A Better Recovery

Learning the lessons of the corona crisis to create a stronger, fairer economy

Executive summary

Introduction

Coronavirus has transformed the lives of people across the UK and much of the world. Responding to the health crisis has required significant restrictions on everyday life, and dramatic economic measures from the government. The impact of the virus has been compounded by the fragility of our health and social care services and by pre-existing inequalities in living and working conditions.

Significant flaws in how our economy is organised have been exposed by the crisis and addressing these will be key to rebuilding a stronger and fairer post-virus economy with greater resilience for the future.

The response to the crisis has been educative. The government's interventions show the speed and scale of what can be done when necessary; the same commitment and urgency must now be applied to addressing the threat of climate change. The 'Everyone In' programme that brought homeless people off the streets in a matter of days shows that homelessness is not inevitable – and that political will can solve seemingly intractable social problems. The changes that people have made in their lives during lockdown have demonstrated the UK's adaptability and resilience - vital components in the creation of a fairer and more sustainable economy. The mutual aid groups that sprang up spontaneously across the country remind us of our interdependence, and that people want to help and support one another. These are the values that should govern our economic relationships.

The crisis has put the world of work centre stage and shown who really keeps the country going. It is the labour of working people that creates the goods and services that people need. The commitment of health, social care, transport, food and other essential workers to keep working while others stay at home has been inspirational. And it has exposed the poor pay and insecurity of many workers in essential services – despite the vital economic and social value they create. It is time to reassess the value placed on different jobs and recognise the inter-dependency that characterises every workplace and our society more broadly. Building back better means delivering a pay rise for all low paid workers and addressing the discrimination and insecurity that many face.

The scale and depth of existing inequalities have been starkly exposed. The fact that Black and minority ethnic (BME) people are more likely to live in overcrowded housing, have poorer health outcomes and be concentrated in insecure work where they have access to far fewer employment rights is well documented. However, the Covid-19 crisis has shown us that this inequality not only limits Black people's life opportunities but also contributes to prematurely ending their lives. Most carers are women, whether paid or unpaid, making up around four out of five of those working in health and social care and doing three times more unpaid care than men. Imbalances in caring have been increased by the closure of schools and childcare settings, with women balancing paid work, childcare and caring for extended family. In recovery, we need renewed commitment and action to address systemic discrimination and inequality or we risk not only further reinforcing entrenched inequality but also reversing the gains of previous decades.

Addressing the indignity of low pay and the scourge of insecurity and inequality requires more than legal reform; it requires a new approach to how our economy is organised. We need new business models based on employment relationships that promote dignity, fair pay and voice at work, and an end to business models based on fragmented employment relationships, low pay and insecurity. This will require corporate governance reform to promote workforce voice in company decision-making and changes to the rules governing company purpose to create companies focussed on long-term, sustainable success, shared by all their stakeholders.

The importance of unions in expressing the collective voice and interests of working people has never been clearer. As the crisis has demonstrated the centrality of everyday work and everyday workers to our economy, so it has shown why workers must be properly represented in decisions about how work and our economic system is organised. Unions worked with government to deliver the job retention scheme that saved millions of jobs – and negotiated with employers to use it rather than making redundancies. We fought for strong rules on safe workplaces, and co-operated with employers on new ways of working to allow businesses to adapt and survive. Working people have voted with their feet, joining unions in large numbers throughout the crisis. The government must continue to work constructively with working people through their unions, and with employers, for a sustainable recovery in which all working people can prosper.

Our economy is truly global in nature: investment, goods, services and people cross national borders every day in increasingly complex and varied pathways. The rules that govern our international systems for trade and finance often act to damage the interests of poorer countries and make it harder for working people across the world to be paid fairly for their labour, driving down regulatory standards and working conditions, increasing precarious work and undermining public services. Working people must be engaged in the process of developing international global rules and institutions that support universal human and labour rights and ensure a Just Transition. In building back a better country, we must also play our part in building back a better world.

We entered this crisis with a fragile safety net and public services damaged by years of austerity – and this undermined our preparedness for the challenge of coronavirus. There is now an unanswerable case for a new settlement for public services, with adequate funding, public provision and a public service ethos at its heart. Even in the most optimistic scenario, there is a bumpy ride ahead and it is essential that our safety net is strengthened so it can offer security and safety to all who need it in the times ahead. As a society, we are only as strong as our weakest member.

Coming out of the crisis successfully will require more than stemming the rates of Covid-19 infection, and ensuring that people can return to work safely, important though this is. The UK is entering the deepest recession for decades. Without government action, unemployment will rise to levels not seen for 30 years. Already there are siren voices calling for a return to austerity, but the last decade shows the failure of austerity in its own terms. It repeatedly did not deliver economic growth or reduce national debt, while creating a weakened economic and social fabric exploited in deadly fashion by the virus.

Instead, by creating a fairer society, we will build a stronger economy, in which decent wages create both security for workers and their families, and demand for the products and services of our businesses. The way to do this is through everyone having a decent job, on better pay and working conditions, alongside revitalised public services and a stronger safety net. We must invest in this fairer future; we cannot afford not to.

People are the heart of our economy. Let’s choose a recovery built around their work, their needs, their health, and their dreams.

Decent work and a new way of doing business

Coronavirus has shone a spotlight into the world of work, revealing significant weaknesses in the way that work is organised and rewarded in the UK. Everyone has had to make huge changes to how they work, but the vast gulf in pay, security and voice at work has made this much easier for some than for others. The economic impact has fallen unequally, in many cases mirroring existing inequalities and in others creating new ones. It is an indictment of our economic system that many of what we now know are essential jobs are low paid and insecure. It is time to re-evaluate the value placed on different jobs, make sure all workers have a voice at work, and change business models to put fair employment at their heart.

Our proposals include:

- raising the national minimum wage to £10 an hour
- a ban on zero-hours contracts and bogus self-employment
- ensuring all workers are automatically put into an occupational pension scheme with sufficient contributions for a decent standard of living in retirement
- proposals to boost collective bargaining, including union access to workplaces
- adopting new business models to deliver workforce voice in corporate governance and reform of corporate purpose
- giving workers a voice at the heart of government through a National Recovery Council bringing together workers and employers, mirrored at regional and sectoral level
- government support for business taking the form of equity stakes and being conditional on business putting in place fair pay and employment plans.

Equality at work

Women, disabled people and BME groups are disproportionately likely to be on low incomes and in insecure jobs, and thus to have been most significantly affected by the pandemic. As we build back from the virus, tackling the causes of disadvantage and inequality is essential to prevent us moving back decades on equality.

We need urgent action to tackle disadvantage and discrimination faced by BME people, women and disabled people in the labour market. Our proposals include:

- government prioritising compliance with its public sector equality duty, including equality impact assessing its policy decisions
- a day-one right to flexible working for all workers
- improving resourcing for Access to Work
- strengthening protections for pregnant women and new mothers
- regular reports to parliament on progress on addressing discrimination and disadvantage.

A real safety net

Even before coronavirus crisis hit the UK, it was clear that our welfare safety net was broken. Now many more people must rely on it as their income disappears in the wake of the virus. We need an urgent plan to create a safety net that provides financial support and security for those who need it most.

Our proposals include:

- reforming universal credit so that it pays more, is open to more people and starts supporting people immediately
- giving more support to families, and removing the benefits cap and conditionality
- raising the weekly level of statutory sick pay to £320 a week and removing the lower earnings limit
- establishing a jobs guarantee scheme
- maintaining the state pension triple lock and putting state pension age increases on hold.

Rebuilding public services

Months of clapping for carers must be followed by years of investment, enabling a secure and decently paid workforce to deliver the services we need. As we emerge from the crisis, government must not only ensure we recover from the pandemic, and reward those workers who cared for us, but also undo the damage of the decade of austerity that left us so underprepared.

Our proposals include:

- delivering a pay rise for public sector workers
- funding a new settlement for social care and working with unions and employers to deliver a sector-wide workforce strategy

- ending outsourcing across public services
- ensuring a new funding settlement for the NHS, local government, education and all public services.

Sustainable industry

We need to stimulate demand as we build out of the crisis. The government should set up a plan towards net zero carbon and a just transition for workers across the economy, rebuilding the UK's industrial capacity and tackling the UK's regional inequalities that reflect failed deindustrialisation.

Our proposals include:

- tasking a new just transition commission with setting up a recovery programme that delivers thousands of new jobs and reduces carbon
- ensuring that every government investment project comes with an Olympics-style plan for decent jobs
- supporting workers to get new jobs, with a jobs guarantee scheme and a funded right to retrain
- increasing the requirement for local content in government investment programmes to rebuild UK manufacturing supply chains.

Rebuilding internationalism

The rules that govern our international systems for trade and finance often damage the interests of poorer countries and make it harder for working people across the world to be paid fairly for their labour, driving down regulatory standards and working conditions. The impacts of the pandemic have been made worse by the lack of global rules on workers' rights and social protections.

Our proposals include:

- establishing a global fund to support health care and income support for countries in the global south
- using a new model of trade to promote development, gender equality, decent jobs and universal quality public services
- reforming supranational organisations including the World Trade Organisation, International Monetary Fund and World Bank so that they promote decent work, gender equality, public services, human rights, just transition and the UN sustainable development goals.

Paying for itself

As we emerge from this pandemic, we must not repeat the mistakes made in the aftermath of the financial crisis, when severe cuts in public spending stifled economic demand and sluggish growth led to lower government revenues from taxation. Instead, austerity's vicious circle must be replaced by the virtuous circle of investment and full employment.

By taking the measures in this report, we will create:

- higher levels of disposable income, creating higher economic demand, more sustainable tax revenues, and ultimately, sustainable public finances
- more sustainable supply chains, in which the value created is divided more fairly among participants in the chain
- revitalised public services and an effective safety net, which can better support economic risk taking
- a system in which finance supports the needs of the real economy, rather than the other way round.

