

# COVID-19: Labour Market Round-Up

A round up of the key developments in the labour market and overview of emerging trends and timely evidence on the impact of COVID-19 on London's Labour market. Please note that whilst this is a general overview of key findings, it may not capture every aspect.

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4th May 2020

*This analysis has been prepared to support stakeholders in developing a view of some key issues arising from the COVID-19 crisis, as they relate to London. Our objectives are to contribute to the emerging body of evidence around COVID-19 impacts and help to avoid local duplication of effort. The analysis had been prepared under challenging circumstances and to short timescales. When using outputs from this analysis you should be aware of the following caveats:*

- The analysis is not intended to be comprehensive or exhaustive. It is a snapshot analysis of key data as it pertains to London.*
- The analysis does not represent the full body of evidence on which Mayoral Policies are or will be based.*

*Given these limitations, we would advise that our outputs are triangulated with other sources of information and analysis to develop a rounded statistical picture of any specific policy issues.*

# London's labour market has been hit a large blow

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with large cut-backs in recruitment,

and substantial rises in unemployment.

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these are sectors where London has a large share of employment.

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...which is more prevalent in London

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With young workers also hit hard...

...as well as those from BAME backgrounds

Women are more likely to be key workers...

...but are also more likely to work in 'shutdown' sectors

Meanwhile, parents and carers face a challenge in juggling childcare and work

# With a number of external policy recommendations made

# Pre-COVID London's employment rate was at a record high.

## Employment rate (% of working age population), London and UK

London Sampling variability  $\pm 1.2\%$   
UK Sampling variability  $\pm 0.5\%$



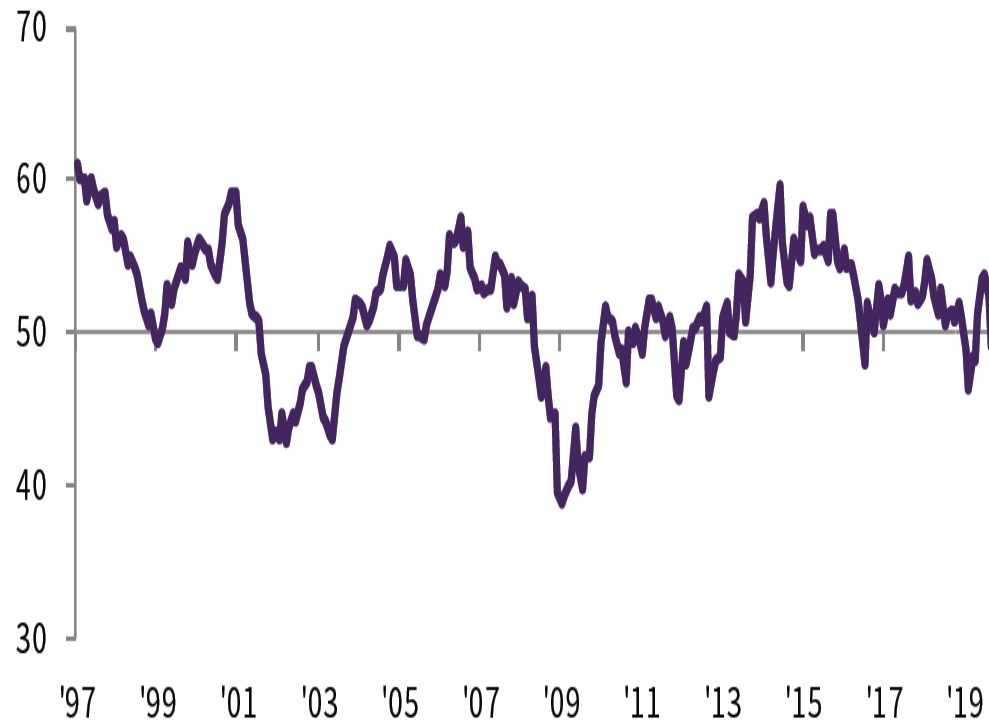
Source: ONS Labour Force Survey

- On the eve of the UK COVID-19 outbreak, London's employment rate was estimated at a record high of 76.7% in the three months to February 2020.
- During the same period, the unemployment rate in the capital was 4.5%.
- But the labour market story will change over the coming months.
- The ONS are publishing a set of **faster indicators** for the UK. Early evidence suggests that only 70% of workers are currently 'working as normal'.
- Upcoming slides provide insights into what the more recent trends have been and what we can expect to see going forward.

# Evidence suggests employment and hours has since declined sharply,

## Employment Index, London

sa, >50 = growth since previous month



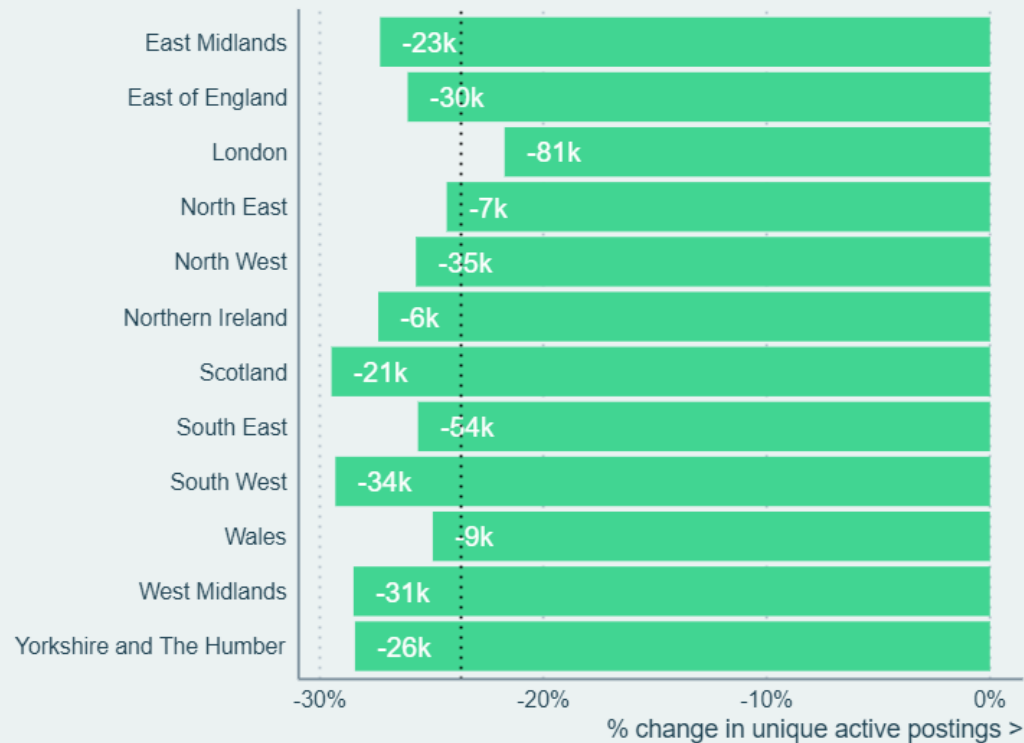
Source: IHS Markit, PMI index

- PMI data shows **London** had one of the fastest fall in jobs in March – behind West Midlands and Scotland – at a rate not seen since July 2009 (see chart).
- The **Bank of England** reports **UK** businesses across various sectors put recruitment on hold, with many cutting hours or asking staff to take unpaid leave due to falling demand in Q1 2020.
- **REC** reports that in the **UK** forecast demand for permanent staff in the next three months fell by 26 percentage points to a net figure of -9. (1-9 April).
- **Research by Adams-Prassl et al.** (2020) suggests that 7% of **UK** workers engaged in less paid work over the past week. (survey of 3,974, 24-25 March).
- **The ONS BICS** found that for **UK** businesses which continue to trade: 41% reduced staff levels in the short term, 29% decreased working hours, 7% were recruiting in the short term. (23 March-5 April).
- **ONS Opinions and Lifestyle Survey** reports that, in **GB**, CV-19 affected 50% of people's work - 35% of these had a fall in their working hours; 34% were working from home; 17% worked longer hours. (9-20 April).
- **CIPD** found that 7% of **UK** employers have already made redundancies in response to Covid-19 to-date, with a further 12% planning to. (29 April).

