Alliance for Full Employment

Budget 2021: Kickstart Kickstart & Restart Restart

The Jobs Crisis

Too little is being done to prevent the coming wave of unemployment which threatens to plunge people into poverty, without hope or the skills to find new jobs. The new wave of joblessness that the OBR and the Bank of England predict between now and the autumn should be being addressed with measures equal to the crisis. We should be acting now to provide businesses with incentives to create permanent jobs, doubling down on efforts to re-skill the unemployed, and provide different pathways for our youth - their education and life prospects have already been so heavily affected by this crisis, with ramifications likely for many more years.

---

1. **Context: The Looming Unemployment Crisis in the UK**

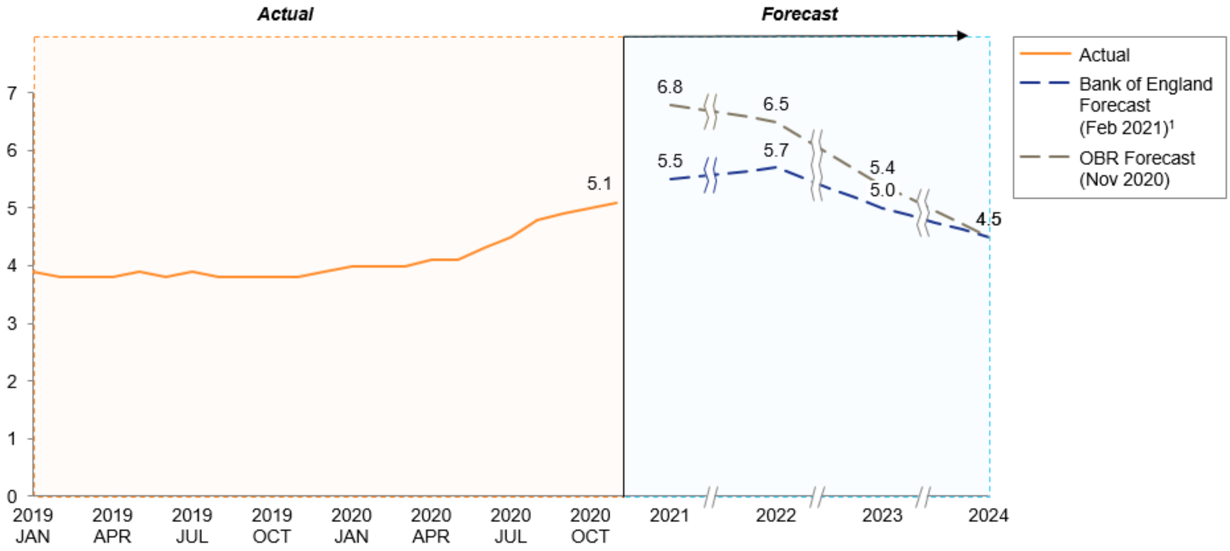
General UK Wide Trends

The UK is facing a considerable unemployment crisis. Official figures from the Labour Force Survey released on February 23rd show that the current UK unemployment rate has reached 5.1% - c.1.3% higher than a year ago,[1]
with 1.7 million people currently unemployed. Already high, we know these figures neglect the true reality - in our recent report in January 2021, we highlighted how the UK government is fundamentally underestimating unemployment, with figures far above official ONS statistics. PAYE payroll figures too emphasise that 725,000 people left PAYE payroll comparing January 2020 versus 2019 - a 3% decline.[2] In reality, unemployment across the UK likely stands today at more than 2 million - with a possible rise towards or beyond 3 million by the end of the 2021.[3]. Hiring today remains subdued - the number of job vacancies in November 2020 - January 2021 was 26% lower than a year ago, with at least 3 times as many unemployed than jobs available.[4]

The most recent economic forecast from the Bank of England in February 2021 predicts that the UK unemployment will continue to rise well into 2021. They forecast an average UK unemployment rate of 5.5% in Q1 2021, rising to 5.7% in Q1 2022, with levels not return below 5% until 2024.[5] Continued economic uncertainty in the midst of the COVID-19 pandemic will continue to drive redundancies as the furlough scheme is wound down and hiring is further subdued - all compounded by economic re-aligned required post Brexit.

[1] Measured between October and December 2020 vs October to December 2021 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021
[2] HMRC Payroll Data, January 2021
[3] AFFE modelling informed by the differential of LFS job losses vs the rise in the claimant account implying unemployment at c.6%, the Workforce Jobs Business Survey Data implying unemployment at 6% and live PAYE payroll reduction data implying total unemployment at c.7% - see AFFE Report: The Ongoing Wave - The Failure of UK Government to Measure Unemployment, and the Urgent Need for New Measures to Create Jobs, January 2021
[4] https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/february2021, accessed February 23 2021
[5] Revised down from November 2021 figures which predicted that unemployment would rise to 6.7% in Q1 2021, and 6.1% in Q1 2022. https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2021/february/monetary-policy-report-february-2021.pdf, accessed February 23 2021

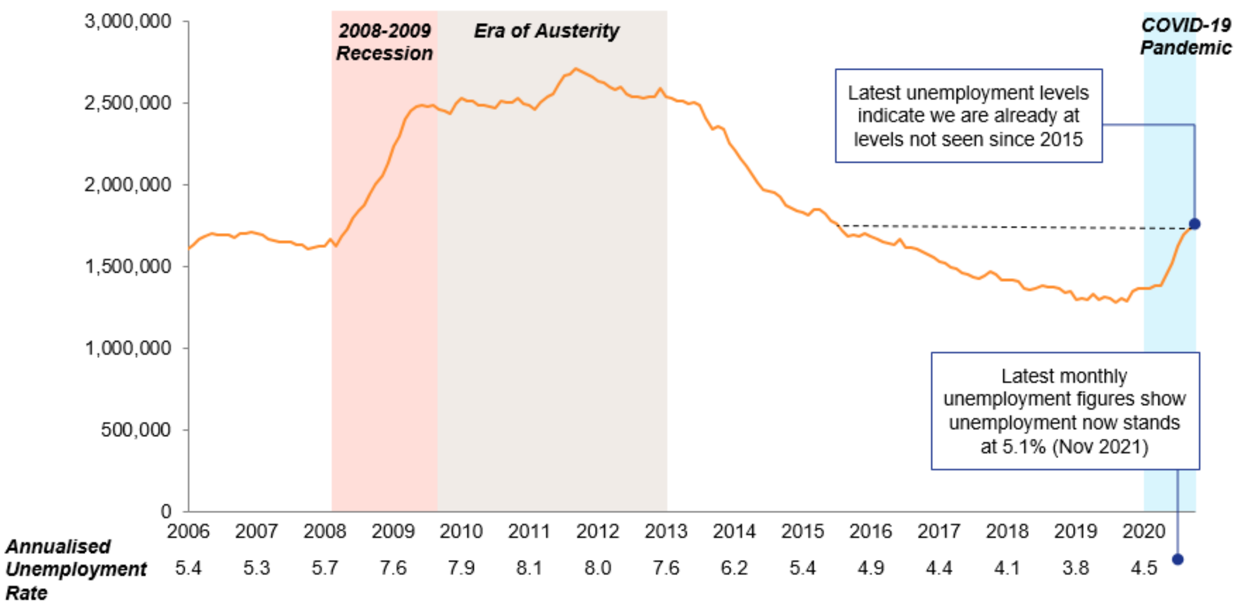
Figure 1: UK Unemployment Rate, 2019-2024F - ONS Data, Bank of England Forecast and OBR Forecast