Chapter 1: Decent jobs and a new way of doing business

Introduction

The coronavirus has shone a spotlight into the world of work, revealing strengths and significant weaknesses in the way that work is organised and rewarded in the UK. Responding to the corona virus has required huge changes for all workers and employers, but the vast gulf in pay, security and voice at work has made this a much easier process for some than for others. Workers have been affected in very different ways - with some losing their jobs, others furloughed on different amounts of pay, some working from home and others continuing to go out to work. The burden of the economic fallout has fallen unequally, in many cases mirroring existing inequalities of class, race and gender, in others creating new ones.

As a society, we have depended throughout the crisis on the workers in what have increasingly become recognised as our essential services. This of course includes the NHS, social care, refuse collection, postal and travel services and so on, but also includes those working in food production and sales and the vast array of jobs that support these and other vital sectors. It is an inditement of our economic system that many of these essential jobs are low paid and insecure; yet, we now find that we cannot do without them. It is time to re-evaluate the value placed on different jobs and recognise the inter-dependency that characterises every workplace and our society more broadly. We must never forget that many workers have lost their lives as a result of going to work to care for or keep services running for others.

Throughout the crisis trade unions have worked to give a voice to working people. They have defended the right of workers to work safely and with appropriate PPE, leading to safe working practices being implemented; they have successfully called on employers to place workers on furlough, rather than redundancy, saving jobs; they have agreed new ways of working with employers, helping to save businesses from going under. Without unions, more people would have lost their jobs and more people would have lost their lives. A voice at work is not a luxury, it is a necessity, an essential part of making work fair for all.

Delivering decent jobs means ending low pay, giving workers a stronger voice and tackling discrimination, disadvantage and insecurity at work. But we also need the development of new business models based on fair employment practices. This requires rebalancing the UK's corporate governance regime away from shareholder primacy to support a long-term, sustainable approach to company success.

Ending the indignity of low pay

Workers shouldn't need to risk their lives to be thought worthy of a decent wage. But the crisis has thrown the endemic low pay faced by many workers into sharp relief. Our analysis estimates that 38 per cent of key workers, some 3.7 million people, are being paid less than £10 an hour.[1]

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[1] TUC (2020) *A £10 Minimum Wage Would Benefit Millions of Key Workers* www.tuc.org.uk/research-analysis/reports/ps10-minimum-wage-would-benefit-millions-key-workers

This follows cuts for public sector workers (discussed more fully in Chapter 4) and years of pay stagnation in the private sector. The decade of austerity witnessed the longest pay squeeze in a generation, and real pay was falling before the pandemic hit.

We know that the most sustainable way to boost pay is to give people a greater say in pay negotiations through collective bargaining, allowing a fair distribution of rewards throughout the workforce. Research from the OECD shows that workers in firms where pay is collectively bargained receive a wage premium, and workers in countries with strong collective bargaining systems see less pay inequality.[2]

But alongside measures to promote collective bargaining, increases in minimum wages are an important tool to tackle low pay.

At present, the government has committed to raise the national living wage (NLW), currently paid to those over 25, to a level of two-thirds of median earnings by 2024, provided economic conditions allow. The age at which the NLW is paid will also be reduced following recommendations made by the Low Pay Commission, the National Living Wage, so that it applies to workers aged 23 and over in April 2021, with a target for it to apply to workers aged 21 and over by 2024.[3]

But low paid workers need a pay rise now.

- The national minimum wage should be raised to £10 an hour for all workers.

Workplace pensions

Occupational pensions are an important part of workers' remuneration. Just as workers are entitled to a minimum wage that gives them enough to live on, they should be able to expect a workplace pension that enables them to maintain a decent standard of living in retirement when combined with the state pension.

This means giving all workers automatic access to a workplace pension with a meaningful contribution from their employer. But many of the low paid and young workers now recognised and celebrated as vital lack these. This is because employers do not have to put workers earning less than £10,000 or under 22 years old into a pension and can exclude the first £6,136 of an individual's earnings when calculating how much to pay in.

The government must:

- phase out the lower earnings limit so that pension contributions are calculated from the first pound of earnings
- scrap the earnings threshold and lower the age threshold to 18

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[2] OECD (2019) *Negotiating Our Way Up Collective Bargaining in a Changing World of Work* www.oecd.org/employment/negotiating-our-way-up-1fd2da34-en.htm

[3] BEIS (2020) *National Living Wage and National Minimum Wage Low Pay Commission Remit 2020* https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/871414/nmw-nlw-lpc-remit-2020.pdf

- set out a plan to increase minimum employer contributions from the current level of 3 per cent.

In recognition of the high number of low paid women and BME workers in key sectors, the government must also now commit to close the pensions gaps that mean these groups are significantly more likely to be 'under-pensioned'. The income gap between men and women in retirement, for example, stands at 39.9 per cent.

The government must commit to comprehensively investigate and monitor pensions gaps and take concrete action towards closing them. This should recognise the impacts of caring responsibilities, disadvantages in the labour market and low pay on peoples' ability to save for retirement.

But the TUC also recognises that increasing the amount of money going into retirement saving at this time will be difficult for many employers and employees. So it is important to ensure that workplace pensions are as efficient as possible to make the most of every pound saved for retirement. This means making sure charges are low and governance levels are high, and also allowing a higher degree of risk sharing between members. Pooling longevity risk in particular, would boost retirement incomes, and make them more predictable.[7]

The government must:

- ensure legislation to enable the Royal Mail to set up a collective defined contribution scheme passes into law
- commit to consulting next year on ways of allowing and encouraging a wider range of risk sharing pension schemes
- make sure savers in individual defined contribution schemes have access to a well-governed default option for accessing their pension saving in retirement, with charges capped.

It is also important that any temporary measures implemented by individual employers to reduce pension costs – such as reduced contribution rates or deferred deficit recovery contributions – are not allowed to continue once the pandemic passes.

Security at work

The one-sided nature of the UK's "flexible" labour markets has been exposed by the coronavirus pandemic.

Insecure workers, such as agency workers, those on part-time or temporary contracts and in low-paid self-employment have been left exposed by the outbreak and associated shutdown - but in contrasting ways.

The TUC estimates that 3.7 million people are in insecure work, one in nine of the workforce[1]. This includes one in five (20 per cent) of those classed as elementary roles, including kitchen assistants, security guards and farm workers; one in six (17 per cent) of those in caring and leisure roles; and one in five (19 per cent) of those working in skilled trades. Black workers, women and disabled workers are all over-represented in insecure work.

Their working lives are often characterised by instability, with many employers offering or cancelling shifts at late notice. Our polling shows that over half (51 per cent) of zero-hours workers had shifts cancelled at less than a day's notice – and nearly three-quarters (73 per cent) had been offered work in the same time frame[2]. Among workers with no fixed hours more broadly, more than a third have had work cancelled with less than 24 hours' warning[3]. This makes it impossible for affected workers to plan their finances or manage responsibilities such as childcare.

The stress and uncertainty created by this unpredictability blights the lives of insecure workers in ordinary times. But the Covid-19 pandemic has added a more deadly aspect to this lack of workplace power.

Some insecure workers have continued to work. Many of those filling key roles such as caring, in retail, warehouses or in food delivery are on insecure contracts. But they are reliant on their employers providing adequate equipment and working environment to enable them to work safely. Their insecure contracts make it harder for them to assert their rights for a safe workplace and appropriate PPE; to take time off for childcare responsibilities as schools have closed; and to shield if they or someone they live with is vulnerable. Their insecurity has increased their vulnerability, with all the risks to health and life that that brings.

Others have seen their workplaces close as many shops, offices, pubs and cafes have shut their doors. But, while employees in permanent work have often been put on paid furlough if their workplace closed or they had caring responsibilities, many insecure workers have been left with no income as their employer has opted to provide them with no work.

Despite some welcome recent improvements in rights for some insecure workers,[45] much more needs to be done.

We need:

- a ban on zero-hours contracts and bogus self-employment
- a decent floor of rights for all workers and the return of protection against unfair dismissal to millions of working people
- robust rules on notice of shifts and compensation for cancelled shifts
- a statutory presumption that people are employed (to combat bogus self-employment)
- penalties for misleading workers on their employment status.

A voice for workers – in the economy and in the workplace

The crisis has graphically demonstrated the importance of workers speaking together through their trade unions. Unions have played a crucial role supporting their members throughout the crisis, negotiating with employers to agree new ways of working and keep workers employed, while defending the right not to work in unsafe conditions or without necessary PPE. At a national level, unions successfully lobbied the government to establish the job retention scheme that has allowed millions of people to keep their jobs throughout the crisis and significantly improved the 'return to work' plans proposed by the government.

As workers lose their lives to the virus, the costs of not listening to workers are starkly exposed. Why have security guards and other vulnerable workers lost their lives in such large numbers in the crisis? Why have people in non-essential roles had work during lockdown without the equipment they need to work safely? As well as the deadly power of the virus, these tragedies also reflect the imbalance of power between workers and their employers.

For an individual worker, their relationship with their employer is fundamentally unequal, giving the employer considerable power over the worker. It is only through coming together and speaking with one voice that workers can reduce, if not completely remove, this imbalance of power. That is why workers in every workplace need the power and protection of a union. Every workplace must be democratised so that workers' voices cannot be ignored.

The virus has demonstrated an overwhelming case for unions, but workers coming together in unions delivers benefits in good times as well as protection in bad times. Research shows that workplaces with collective bargaining have higher pay, more training days, more equal opportunities practices, better holiday and sick pay provision, more family-friendly measures, less long-hours working and better health and safety. Staff are much less likely to express job-related anxiety in unionised workplaces than comparable non-unionised workplaces; the difference is particularly striking for women with caring responsibilities[6].