with large cut-backs in recruitment,

### #covid19: Scotland most affected

Online job postings: change by region 15/04 vs 07/03



Data: Emsi Job Posting Analytics [www.economicmodelling.co.uk](http://www.economicmodelling.co.uk)

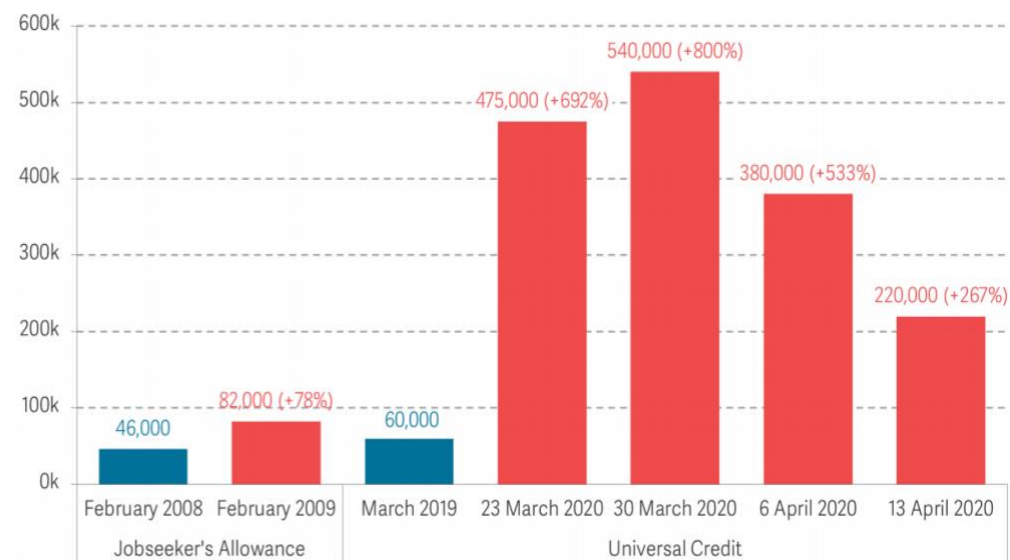
Source: EMSI

- **EMSI real time online job postings data** shows hiring declined across every region of the UK in the period between 7<sup>th</sup> March and 15<sup>th</sup> April. In relative terms, **London** was the least affected region having declined by just over 20% over this period. However, London had the largest absolute decline of 81,000 (see chart).
- **Indeed Job postings data** indicates that the number for **London** has fallen by 47% on the same period last year (1 Feb-24 April).
- **Adzuna data** shows that within **London**, South East London has experienced the largest proportional fall (-50%) but Central London experienced the largest decline in absolute numbers (- 50,000). (15 March-12 April).
- *Note that whilst this is not the stock of people employed or unemployed, this reflects a decline in the potential flow of people into employment and labour demand which will inevitably have an impact on unemployment figures.*

## and substantial rises in unemployment.

### Universal credit claims remain elevated

Weekly new claims to Jobseeker's Allowance and Universal Credit: GB



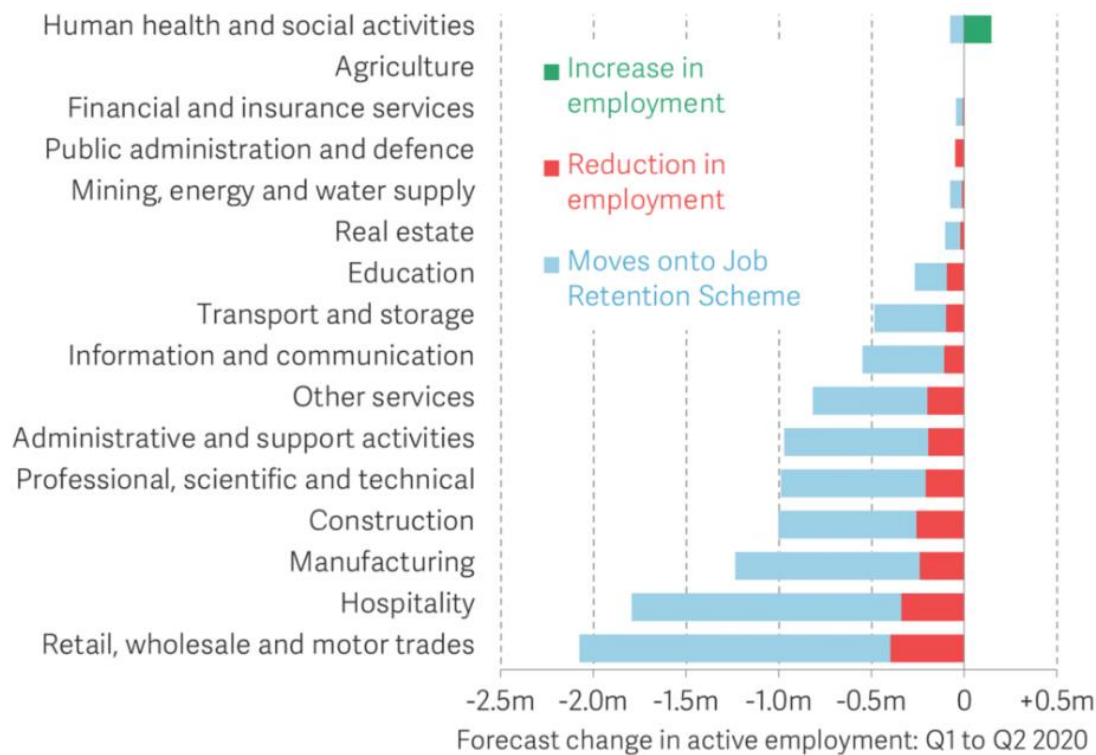
Notes: Universal Credit and Jobseeker's Allowance not directly comparable, because UC includes other new claims. UC figures are not seasonally adjusted. JSA figures have been adjusted to be weekly.  
Source: ONS, Nomis; DWP, Stat Xplore; Work and Pensions Select Committee hearing (25 March 2020).

- On 15<sup>th</sup> April, the Universal Credit (UC) Director General briefed that 1.4m people had signed up for UC in the preceding four weeks. For context, fortnightly new claims averaged 110,380 in the year ending on 9<sup>th</sup> January 2020 and never exceeded 130,000 during this period. *Not all of those applying for UC will have lost their jobs: they may still be working, but on lower pay.*
- However, **RF analysis** shows that the number of new applicants fell to 220,000 in the week ending on 13<sup>th</sup> April, down from its peak of 540,000 in the final week of March (see chart).
- The **OBR's coronavirus reference scenario** forecasted that unemployment would rise by 2.1 million between Q1 2020 and Q2 2020 in the **UK**. This would push the unemployment rate to 10%, in this given scenario.
- **Adams-Prass et al.** (2020) report that 15% of the individuals in the **UK** sample have lost their jobs due to Covid-19., much higher than in Germany (5%). (9-11 April).