¹ Note: Bank of England forecasts are for Q1 comparisons not full year

Sources: ONS Release February 2021, Bank of England Release February 2021, OBR Forecast Release November 2020 – update expected March 2021

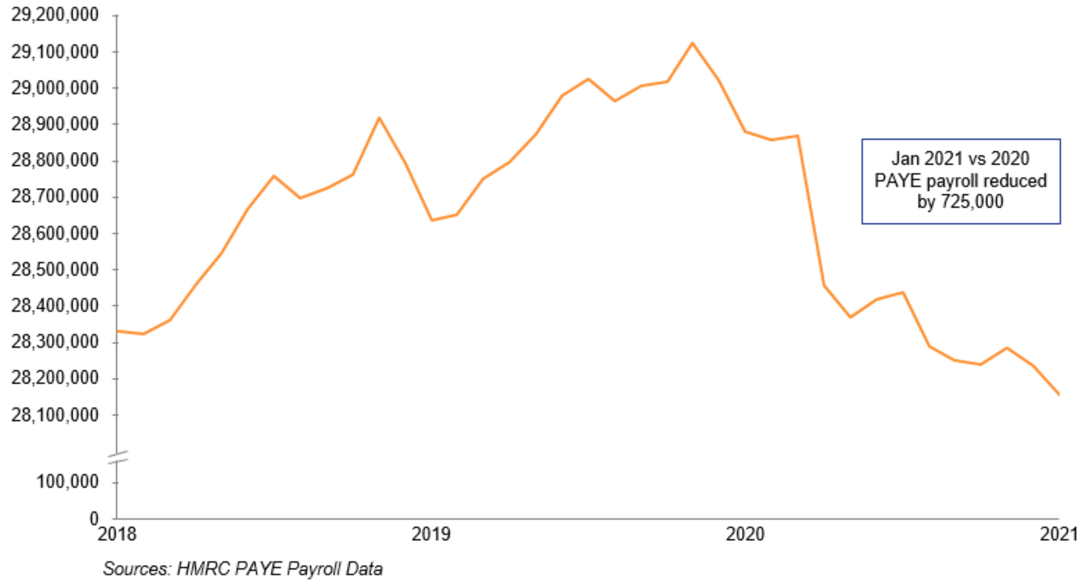
Figure 2: UK Total Unemployed Population, 2006-2020[6] - ONS Data



Source: ONS Release February 2021

[6] Unemployment trends using 3 month rolling averages; see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

Figure 3: PAYE Payroll Members, 2018-20 - HRMC



Key Concern 1: The Long Term Risk of Being Left Behind: Rising Long Term Unemployment

In particular we fear that unless new action is taken, total long term unemployment, for adults defined as 12 months or over, for under 25's 6 months - will continue to rise above current levels of 470,000 as reported by the ONS.[7] The Learning and Work Institute have modelled that this figure could double, even triple based on anticipated rises, exceeding 1 million in 2022.[8] This is likely to have an uneven impact on society: long term unemployment rises have already affected the youth and the over 50s the most: the October - December 3 month average 2020 vs 2019 % increase in long term unemployed was at +36% and +31% respectively.[9] Rises are intrinsically linked to the level of suitable vacancies in local economies, and the extent of requirements and support for people to search for work[10] - meaning to address we have to influence the private sector to create jobs, and separately target returning to work schemes for specific sections of society that are affected the most.

---

[7] Long term unemployed defined as those out of work for 12 months or more, see ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/summaryoflabourmarketstatistics, accessed February 23rd 2021

[8] 'Recovery and Renewal: Tackling Long-Term Unemployment', Learning and Work Institute, February 2021 - see https://learningandwork.org.uk/resources/research-and-reports/recovery-and-renewal-tackling-long-term-unemployment/, accessed February 26 2021

[9] Long term unemployed defined as those out of work for 12 months or more, see ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/summaryoflabourmarketstatistics, accessed February 23rd 2021

[10] 'Recovery and Renewal: Tackling Long-Term Unemployment', Learning and Work Institute, February 2021 - see https://learningandwork.org.uk/resources/research-and-reports/recovery-and-renewal-tackling-long-term-unemployment/, accessed February 26 2021

Figure 4: Long Term Unemployed Population, 2018-Present - Total and by Age Segment[11], ONS Data

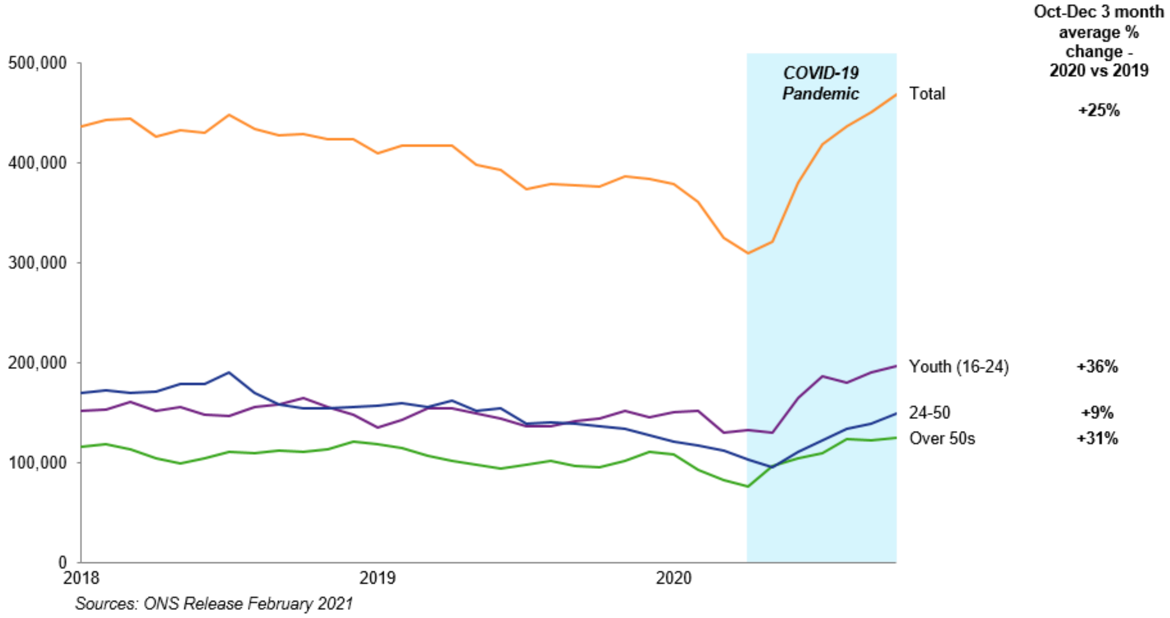
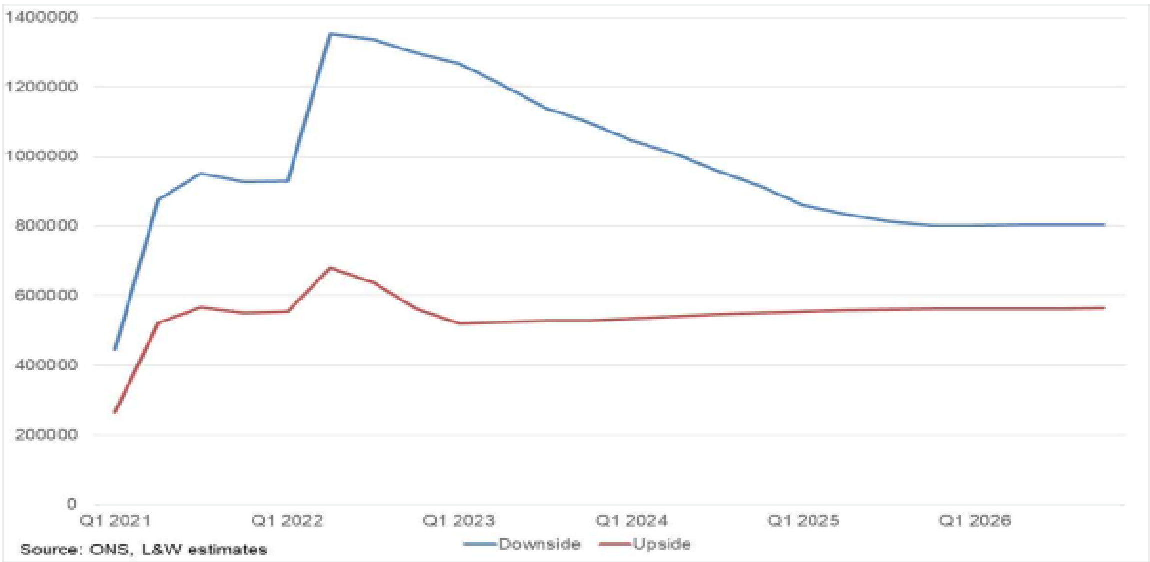