Employers benefit too. Collective bargaining is linked to lower staff turnover, higher innovation, reduced staff anxiety relating to the management of change and a greater likelihood of high-performance working practices[7]. And society benefits, with organisations such as the IMF to the OECD recognising the role of collective bargaining in reducing inequality and supporting economic growth. Our democracy is incomplete if it stops at the door of the workplace. Coming out of the pandemic, this must change.

Collective bargaining for workers

To ensure that all workers can access the support of a union at work and can speak with colleagues through a union to negotiate with their employer we are calling for:

- unions to have access to workplaces to tell workers about the benefits of union membership and collective bargaining (following the system in place in New Zealand)
- new rights to make it easier for working people to negotiate collectively with their employer
- a broadening of the scope of collective bargaining rights to include all pay and conditions
- reform of the Central Arbitration Committee (CAC) that adjudicates on union recognition requests, requiring it to take account of the benefits of collective bargaining in its decisions
- the establishment of new bodies for unions and employers to negotiate across sectors, starting with hospitality and social care
- the abolition of the Trade Union Act of 2016
- unions to be permitted to use electronic balloting in votes including all internal elections and votes on industrial action.

A voice for workers at the heart of government

Working people need a voice at the heart of government at UK, devolved nation and regional level. They must be represented in the development and delivery of the key interventions required to protect employment, stimulate the economy and ensure work is safe.

Addressing the UK's social and economic inequalities must be an essential part of any recovery strategy. The Covid-19 pandemic has brought the long standing and deep-rooted regional inequalities into sharp focus, with the North West and North East having the highest proportion of jobs at risk of being lost due to Covid-19.[4] Austerity has eroded the resilience and capacity of local public services to coordinate emergency responses swiftly, further exacerbating many of the existing challenges faced by our regions and nations. It is clear that 'levelling up' must go beyond the typical 'North-South' divide narratives. As we are seeing from Covid-19 data, mortality rates and levels of deprivation, inequality exists within regions as well as between them.

Regions and devolved nations, in partnership with unions and employers, are essential in delivering a just transition, rebuilding the industrial base and ensuring all workers have the skills they need to do this. We outline how this could be achieved in Chapter 5.

We are calling for:

- the establishment of a National Recovery Council, bringing together government, unions and employers, to develop plans for the recovery across the UK
- regional and devolved nation recovery panels, representing unions, employers, Job Centre Plus, relevant civic partners and local and regional governments, to feed into the planning and delivery of recovery strategies at local and devolved nation level
- these structures – representing key social partners in each region, devolved nation and UK level – to be sustained as we transition beyond the immediate economic impacts of the pandemic, making sure that regions and devolved nations are at the heart of our longer term plan to build a better economy
- the Wales National Recovery Council to be based on existing social partnership arrangements as already established by the Welsh government – this would build on the work of the Social Partnership Council.

Sectoral initiatives

Unions and employers have worked together on sectoral initiatives throughout the crisis. In social care, for example, unions and employers wrote a joint open letter calling for a new settlement for paid and unpaid care workers that recognises and adequately remunerates their crucial work. In developing its return to work proposals, the government has brought together unions and employers on a sectoral basis, recognising the need to involve representative of both workers and employers in these plans.

As we work towards recovery, unions and employers should continue to work together at sectoral level to agree workforce pay and development strategies, especially in sectors characterised by low pay and poor working conditions. In addition, the government must continue to engage unions and employers in developing sectoral recovery plans, and should establish formal sectoral panels with representation from unions and employers for this purpose.

- Unions and employers should work together to agree sectoral workforce pay and development strategies, especially in sectors characterised by low pay and poor working conditions, such as social care.
- Government should establish formal sectoral panels involving unions and employers to develop sectoral development plans.

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[4] www.learningandwork.org.uk/2020/04/10/coronavirus-set-to-reverse-five-years-of-employment-growth-in-one-month/

New business models to deliver fair employment

Delivering decent jobs means ending low pay, giving workers a stronger voice and tackling discrimination, disadvantage and insecurity at work. But it also requires the development of new business models based on fair employment practices. This means rebalancing the UK's corporate governance regime to give the workforce a voice in corporate decision-making and to remove the priority currently given to the interests of shareholders in company law.

The dependence of business – and the public – on frontline workers has been graphically illustrated by the crisis, as workers in warehouses, supermarkets, transport, security and many more have continued to work to keep the country going. Some have paid with their lives. Listed companies are already required to put in place mechanisms for workforce voice in corporate governance but many have to date chosen weak and ineffective methods for doing so. If companies expect their staff to go to work while others (including company directors) stay safely at home, they must reward this contribution by giving their workforce a proper voice in the business and putting in place fair pay plans that redistribute company resources to reduce pay gaps and eliminate low pay.

The traditional perspective that the private sector supports the public sector through tax contributions has been reversed and the recovery of whole sectors of the economy is dependent on government funding and support. These businesses can no longer argue that they are accountable only to their shareholders – it is not their shareholders that ensured their survival through the crisis. They are dependent on the society that has enabled the government to give them the support they have needed and continue to need. This can only be justified if business adopts a different business model going forward which takes a long-term, sustainable approach to business success with the interests of workers and stakeholders at its heart.

In the challenging economic environment ahead, the government will be called upon to offer support to companies or indeed whole sectors faced with reduced demand or unable to operate at all due to requirements of social distancing and other measures.

The government has already played a vital role in keeping businesses from going under and saving jobs and the TUC understands the importance of government support for business at this critical time. It is imperative, however, that this support leads to changes in corporate priorities and practice going forwards.

Ongoing government support must be conditional on businesses putting in place fair pay and employment plans and bailouts for companies delivered in a way that enables the government to influence corporate behaviour going forwards. The government should take equity shares in exchange for its support and should use its influence to ensure that companies put in place fair pay and employment plans that ensure company resources are used responsibly and fairly going forwards.

Corporate governance reform

- Company law should require that worker directors comprise one third of the board in companies with 250 or more staff[9].
- Corporate purpose must be reformed by revising directors' duties to require directors to promote the long-term success of their company as their primary aim, taking account of the interests of workers, shareholders, other stakeholders and environmental impacts.

- The regulatory regime for mergers and takeovers should be reformed to ensure that they do not destroy economic and social value.

Fair pay plans

- Companies should radically overhaul their approach to pay. They should re-evaluate their pay scales and redistribute company resources to reduce pay gaps and eliminate low pay. This should be a requirement for any company receiving government support.

Government support for business must promote fair pay and employment

- Government support for business should be conditional on business putting in place fair pay and employment plans.
- The government should take equity stakes in companies in exchange for financial support in order to influence corporate behaviour going forwards.

Chapter 2: Equality at work

The impact of Covid-19 has had a clear disproportionate impact on different groups. Immediate steps must be taken to address the adverse impact on people with protected characteristics. Equally importantly is co-ordinated longer-term action to ensure that inequalities are not increased and entrenched by employers' responses to the pandemic and the expected economic downturn.

The deadly impact of BME inequality

The impact of coronavirus on BME people has laid bare multiple areas of systemic disadvantage and discrimination. The fact that BME people are more likely to live in overcrowded housing, have poorer health outcomes and be concentrated in insecure work is well documented. Numerous reports over the years - some commissioned by the government itself - have recommended action to tackle discrimination and entrenched disadvantage. If these recommendations had been acted on, perhaps BME people might be facing a different situation today.

We cannot continue this inaction when the Covid-19 crisis has shown us clearly that inequality not only limits Black people's life opportunities but also contributes to prematurely ending their lives.

Much of the debate around the disproportionate impact of Covid-19 on BME people has focused on symptoms of inequality, such as higher rates of asthma, rather than on causal factors such as poverty, which underpins BME communities' higher rates of exposure to air pollution. This approach risks leading to pathologizing communities rather than focused action to address the root causes of disproportionate impact. An effective response needs to take on board these causal factors.

In addition, there are highly concerning reports of potential discrimination in the allocation of higher risk job roles, with BME healthcare staff reporting being asked to work on Covid-19 wards over and above their white colleagues. These reports reflect the discrimination faced by BME workers before the outbreak of Covid-19. Research conducted by TUC in early 2020 revealed that 56 per cent of BME women and 48 per cent of BME men reported being allocated harder or less popular tasks than white counterparts. Almost half did not report incidents, while others reported not being believed and being targeted for worse treatment if they did report discrimination. Those in insecure work faced even more barriers to reporting, with fears of work not being offered if they raised complaints.

Gender inequality and Covid-19

The health, social and economic impacts of Covid-19 are highly gendered. The economic and health impacts of this crisis are most acutely affecting key workers and those employed on insecure contracts in shutdown sectors. These workers are more likely to be women.

Women are the vast majority of those working on the frontline of this crisis:

- Of the 3,200,000 workers at highest risk of exposure to Covid-19, 77 per cent are women

- Women comprise 77 per cent of healthcare workers, 83 per cent of the social care workforce, and 70 per cent of those working in education.
- Mothers are more likely to be key workers than fathers or non-parents: 39 per cent of working mothers were key workers before this crisis began, compared to 27 per cent of the working population as a whole.

Women are more vulnerable to economic hardship during this crisis than men. Women are the majority of those providing care, whether paid or unpaid, doing three times more unpaid caring than men. They are more likely to be employed on insecure and zero-hours contracts than men, particularly BME and migrant women, and to be working part-time. Women are also more likely to be employed in service sectors that have been shut down because of social distancing measures, particularly younger women. More women are dependent on the social security system than men and are living in an insecure housing, especially women on low-incomes and single mothers.

The risks for disabled people

Disabled people and those with long-term health conditions tend to have lower real incomes and higher costs than the general population. Benefit cuts and changes to the welfare system over the last ten years hit disabled people particularly hard, leaving disabled adults four times worse off financially than non-disabled adults. Nearly half of those in poverty, 6.9 million people, are from families which include a disabled person.

