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A new jobs protection and upskilling plan

TUC September 2020

Introduction and summary

The coronavirus Job Retention Scheme (JRS), argued for by unions, has done vital work protecting jobs. The scheme has supported 9.6 million people in total, with over 6.8 million people still supported by the scheme at the end of June.¹

There are some tentative signs of economic recovery: retail sales are up – although many of these remain online.² But the threat of mass unemployment is still with us. The Bank of England estimates that unemployment could rise to 7.5 per cent by the end of the year, leaving 2.5 million people out of work. They show that in previous recessions, employment has taken seven years to recover to its previous rate.³ The National Institute of Social and Economic Research estimates that unemployment could reach ten per cent.⁴ It's clear that the Job Retention Bonus proposed in the Chancellor's summer statement isn't enough to stop millions of people losing their livelihoods. And we know that in previous downturns young people and those already disadvantaged in the labour market – including Black and disabled workers – tend to lose work first.⁵

Government needs to do more to get people back to work, support jobs and prevent the threat of mass unemployment – learning from experience across Europe. But this support should come with strings attached. We have an opportunity to use this moment to upskill our workforce, prepare for the jobs of the future and build a fairer labour market that offers decent work to everyone.

Our proposal for a Jobs Retention Deal would:

- Support businesses to bring people back to work and save jobs. To qualify for support, employers must ensure that workers meet a threshold of minimum hours (pro rata) at work. This will encourage employers to protect jobs and promote work sharing as the firm gradually builds back to full operations. We would suggest a minimum threshold of ten per cent.
- Develop the skills of the future, by funding any worker undertaking less than 50 per cent of their normal working time to part in training; and

¹ HMRC (21st August 2020) *Coronavirus Job Retention Scheme statistics: August 2020* available at <https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-statistics-august-2020/coronavirus-job-retention-scheme-statistics-august-2020#main-points>

² ONS (21st August 2020) *Retail sales, Great Britain: July 2020* available at <https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/july2020>

³ Bank of England (August 2020) *Monetary policy report* <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/august/monetary-policy-report-august-2020.pdf?la=en&hash=75D62D3B4C23A8D30D94F9B79FC47249000422FE>

⁴ NIESR (28th July 2020) 'NIESR Press Release: 'Premature' end to furlough to push jobless rate to 10%' <https://www.niesr.ac.uk/media/niesr-press-release-%E2%80%98premature%E2%80%99-end-furlough-push-jobless-rate-10-14351>

⁵ Further detail is provided in TUC (2020) *Rebuilding after recession: a plan for jobs* at <https://www.tuc.org.uk/research-analysis/reports/rebuilding-after-recession-plan-jobs>

- Require businesses receiving support to set out fair pay plans, allow trade unions access to workplaces and work to eliminate zero hours contracts, to pay their tax in the UK, and not to pay dividends while claiming government support.

Governments across Europe are taking the necessary steps to support jobs:

- In Austria, unions and employers have extended their coronavirus short time work scheme for another six months from October.⁶
- In Germany, the coronavirus specific short time work scheme is expected to be extended until December 2021.⁷
- In France, a new form of the short time work scheme has been introduced that will apply until June 2022.⁸

It's time for the UK government to act to protect jobs. Below we set out the TUC's plan for a Jobs Protection and Upskilling Plan, including:

- Which businesses would be eligible for support
- What workers would receive – including training
- The conditions that should apply to businesses accessing the support.

⁶ Reuters (July 29th 2020) 'Austria to extend short-time work scheme until end-March'

<https://www.reuters.com/article/austria-economy-jobs/austria-to-extend-short-time-work-scheme-until-end-march-idUSL5N2F056A>

⁷ Reuters (August 23 2020) 'German labour minister to extend short-time work allowance'

<https://uk.reuters.com/article/uk-health-coronavirus-germany-employment/german-labour-minister-to-extend-short-time-work-allowance-bams-idUKKBN25J0D6>