Figure 5: Projections for long-term unemployment, UK - as modelled by the Learning and Work Institute[12]



[11] Unemployment trends using 3 month rolling averages; see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

[12] 'Recovery and Renewal: Tackling Long-Term Unemployment', Learning and Work Institute, February 2021 - see https://learningandwork.org.uk/resources/research-and-reports/recovery-and-renewal-tackling-long-term-unemployment/, accessed February 26 2021

Key Concern 2: Today's Youth - A 'Lost Generation'

The impact of COVID-19 has been unequal, with today's youth severely affected. If we do not address this crisis, they risk becoming a 'lost generation'. ONS Labour Force Survey figures for February 2021 indicate c.600,000 youth are currently unemployed, with 196,000 of these having been unemployed for over 6 months.[13] Yet again, these figures are likely to be under-estimating the reality - economist Paul Gregg estimates that the true figure for youth unemployment stands at c.1 million, - the reason being that 400,000 are not accounted for in the official figures.[14] To emphasise the difference, whilst official ONS figures state that c.284,000 fewer young people were employed in October - December 2020 vs January - March 2020, a decline of -8%,[15] PAYE payroll figures show 425,000 younger people were removed from the payroll since February 2020, a change in -11% (versus only -1% for over 25's).[16] Indeed, even prior to the onset of COVID-19, the Youth Employment Group measured that there were 760,000 young people not in education or employment in the UK, and predicted that a further 640,000 would become unemployed due to the pandemic in 2020-1.[17]

Under 25's have been detrimentally impacted by the pandemic - not only has total youth unemployment, increased by at least c.23% (Oct - Dec 2020 vs 2019),[18] but they have been more likely to be furloughed and affected by salary reductions. The Youth Employment Group highlight that c.25% of employed under 25's have been furloughed[19] - this has been disproportional versus any other age range, with c.20% of those furloughed under 25[20], despite only representing c.11% of the employed workforce.[21] The sectors they are employed in and nature of their contracts expose them to greater impacts of economic shutdown - they are more exposed to the retail and leisure industry, with young people also making up 37% of the zero hour contract workforce.[22] Separately, 1 in 3 are earning less than before the pandemic, and 1 in 7 claiming unemployment benefits.[23]

Unless considerable intervention occurs, there will be longstanding implications for the employment prospects of the today's youth - affecting the economy and opportunities of tomorrow. The Youth Employment Sub-Group highlight that COVID hiring freezes are already affecting young people worst at key transition points (with a -2% reduction at age 18, -3% at 20, -4% at 22).[24] Figures from the Prince's Trust Youth Index 2021 show the impact of these freezes and a more

---

[13] Impact likely to be higher given methodological issues with Labour Force Survey; Measured between October and December 2020 vs October to December 2021 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

[14] The AFFE Youth Report: A Million Reasons to Act, Paul Gregg, November 02020

[15] Impact likely to be higher given methodological issues with Labour Force Survey; Measured between October and December 2020 vs October to December 2021 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

[16] https://www.theguardian.com/commentisfree/2021/feb/24/budgets-sunak-cash-economic-plans-britain-covid, accessed February 24 2021

[17] Securing a Place for Young People in the Nation's Economic Recovery - Final Recommendations from the Youth Employment Group, Impetus Trust

[18] Measured between October and December 2020 vs October to December 2021 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

[19] Securing a Place for Young People in the Nation's Economic Recovery - Final Recommendations from the Youth Employment Group, Impetus Trust

[20] Furlough percentages taken from total December average furloughed workers; CJRS Statistics, January 2021

[21] Impact likely to be higher given methodological issues with Labour Force Survey; Measured between October and December 2020 vs October to December 2021 https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

[22] Quality of Opportunities - YEG Subgroup, February 2021

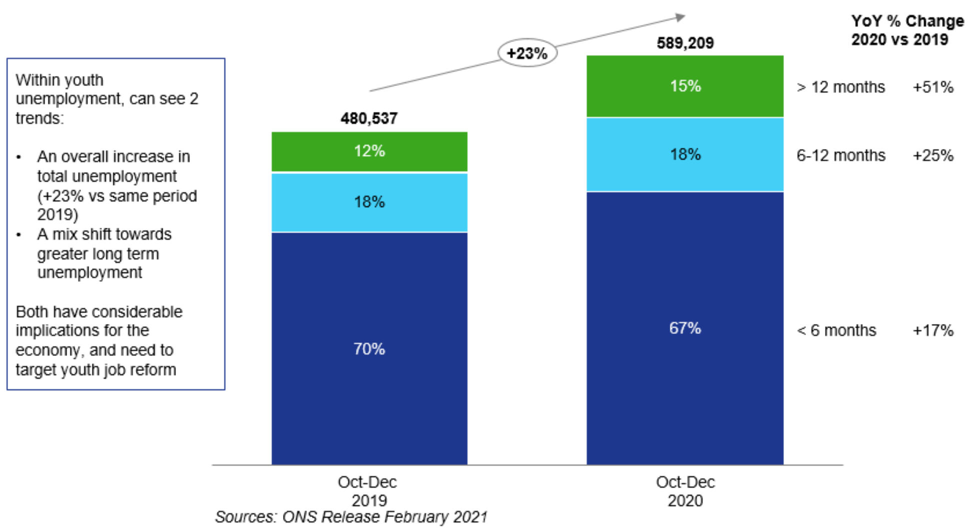
[23] Securing a Place for Young People in the Nation's Economic Recovery - Final Recommendations from the Youth Employment Group, Impetus Trust

[24] Securing a Place for Young People in the Nation's Economic Recovery - Final Recommendations from the Youth Employment Group, Impetus Trust

competitive job market for those with the lowest skills, with 60% of young people feeling that getting a new job is impossible. As a result, the Youth Employment Group fear that at least an additional 640,000 under 25's could become unemployed this year.[25] Separately, the risk of increased long term unemployment due to a lack of opportunities is increasing - and even those in employment are likely to stay in precarious contracts for longer. The Learning and Work Institute predict that the number of young people that are long term unemployed could reach 200,000, remaining double its pre-crisis levels until at least 2026.[26]

If we do not address youth unemployment, the impacts of COVID-19 will undermine the potential of this entire generation - we must do better to support and equip the young with the skills and opportunities to succeed. Youth unemployment has long term effects long after they enter the job market - from depressed salaries to future opportunities - we must address this now.