Research shows that economic downturns have a disproportionate negative impact on the employment of disabled people, finding that during upturns disabled people are the last to gain employment, and during downturns they are first to be made unemployed. Looking at the impact of the 2008-2009 financial crisis shows that disabled employees were more likely to experience negative changes to terms and working conditions, such as wage freezes, reduced overtime, and the reorganisation of work than non-disabled people during the recession.

We are concerned that this experience may be repeated in the expected economic downturn caused by the Covid-19 crisis. Disabled people already face significant barriers in getting and keeping jobs, as evidenced by the disability employment gap which stands at almost 30 per cent, despite the government's 2015 manifesto pledge to halve it.

The government should:

- publish a cross-departmental action plan, with clear targets and a timetable for delivery, setting out the steps that they will take to tackle the entrenched disadvantage and discrimination faced by BME people. In order to ensure appropriate transparency and scrutiny of delivery against these targets we recommend that regular updates are published and reported to Parliament
- strengthen the role of the Race Disparity Unit to properly equip it to support delivery of the action plan
- review and where necessary redraft the Gender Equality Roadmap to reflect the current context and include a clear timetable for delivery
- engage with Disabled People's Organisations and disabled individuals to ensure that the voice and experiences of disabled people are central to the process, and review

  - Access to Work grants to take account of the current context, with a view to improving resourcing and processes
  - the implications of the increase in home working for disabled workers, with a view to improving disabled people's access to work
  - the steps necessary to effectively close the disability employment and pay gaps in the current context
- produce a strategy and timetable to address the systemic inequality that disabled people experience in the labour market
- ensure compliance with the public sector equality duty throughout its response to Covid-19. The public sector equality duty was specifically introduced to ensure that proper consideration was given to the impact of policies on people from groups protected by the Equality Act. Currently we can see little evidence of how, or indeed if, government is delivering on this duty in its response to Covid-19 including its exit strategy. The EHRC as the relevant regulatory body has a key role to play in ensuring compliance in this regard and must prioritise and appropriately resource enforcement and compliance work in this area.

Finally, there must be no delay in work to promote equality already underway. Protecting workers is the best way to protect the economy and more equal workplaces have been shown to be more productive and profitable. As we move out of the lockdown phase government should continue its work on important policy areas including making flexible work the default, preventing sexual harassment at work, narrowing ethnicity pay gaps and strengthening redundancy protections for new mothers.

Chapter 3: A real safety net

Even before coronavirus crisis hit the UK, it was clear that our safety net was broken. Its ragged holes have been newly exposed by the large numbers now falling through the net as their income disappears in the wake of the virus.

The UK's safety net has been dramatically weakened after years of underinvestment, with thirty-four billion of cuts made to social security since 2010. Over a decade of austerity, including benefit caps and freezes, a punitive sanctions regime and the introduction of the five-week wait for universal credit, has pushed working families into debt and poverty. Last year, the UN Special Rapporteur on extreme poverty published a highly critical report on the UK,1 setting out how years of austerity policies have 'systematically and starkly eroded' our social safety net, with 'tragic social consequences'.

The impact of slashing social security is all too evident. The latest official poverty figures from 2018/19 show the number of people living in poverty at a record high of 14.5 million, including 4.2 million children.2 Unsecured debt per household hit a new record high of £14,500 in 2019, and debt charities have reported being busier than ever. This has caused a dramatic increase in food insecurity and left people turning to food banks to feed their families. Data from the Trussell Trust shows that over 1.5 million three-day emergency food supplies were given to people in crisis in 2018/19 - an increase of 73 per cent over five years. The top three reasons given for referral to a food bank were 'income not covering essential costs', 'benefit delays' and 'benefit changes'.

During the pandemic, as people lose their jobs or have fallen between the gaps in the job protection schemes, they have been advised to turn to the welfare safety net, leading to a surge in universal credit claims. Between the start of the lockdown on 16 March and 5 May the DWP received 2.5 million individual declarations to universal credit[5]. Although not all of these will be claims for unemployment, as universal credit also supports those in work who have experienced a fall in income, this is at least five times higher than new claims from the same period last year.

This new group of claimants are now experiencing the inadequacy of benefit levels: if you become unemployed, the basic rate of universal credit is around a sixth of average weekly pay (17 per cent)6. The inability of our weakened welfare system to cushion the fall for these new claimants can be seen in the soaring demand on food banks during the last two weeks of March: overall food parcels increased by 81 per cent compared to the same period in 2019 and for children there was a 122 per cent rise.

The Work and Pensions Committee has carried out a survey to find out about people's experiences of the benefit system during the coronavirus outbreak and found 75 per cent of those claiming universal credit felt the benefit wouldn't stretch to cover their bills.

At £95.85 a week, statutory sick pay is worth less than a fifth of weekly earnings. The Health Secretary, Matt Hancock, admitted on Question Time that he could not live on this amount - yet

[5] www.gov.uk/government/publications/universal-credit-declarations-claims-and-advances-management-information

the government expects others, with far less savings than most government ministers, to do so. Two million people are not entitled even to this, because their earnings are too low to qualify.[6]

The inadequacy of our safety net has become visible for all to see. While the government claim there has been an emergency boost of £7bn to welfare as the pandemic unravelled, this is only a fifth of the cuts made to social security since 2010.

We need to transform and revitalise our safety net. During the life cycle there will be times when many people need to rely on the social security system: social security is a social good, providing economic security for all. The cuts in funding for this essential safety net have reflected a political commitment to austerity, rather than economic necessity. What is needed, now more urgently than ever, is a political commitment to protecting the vulnerable as an essential part of rebuilding our economy. The costs of adequately funding the social security budget is small when compared to the costs of not acting to reduce poverty, which includes both the damage of weakened demand on the economy and the deep social costs of inequality. We want and need an economy where no one is left to fall between the cracks.

Making our social security system fit for purpose requires fundamental changes, including scrapping universal credit. The immediate priority, however, is for the government to come up with an urgent plan to provide financial support and security for those who need it most.

Immediate steps to fix our social safety net

Universal credit and other benefits must be substantially reformed, by:

- raising the basic level of universal credit and legacy benefits, including jobs seekers allowance and employment and support allowance, to at least 80 per cent of the national living wage (£260 per week)
- ending the five-week wait for first payment of universal credit by converting emergency payment loans to grants
- removing the savings rules in universal credit to allow more people to access it
- significantly increasing child benefit payments and removing the two-child limit within universal credit and working tax credit
- ensuring no-one loses out on any increases in social security by removing the arbitrary benefit cap. In addition, no one on legacy benefits should lose the protection of the managed transition to Universal Credit as part of this change
- suspending the conditionality requirements within the universal credit system and the harsh and unfair sanctions regime
- introducing a wider package of support for households, by increasing the hardship fund delivered by local authorities – a hardship fund should not just be there for the current crisis; government should put in place a fund that provides a permanent source of grants to support those facing hardship.

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[6] For further details see TUC (2020) *Fixing The Safety Net: Next Steps In The Economic Response To Coronavirus* www.tuc.org.uk/research-analysis/reports/fixing-safety-net-next-steps-economic-response-coronavirus

Sick pay must cover the basic costs of living

- Statutory sick pay must be sufficient to cover basic living costs. Weekly payments must rise from £95.85 to the equivalent of a week's pay at the Real Living Wage – around £320 a week.
- The lower earnings limit for qualification for sick pay must be removed to ensure everyone can access it, no matter how much they earn.

Government must create a Jobs Guarantee Scheme

We know that some people will unfortunately lose their jobs as a result of the pandemic. While many workers face the risk of unemployment, the risk is particularly high in sectors such as hospitality, entertainment and non-food retail which rely heavily on footfall and which cannot operate safely in the immediate future.

These sectors are particularly likely to employ young people, and analysis by the Institute for Fiscal Studies shows that employees under 25 were about two and a half times more likely as other workers to work in a sector that is currently shut down.

Many of these young workers will have come into the labour market at a time of high youth unemployment; a 25-year-old now would have turned 18 in 2013, at a time when the number of unemployed young people hit over one million. It's vital this group don't face another catastrophic hit to their employment prospects.

We have set out our proposals for a Jobs Guarantee scheme that would help prevent the pandemic being followed by a major unemployment crisis and prolonged recession.

- Government should provide funding to offer a new jobs guarantee. This scheme would provide a minimum six months job with accredited training, paid at least the real living wage, or the union negotiated rate for the job.
- We believe that the government should aim to offer the job guarantee scheme to as many people as possible who face long-term unemployment. But in seeking to prioritise it should guarantee jobs to:
    - every worker under 25 and under who has been unemployed for three or more months
    - workers aged over 25 who have been unemployed for six months or more.
- The scheme should be funded by national government, but delivered at regional and local level, with inputs from local leaders, unions and business, working alongside Jobcentre Plus. A new Corona Reconstruction and Recovery panel should be set up in each region to work to deliver guaranteed jobs in the local area that:
    - are additional
    - provide a community, public benefit and/or help to decarbonise the economy
    - meet local labour market needs
    - promote and protect equality.