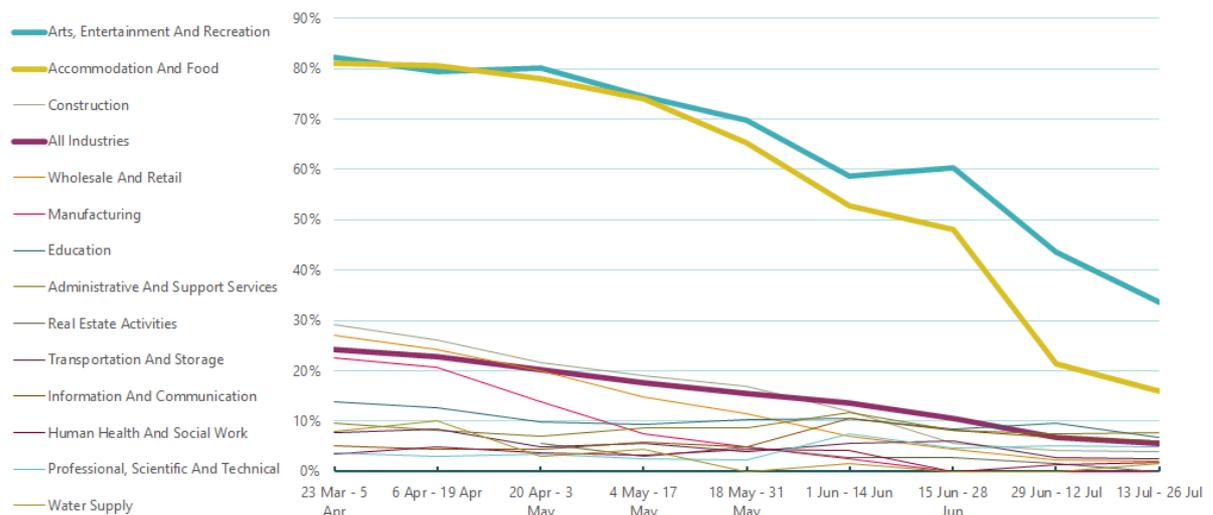
⁸ Eurofound (2020) COVID-19 Policy Watch, Database of national-level responses; Factsheet for case FR-2020-27/1030 – measures in France https://static.eurofound.europa.eu/covid19db/cases/FR-2020-27_1030.html?utm_source=externalDashboard&utm_medium=powerbi&utm_campaign=covid-19

Targeting support on the businesses that need it most and encouraging a return to work

The Job Retention Scheme was rightly open to all businesses, recognising the widespread impact of the corona virus pandemic and the restrictions it imposed on the economy. But with more businesses now able to open up, we should target support on those businesses that need it most.

As we set out further below, our scheme would focus on those businesses that can support some work – by requiring workers in receipt of support to be working at least a proportion of their normal working time. This would mean the scheme was supporting viable businesses that can retain the skills of their workforce – but need more time to get back on their feet.

Percentage of businesses that have temporarily closed or paused trading



Source: ONS

Recommendation 1: Government should require businesses to demonstrate they have been hit by coronavirus restrictions to qualify for the Jobs Retention Deal

Many short time working schemes across Europe require businesses to demonstrate how their business has been affected by a downturn in order to access short time working support – with this normally agreed with unions:

- The new French scheme requires an agreement to include a diagnosis of the companies' economic situation

- In Germany, at least ten per cent third of the workforce in the enterprise must be affected by a loss of more than ten per cent of their monthly gross remuneration.
- In Denmark, firms must have a collective agreement, and to access the coronavirus short time working scheme, must be severely affected by the Corona crisis and therefore face notice of redundancies for at least 30% of staff or more than 50 employees.
- In the Netherlands, companies must show there is 20 per cent less work for a period of between two and 24 weeks.

In the UK, the second phase of the support available to self-employed people has also required them to demonstrate that their business has been hit by coronavirus restrictions.

Those applying to the second stage of the Self-employed income support scheme (SEISS) must keep evidence to show that:

you've had to scale down, temporarily stop trading or incurred additional costs because:

- your supply chain has been interrupted*
- you have fewer or no customers or clients*
- your staff are unable to come in to work*
- one or more of your contracts have been cancelled*
- you had to buy protective equipment so you could trade following social distancing rules⁹*

Government has a range of options for how it requires proof from businesses wishing to access the scheme. It could:

- Require businesses to agree a business plan with a recognised union that shows how it has been affected by the scheme and its plan for recovery
- Require businesses to follow the same steps that self-employed workers have been required to take to access the second stage of the SEISS
- Set a minimum amount by which turnover has been reduced in order for businesses to access the scheme.