# Unsurprisingly, the hospitality and retail sector are likely to bear the brunt

## Forecast change in active employment, by industry, UK

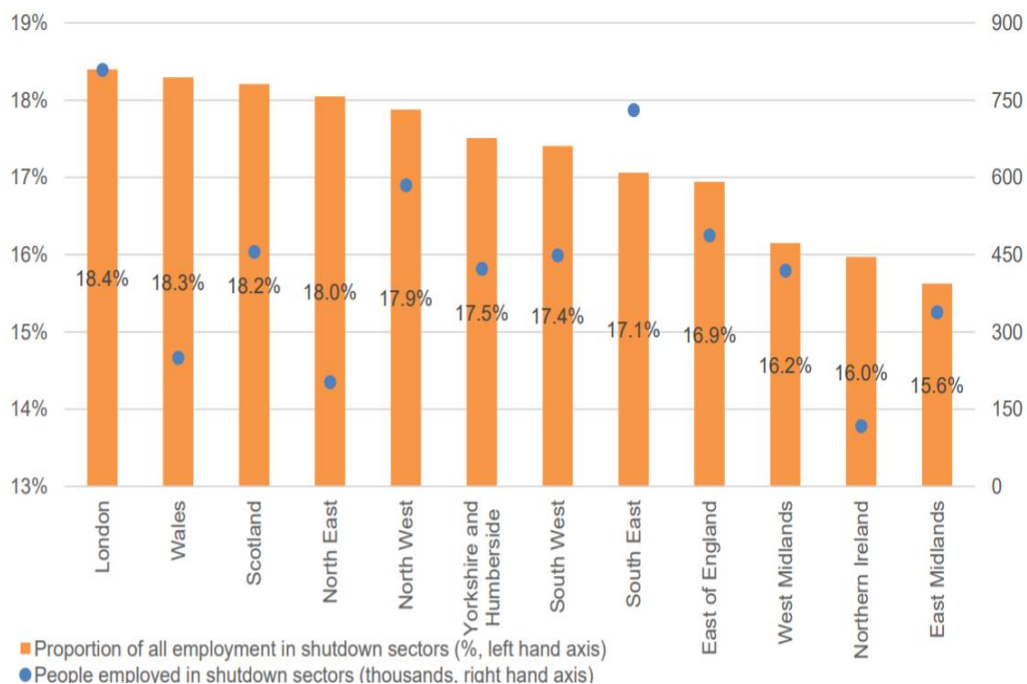


Source: Resolution Foundation

- Using the OBR scenario, the **RF estimate** changes in employment for the **UK** and report a significant impact on Hospitality and Retail and wholesale and motor trades sectors, with 'active employment' falling by almost 4 million in these two sectors alone in this given scenario (see chart).
- Note: This analysis assumes that changes in output provided by the OBR map out onto employment in a uniform way across sectors, and that sectors will make a similar use of the CJRS. This assumption does not take into account the fact that businesses in certain sectors, like Hospitality, are more likely to go bust during the crisis as implied by the ONS BICS. This suggests that the real numbers are likely to be higher than the RF estimates.*
- Estimates produced by the **Institute for Social and Economic Research** (ISER) suggest that Accommodation & Food services (-75%) is likely to be the most affected sector, followed by Other Services and Retail (almost halved) and Transport (-44%). According to this analysis, the lockdown may take more than 6.5 million jobs out of the **UK** economy (*there were 35.8 million jobs in the three months to Dec 2019*).
- Note: ISER estimates are based on the assumption that the lockdown implies some reduction in the final demand of goods and services as well as some constraints on the supply side, such as the fall in productivity of working from home. As these estimates are based on scenario assumptions we should treat them with caution.*

## These are sectors where **London** has a high share of employment

Proportion of jobs in shutdown sectors, 2019



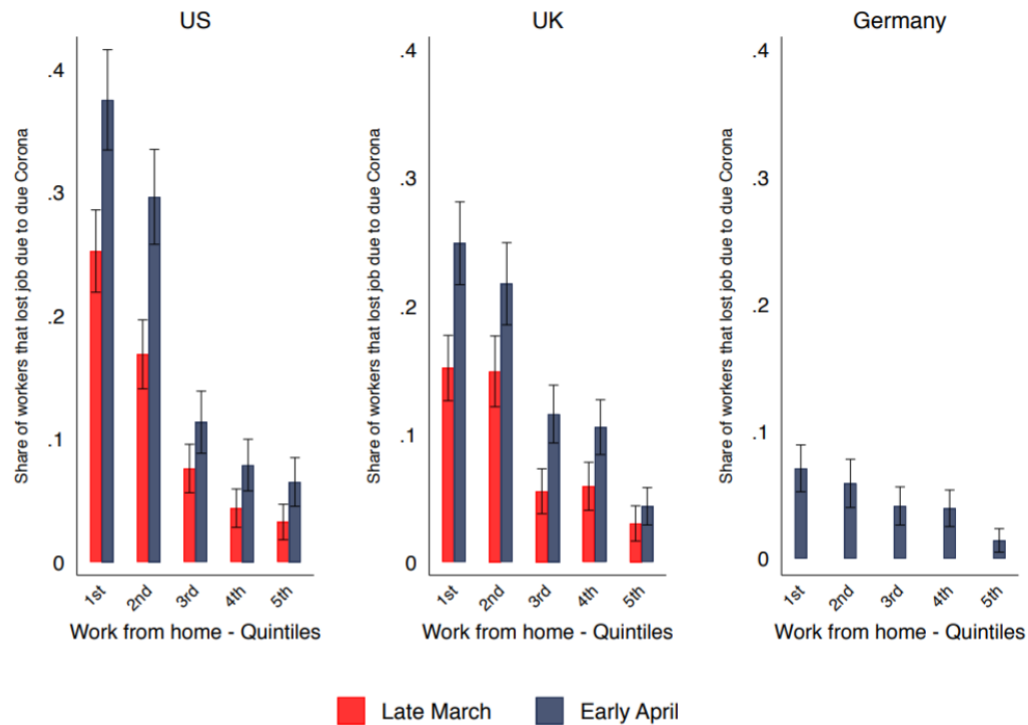
Source: Learning and Work Institute

- Using two-digit SOC codes, the Learning and Work Institute (L&W) estimated that almost 10 million people in the **UK** are employed in occupations that could be most directly affected.
- Using the IFS definition of shutdown sectors, the L&W estimates that **London** has the highest share of employment in vulnerable industries, with 18.4% of all jobs being in shutdown sectors (see chart).
- Looking at the number of people previously working in shutdown sectors, **London** has the highest number, with 808,000, followed by the South East of England, with 730,000, and the North West with 584,000.
- But the **capital** has the lowest share of employment in “at-risk” occupations. These are the jobs in which homeworking is less prevalent.