Security in retirement – protecting the state pension

Older people already have been hit particularly hard by the pandemic. To make sure they do not have to shoulder the financial cost as well, the government must:

Maintain the triple lock. The triple lock – which increases state pensions each year by the highest of wage inflation, price inflation measured on the CPI, or 2.5 per cent – was introduced to restore the value of the state pension after decades of decline. Although for the average worker the replacement rate – the proportion of their working income that the state pension replaces – has improved, it is still just over half as generous as the average among OECD countries. Although today's pensioners would lose out if the triple lock was abandoned, it is young workers who would be most harshly penalised. Modelling suggests linking increases solely to earnings would increase the number of pensioners living in poverty in 2050 by 700,000 compared to maintaining the triple lock.2

Put state pension age increases on hold. The state pension age is due to reach 66 for men and women this October and continue rising. Increases already implemented have raised the number of older people in work, but have also significantly increased poverty rates for those just below state pension age.3 Many workers in their sixties are unable to work because of ill health, while others struggle to find work after losing a job. With the Bank of England expecting unemployment to reach 9 per cent this year, the logic of pushing ahead with state pension age increases is questionable. In light of expected high unemployment, and the slow-down in longevity improvements over the last decade, the government should suspend planned increases.

Protect universal pensioner benefits. Universal benefits such as free TV licences for over- 75s and winter fuel payments played an important role in reducing pensioner poverty. The epidemic of loneliness as people have been confined to their homes has also confirmed the importance of TV as a source of information and company for many older people. So, the government must restore funding for free TV licences, and protect other universal benefits. Restricting these benefits would not only accelerate the increases in pensioner poverty rates seen in recent years, it would also undermine our economic recovery by reducing demand at exactly the time the government needs to support the economy.

A crisis in childcare

As we move out of the initial phase of the Covid-19 crisis, new economic and social challenges will arise. Without early and sustained government action parents', and mainly mothers', ability to stay in paid work or move out of unemployment into new jobs risks being severely limited by a lack of childcare. Before the crisis, too many working mothers already found it impossible to find childcare to fit around their hours, particularly those working shifts or with insecure contracts. Only just over half (57 per cent) of local authorities in England had enough childcare for parents who work full-time and just a fifth (22 per cent) had enough for parents working atypical hours.[7] But the impact of social distancing on childcare provision looks to significantly exacerbate the challenges faced by working parents.

Widespread school closures have left many working parents unable to leave the home to work, and where they can work at home they have faced challenges in balancing the competing

[7] Women's Budget Group Feb 2020 https://wbg.org.uk/analysis/uk-policy-briefings/2019-wbg-briefing-childcare-and-gender/

demands they face. Again, this is disproportionately affecting women, with mothers typically providing at least 50 per cent more childcare and spending around 10 per cent to 30 per cent more time home schooling their children than fathers during lockdown.[8]

While workers can request to be furloughed and government guidance makes it clear that employees can be furloughed if they are unable to work due to childcare and caring commitments, employers are under no obligation to agree to these requests. This has already left many working parents at risk of losing their jobs due to a lack of safe childcare. Once the furlough scheme's generosity is reduced, and the scheme eventually ends, working parents whose children have not returned to school (either because their school is not offering full-time places to their children's age group or because their child is unable to return as they are clinically vulnerable or living in a household with someone who is) will face an even more challenging situation.

While there has been much discussion of the positive impacts that school re-openings could have for working parents when this happens, it is now clear that a safe return to the classroom will still leave significant childcare gaps for most working parents. The challenges of social distancing requirements will include:

- cuts in breakfast club and after school provision because of social distancing, which particularly impacts children from low-income families
- childminders not being able to mix school children with younger children, further reducing the availability of after school childcare
- school summer holiday provision unlikely to operate as usual
- many nurseries not having the physical space to keep small groups of children in separate rooms, resulting in a reduced number of nursery spaces and a risk of higher fees leading to permanent nursery closures where these are not affordable by parents
- childminders and nurseries not having the budgets to put in place measures necessary to comply with government guidance, and closing as a result
- many grandparents who previously provided informal unpaid childcare now being advised to shield themselves and not being able to take on childcare responsibilities.

In addition, one in six childcare providers have closed since the start of the crisis and one in three are unsure if they will reopen. The government needs to recognise the scale of the looming childcare challenge now – not to do so will leave will many working women locked out of the jobs market, and risks women's employment rates falling for the first time in decades.

To address these problems, the government must:

- make significant investment in the availability and affordability of flexible childcare to address these shortages, ensuring there is provision for shift workers and those on atypical hours
- ensure there is a day-one right to paid parental leave, including for freelancers, those on agency and zero-hours contracts
- create new rights for working parents to ensure that they do not face an employment penalty for providing emergency childcare.

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[8] *Observer* (2020) www.theguardian.com/world/2020/may/03/i-feel-like-a-1950s-housewife-how-lockdown-has-exposed-the-gender-divide

Chapter 4: Rebuilding public services

The Coronavirus crisis has exposed the damage that a decade of austerity has inflicted on our public services. While the NHS has held up thanks to heroic efforts from staff, the social care sector is struggling with the devastating impact of years of cuts and neglect. Encouraged by the Secretary of State to do 'whatever it takes,' local government has pulled out all the stops to protect vulnerable people, including housing the homeless, and to keep vital services like waste disposal running. It now faces a huge funding crisis, as the cost of additional need and reduced revenue from business rates and other funding streams hit a sector already desperately short of cash.

But the experience of the pandemic has also showed us how much we rely on and value our public services, and the public servants who deliver them. Months of clapping for carers must be followed by years of investment, enabling a secure and decently paid workforce to deliver the services we need now more than ever.

As we emerge from the crisis, government must not only ensure we recover from the pandemic and reward those workers who saved us from far worse, but also undo the damage of the decade of austerity that left us so underprepared.

A pay rise for public sector workers

Four in ten key workers, including many who deliver public services, earn less than £10 an hour. Public sector workers, including those on the frontline of fighting Covid-19, are still being paid less today than they were a decade ago.

In real terms (that is after adjusting for inflation), average public sector pay is still £900 lower today than it was in 2010.

And for many the picture is even worse. For example, in real terms:

- Nurses and community nurses (NHS band 5) are more than £3,000 worse off today than they were in 2010.
- Residential care workers employed by local government are nearly £1,900 worse off.
- Ambulance services drivers are £1,605 worse off.

Public sector workers need a pay rise

- Government must reward workers for the huge sacrifices they have made by awarding them fair pay rises that restore what they have lost through ten years of cuts and slow growth.

A new settlement for social care

Social care workers were already facing some of the worst working conditions in the UK. More than seven in ten care workers and home carers – that is, over half a million people - earn less than £10 an hour and a quarter of the social care workforce are on zero-hour contracts. Even before the pandemic, there were 120,000 vacancies in the care sector and staff turnover was 30 per cent.

The way social care is delivered is broken. Decades of outsourcing means the market is hugely fragmented, with local authorities currently commissioning to over 20,000 different providers. This drives down costs below sustainable levels, encourages short-term contacts that may not deliver the care a person needs and removes democratic accountability.

Care workers have been at the forefront of tackling the virus, with responsibility for caring for some of society's most vulnerable people. Yet they have continued to be treated as the poor cousin of the NHS, battling rising infection rates as NHS beds are reserved for younger patients, and facing some of the most acute shortages of PPE and testing. Decades of fragmentation and privatisation have come to a head, as ministers have struggled to get a handle on the crisis in social care. With care providers left to fend for themselves, competing with each other to procure PPE in a sellers' market, overstretched local authorities have been forced to step in to help coordinate the crisis response.

The pandemic has pushed the social care system to the brink and exposed the weaknesses of a fragmented and underfunded sector; this must mark a turning point to establish a new settlement for social care.[9]

A new settlement for social care

- We need an integrated health and social care system that is democratically accountable, has genuine parity of esteem with the NHS and is able to enforce sector-wide standards for both service users and workers.
- The government needs to work with unions, employers, commissioners, and providers to develop a care sector workforce strategy that supports standards, productivity and workforce development. This requires investment in training and formal skills accreditation to enable proper career progression, and a pay and grading structure to fairly reward their complex skills – the only way to ensure workers are valued – and paid – at the level of other comparable public services.
- The government must make good its manifesto commitment to deliver long-term funding for the social care sector to offset the damage done by cuts to essential services and austerity.

A new funding settlement for local government, the NHS and across public services

Local government

After a decade of public sector cuts that have pushed local authorities – and the essential services they provide – to crisis point, the extra pressures created by the pandemic, coupled with drying

[9] Kathryn Mackridge (November 2019) *Three Ways To Solve The Social Care Crisis* www.tuc.org.uk/blogs/three-ways-solve-social-care-crisis

up income streams, are tipping councils to the verge of collapse. The decisions government makes as we emerge from the health crisis to deal with an economic crisis could be make or break for many local authorities.

In November, TUC research found that local councils had been forced to cut billions of pounds from essential services due to reductions in funding from central government. It showed that in 2010/11, upper tier and unitary local authorities in England were spending a total of £49.3bn on key services such as social care, waste management, libraries and transport. But in 2018/2019, following years of funding cuts, spending had fallen to £41.4bn. This works out to 20 per cent (£135) less being spent on services per person.[10]

The government introduced a range of new powers and duties for local authorities in the Coronavirus Act 2020, including for social care, housing rough sleepers, fire and rescue and educational functions to protect vulnerable children. The government has promised local authorities £3.2bn to support them to carry out these additional responsibilities. But survey responses from more than 50 councils suggests this figure[11] would only cover one quarter of the estimated financial impact of the crisis for councils with adult social care responsibilities.[12] Councils are also losing vast amounts of income due to a reduction in use of their assets, such as car parks and commercial properties. This shrinkage will likely last beyond the immediate lockdown period, having further knock-on effects on council budgets. With inadequate emergency funding and catastrophic losses to their income streams, councils have warned that unless funding gaps are met, many will have no choice but to declare bankruptcy.[13]

Demand for local authority services was already far outstripping the resources available to deliver them before the pandemic. In September 2019, the New Economics Foundation published research, commissioned by the TUC, which projected that, under the current spending plans, local authorities would face a funding gap of £24.5bn by 2024/25 if they were to try and provide the level of service provision available in 2010. The North West, the most deprived region, will face cuts of £535 a head by the end of the period.[14] Any funding settlement for local government must be based on need, ensuring a fair and equitable distribution of funds that does not favour one structure of council over another, and seeks to tackle deprivation and inequalities in all areas of the country.