The scheme should be available to all companies meeting these conditions, not only those that have previously accessed the Job Retention Scheme.

Recommendation 2: Businesses hit by local lockdowns would automatically qualify for the scheme

While many businesses have been able to start re-trading to some extent, the continuation of local lockdowns means that new restrictions are stopping businesses from operating.

⁹ Gov.uk guidance updated 17 August 2020 'Check if you can claim a grant through the Self-Employment Income Support Scheme at <https://www.gov.uk/guidance/claim-a-grant-through-the-coronavirus-covid-19-self-employment-income-support-scheme>

Any business in an area hit by local lockdown should be able to apply to access the scheme. This should apply whether or not they have previously applied for the JRS, or whether they can meet the 'return to work' conditions set out below.

Recommendation 3: The scheme should require workers to be working for a minimum proportion of their normal hours

Most businesses are now able to operate to some extent, and we want to encourage a return to work. To qualify for support, employers must ensure that workers meet a threshold of minimum hours, pro rata, at work. This will encourage employers to protect jobs and promote work sharing as the firm gradually builds back to full operation. We would suggest a minimum threshold of ten per cent.

This would mirror best practice in short-time work schemes across Europe. Setting a minimum threshold of working hours will ensure that the scheme focuses on viable businesses.

Recommendation 4: The scheme should support workers who cannot work because they are in the group previously told to shield or who have caring responsibilities that mean they cannot work

Even in businesses that are up and running, there are likely to be some workers who cannot safely work outside the home, including those who were previously classified as shielding, caring for someone shielding, some who are in clinically vulnerable groups and those whose caring responsibilities mean they cannot work outside the home. These workers are likely to face a significant threat of redundancy, and a particularly hard time finding new work in a difficult labour market.

The requirement for workers to be working at least a minimum threshold of their normal working hours should not apply to this group.

Recommendation 5: Similar support should be put in place for the self-employed, including those who have lost out on previous support

Many self-employed workers will also continue to face challenges trading, including many of those who have lost out on previous packages of government support. The scheme should be designed to be accessible to these workers.

Supporting jobs and skills

The JRS has helped protect jobs and incomes, and it is vital that the new Jobs Protection and Upskilling Scheme continues this vital work. Even with the scheme in place, around a fifth of people report their finances being affected by the crisis. ONS data show that 16 per cent of people said they have found it difficult or very difficult to pay bills since the crisis began, an increase just over 1 in 10 at the end of June.¹⁰

But the new scheme can also do more to help us prepare for the jobs of the future, using the time that people are outside the workplace to invest in the training we know we need to fill skills shortages, raise productivity and help tackle regional inequalities across the UK.

Recommendation 6: Workers should continue to receive at least 80 per cent of their pay for time they are not working

Workers must continue to receive at least 80 per cent of their pay for the time they are not at work up to a maximum of £2,500 a month, whilst receiving 100 per cent of hourly pay for the time in which they are in work.

Businesses would receive a subsidy of 70 per cent of each workers' wages (up to a cap) for their non-working time— mirroring the support received through the Job Retention Scheme at the end of September. However, because of the requirement for most workers to be working at least a proportion of their normal working hours, the total potential subsidy received by each business would be less than under the JRS. Businesses would not be able to claim for individuals both under this scheme and under the government's proposed Job Retention Bonus.

Recommendation 7: Workers earning the national minimum wage should receive 100 per cent of their normal pay

The crisis has hit those in low paid jobs particularly hard, particularly those for whom 80 per cent of wages means falling below the level of the national minimum wage. Bank of England research shows that while those earning £35,000 and above have been able to build up savings, those earning less than £20,000 have had to dig into their savings to get by.¹¹

The new scheme should require employers to ensure that no worker receives below the national minimum wage for their normal weekly working hours.