# However, job losses are likely to have been cushioned by home working...

Job loss probability due to Covid-19 by % tasks that can be done from home

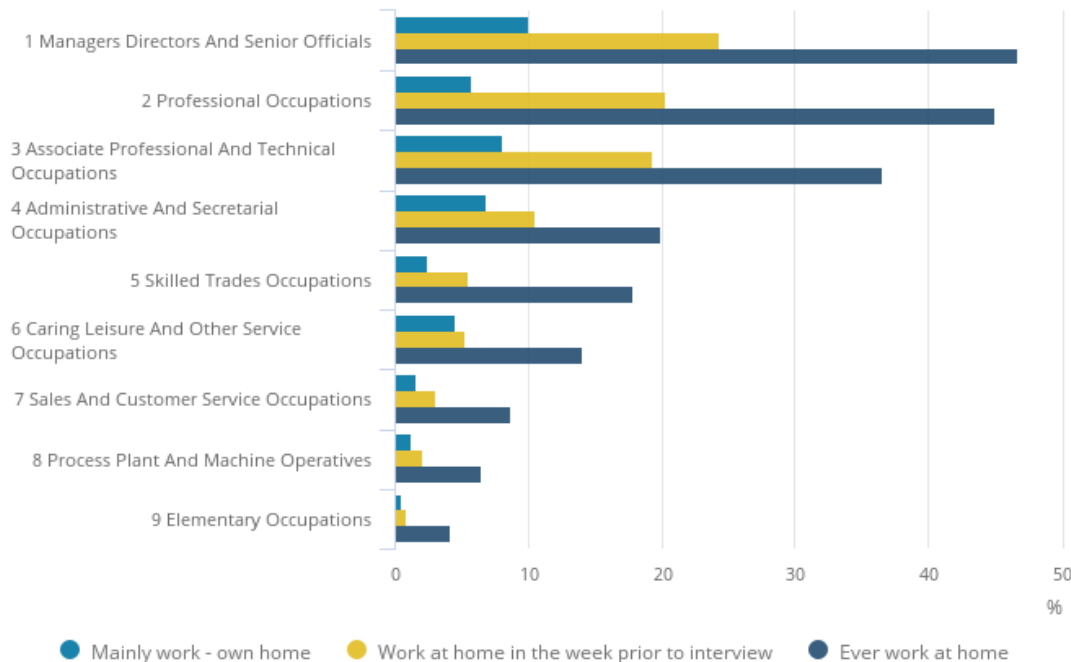


Source: Adams-Prassl et al. (2020)

- **Research by Adams-Prassl et al.** (2020) using real time survey data on samples of individuals in the US, UK and Germany showed that within occupations the percentage of tasks workers can do from home is a significant predictor of job loss, over and above what can be explained by occupation or other job characteristics (see chart).
- It alone can explain 69%, 54% and 58% of the variation in job loss due to Covid-19 across occupations in the US, the UK and Germany, respectively. (First wave: 24-25 March; second wave: 9-11 April). *This survey used a relative large sample with around 4,000 respondents for each wave.*
- **RF** estimates suggest that 11.1 million UK workers (35 per cent) are able to work from home, primarily those in high-skilled occupation and knowledge intensive industries. *These figures include workers that could be indirectly affected by the crisis and those with caring responsibilities.*

## ...which is more prevalent in London

Percentage of UK workforce homeworking by occupation, January to December 2019

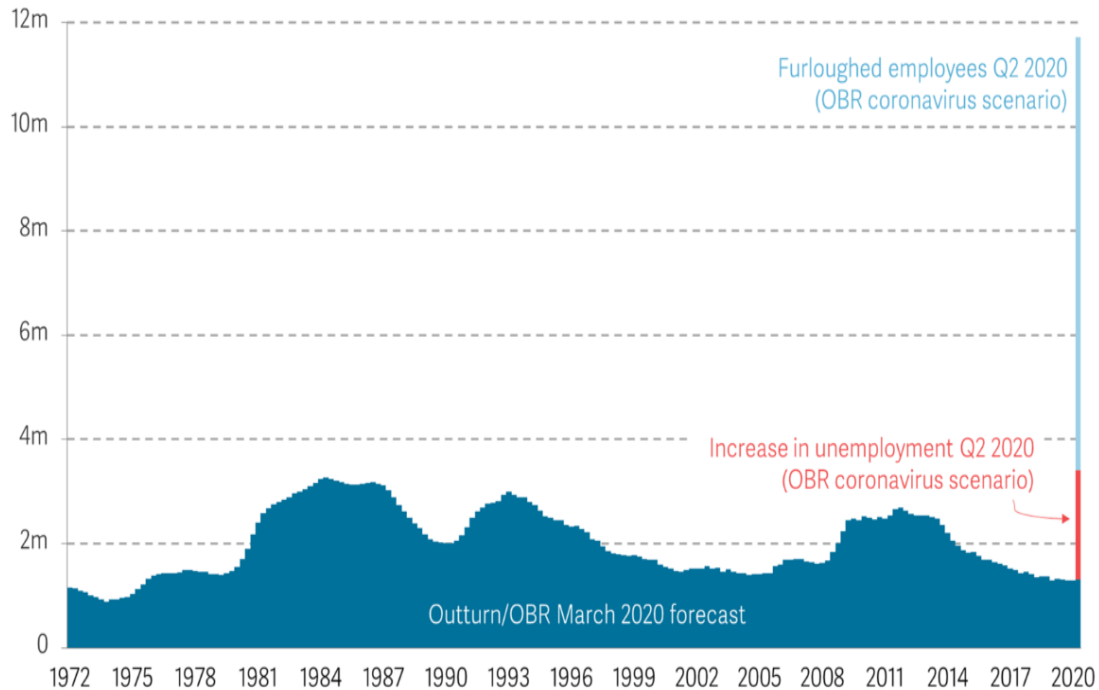


Source: ONS Annual Population Survey

- **ONS analysis** on homeworking trends revealed that in 2019 homeworking was more prevalent in **London** and the South East with more than 30% of workers in these regions having ever previously worked from home.
- When looking at the **UK**, the vast majority (80%) of those who can work from home come from the top 3 major occupation groups (1) Managers Director and Senior Officials, (2) Professional Occupations and (3) Associate Professional and Technical Occupations (see chart).
- Industrial sectors, such as transportation and storage, accommodation and food services, and wholesale, retail and repair provide relatively few opportunities for people to work from home.
- *Note: this data is based on homeworking prior to lockdown. With the investment in, and acceptance (or necessity) of, homeworking since lockdown the current picture will have changed – although the relative share of homeworking across occupations is unlikely to have significantly altered.*
- The **ONS BICS** showed that, 47% of **UK** staff were working remotely, 37% of staff were still working at their normal place of work, 16% of staff had other arrangements in place. (23 March-5 April).
- **PWC** found that while 60% of **UK** workers could work from home, around a third of this group revealed that they suffered a loss of productivity from being absent from their normal workplace - particularly workers in financial and business services (16-19 April).