Health

While the NHS has been relatively protected from austerity compared to other public services, current funding levels fall far short of what is needed.

In the March 2020 budget, the Chancellor announced an extra £6bn of health funding over the course of this parliament. This represents an increase of health spending of 3.4 per cent in 2020/21. This is just about enough to maintain pre-Coronavirus crisis levels of service but does

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[10] www.tuc.org.uk/news/councils-north-west-spending-ps14bn-year-less-key-services-2010-says-tuc

[11] Only £1.6 billion of additional government support had been announced at the time of the survey in April 2020

[12] www.lgcplus.com/finance/revealed-the-multi-billion-pound-covid-19-funding-shortfall-17-04-2020/

[13] www.lgcplus.com/finance/jenrick-warned-of-massive-cuts-as-treasurers-prepare-latest-covid-returns-13-05-2020/

[14] https://neweconomics.org/2019/09/councils-in-crisis-local-government-austerity-2009-10-2024-25

not address long-term staff shortages or the backlog of essential capital spending and doesn't allow for investment in service transformation under the Long-Term Plan. It falls short of the four per cent annual increase that the Institute for Fiscal Studies has estimated is necessary to allow services to improve.[15]

Education

Under current spending plans announced in the spring budget, 80 per cent of state schools will have less funding per pupil next year than in 2015 when schools began to face real terms spending cuts.

Measuring the increased costs that schools face in terms of pay, pension, national insurance, national minimum wage, apprenticeship levy and non-staff spending over the lifetime of this parliament, analysis by unions representing school staff found that, even with the announcement of more funding for schools, it is estimated that a further £9.7bn funding will be required in order to address shortfalls across core school funding, pupil premium, early years, 16-19 and high needs education.

This has a very real impact on pupils and staff in schools across the country. According to a survey by the National Governors Association in 2019[16]:

- More than three quarters of respondents said that they are not confident that funding pressures can be managed without any adverse impact on the quality of education provided in their school.
- 78 per cent of governors said their school did not have enough funding to meet the needs of their SEND pupils.
- 16 per cent said their school had reduced pastoral support due to funding constraints and 61 per cent did not have enough money to support pupils from disadvantaged backgrounds.
- Over half said that their school had reduced the number of support staff and just under a third had reduced the number of teaching staff.

If we are to equip young people to meet the future demands of the UK and its economy, investing in our schools must be a priority. Additional funding for schools has been announced but falls short of what is needed. We need a long-term funding settlement that provides additional funding for schools that meets the scale of the challenge.

Adequate funding of public services

- To address the chronic under-funding of our public services, the government must deliver a new funding settlement for the NHS, local government, education and across public services.

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[15] www.ifs.org.uk/uploads/publications/comms/R143.pdf

[16] www.nga.org.uk/getmedia/10f021c3-7774-4e39-b2d3-84d5ae5a5115/School-Governance-Report-(WEB)-FINAL-2-9-19.pdf

Ending the outsourcing of public services

Trade unions have long-held concerns about the policy and practice of public procurement and outsourcing in the UK. In many cases, the contracting-out of public services and public procurement has led to damaging price-based competition and a race to the bottom on pay and employment standards, the dysfunctional fragmentation of supply chains and the off-shoring of large parts of our productive capacity.

The Covid-19 pandemic has brought this into sharp focus. Years of marketisation and outsourcing has led to a precarious, two-tier public service workforce and fragile supply chains. The dangers of a two-tier workforce are exemplified by outsourced workers being forced to choose between following government advice to isolate and being able to put food on the table. Decades of outsourcing and offshoring in the name of cost-cutting have created fractured and unwieldy supply chains, the true cost of which has been felt not just in suppliers' ability to inflate prices, but in the stark failures to provide PPE for frontline workers, with often tragic consequences. The integrity of our public services has been weakened, putting the safety and security they offer the public at risk.

We need to put the public interest back at the heart of public service delivery. A new approach to commissioning and public procurement must make in-house provision the default, unless there is a demonstrable public interest case for other forms of provision. Where services are commissioned, this must be done in a way that promotes high service delivery and employment standards and be subject to transparency and accountability requirements.

We need the following measures:

- Public sector organisations should adopt a policy of all service provision being publicly managed 'in-house' by default and only outsource where there is a strong public interest for doing so. Existing contracts should be reviewed with a view to renegotiating and/or terminating such contracts where this is demonstrably in the public interest.
- All commissioning decisions should be based on a public interest test, with clear, measurable "make or buy" criteria to ensure the delivery mechanism chosen best promotes:
    - a public service ethos
    - accountability to service users and elected representatives
    - value for money in the round
    - quality service standards
    - long-term sustainability of the service
    - high-quality employment conditions, pay and pensions
    - integration of services.
- Where there is a public interest case for going to the market, a social value procurement strategy should be put in place across the public sector and voluntary agreements and charters, promoted by trade unions and others, used to promote high quality service delivery and decent employment standards.
- Public procurement practices must deliver greater accountability and transparency in our public services. All providers of public services must be subject to the Freedom of Information Act and be required to make full details of contracts, supply chains and company information public.

- A comprehensive list of all significant contracts across the public sector should be compiled and a clearing house created to evaluate their performance - this could be a public services commission, an enhanced National Audit Office or a new regulator.

Chapter 5: Building a sustainable industrial base and a green recovery

The UK faced significant industrial challenges before the coronavirus pandemic hit. The necessity of meeting the government's target of net zero-carbon emissions by 2050 remains urgent. Regional inequalities in the UK remain stark and are likely to be exacerbated by the economic impact of the virus. The skills infrastructure is still not in place. And the hollowing out of the UK's manufacturing base which underlies these challenges has been starkly exposed by our failure to be able to source and deliver adequate personal protective equipment in the UK.

The pandemic should add to the urgency, rather than distract from, our efforts to tackle these challenges. And we should recognise that in tackling them, we have one of our best opportunities to rebuild. As new research from Oxford University sets out, investment in the move to a net zero-carbon economy delivers significant benefits in terms of jobs, finding that 'green projects' can lead to higher levels of job creation than traditional stimulus packages.[17] And as our increased consciousness of clean air has shown us during the crisis, change is possible.

But following the hollowing out of the UK's manufacturing base in the 1980s, and globalisation and offshoring pursued beyond that, the UK's record in delivering swift infrastructure and green supply chains is weak.

The plan for a recovery must therefore set out how it will

- chart a path towards a net zero economy that delivers a just transition for workers across the economy
- rebuild the UK's industrial capacity that will be necessary to deliver this transition, including by investing in the skills of the workforce
- use this programme to tackle the UK's regional inequalities that rest on the failed de-industrialisation policies of the past.

The urgency of tackling climate change

The TUC warmly welcomes the commitment made by the last government, and reaffirmed by this one, to move to a net-zero economy by 2050. This commitment was recommended by the Committee on Climate Change (CCC) in its report, 'Net Zero: the UK's contribution to stopping global warming', published in May 2019.

We know that the move towards a greener economy could deliver good new jobs, and a just transition for those who currently work in carbon intensive industries. The UK could, for example,

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[17] Jennifer Allan, Charles Donovan, Paul Ekins, Ajay Gambhir, Cameron Hepburn, David Reay, Nick Robins, Emily Shuckburgh and Dimitri Zenghelis (May 2020) A net-zero emissions economic recovery from Covid-19 at www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-01.pdf

become a world leader in the development of electric cars: Nissan builds the Leaf at its Sunderland plant. Alongside electric cars, there are similar questions to be asked of industries such as aerospace, steel and construction.

But at present, the UK is failing to achieve these benefits. The Office for National Statistics have shown that although the low carbon economy is growing there were 11,100 fewer green jobs in 2018 (now just over 220,000 jobs) than four years earlier in 2014.

Too often the jobs that are delivered aren't of good quality: the offshore wind sector in general has four times more accidents per hour worked than the offshore oil and gas industry. Although there were no reported fatalities in 2015 or 2016, the latest years for which data is available, the lost time injury frequency for these years was 2,96 and 2.12 respectively. This measures the number of recordable injuries (fatalities + lost work day incidents) per 1,000,000 hours worked. The equivalent figure for offshore oil and gas was 0.52, which adds weight to fears that hard-won advances in offshore health and safety are being put at risk.

More broadly at present we are losing the wider opportunities to build it in Britain and support key industries across the board. We should be world leaders in the production of low-carbon steel, and the specialist steel that is needed for a new generation of electric car charging points. But Unite has found that the government's own 'Steel Procurement Pipeline,' shows that of the £158m of steel product procured by the public sector less than 43 per cent – or £68m – was actually produced in the UK.[18] We need the whole of our industrial strategy focused both on meeting our net-zero commitment and delivering better jobs.

The hollowing out of the UK's industrial base fuels regional inequalities

The neglect of industry during the 1980s, and the push towards globalisation then and beyond has left the UK's manufacturing industry falling behind. Between 1960 and 2015, UK manufacturing employment has declined more sharply than any other advanced economy except Switzerland.[19] This hollowing out has been exposed in the inability of the UK to source the Personal Protective Equipment needed – despite the heroic efforts of workers in the sector, who led the drive for a co-ordinated effort with employers.

And it is hampering our efforts to build the low-carbon supply chains we need to achieve an effective transition. At present, the UK can win relatively low-skill, low-value work, but multinational firms tend to direct the high-skill, high-value work to countries like Germany and Denmark. Those countries have robust industrial strategies – with excellent apprenticeship systems, good transport links, high quality infrastructure and social dialogue systems that ensure workers voice – making them a safer bet for long term investment. If the UK seriously wants to rebuild its economy post Covid-19, we must narrow this gap.