Figure 6: Youth Unemployment Trends, Oct-Dec 2019 vs 2020[27] - ONS Data



Key Concern 3: Regional Disparities, Widening Inequality

Naturally, the rate of unemployment will differ across the country, as the impact of the crisis has also varied - and some areas will continue to be considerably left behind. Whilst all areas are affected by toppling fiscal policy, the impact differential occurs given initial unemployment figures, industry mix, local government support and policy action. With this virus too, the rate of recovery - and how areas manage to avoid any future localised lockdowns - will likely affect localised unemployment rates. In focusing on the localised unemployment rates, we must consider two metrics when assessing where to allocate and prioritise employment programmes: (1) the total unemployment figures and (2) the growth in unemployment vs a previous baseline - which could lead to widening inequality across an area.

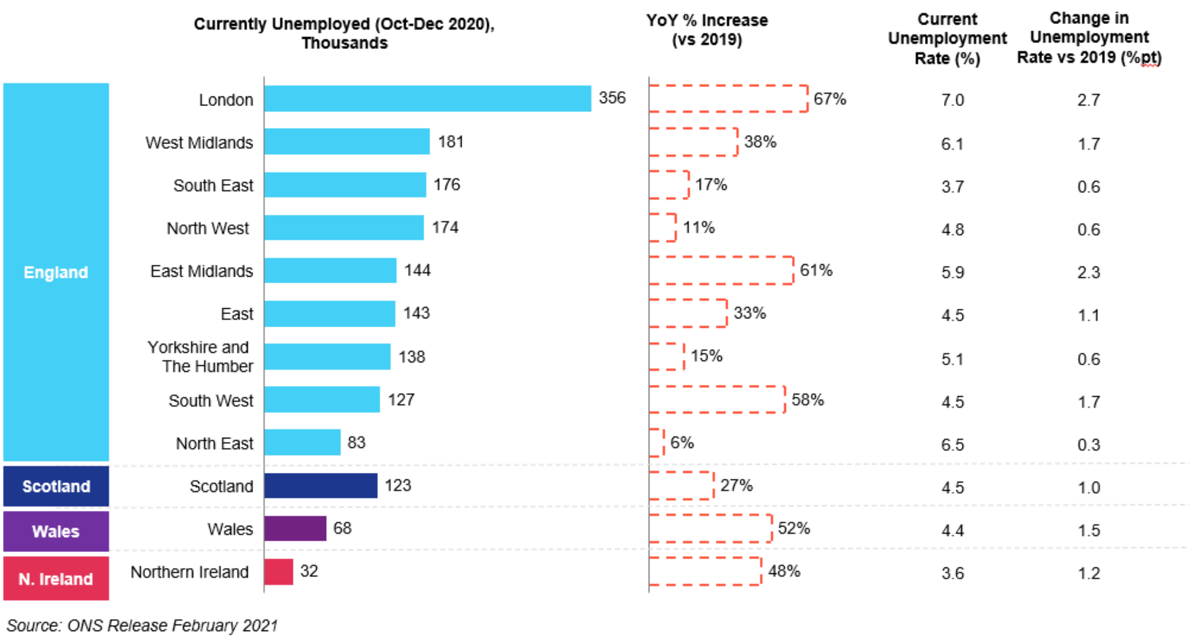
[25] Securing a Place for Young People in the Nation's Economic Recovery - Final Recommendations from the Youth Employment Group, Impetus Trust
[26] 'Recovery and Renewal: Tackling Long-Term Unemployment', Learning and Work Institute, February 2021 - see https://learningandwork.org.uk/resources/research-and-reports/recovery-and-renewal-tackling-long-term-unemployment/, accessed February 26 2021
[27] Unemployment trends using 3 month rolling averages; see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

The areas currently hardest hit by the pandemic remain London, the Midlands and the North East, with unemployment rates considerably higher than the 5.1% ONS LFS national average.[28] In the North, these are areas that held back production and considered redundancies too because of the threat of a no deal Brexit.[29] Scenarios modelled by the Learning and Work Institute for long term unemployment in 2021 map on to the absolute figures shown in figure 7 - emphasising greater risk of unemployment within Manchester, the West Midlands and Liverpool.[30]

Yet separately, areas in the South West and Wales have seen very high increases in unemployment, and to the unemployment rate overall. This relates to modelling from the Learning and Work Institute, that state areas hit hardest with growth in unemployment by Q2 2021 are likely to be Cambridge and Peterborough (+170%), and the West of England (+185%) versus Tees Valley at 86%.[31]

Certain cities have been hit worse than others - the claimant count rate reaching higher than 9% in in Blackpool (9.7%), Birmingham (9.6%), Hull (9.6%) and Bradford (9.4%).[32] This is in comparison rates of just 3.3% in York, 3.9% in Exeter and Cambridge, and 4.4% in Oxford.[33] Efforts to address unemployment must therefore consider priority cities home to large proportions of our population.

Figure 7: Regional Unemployment Levels, Oct-Dec 2020[34]



---

[28] Unemployment trends using 3 month rolling averages; see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021
[29] https://www.theguardian.com/business/2020/jul/16/rising-unemployment-uk-hidden-problem-furlough-coronavirus, accessed February 23 2021
[30] 'Recovery and Renewal: Tackling Long-Term Unemployment', Learning and Work Institute, February 2021 - see https://learningandwork.org.uk/resources/research-and-reports/recovery-and-renewal-tackling-long-term-unemployment/, accessed February 26 2021
[31] 'Recovery and Renewal: Tackling Long-Term Unemployment', Learning and Work Institute, February 2021 - see https://learningandwork.org.uk/resources/research-and-reports/recovery-and-renewal-tackling-long-term-unemployment/, accessed February 26 2021
[32] https://www.centreforcities.org/data/uk-unemployment-tracker/ accessed February 26th 2021
[33] https://www.centreforcities.org/data/uk-unemployment-tracker/ accessed February 26th 2021
[34] Unemployment trends using 3 month rolling averages; see https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#employment-unemployment-and-economic-inactivity, accessed February 23rd 2021

With such obvious differences not just across age segments across the UK, but within and between areas, we must therefore ensure that policies promising wage, unemployment and training support are crafted with a regional lens, co-opting local bodies to support their formation, and joining up with local businesses and policy makers.

2. A Response Suitable of the Scale of the Crisis: the Inadequacies of Current Government Policy

The unemployed need much more than the UK government is offering, and they need it now - urgently - if we are to stop them being left out, demoralised, and, as time goes by, potentially lost to the labour market. We have to target effectively those most at risk - the long term unemployed and the youth, and provide comprehensive investment, skills, training and job opportunities, whilst stimulating the private sector where necessary, to ensure that we bridge the gap to demand.