# And the Coronavirus Job Retention Scheme (CJRS)...

## Unemployment level and furloughed employees, outturn and various forecast, UK

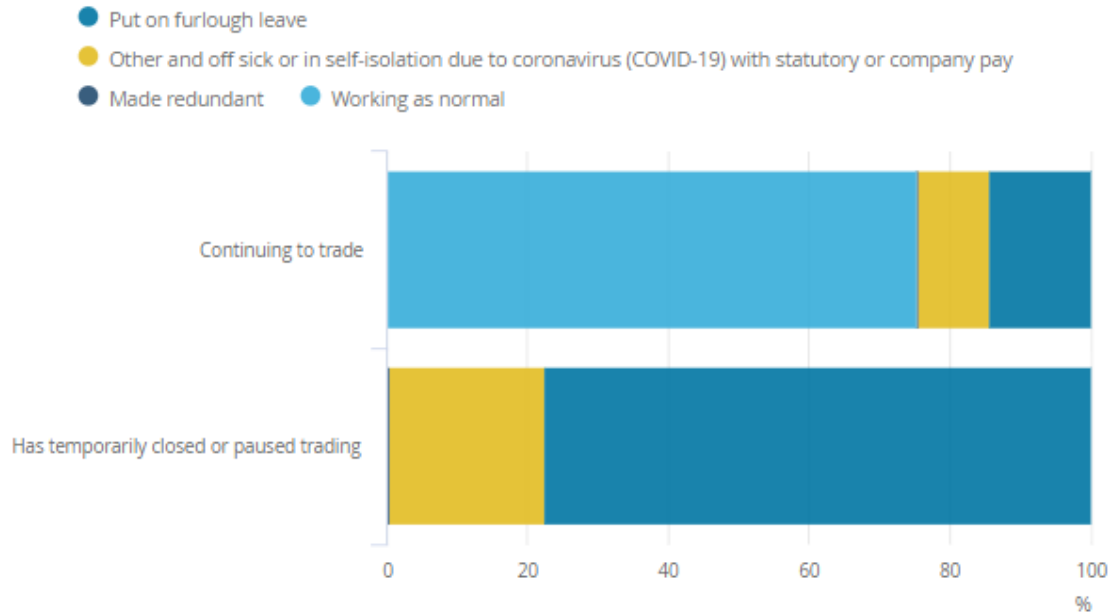


Source: Resolution Foundation

- The increase in non-working employment is likely to be much higher than the current loss of jobs. **OBR** predicts that 30% of all **UK** employees will be covered by the CJRS.
- According to **NIESR**, the CJRS could limit the fall in employment in 2020 to around 1.5m. In which case, unemployment could rise to around 3m, about 8.5% of the **UK** labour force, and fall back towards 2m in 2021.
- **RF analysis**, using the OBR scenario and BCC survey, estimates that 8.3m people in the **UK** are likely to take up the CJRS in Q2 2020. If we added these two figures together, unemployed and furloughed, a total of 11.7m will not be working in Q2 2020 (see chart).
- **Adams-Prassl et al.** (2020) found that 43% of the **UK** individuals that responded to the survey had been furloughed. This is much higher than in Germany (5%) where employees are allowed to work reduced hours.
- 70% of **UK** respondents who were furloughed report that their employer topped up their wages; 50% of employees in the **UK** were also asked to take annual leave and 15% of were asked to work while on furlough.

## ...which has had widespread take-up

Proportion of the workforce by working arrangements, for responding businesses that were still trading or had temporarily paused trading, UK



Source: ONS BICS

- According to the **ONS BICS**, in the **UK**, 27% of the workforce across all businesses that responded had been furloughed (see chart). Only 1% of the workforce had been made redundant over the same period. (23 March-5 April).
- Accommodation and food service activities industry had the highest share of furloughed workers (80%) followed by Art, entertainment and recreation industry (68%).
- **BCC Coronavirus Business Impact Tracker** found that 76% of **UK** firms have furloughed some or all of their staff. (22-24 April).
- **CIPD**'s survey shows that almost half (46%) of **UK** employers have already furloughed staff, while another 10% plan to do so (29<sup>th</sup> April).
- More than three quarters of **UK** employers that have already furloughed staff (76%) or plan to furlough staff (78%) said that making the scheme more flexible would be useful.

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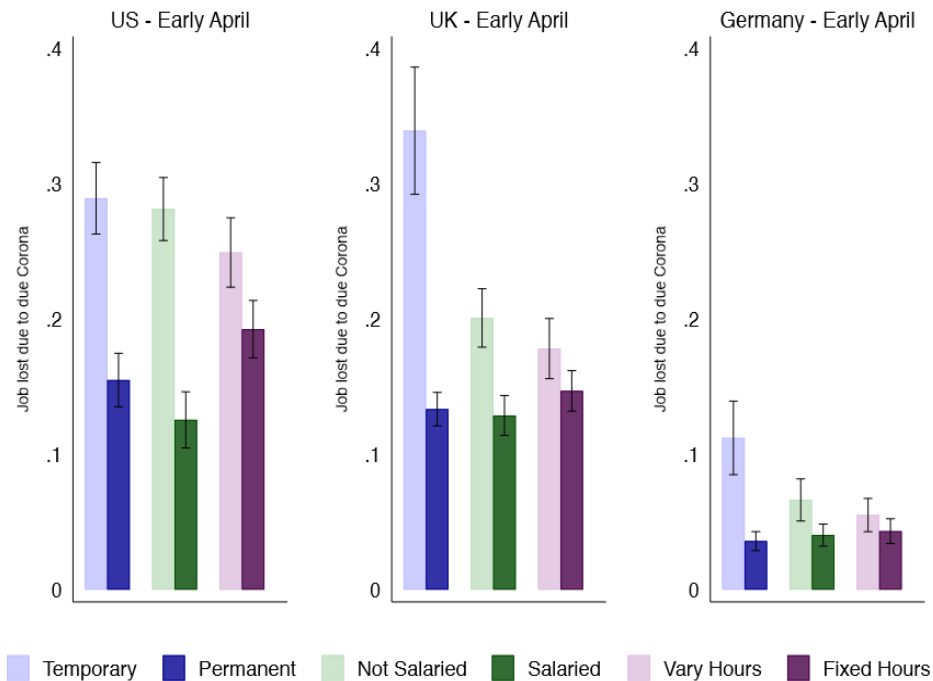
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## With a number of external policy recommendations made

# Workers in insecure employment have been at the forefront of job losses (1)

## Job losses due to COVID-19



Notes: The thin black bars represent the 95% confidence intervals. The figure shows the share of individuals who were employees four weeks before data collection that lost their job due to Covid-19.

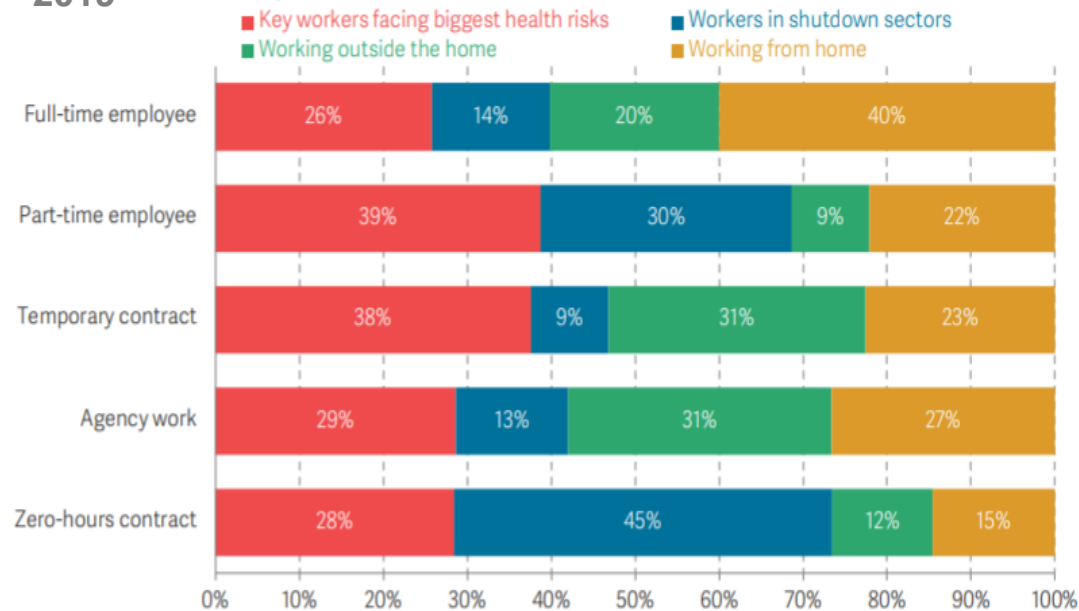
Source: Adams-Prassl et al. (2020)