This hollowing out also lies behind the stark regional inequalities that still mark the UK. The decade since the financial crash saw annual growth in the North East of less than one per cent, more than half the UK average of 2 per cent. Most other regions and nations struggled

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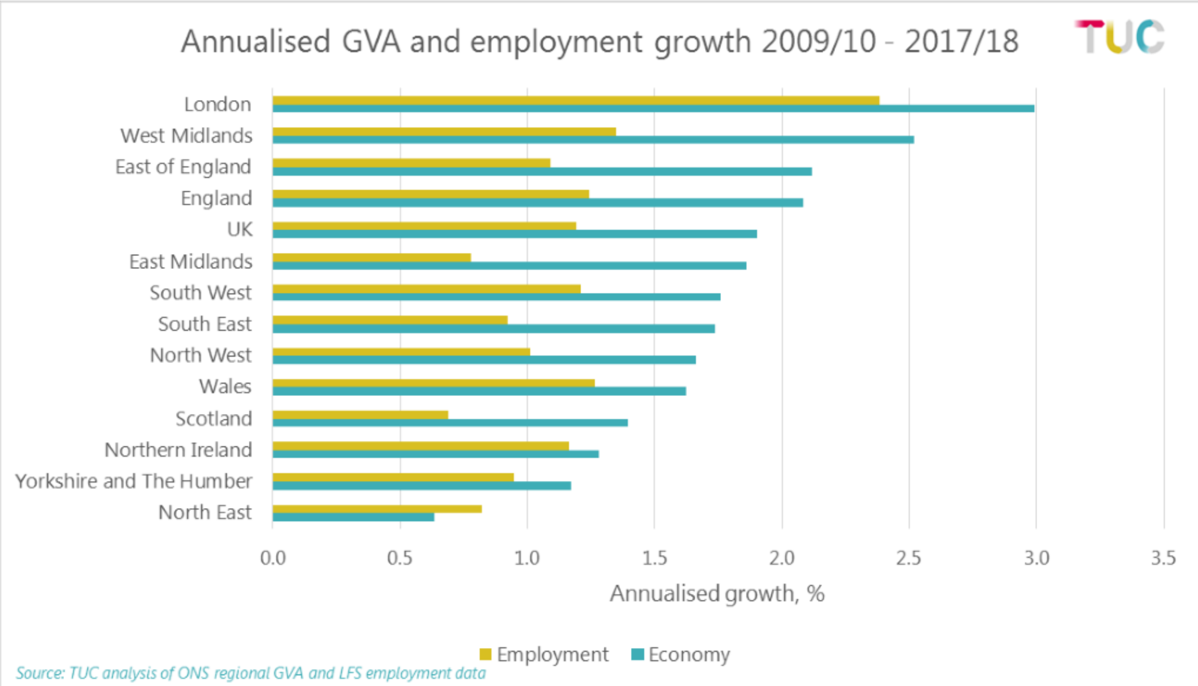
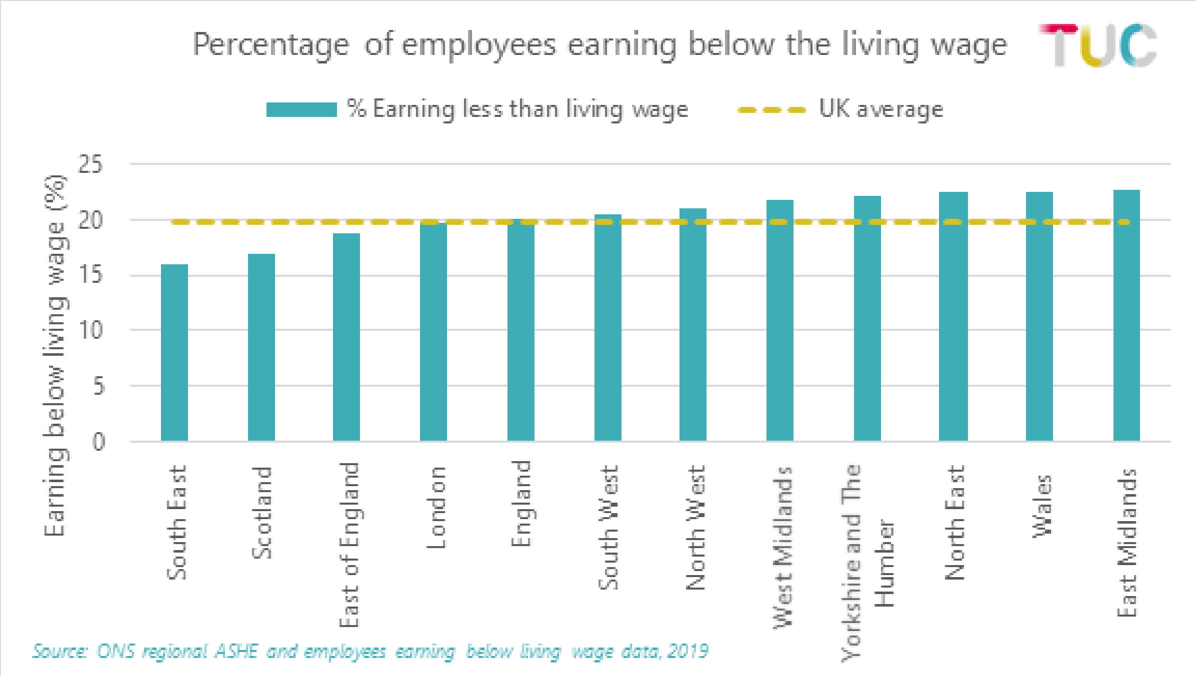
[18] Unite (2019) *Manufacturing Matters* https://unitetheunion.org/media/2740/191118-manufacturing-matters.pdf

[19] www.imf.org/en/Publications/WEO/Issues/2018/03/20/world-economic-outlook-april-2018#Chapter%203

to even keep pace with the UKs sluggish growth, with some exceptions, notably London, where the economy grew on average at 3 per cent a year and employment twice as fast as the rest of the UK.



These unequal growth rates are reflected in the pay packets of workers. Going into this pandemic, wages had barely recovered from the last crisis, with many workers still struggling to make ends meet. Looking at the proportion of people paid less than the living wage (£10.55 for London and £9.00 for everywhere else), the UK average is 19.9 per cent. London is in line with the national average, but there are big gaps between the lowest proportion of people earning less than the living wage in the South East at 16 per cent, and the highest proportion in the East Midlands at 23 per cent.



The impacts of the pandemic threaten to exacerbate these regional inequalities. The Learning and Work Institute predicts that the impact of job losses will not be felt evenly across regions. As a proportion of employment in at risk occupations, the North West (36.3 per cent) and the North East (36.1 per cent) have the highest proportion of employment in at risk occupations in England. London has the lowest level of employment in at risk occupations, (31.9 per cent), followed by the South East (32.5 per cent). This reflects differences in occupational structure and the ability to work from home.[20]

The UK doesn't invest in the skills we need to meet these challenges

Massive under-investment in workforce skills has left a legacy of poor productivity and increasingly entrenched barriers for people wanting to improve their job prospects. According to the Institute for Fiscal Studies (IFS) government spending on adult education and skills (excluding apprenticeships and HE) fell by 47 per cent between 2009–10 and 2018–19.[21] TUC research shows that the total volume of employer-led training has declined by around 60 per cent since the end of the 1990s.[22]

Against this backdrop, the demand for skills will be intensifying significantly in the coming years as the impacts of Brexit, automation and longer working lives play out. Research with over 38,000 workers by UNISON, for example, found that Individuals feel they do not have adequate digital and management skills. Two-thirds of respondents felt the main challenges to their skillset was

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[20] www.learningandwork.org.uk/2020/04/10/coronavirus-set-to-reverse-five-years-of-employment-growth-in-one-month/

[21] Available at: www.ifs.org.uk/uploads/R162-Education-spending-in-England-2019.pdf

[22] Green, F. and Henseke, G. (2019) *Training Trends in Britain*, unionlearn research report no.22

their digital capability and felt they needed to improve their digital computer skills. Nearly half of respondents felt that management and supervisory skills also required improvement.

A plan for a sustainable recovery

We know we urgently need a government investment programme to stimulate demand in the coming economy. This programme must be designed in a way that:

- charts a path towards net-zero carbon that delivers a just transition for workers across the economy
- rebuilds the UK's industrial capacity that will be necessary to deliver this transition, including by investing in the skills of the workforce
- uses this programme to tackle the UK's regional inequalities that rest on the failed de-industrialisation policies of the past.

To do this government should:

1. Set out a recovery programme of measures that deliver benefits both in terms of reducing carbon and increasing jobs, overseen by a new Just Transition commission.

Oxford University research suggests that good candidates for this package would include delivering net-zero buildings, energy storage, clean industry, investments in clean transport and greenhouse gas removal mechanisms – including carbon capture and storage.[23] This programme should be overseen by a Just Transition commission, bringing together workers, business and government, to ensure that it delivers decent jobs, and to chart the path towards a long-term energy transition.

2. Work with trade unions to ensure that every investment programme comes with an Olympics style plan for decent jobs attached.

When the Olympics were planned, government and the Olympics Delivery Authority worked with trade unions on a framework agreement that ensured that the project would deliver good quality local jobs and skills programmes. We now need similar framework agreements, which set out how contractors will work with trade unions to deliver local jobs and apprenticeships, for every infrastructure project backed by government investment.

And the government should make sure that complex supply chains cannot be used as a way to deny workers' rights. The government should extend joint and several liability laws so that workers can bring claims for employment abuses, such as claims for unpaid wages and holiday pay, against any contractor in the supply chain above them.

3. Support workers to get into new jobs, with a new jobs guarantee, an individual right to retrain, supported by a funded individual learning account, and a new drive for quality apprenticeships.