Already we can see fundamental flaws in the policies that the government are creating and beginning to implement to help support employment in the COVID recovery. These flaws - or even inevitable failures - sit across the following:

A. ***No wage support scheme in lockstep with lockdown***

B. ***A failure to incentivise new job creation***

C. ***Insufficient momentum and funding behind the recently established Restart and Kickstart***

D. ***Abject underfunding and poor tailoring of skills initiatives - particularly those targeting the hardest to reach***

E. ***Poor Design and Management of Apprenticeship and Traineeships, that do not serve priority groups***

A) No Wage Support Scheme in Lockstep with Lockdown

When the furlough scheme ends there are no governmental provisions as in Germany and other countries to satisfactorily continue the support of wages as lockdowns lift and economic activity resumes. In Johnson's plans for re-opening the economy, many parts of the hospitality and leisure industries will remain at restricted capacity or closed for months past this deadline - let alone considering whether demand will return to pre-pandemic levels, and if future localised lockdowns will occur. If the burden of paying full wages falls to employers in these industries straight from the offset, a combination of two things will happen: (1) redundancies and unemployment will spike as employers can no longer afford to retain jobs permanently and (2) staff will return on reduced hours for reduced pay, bearing the economic burden themselves through no fault of their own.

At the very minimum, there should be a continuation in some form of the current Job Support Scheme in lockstep with lockdown.

We should be offering to continue to support and subsidise part time salaries in particular sectors until businesses can fully open without restrictions - and we should indicate this as early as possible to allow for full resource planning. This aligns with the continuation of other economic subsidisation and relief packages, including VAT cuts and business rate holidays.

Separately, we should learn from the immediate shock to employment that COVID-19 had, and think about implementing part time employment and wage subsidisation schemes to minimise the impact of the next crisis. We can look to other countries as examples of what a successful scheme looks like. Germany's *'Kurzarbeit'* short time work benefit is considered the 'gold standard' of such schemes, credited for keeping employment stable during the last financial crisis. Their social insurance scheme sees employers reduce their employees' working hours instead of making them redundant, and the government subsequently provides an income 'replacement rate' of 60%, whilst receiving full pay for hours worked. Therefore the overall loss of salary is at a minimum to the worker, whilst allowing businesses to respond to crises without losing firm specific human capital.[35] The support is readily available when required. Whilst some economists have argued it creates distortions in the labour market, the fact is the scheme has had real success in preventing steady rises in unemployment - Germany was the only G7 country that did not experience a fall in employment in 2009 despite a fall in GDP.[36] Given the wider impact of COVID-19 across economic sectors, unsurprisingly uptake has been significantly higher in 2020 than in 2009, with relaxations of certain employer contributions including social security contributions, and working hour reduction eligibility thresholds.

Germany is not alone in having a 'short hours' policy - France and Sweden also top up employee wages if an employer is forced to cut their hours. Different policies have different eligibility requirements and wage subsidisation ceilings, with France's the most generous. The benefits of having such a scheme in place pre-COVID-19 meant that nations could quickly and effectively respond to the crisis by changing eligibility and subsidisation levels - as seen in Germany, but also in Sweden whereby the percentage paid by the government increased to 75%. Such pre-existing schemes gave real flexibility in response.[37]

Clearly, providing an outlay and continued support for businesses to maintain current staff levels as the economy gradually re-opens is vital. Here we also can't forget that support has to be forthcoming to support the self employed too. Yet, given the unemployment rate remains set to rise over the next year or more, we should also be thinking how to boost our support and safety net for workers in the years ahead…supporting jobs now, and within the next crisis.

B) The Failure to Directly Incentivise New Job Creation

The UK government's current job creation plan is entirely dependent on large scale capital investment, with the hope that indirectly, jobs will be produced. It has pinned its hopes on translating its £100 billion capital investment project into the creation of 350,000 jobs, prioritising green investment, the establishment of a national infrastructure bank in the North, transport funding and house build projects.[38] Yet infrastructure investment will do nothing for job creation in the short term - particularly given it is compounded by issues around site access and labour disruption.[39] This investment has been slow to get off the ground, with jobs not materialising

[35] https://www.imf.org/en/News/Articles/2020/06/11/na061120-kurzarbeit-germanys-short-time-work-benefit, accessed February 24 2021
[36] https://www.imf.org/en/News/Articles/2020/06/11/na061120-kurzarbeit-germanys-short-time-work-benefit, accessed February 24 2021
[37] https://www.instituteforgovernment.org.uk/coronavirus-support-workers-comparison, accessed February 24 2021
[38] https://www.fenews.co.uk/press-releases/59220-spending-review-factsheet-levelling-up accessed February 24 2021
[39] https://www.employment-studies.co.uk/news/cut-taxes-or-spend-more-tackling-unemployment-next-month's-budget, accessed February 25 2021

given the lag time. Pursuing this strategy without considering other means of directly incentivising jobs, and actively promoting job programmes is vastly inadequate to support the near 2 million unemployed we face.

We can see that with most of the government's resources committed - and now spent - on rescue packages, with little devoted to recovery, that there are few new longer term incentives for the private sector to actively create more long term jobs. This must change if we are to stimulate demand in the short term and bridge the unemployment gap. Active promotion means providing businesses with incentives to hire, and whilst yes, project investment in the long run is necessary, in the short term it means subsidies and reductions to outgoings per employee. For instance, they do not seem to have considered reducing National Insurance (NI) Contributions for new hires, to reduce the financial cost of hiring when long term revenue isn't guaranteed. This is particularly important given the planned welcome rise in minimum wage, which will see employers having to pay more NI Contributions. Reducing NI contributions will help employers adapt to this. The Institute for Employment Studies highlights that NI contributions are the single largest non-wage labour costs that employers face - a tax of 13.8% on earnings above £8.788 a year, adding c.£2,400 to the cost of employing someone on an average wage.[40] This will inevitably be costly - rising into the billions - but is our best hopes at short term stimulation to hire, whilst sectoral investment ramps up. Separately, they do not seem to have considered either the raising of the thresholds for minimum National Insurance Contributions, or subsidise fully the employer contribution for particular target demographics - i.e. young people, incentivising the hiring of under-employed groups.

Inevitably, reducing NI contributions remains a short term stimulant to get people 'back to work' - and a potentially useful measure as a stepping stone towards larger tax reform. Yet we should be also considering dedicated, targeted initiatives for large scale, long term job creation in sectors where there is either (1) perceived under-resourcing or (2) growing economic prioritisation and job demand. Not only will this guarantee job development, but inform strategic priorities. Such active direct job prioritisation and support in particular sectors has currently been neglected wholly by this government.

Take the Care sector - a perfect example of an under-resourced sector, with high staff turnover and vacancy levels, compounded by the COVID-19 crisis. Reforming care is likely to be one of the key governmental priorities going forward - but to achieve this, the workforce needs to be boosted heavily. Already, Skills for Care state that in England alone, adult social care sector vacancies have reached 100,000.[41] Demand is likely to increase too given the rapidly ageing population in all regions and nations across the UK. The Learning and Work Institute have called for 270,000 new jobs in social care, childcare and adult learning from a much needed £7.6 billion boost.[42] So the question remains why hasn't the UK government prioritised this? We must at a minimum establish a formal social care training and employment programme, devising attractive training and career pathways to incentivise people to work in this sector, and getting them back to work.