- **Research by Adams-Prassl et al. (2020)** for the **UK**, highlighted that self-employed workers, those not paid a salary, and those with variable hours were more likely to work and earn less. With 75% of the self-employed, 66% of temporary workers, and 66% of workers with variable hours reporting a decline in work hours and pay. (24-25 March).
- They found that 28% of temporary workers and 15% of those with variable hours who were employed in the previous month, are now unemployed due to COVID-19, compared to 4% of permanent, salaried employees.
- **ONS analysis** on the self-employed showed that **London** has the highest proportion of self-employed amongst city regions, with 19 percent of workers being self-employed compared with 15 percent for the UK as a whole.
- The majority of self-employment (94%) in **London** comes from higher occupation groups, followed by skilled trades and process, plant and machine operatives
- *Note GLA Economics will provide London estimates on the characteristics of people working in vulnerable sectors in a future release.*



## Workers in insecure employment have been at the forefront of job losses (2)

Proportion of workers aged 16-69 in each coronavirus job group, by contract type and hours worked: UK, 2019

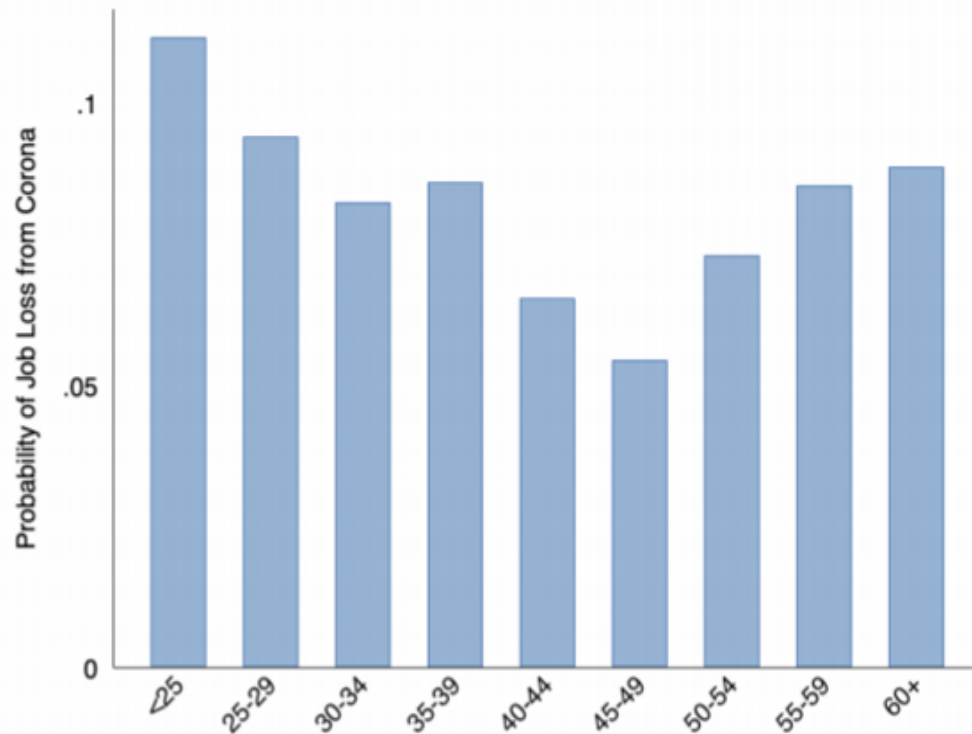


Source: Resolution Foundation

- Another wave of analysis **by Adams-Prassl et al (2020)** reported that in the **UK**, employees with a permanent contract were 17 percentage points less likely to have lost their job relative to employees on temporary contracts. In the US and Germany, permanent employees are 7 and 5 percentage points less likely to now be out of work. (9-10 April).
- **RF analysis** revealed that 45% of all workers on zero-hours contracts in the **UK** work in shutdown sectors, as do 30% of those working part-time (see chart).
- This is on the back of already challenging labour market experiences. For example, RF has estimated those on zero-hours contracts suffer a typical pay penalty of £1,000 a year compared to similar workers on other contracts.
- **ONS Labour Force Survey** data shows that around 974,000 workers in the **UK** were on a zero hours contract between October-December 2019, representing 3% of people.
- Of the total zero hour contract workers, 136,000 zero hour contract workers were from **London**.

# With young workers also hit hard...

Unemployment rate, by age, UK, March 2020

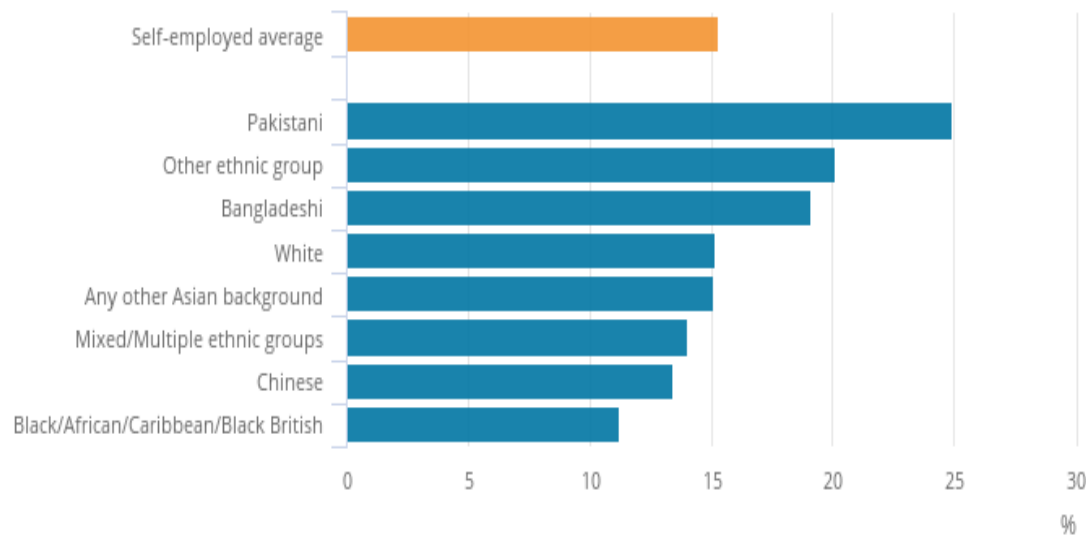


Source: Adams-Prassl et al.(2020)

- The **IFS** predict the lockdown will hit young workers the hardest in the **UK**; Employees aged under 25 were about 2.5 times as likely to work in a sector that is now shut down than other employees.
- **RF analysis** for the **UK** similarly shows that 16-24 year-olds workers are twice as likely to be working in shutdown sectors as the rest of the workforce.
- **Research by Adams-Prassl et al.** (2020) highlights that in the **UK**, of those in work in the previous month, 10% of workers under 30 are now unemployed due to CV19, compared to 6% aged 40-55 (see chart). The survey also suggests younger workers were more likely to have worked fewer hours and earned less than usual: 69% of workers under 30, compared to 49% aged 40-55. (24-25 March) .
- **ONS data** suggests younger workers in the **UK** are the least likely to be working from home, whereas those who continue to work beyond State Pension age are increasingly likely to be working from home.
- **ONS data** for the 3 months to December 2019, also shows that 16-24 year olds account for over a third of all zero hour contract workers in the **UK** who are **considered to be at greater risk**.

