁹¹ The Department for Work and Pensions, meanwhile, has said it thinks it may need to double capacity.⁹² It's worth stressing that this expansion must take place at speed, ideally by the time the JRS winds down. As Figure 32, shows, this will be a challenge, given the extent to which JCP staff numbers have fallen over the past decade.⁹³

FIGURE 32: The number of JCP staff has fallen by a third since 2010, even though the number of claimants facing conditionality was rising pre-crisis

JCP-administered benefit claimant numbers and JCP staff numbers: GB



NOTES: Jobcentre Plus ceased to have legal status in October 2011, meaning staff headcounts have not been published separately from DWP totals since this date. We estimate the JCP headcount from then on based on the proportion of DWP (excluding the Health and Safety Executive) staff based in JCP during Q3 2011.

SOURCE: RF analysis of ONS, Public Sector Employment; DWP, Work and Pensions Longitudinal Study; DWP, Universal Credit statistics.

2. An expanded offer to unemployed claimants, including training, advice and guidance. This should include pre-employment, job-focused training; expanded capacity for careers and training advice services; and an interventionist approach with the employees of firms that go bust or significantly wind down activities.
3. Job guarantees delivered via wage subsidies, targeted at young people whose employment prospects have been worst affected by the crisis, and who risk long-term scarring of their pay and employment prospects (as we discussed in Section 3). This approach could build and improve on the

⁹¹ Institute for Employment Studies et al., *Help Wanted: Getting Britain Back to Work*, May 2020.

⁹² K Forrester, *Coffey reveals DWP hiring plans as part of coronavirus response*, Civil Service World, June 2020.

⁹³ A version of Figure 31 first appeared in: L Gardiner, *The shifting shape of social security: Charting the changing size and shape of the British welfare system*, Resolution Foundation, November 2019.

successful 'Future Jobs Fund' and wider Young Person's Guarantee that was used following the financial crisis.⁹⁴ There appears to be universal support for this idea, with both the CBI and the TUC backing it.⁹⁵ The severe funding cuts that local government has endured over the past decade, on the top of the extra pressure local authorities are facing in this crisis, will make delivering a new job guarantee scheme more challenging than last time, given local authorities' central role in both directly providing jobs, and brokering others in the private sector. Local authorities must be given adequate funding and support to make a new job guarantee programme a success.

In this section, we have set out an ambitious policy package, but one that is matched to the size and nature of the challenge our labour market faces in the coming, and in many ways more challenging, reopening phase. It is geared around the twin goals of minimising employment outflows from the hardest-hit sectors in our economy, and, for those outflows that still happen, maximising the inflows to work in other parts of the economy. These objectives can be achieved by a bold package of policies, including a new Job Protection Scheme and a significant focus on job creation.

In the following, final, section of this report, we provide brief conclusions.

⁹⁴ Department for Work and Pensions, [Impacts and costs and benefits of the Future Jobs Fund](#), November 2012.

⁹⁵ Financial Times, [Clock starts ticking on UK coronavirus jobs scheme](#), June 2020.

Section 6

Conclusion: Facing up to the scale of the challenge

The main conclusion from this paper is that, as the country moves from lockdown to reopening, the challenge for policy makers becomes harder, not easier. Whereas under lockdown, policy 'only' needed to protect jobs, businesses and incomes, now that same objective must be balanced against the need to stimulate a recovery and amid ongoing uncertainty about the future path of this crisis. We argue that, because some sectors will face ongoing supply constraints and weak demand in the reopening phase, even once measures such as the two-metre distancing rule are relaxed, those sectors will require support for longer. In particular, the Government should introduce a Job Protection Scheme (which would subsidise up to 10 per cent of wages in those hardest-hit sectors) to reduce labour costs and therefore the scale of redundancies when the Jobs Retention Scheme comes to an end. Otherwise, we fear the result will be mass redundancies, and an even worse unemployment crisis.

The other side of the coin is that the Government must also act now to provide opportunities for the unemployed. Even with a Job Protection Scheme in place, there will inevitably be redundancies from the hardest-hit sectors, which will add to the already rising numbers losing work. As we showed in Section 2, although unemployment is yet to show up in the headline unemployment rate in the Labour Force Survey data, other data, such as claimant unemployment, the rise in inactivity, and the fall in the number of paid employees, do show the impact the lockdown has already had on the labour market. We argue that in addition to an increase in work-search support; training, advice and guidance for all unemployed people; and a job guarantee for young adults, the scale of this crisis is likely to require bolder action. The Government should invest in direct job creation in social care and home retrofitting, which would create jobs in all parts of the country while meeting wider social aims. The private sector could also be encouraged to increase hiring with a temporary employer NICs cut for new hires in expanding firms.

So far in this crisis, when it comes to the labour market, the Government has got the policy response right. The bold Job Retention Scheme and other measures saved millions of jobs, firms and incomes. The Government must be bold again in the next phase, if it is to make a success of the reopening and drive our economy towards recovery.

The Resolution Foundation is an independent research and policy organisation. Our goal is to improve the lives of people with low to middle incomes by delivering change in areas where they are currently disadvantaged.

We do this by undertaking research and analysis to understand the challenges facing people on a low to middle income, developing practical and effective policy proposals; and engaging with policy makers and stakeholders to influence decision-making and bring about change.

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A diagonal, blurred image showing the back of a person's head and shoulders, wearing a green face mask, with other people visible in the background.

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