Another broad ranging sector primed for job creation is under the rubric of the UK's green transition. This is somewhat all encompassing - covering everything from the realignment of domestic industry, homes and transport towards greener energy consumption, to renewable technology development. Johnson's government so far has pledged a full green plan to create 250,000 jobs by 2030, through direct investment into hydrogen and carbon capture, wind farm expansion, building advanced nuclear power stations and cutting home emissions. Yet this investment

[40] https://www.employment-studies.co.uk/news/cut-taxes-or-spend-more-tackling-unemployment-next-month's-budget, accessed February 25 2021
[41] https://www.skillsforcare.org.uk/About/News/News-Archive/Social-care-needs-to-fill-more-than-100000-vacancies.aspx, accessed February 24 2021
[42] Learning and Work Institute - 'Missing Millions: Were will the Jobs come from?, September 2020

has fallen to the same shortcomings as the capital investment plan - the investment so far has failed to materialise on a meaningful level, or deemed too reactionary and short term by employees to warrant new job creation.[43] For instance, the Green House Voucher scheme, that was set to provide £2 billion in household subsidies in 2020-21, has been delayed, driving installers to stop recruiting.[44] This does not aid the construction industry's reputation as a 'hire and fire' industry in cyclical downturns - therefore failing to actively promote the c.50,000 potential jobs that the 'green construction' industry has to promote.

What we lack to support the 'green transition' is a 'not a lack of money' to incentivise jobs, but 'a lack of skills training and prioritised support for the establishment of the new green industrial strategy within the UK'.[45] At the moment, whilst we are making considerable investments into large scale 'green projects' we are not seeing the job return. For instance the average number of jobs per green investment is at 5 per £1 million investment, dropping to 2 per £1 million for wind farms specifically.[46] We need to be facilitating UK workers' roles in providing for this transition, and actively supporting the skills development of people to take up jobs in these new environmentally important segments - for example re-skilling people working within Oil and Gas to move towards decommissioning as exploration activity winds down in the North Sea. The potential for employment in these 'green' fields is huge - up to 320,000,[47] but we need to support people to fulfil the demand.

Given the vast structural changes that the current pandemic has accelerated to society, compounded with our commitment to 2050 carbon neutrality, it was always going to be inevitable that jobs would be lost as certain sectors were transformed. With unemployment at its current levels, we have to concentrate on active job promotion and incentivisation, if we are able to drive short and long term improvements. Investment is only one side of the coin - unless we actively stimulate and 'kick start' hiring, and refocus creation on priority areas with dedicated job schemes, we are not going to reach employment levels required.

C) Insufficient momentum and funding behind the recently established Restart and Kickstart

The government laid out its ambitions to support the long term adult unemployed in November 2020, with £2.9 billion pledged to support Universal claimants who have been out of work for at least 12 months receive enhanced support to find jobs in their local area. The aim being to benefit more than 1 million long term Universal credit claimants, and offer a job to every person who has been unemployed for 12 months. Given that the long term unemployed figures are currently at least 470,000,[48] with potential rises to 800,000 or even over 1 million within the next few months[49] this was seen as a welcome initiative to help some of the hardest to reach individuals re-enter the job market.

---

[43] https://www.skillsforcare.org.uk/About/News/News-Archive/Social-care-needs-to-fill-more-than-100000-vacancies.aspx, accessed February 24 2021
[44] https://www.theguardian.com/business/2021/feb/05/uks-green-plan-offers-mixed-hopes-for-post-covid-jobs-boom, accessed February 24 2021
[45] https://www.theguardian.com/business/2021/feb/05/uks-green-plan-offers-mixed-hopes-for-post-covid-jobs-boom, accessed February 24 2021
[46] https://www.theguardian.com/business/2021/feb/05/uks-green-plan-offers-mixed-hopes-for-post-covid-jobs-boom, accessed February 24 2021
[47] Learning and Work Institute - 'Missing Millions: Were will the Jobs come from?, September 2020
[48] Long term unemployed defined as those out of work for 12 months or more, see ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/summaryoflabourmarketstatistics, accessed February 23rd 2021
[49] 'Recovery and Renewal: Tackling Long-Term Unemployment', Learning and Work Institute, February 2021 - see https://learningandwork.org.uk/resources/research-and-reports/recovery-and-renewal-tackling-long-term-unemployment/, accessed February 26 2021

Yet we are here, nearly 5 months on, and not one placement, nor job has been created under the Restart scheme - the programme will not go live until Summer 2021.[50] Yet the unemployed - and the long term unemployed - continue to rise each day. Not one provider of places has yet to be selected, and no contracts may be signed until May. Waiting until Summer 2021 to start will place us 15 months after the pandemic started, with the real potential that people will have been out of work for nearly 18 months by the time they are adequately receiving the support they need.

A lack of initial ambition to match the predicted forthcoming spike in unemployment is not the only issue. The first year of the scheme is budgeted to only receive 15% of the funds - £400 million[51] - yet this is the most critical time to be providing people with tailored support. Whilst the vision is there, this scheme is lacking from an appreciation of the realities of the labour force market today, and that more resources should be front loaded for the scheme, alongside an acceleration of start date to prevent the rise in unemployment reaching the Learning and Work Institute’s 1 million predicted figures. In addition, in the absence of big private sector recruitment, outside food retail, IT and delivery services, we should make it easier and financially attractive for local authorities and public authorities to take on the long term unemployed.

‘Best Practice’ in determining how we define the criteria of success for Restart must too be articulated ahead of its launch. Given there is no real measure of job quality, we worry about the standard of what will be on offer despite the laudable commitment of providers to do their best.

Similar trends have been seen with the government’s Kickstart scheme, providing funding to employers who create new jobs for young people. Again, in a nearly 5 month period, only c.2000 people have started job placements,[52] Yet given youth unemployment is modelled at close to 1 million, this implies that c.1000-1500 young people are unemployed in every constituency with only 3 Kickstart places available to them. Factoring in localised unemployment rates and population distribution paints a starker picture - for instance with Manchester’s youth unemployment rate at 8.1%,[53] this implies c.8000 young people are currently unemployed, yet with available Kickstart places, only c.27 places would be offered.[54] Similarly in Blackpool, where youth unemployment is at 12%,[55] c.2000 young people are unemployed, yet only 4 Kickstart places based on youth population distribution would be available.[56] As it stands, the scheme is set to close for new placements in December 2021 - yet high youth unemployment will be with us for many years to come. The government’s failure to move quickly and at a scale and duration comparable to the youth unemployment crisis is condemning a whole generation of young people to joblessness and depression.