## ..... as well as those from BAME backgrounds

Self-employment, by ethnicity, UK, January-December 2019

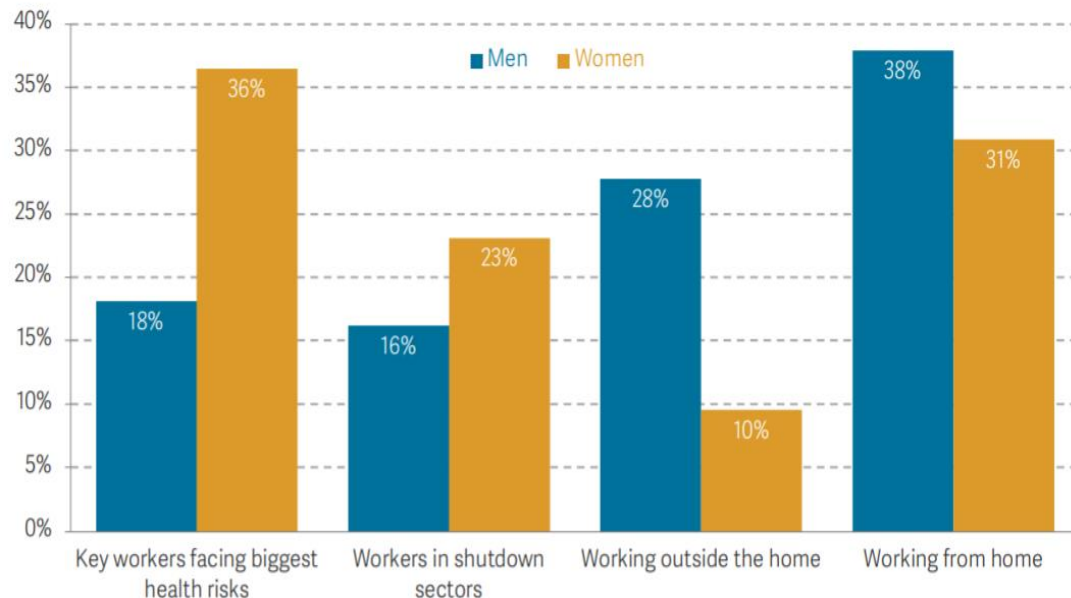


Source: ONS Annual Population Survey

- **House of Commons** report showed that some shut down sectors have a higher than average proportion of BAME (Black, Asian, Minority ethnic) workers; whilst BAME workers make up around 12% of the **UK** workforce they make up 28% of the vulnerable jobs in the transport sector and 16% of the vulnerable jobs in the accommodation and food service sector.
- The **ONS report** that in the **UK**, one in four workers in the Pakistani ethnic group and nearly one in five workers in the Bangladeshi ethnic group report being self-employed **found to be at greater risk**.
- Of Pakistani self-employed people, 45% work in the transport and communication industry grouping, as do 44% of Bangladeshi self-employed people, compared with just 11% of the total self-employed workforce. **ONS analysis** for the **UK** also shows that Pakistani and Bangladeshi ethnicities were also the least likely to work from home.
- Black/African/Caribbean/Black British workers on average were also less likely to work from home, with only 17% having ever worked from home compared to the 30% national average.
- A **BMG poll** for the Independent estimates that on 7-9 April approximately 46% of BAME people in the **UK** reported their household income had reduced as a result of coronavirus, compared to around 28% of white British households. Around 15% of BAME respondents reported losing their jobs, compared to an estimated 8% of white Britons. *Note that results from polls have a limited sample size and thus should be interpreted with caution.*

# Women are more likely to be key workers ...

Proportion of workers aged 16-69 in each coronavirus job group, by sex, UK, 2019

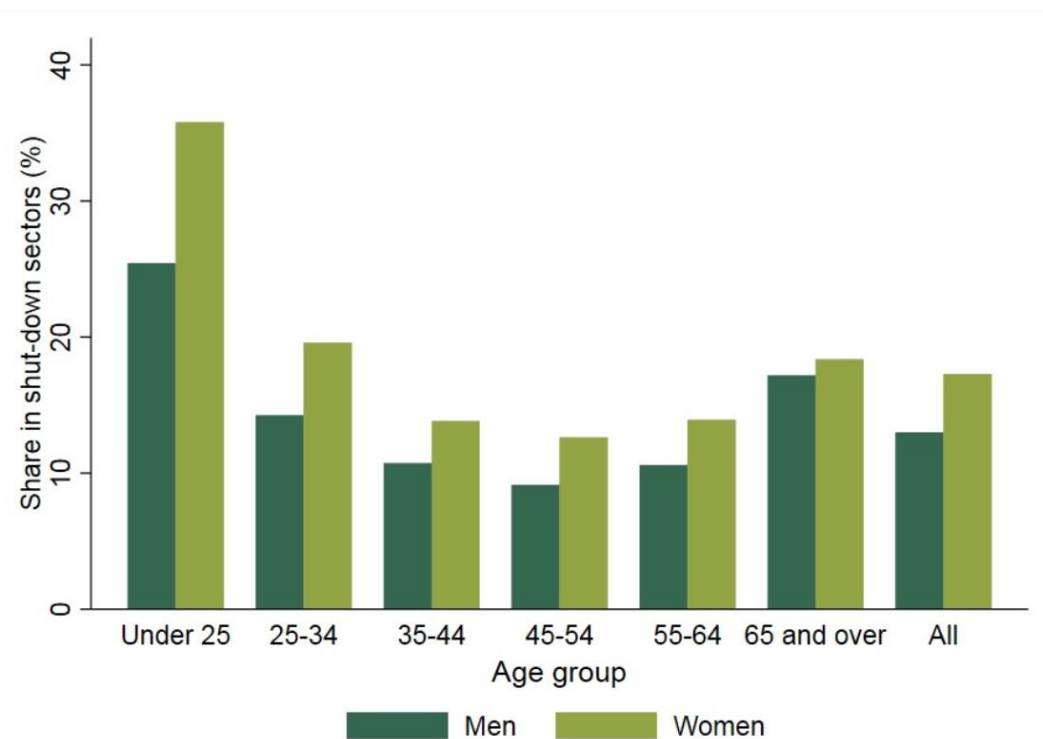


Source: Resolution Foundation

- The **ILO** points out that women are over-represented **globally** in more affected sectors (such as services) or in occupations that are at the front line of dealing with the pandemic as they estimates that 58.6% of employed women work in the services sector around the world, compared to 45.4% of men.
- This chart by the **Resolution Foundation** shows key workers in the **UK** are more likely to be female with employed women more than twice as likely to be in this group as employed men - 36% of women face the biggest health risks in this crisis due to being key workers, compared to just 18% of men.
- In turn, key workers are disproportionately likely to be female: 65% of key workers are female compared to 47% of the whole working population in the **UK** .
- IFS analysis on **key workers** similarly shows that 60% of **UK** key workers are women, compared to just 43% of workers outside of these key industries.
- *Note GLA Economics will provide London estimates on the characteristics of key workers in a future release.*