Recommendation 8: Any worker working less than 50 per cent of their normal working time must be offered funded training

10 ONS (14 August 2020) Coronavirus and the social impacts on Great Britain: 14 August 2020 <https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/healthandwellbeing/bulletins/coronavirusandthesocialimpactsongreatbritain/14august2020>

11 Bank of England (August 2020) Monetary policy report <https://www.bankofengland.co.uk/-/media/boe/files/monetary-policy-report/2020/august/monetary-policy-report-august-2020.pdf?la=en&hash=75D62D3B4C23A8D30D94F9B79FC47249000422FE>

The government should use its proposed national skills fund to offer any worker working less than 50 per cent of their normal working hours the right to take part in funded training.

Employers would be required to put workers in this situation in touch with the National Retraining Scheme, who would broker an individualised offer of quality training, funded by government. Government should bring forward its planned investment in a £600m national skills fund to help enable this.

The National Retraining Scheme would be responsible for ensuring that training courses were good quality, and offering job relevant skills, particularly in expanding industries. They must also ensure that training is accessible to everyone, including those with caring responsibilities, and that workers have the right to complete their training once they increase their working hours.

Strings attached: government support must encourage decent jobs

Government has done the right thing by providing support to business to protect jobs. But this support should be used to encourage the kind of decent work we want to see in the future. The pandemic has exposed the insecurity of work for too many people.¹² And there are worrying signs that this is increasing, with an increase in the number of people on zero hours contracts to over a million, with sharp rises in retail and social care.¹³

The areas of conditionality set out below should be used as forward-looking conditionality in order to influence corporate behaviour in the future, rather than as exclusions on the basis of past behaviour. The aim is for government support to save jobs and businesses and drive responsible performance behaviour at the same time.

Recommendation 9: Businesses accessing the scheme must set out Fair Pay Plans

The pay gaps within the private sector remain very high, despite some reduction over recent years. Average total CEO remuneration for 2018 in the FTSE 100 was £3.46m and in the FTSE 250 it was £1.58m.¹⁴ These vast sums are 117 and 53 times median full-time earnings. When compared with the legal minimum, the National Living Wage (for those aged 25 or more - lower rates apply for workers under the age of 25), the gap widens to around 218:1 and 100:1 respectively.¹⁵

Before the corona crisis, average earnings in the UK had still not reached their pre-financial crisis level in real terms. It is a matter of justice and of economic necessity that companies should develop fair remuneration plans that include both company directors and outsourced workers and tackle pay inequalities based on race and gender to ensure that company resources are deployed in a way that is both fairer and more effective than is currently the case.

Businesses that access government support should commit to putting in place fair pay plans. These should be discussed and agreed with trade unions where they are present in the company and where they are not businesses should engage with staff collectively in a way that enables staff to discuss the issues fully without management present and feedback through staff

12 See TUC (2020) *Insecure work: Why decent work needs to be at the heart of the UK's recovery from coronavirus* at <https://www.tuc.org.uk/research-analysis/reports/insecure-work-0>

13 ONS (11 August 2020) EMP17: *People in employment on zero hours contracts* at <https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/datasets/emp17peopleinemploymentonzerohourscontracts>

14 CIPD and High Pay Centre (August 2019) *Executive pay in the FTSE 100: is everyone getting a fair slice of the cake?* Research Report

15 Based on converting average CEO annual remuneration to an hourly rate on the basis of a 35 hour week, 52 weeks per year.

representatives. Companies should commit to initiating these discussions within three months, and putting Fair Pay Plans in place in time for 2021.

All fair pay plans should include:

- The period during which the scheme is in place should not count towards the accrual of cash bonuses, long-term incentive plans or any other incentive-related remuneration included in executive pay packages.
- No staff whose work contributes to the company, including those who are employed through agencies and/or support the company through outsourced roles, should be paid less than the Real Living Wage.
- The maximum pay ratio between top and bottom of the organisation should be no more than 20:1.