More should be being done to support the creation of placements and advertise the scheme to younger people up and down the country. Whilst we welcome the easing of administerial barriers for small and medium enterprises to be able to apply for less than 30 placements, there are still ways in which UK government could improve and streamline the process. At a minimum, we should ensure that more is done to facilitate public authorities, including local authorities to be

[50] https://commonslibrary.parliament.uk/research-briefings/cbp-8965/, accessed February 25th 2021

[51] https://www.google.com/search?rlz=1C5CHFA_enGB680GB680&sxsrf=ALeKk0066SqU4Ioyy8PRt4S4DlHcSE482w%3A1614259007721&ei=P6M3YLDGK9uP8gK2loXgAg&q=restart+programme+uk+400m&oq=restart+programme+uk+400m&gs_lcp=Cgdnd3Mtd2l6EAMyBQghEKABMgUIIRCgATIFCCEQoAEyBQghEKABOgcIIxCwAxAnOgcIABBHELADOgYIABAWEB46CAghEBYQHRAeUNTJBljA0QZgvdMGaAFwAngAgAGOAYgBhgWSAQMyLjSYAQCgAQGqAQdnd3Mtd2l6yAEGwAEB&sclient=gws-wiz&ved=0ahUKEwjw4eu1j4XvAhXbh1wKHTZLASwQ4dUDCA0&uact=5, accessed February 25 2020

[52] https://questions-statements.parliament.uk/written-questions/detail/2021-01-19/140062, accessed February 25th 2021

[53] https://www.centreforcities.org/data/uk-unemployment-tracker/, accessed February 25 2021

[54] Based on population distribution of Kickstart places

[55] https://www.centreforcities.org/data/uk-unemployment-tracker/, accessed February 25 2021

[56] UK Constituency Level population distribution data.

in a position to take on more recruits, reducing the reliance on private sector adherence, and providing additional resource for the public sector. We should also ensure that local authorities have scope to monitor delivery and quality, to set the standard higher than the anticipated 25-30% success rate. Finally, we should ensure that the design of the Kickstart scheme provides the skills and experience necessary to succeed in the job market long term - a greater focus on training is required.

D) Abject Underfunding and Poor Tailoring of Skills Initiatives - particularly those targeting the hardest to reach

To be able to get the unemployed into work, we have to ensure that they have the correct skills and capabilities - this is particularly important for the long term unemployed who's skills may be outdated, and the young, who haven't had time to develop skills. Workplace skills shortages are severe even in the workplace - let alone amongst the unemployed - at least 2.1 million workers are likely to be acutely under-skilled in at least one core management skill - let alone those that are unemployed.[57] Such skills barriers are likely to remain an acute barrier to employment, with CBI data further suggesting that 9 out of 10 people in the current workforce will need to up-skill or retrain by 2030.[58] The fastest shrinking occupations between 2011-2019 were in administrative occupations, retail cashiers, bank clerks, PAs and sales assistants, whilst unsurprisingly, tech and financial occupations, such as programmers and software developers, and financial managers were the fastest.[59]

Therefore, it is imperative that to be able to support the unemployed, we prioritise focused skills development schemes, tailored for different age ranges, otherwise they will struggle to meet the entry requirements of jobs today. Improving skills is a proven way to support people into good quality jobs. Yet the UK government today is not doing anywhere near enough to be able to support, skill, re-skill and up-skill the unemployed. What we are seeing instead is the clear underfunding of adult skills initiatives - an abject failure to deliver on one of the Conservative government's 2019 Manifesto priorities. In the November 2020 spending review, just £375 million was announced for skills development, including only £138 million of funding to the Lifetime Skills Guarantee, which provides over 400 free adult courses, and £127 million to continue the Plan for Jobs scheme, supporting the Sector Based Work Academy scheme, traineeships and the National Careers Service. Yet in their Manifesto, the current government pledged for £600m per year to establish a 'National Skills Fund', for a duration of 5 years.[60] So how is it, when we are in the midst of the biggest potential jobs crisis seen for many years, that committed resources only equal 60% of what was promised - surely we should be raising our commitment, not decreasing it? Particularly when we consider the legacy of cuts to adult education (excluding apprenticeships) of £1.3 billion a year since 2009-10, contribution to a 49% fall in the participation rate since 2004.[61]

If we don't adequately 'step up' our support for skills initiatives, then the group that is most likely to need help will remain the biggest loser. Of particular concern is the lack of additional funding for, and access to, level 2 qualification courses for people with fewer formal qualifications who are trapped in poverty. They require these courses to be able to 'break the cycle' and access better paid work. This was explicitly one of the recommendations in the Augar Review (2019) into post-18 education, which stated that 'all adults should be entitled to their first level 2 and

[57] https://www.edge.co.uk/sites/default/files/documents/skills_shortage_bulletin_7_web-final.pdf, accessed February 25th 2021
[58] https://www.cbi.org.uk/articles/why-the-uk-needs-its-first-ever-economic-strategy/, accessed February 25th 2021
[59] https://www.edge.co.uk/sites/default/files/documents/skills_shortage_bulletin_7_web-final.pdf, accessed February 25th 2021
[60] https://feweek.co.uk/2019/11/23/conservatives-announce-manifesto-pledge-of-3bn-for-a-new-national-skills-fund/, accessed February 25 2021
[61] Bhatacharya et al, 2020

3 qualifications for free' which would remove barriers in social mobility and productivity, to meet changes in economic demand.[62] There is also a lack of support for those with outdated qualifications - i.e. levels 2 and 3 - these groups are too often excluded from funding, yet lack skills to succeed in today's new work environments.

The other side to this is reforming the system by which both Further Education (FE) colleges, that provide these skills programmes, receive funding and for what design. Currently, the process is inefficient, and not tailored to local requirements. This is due to 2 issues. (1) Funding for FE colleges comes from a range of sources which get apportioned and allocated to different authorities, creating complexities. The Adult Education Budget for instance, is in part devolved to Mayoral Combined Authorities where they exist - this devolved budget represents c.50% of the entire £1.3 million budget. Yet conversely, colleges receive c. £2.9 billion in grant funding to pay for 16-19 courses, which is allocated from the national Education and Skills Funding Agency (ESFA) based on delivered courses and assessed student needs. As a result, funding for the latter fluctuates depending on the courses that students choose to take - with limited incentives and support for colleges to put on more expensive programmes or meet future needs. If we were to further devolve funding, and make it less contingent on course type, we would be able to push FE colleges to work more directly with local industry, to ensure more people become skilled in areas where there are guaranteed jobs with the required learnt skills.

The longer people are away from employment, the more difficult it is for them to find jobs. It means initiatives such as the aforementioned Restart, and the up-skill programmes facilitated by Further Education providers become more imperative in getting people back into the workplace. Yet we can only do this if they are adequately resourced and tailored to local requirements.

E) Poor Design and Management of Apprenticeship and Traineeships, that do not serve priority groups

A final avenue for job creation is apprenticeships and traineeships (the stepping stone in between an apprenticeship and work), which offer a path for people to gain practical combined work experience as well as on the job learning. How the system is funded was reformed in 2017, whereby larger businesses with over £3 million in revenue now paying a levy to fund vocational training - with the idea to provide long term sustainable funding. Yet this system has objectively failed to create new places and serve those who require the most significant support.