## ... but are also more likely to work in 'shutdown' sectors

Share of employees in shut-down sectors, by gender and age, UK, 2019

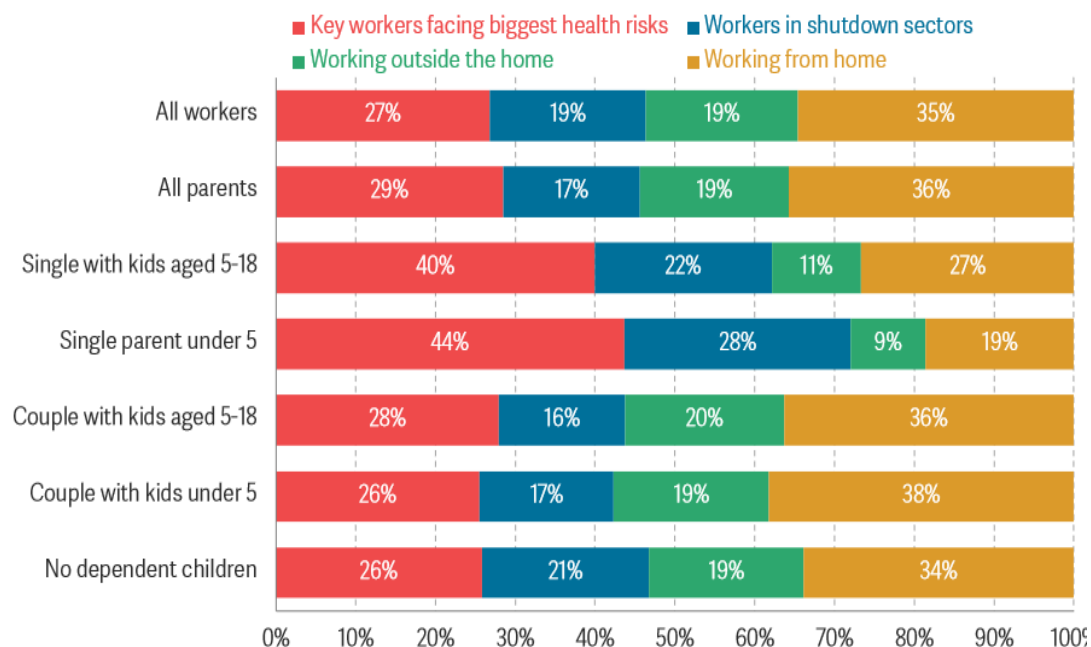


Source: Institute for Fiscal Studies

- IFS analysis on **shutdown sectors (see chart)** shows women were about 1/3 more likely than men to work in a sector that has shut down.
- Both in the US and UK, **Research by Adams-Prassl et al. (2020)** find a large gender gap in respondents' ability to work from home: in the UK (US), women on average report they can do 41% (42%) of their tasks from home, compared to 46% (53%) for men. Their analysis also suggests women were significantly more likely to lose their job across both countries.
- The **Women's Budget group** also found that women in the UK are more likely to be in the following categories of workers at greater risk – women make up 69% of low earners, 54% of temporary employment, 54% of workers on zero-hours contracts, and 59% of part-time self-employment.
- **VoxEU** highlight that the current crisis is harming women's labour market prospects more than those of men and that women are also likely to be on the receiving end of the bulk of increased home production requirements.
- **Research by Adams-Prassl et al. (2020)** shows that women were about one third more likely to work in a sector that is now shut down than men: one in six (17%) female employees were in such sectors, compared to one in seven (13%) male employees.

# Meanwhile, parents and carers face a challenge in juggling childcare and work

Proportion of workers aged 16-69 in each coronavirus group, by parent status, UK, 2019



Source: Resolution Foundation

- **ONS** data suggests there were 4.6m households in the **UK** with children under 16 where all parents are working (3.7m of these are couple households and 842,000 are lone-parent households).
- The ONS estimate that one in seven workers in the **UK** could be affected by childcare arrangements. In nearly half of working households with children under the age of 16, all parents in the household are employed full-time. Just over a third of self-employed mothers with dependent children work full-time
- **RF analysis** found that two-thirds of working single parents are in jobs bearing the greatest economic and health risks in this crisis (see chart).
- They also highlight that Millennials born (1981-2000) are some of the most likely affected by the shake-up to work and family life, with over half of those born in the early 1980s are parents of children under nine. They point out that this cohort of adults also experienced the sharpest deterioration in pay growth since the financial crisis.
- They also report that parents in the **UK** are more likely to be key workers than non-parents especially mothers: 39% of working mothers were key workers before this crisis began, compared to just 27% of the working population as a whole.
- *Note GLA Economics will provide London estimates for working parents in a future release.*



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## 1. Prevent labour market scarring and help people back into work (IES, L&W and RF)

- A major re-investment in employment support, equivalent to a 50% (an extra 6,000) more Jobcentre Plus Work Coaches, and accelerating the use of technology to support people (L&W).
- A new Back to Work Service for the long-term unemployed and disadvantaged and 'Back to Work' wage subsidy available to support recruitment (IES).
- Job guarantees via wage subsidies, targeted at young people (RF).
- **GLAE quick view:** *These policies are vital to ensuring that falls in employment and rises in unemployment are temporary by providing job search support for the unemployed but this needs to be done in a structured and targeted manner to be effective. Subsidies are costly and ideally you would need increases in employment to be driven by changes in demand rather than a financial incentive which may not be a long term solution.*

## 2. Lesson's learnt and maintaining focus on wider structural issues (L&W and IES)

- The crisis exposed shortcomings in the labour market and social security support thus there is a need to address persistent labour market issues such as low pay, in-work poverty, job insecurity (L&W). This is a lesson for future labour market policy.
- Continue to focus the Work and Health Programme on supporting those with long term health conditions to prepare for and move back to work (IES).
- **GLAE quick view:** *Issues of low pay and job insecurity disproportionately affect certain groups and this is amplified particularly in times of crisis, policies can help to provide greater resilience to economic shocks . Furthermore, the focus on health in the workplace is increasingly important for recovery as more people seek to return to work. Specific interventions are needed to support people with long term health conditions in employment and prevent them from becoming unemployed and inactive or marginalised from the labour market.*

## With a number of external policy recommendations made, cont.d...

### 3. Skills and training to support recovery (IES)

- A significant expansion of pre-employment, job-focused training and investment advice and guidance to support the unemployed.
- The IES highlight the AEB and apprenticeships as important means for doing this.
- **GLAE quick view:** *This could help job seekers to be more responsive to, and better able to compete for jobs in demand during the recovery.*

### 4. Reallocation of workers and utilisation of skills (IFS and L&W)

- A freelancing platform where jobs are advertised to furloughed workers (IFS).
- Potentially make the CJRS conditional on taking up a job in the sectors facing shortages if one is available locally (IFS).
- Volunteering for those who are on the furlough scheme to support the NHS, local services and vulnerable people (L&W).
- **GLAE quick view:** *This could save in having to completely retrain people (which can be costly and take time) whilst ensuring workers who are furloughed continue to utilise and develop their skills (which could help re-employment if they lose their jobs).*

## With a number of external policy recommendations made, cont.d...

### 5. Changes to current policies (Job Retention Scheme and Statutory Sick Pay)

(RF and L&W)

- Allow employees under CRJS to work reduced hours without losing the entitlement as the scheme only supports those who entirely cease work to prevent them becoming unemployed (RF, L&W).
- Increases in Statutory Sick Pay, which is comparatively low in the UK, to better support the increased numbers having to take potentially extended sick leave due to CV19 (L&W).
- **GLAE quick view:** *Flexibility in the CRJS is critical to minimising deadweight i.e. if an employee could be utilised for less than 80% of their time they should be utilised and have their income topped up rather than not utilised at all (as the scheme currently incentivises). This will also be critical in supporting a smooth recovery where salary support to firms is currently all or nothing. Increases to SSP will help to ensure those who are worried about their income will not reluctantly go into work despite being sick to protect their income*

### 6. Releasing the young to aid recovery

(CAGE (Warwick))

- Release' from lockdown of the young cohort of UK citizens aged between age 20 and 30 who do not live with parents.
- A young workforce release of this kind could lead to substantial economic and societal benefits without enormous health costs to the country.
- **GLAE quick view:** *This could help to mitigate the economic impact felt by young people who are amongst the hardest hit and allow the economy and labour market to partially recover. Its effectiveness may be limited given the industries that many young people work for (or are qualified to work for) such as retail (i.e. labour demand for young people may reduce the impact of this policy).*