Recommendation 10: Businesses that access support should set out a plan for decent jobs

For the vast majority of businesses, their most significant social and economic impact is their role as an employer. Promoting “sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all” is one of the [Sustainable Development Goals](#) adopted by all United Nations Member States, including the UK, in 2015. The TUC has developed six principles for decent work, which encompass voice at work, fair and decent pay, regular hours, learning and progression, fair treatment and respect and healthy workplaces.¹⁶

Businesses that accept government support must commit to promoting decent work throughout their direct and indirect operations. Making this commitment must be a condition of receiving government support and businesses should produce a timed plan for putting in place the steps that they need to take. As a first step businesses should commit to:

- Eliminate the use of zero hours contracts within their business; and
- Allow trade unions access to their workplace where there is not already a collective agreement in place.

Recommendation 11: Businesses that access support should pay their Corporation tax in the UK

If businesses are accepting support from the UK government, it is not acceptable for them to be registered in tax havens and thus avoiding paying corporation tax in the UK. This principle has been widely accepted in the debate around conditionality that has already taken place.¹⁷

Businesses that accept government support should commit to acquiring Fair Tax Mark accreditation within the next three years. Those that are currently not registered in the UK for

¹⁶ TUC (2017) The Great Jobs Agenda <https://www.tuc.org.uk/sites/default/files/great-jobs-agenda.pdf>

¹⁷ See, for example, Clergy attack tax-haven firms seeking coronavirus bailouts, The Times 27.4.2020 <https://www.thetimes.co.uk/edition/news/clergy-attack-tax-haven-firms-seeking-coronavirus-bailouts-9x826tp72>; Conditions are critical: publicly-funded bail-outs for private companies, High Pay Centre, 18.3.2020 http://highpaycentre.org/files/conditions_are_critical_web_version.pdf

tax purposes should commit to changing their tax registration status as soon as is practically possible and to setting out a timeline for this in their 2020 annual report.

Recommendation 12: Businesses accessing the scheme should commit to keep people in work and not pay dividends while using the scheme

Businesses must commit to use the additional support provided by government as it is intended; to protect jobs. No business accessing the scheme should make redundancies while the scheme is in place (and money must be returned if any workers are made redundant). And it is not right for businesses to pay out dividends to shareholders while relying on government funds for support.

What else needs to happen?

The new Job Protection and Upskilling Plan is vital to prevent mass unemployment and save viable businesses and valuable skills. But government must take wider steps to support new jobs and a better recovery. The TUC has set out a comprehensive list of actions in our Better Recovery report and subsequent analysis.¹⁸

These include:

- A plan to create over a million new jobs in the green industries of the future
- Ensuring a real safety net for those who lose their job, by increasing the rate of Universal Credit and legacy benefits to £280 a week
- Ensuring that the new Kickstarter youth employment scheme offers quality jobs with real training, and expanding it to cover older workers
- A ‘right to complete’ for all existing apprentices to empower them to complete their training go well beyond the existing commitment by government to try to find another employer for apprentices who are made redundant
- Building promoting equality into all government recovery plans.

¹⁸ See TUC (May 2020) A Better Recovery at <https://www.tuc.org.uk/ABetterRecovery> and TUC (June 2020) Rebuilding after Recession; a plan for jobs at <https://www.tuc.org.uk/research-analysis/reports/rebuilding-after-recession-plan-jobs>

Summary of recommendations

- 1: Government should require businesses to demonstrate they have been hit by coronavirus restrictions to qualify for the Jobs Retention Deal
- 2: Businesses hit by local lockdowns would automatically qualify for the scheme
- 3: The scheme should require workers to be working for a minimum proportion of their normal hours
- 4: The scheme should support workers who cannot work because they are in the group previously told to shield or who have caring responsibilities that mean they cannot work
- 5: Similar support should be put in place for the self-employed, including those who have lost out on previous support
- 6: Workers should continue to receive at least 80 per cent of their pay for time they are not working
- 7: Workers earning the national minimum wage should receive 100 per cent of their normal pay
- 8: Any worker working less than 50 per cent of their normal working time must be offered funded training
- 9: Businesses accessing the scheme must set out Fair Pay Plans
- 10: Businesses that access support should set out a plan for decent jobs
- 11: Businesses that access support should pay their Corporation Tax in the UK
- 12: Businesses accessing the scheme should commit to keep people in work and not pay dividends while using the scheme.