In the latest full academic year 2019/20 the total apprenticeship starts within England was 322,500 - a significant decrease from their peak of 509,400 in 2017/18, and a decline of 71,000 on 2018/19 figures.[63] Indeed since the system was reformed in 2017, the number of participants has continued to decline at a rate of 13% per annum.[64] Starts for the first academic quarter in 2020/21 (Aug - October) were down 28% on the previous year[65] - if this trend continues, apprenticeships could fall to as low as 232,200 - albeit the 28% reduction likely has been impacted heavily by lockdowns freezing participation. In particular, the reduction in participants has particularly impacted under 25's, with only 171,600 total apprenticeships in 2019/20 - a decline of 114,500 from its peak of 286,100 in 2014/15. Comparing the decline for the most recent quarter (Aug-October) for 2020-21 vs 2019-20 data shows the stark impact of the pandemic - with a decline of 64% apprenticeships.[66]

---

[62] https://feweek.co.uk/2019/05/30/post-18-education-review-the-10-key-recommendations-for-fe/, accessed February 25 2021
[63] Apprenticeship and Trainee Data, Academic Year 2019/20 vs longer time series. UK Gov.
[64] Apprenticeship and Trainee Data, Academic Year 2019/20 vs longer time series. UK Gov.
[65] explore-education-statistics-service.gov.uk/find-statistics-apprenticeships-and-traineeships/2020-21 accessed February 26 2021
[66] explore-education-statistics-service.gov.uk/find-statistics-apprenticeships-and-traineeships/2020-21 accessed February 26 2021

A decline in total apprenticeships available, despite supposed better long term funding is the first major issue. Yet secondly is the fact that the levy is no longer being directed to support younger, low skilled workers. Instead, c.47% of starts were over 25 in 2019/20, with 26% of total apprenticeships deemed 'higher' level. Younger, low skilled workers have been ignored by the system, in favour of older, more qualified workers. The rate of increase over the least year is also alarming - higher level apprenticeship starts increased by 7% between 2018/19 vs 2019/20 versus -6% for intermediate apprenticeships, and similarly participants over 25 were the only age group to increase.[67] Further investigations have revealed that c.£45 million of funding over a 2 year period was spent explicitly on skilled employees studying for MBA's.[68]

The system has been designed with inherent flaws that fail to support the under 25's given the levy follows the employer who is putting in the additional funds, and likely to prioritise older, more skilled workers. The support available to employers for taking on the under 25's is insufficient to cover the costs involved. In our current economic climate, with many large companies employing recruitment freezes, apprenticeships are not being considered for the value they could potentially have.

A similar decline in traineeships is occurring at the total level - since 2016/17, there has been a decrease in 8000 starts has occurred, representing c.16% per annum.[69] These traineeships are badly managed from the centre, with the result being thousands are missing out on the chance of using these as the perfect learning tool and career development. The government has currently planned to triple traineeships available, with £111 million additional funding announced in July 2020, to include a £1000 employer bonus.[70] Yet only £65 million of this has been set aside to be used in between February and July 2021, with London set to receive the highest funding.[71] The Department of Education has only just decided which providers to allocate this money to, with young people yet to start on these schemes.

If we are to see the benefit of this system, we need a higher quality and quantity of apprenticeships, that in particular target the young and unskilled. We need to be able to actively monitor the system, and revise the levy system, that has so clearly skewed the usage. One solution, as explored by The Social Mobility Commission could be to reintroduce a ring fenced budget for young people aged 16-24 - i.e. make half the levy available for this prioritised age group, and for small employers, reduce the employer co-investment form 5% to 0% for the under 24.[72] Separately, there is scope to bring small to medium enterprises on board if we can subsidise the training costs, and this could also be more regularly applied for public sector vacancies.

Finally, we should think about the way in which we monitor, manage and determine the success of the apprenticeship and traineeship programmes. They clearly are badly managed and monitored today, with the result being thousands are losing out on the chance of skills and the next job. Without new powers for metro majors and combined authorities, there will continue to be little coordination in the management of skills training, when we should be linking training and college places locally and regionally to workplaces and employers' needs. Liverpool's Metro Major, Steve Rotheram has built this into his regions 'Fair Employment Charter' whereby he urges local employers to sign up as fair employers and offer more avenues to training and progression, whilst committing to the Living Wage and promoting secure, properly paid jobs.

---

[67] Apprenticeship and Trainee Data, Academic Year 2019/20 vs longer time series. UK Gov.
[68] https://www.theguardian.com/commentisfree/2020/feb/16/the-guardian-view-on-apprenticeships-failing-the-young, accessed February 25 2021
[69] Apprenticeship and Trainee Data, Academic Year 2019/20 vs longer time series. UK Gov.
[70] https://feweek.co.uk/2020/07/06/plan-to-triple-traineeships-with-111m-to-include-1000-employer-bonus/, accessed February 26 2021
[71] https://www.tes.com/news/traineeships-ps65m-promised-ps111m-allocated, accessed February 26 2021
[72] https://feweek.co.uk/2020/06/24/the-reformed-apprenticeship-system-need-not-fail-the-young-and-disadvantage/, accessed February 25 2021

3. Building Back and Employing the People: Our Recommendations

We need coordinated action to provide short and long term subsidies, support and investment, to kickstart the economy and boost employment prospects for the nearly 2 million - and rising - unemployed. It is not enough for mere rhetoric - the time to strike is now, to restore confidence in people and businesses as we unlock the economy.

We recommend the following initiatives to support job creation and support the unemployed across the UK:

1. *The Extension of Furlough until lockdown ends and then the introduction of a decent long term, part time wage support scheme to support businesses re-starting economic activity. This should not just be a continuation of the existing scheme, but a new system modelled on the German system with large enough incentives to retain staff and provide a security net for future crises.*

2. *Target new job creation in industries that are either wholly understaffed (i.e. social care) or emerging (green transition renewables, decommissioning and domestic sector adaptability); train, skill and up skill worker to be able to meet the job requirements.*

3. *Consideration of a short term incentive to persuade employers to take on more people, for instance by reducing National Insurance Contributions for New Hires*

4. *Advance the parts of the £100 billion capital investment programme that can lead to immediate job creation, offering skills support for potential employees on infrastructure projects to help get the unemployed into work*

5. *Advance the date for the start of RESTART and give help to public authorities to take on the unemployed, preventing long term unemployment rises*

6. *Increase the scale and reach of Kickstart to provide work based training for the 1 million young unemployed; ensure adequate support and training is given to find long term employment. Extend the length of Kickstart beyond December 2021.*

7. *Fully funding the Million Adult Skills Announcement that could help the unemployed back to work. This must be at the £600 million a year level promised at the 2019 election, not the reneged 35% cut to £375 million.*

8. *Provide sufficient help for people with fewer formal qualifications trapped in poverty, to access better paid work - as aligned with the Augar Review.*

9. *Give Metropolitan Mayors and Combined Authorities Devolved powers to do what is needed for skills at a local level where it can be the best effective. Link re-skilling and training to workplace and employers' needs.*

10. *Reform the apprenticeship levy to increase the help available for employers to take on under 25's, with an added increase to support 16-19 year olds, thereby boosting availability of apprenticeships and traineeships*

4. Closing Remarks

The time is upon us now to act. We can only begin to emerge from the last 12 months of crisis if UK government works successfully in cooperation with local authorities and the private sector to provide sufficient stimulus, investment, opportunities and support programmes to prevent further job loss, and equip those unemployed with the skills to rejoin the job market. We have to act with the impetus and ambition to match the scale of the looming unemployment boom, and ensure that nobody gets left behind.

Therefore, we look to this week's Budget as the opportunity to kickstart Kickstart, and restart Restart, to create a fair wage subsidy programme to prevent future job losses, and to fully fund and reorganise training, skills programmes and apprenticeships. Our only option is a comprehensive, multi-faceted response to stave off regional, demographic and long term unemployment increases, that we face in the coming months.

Alliance for
Full Employment

www.affe.co.uk