As we set out in Chapter 3, we believe that a new Jobs Guarantee should work with a programme of green investment, to deliver new jobs in growing industries.

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[23] Jennifer Allan, Charles Donovan, Paul Ekins, Ajay Gambhir, Cameron Hepburn, David Reay, Nick Robins, Emily Shuckburgh and Dimitri Zenghelis (May 2020) *A Net-Zero Emissions Economic Recovery From Covid-19* www.smithschool.ox.ac.uk/publications/wpapers/workingpaper20-01.pdf

But government needs to go further than that to offer skills training to everyone. A major plank of the government's skills policy framework is a commitment to spend an additional £600m per annum on a new National Skills Fund that will provide "a first step towards a 'Right to Retrain'". Welcome as this is, it needs to be put in the context of the sustained long-term decline in public spending on adult skills (the IFS24 says that this additional spending will only reverse about one fifth of the cuts to total spending on adult education and skills since 2010). This funding should now be be brought forward into the current year rather than starting in 2021-22 as planned.

To open up learning opportunities to those facing the greatest barriers, we need a new expansive skills system that provides lifelong learning accounts for all adults incorporating entitlements to upskill or retrain; a new right to paid time off for education and training for workers, and a new entitlement to a mid-life skills/career review and development of an all-age careers guidance service in England.

And government should reform the apprenticeship system to better serve the needs of a new generation of young people who will be entering an uncertain labour market. The apprenticeship levy should be made more flexible, allowing employers to use their levy funding to provide wide range of pre-apprenticeship programmes and any other training entry routes for young people that would help tackle the decline in youth job opportunities.

There remain significant challenges in delivering quality apprenticeships, including slow progress in tackling the continuing high numbers of poor-quality low-paid apprenticeships and widening access to underrepresented groups. Reforms are required to strengthen enforcement of rights, boost wage levels, improve equality of access, and guarantee progression to an advanced apprenticeship and to develop stronger social partnership arrangements as are found in most other countries. This could be achieved by transforming the tripartite National Retraining Partnership into a National Skills Partnership.

4. Build UK manufacturing supply chains, by increasing the requirement for UK content in any investment programme.

When government invests in new infrastructure, it should ensure that this investment is used to build local supply chains. For example, the government's sector deal for offshore wind currently requires 60 per cent UK content for construction and maintenance. This is a good start, but is too limited; the government should require a raising of that target to 80 per cent.

5. Put a Just Transition at the heart of COP26.

The UK government will be hosting the delayed global climate talks in 2021. It should use this opportunity to gather best practice, and showcase how best to deliver a just transition to a low carbon economy in the UK and globally.

6. Ensure that trade deals don't undermine UK manufacturing.

The TUC is concerned the government has proposed weaker protections from the dumping of cheap imports than are currently in place while the UK is in the EU customs union. The government must, as a minimum, replicate the protections from dumping found in the EU and ensure trade unions have a place on the Trade Remedies Authority so that workers have a say on the anti-dumping measures needed to protect jobs.

[24] Available at: www.ifs.org.uk/publications/14625

Chapter 6: Rebuilding internationalism

The virus has demonstrated the interdependence of people not only within communities, workplaces and nations but throughout the world. The importance of countries sharing expertise, working together on a vaccine and supporting each other through tough times has demonstrated the value of international collaboration and solidarity. These values must be integral to our recovery.

It is not just the virus that crosses borders. Our economy is truly global in nature: investment, goods, services and people cross national borders every day in increasingly complex and varied pathways. The rules that govern our international systems for trade and finance often act to damage the interests of poorer countries and make it harder for working people across the world to be paid fairly for their labour, driving down regulatory standards and working conditions. Workers in the global south whose livelihoods and often lives depend on the behaviour of large multinational companies are let down by the lack of global rules on workers' rights and social protections, and the low levels of trade union coverage. Those that face discrimination, including minority ethnic and migrant workers have often paid the greatest price.

These rules have benefited the multinational companies that benefit from cheap labour, but have been promoted by the multi-lateral institutions, such as the World Bank, IMF and World Trade Organisation, that should be standing up for workers' rights. Reform of international rules and institutions is urgent, and in building back a better country, we must also play our part in building back a better world. Trade unions across the world are pushing for a new social contract with decent work at its heart. Now is the time for countries to come together to build it.

Trade deals which have weakened labour protections have pushed workers into the informal economy with devastating consequences for their livelihoods now

The global trade agenda has been driven for too long by the interests of multinational business. Unfair trade deals and trade rules enforced by the World Trade Organisation (WTO) have driven underdevelopment in many countries by removing protections for domestic industries and displacing workers from good jobs into the informal economy. They have also driven privatisation of public services and undermined social security systems and democratic decision making by enabling both governments and foreign investors to challenge and potentially remove social protections.

The terrible consequences of this trade agenda have been revealed by the Covid pandemic with millions of workers in the informal economy, particularly in Global South countries, forced to face the risk of infection over the certainty of starvation when there is inadequate social protection or access to free healthcare. The International Labour Organisation (ILO) estimates that as many as 1.6 billion of the world's two billion informal economy workers are affected by lockdown and containment measures, and that these measures threaten to increase poverty among informal workers in low-income countries by as much as fifty-six percentage points.[25]

Urgent action by governments and international funders is required to address the needs of these workers now. But in order to ensure that the post-Covid recovery creates decent jobs and protections for all workers, the global approach to trade needs to be fundamentally rethought, with the aim of producing decent jobs for everyone. Governments must use international trade treaties to promote development, gender equality, decent jobs, universal quality public services, social protection regardless of immigration status, and commit governments and companies to uphold ILO standards.

This means that trade deals must:

- have effectively enforceable labour rights commitments with penalties imposed on governments and companies that do not uphold ILO standards or the Decent Work Agenda
- require that businesses adhere to the UN Guiding Principles on Business and Human Rights and have strong state mechanisms to ensure this
- not remove tariffs on developing countries that are needed to protect domestic industries
- completely exempt all public services
- completely exempt personal data
- not contain any special court systems that allow foreign investors to sue governments for actions that threaten their profits (Investor State Dispute Settlement style systems).
- involve trade unions in negotiations, to ensure that workers' rights are kept central.

The UK government should begin by putting in place this approach in its own negotiations on trade with the EU and US. At present, the refusal by the UK government to commit to uphold a level playing field on workers' rights in the EU-UK deal threatens to begin a race to the bottom in the UK. And the UK government's negotiating objectives make clear a deal with the US threatens to reduce workers' rights, data protection and public services.[26]

Weak regulation of global supply chains means that the workers who produce the goods we consume enjoy none of the protections we expect

Trade unions have long been concerned that global supply chains have developed without proper regulation or the involvement of trade unions which have left countries dependent on few exports and driven down conditions for workers. This has meant that the pandemic has had a devastating impact on countries dependent on the export of goods such as textiles – the clothes that end up in our shops and wardrobes. As there has been a crash in demand, millions are threatened with abject poverty. Research by the ILO shows that:

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[25] ILO (2020) *Contagion Or Starvation, The Dilemma Facing Informal Workers During The Covid-19 Pandemic* www.ilo.org/global/about-the-ilo/newsroom/news/WCMS_744005/lang--en/index.htm

[26] For more detail see www.tuc.org.uk/research-analysis/reports/tuc-briefing-us-and-eu-negotiations

- An estimated 200 factories in Cambodia have either suspended or reduced production and at least 5,000 workers have lost their jobs.
- In Myanmar, a lack of raw materials from China has led to the closure of at least 20 factories and the loss of 10,000 jobs.
- In Viet Nam, an estimated 440,000 to 880,000 workers could face reduced hours or unemployment. In the worst-case scenario, this figure could increase to as many as 1.3 million.
- In Bangladesh, as many as 2.17 million workers have been affected by the crisis, with many facing unemployment as orders are cancelled and production declines steeply.[27]

By insisting on sourcing from countries with low overheads – cheap labour, few regulations and low taxes – companies are complicit in the devastation that follows the mass cancellation of orders. Even if they had been paid living wages - a long time ask by campaigners that rarely, if ever, been effectively delivered, these workers would have little income protection, poor access to health care and minimal food security. The profits of our brands still rest on the total vulnerability of their suppliers' workforces.

Building on the progress made since the adoption of the UN Guiding Principles of Business and Human Rights, a global effort needs to be made to ensure that business models address these profound inequalities at a far deeper level than has been attempted so far. In the short term, business must join unions in pushing governments to provide social protection and respect the ILO's core standards, and be prepared to pay if increased costs result. In the longer term, they will have to rethink their purchasing approach, engage in social dialogue and help build a model of global supply chains that is centred on decent work and respect for international labour standards. The era of cut-to-the-bone and infinitely flexible supply chains must come to an end.

International institutions must be reformed so that they work towards a new social contract

The push towards informal models of work, and the lack of regulation of global supply chains have been facilitated by international institutions that have privileged the interests of multi-national business over workers, promoting a deregulatory agenda that has served to entrench inequality. The World Trade Organisation (WTO), International Monetary Fund and World Bank have entrenched rules that have consolidated the power of multinational companies and worked to undermine workers' rights, labour market institutions, quality public services and other social protections through deregulation, liberalisation and privatisation in both the Global North and Global South.

These institutions must act urgently to protect workers most at risk in the pandemic, but this should be just the start of a new approach which democratises these institutions to ensure equal participation from the global south, and puts decent work, social protection, and a just transition

[27] ILO (May 2020*) Covid-19 And The Textiles, Clothing, Leather And Footwear Industries* available at https://www.ilo.org/wcmsp5/groups/public/---ed_dialogue/---sector/documents/briefingnote/wcms_741344.pdf

to a lower carbon world at their heart. All development cooperation should follow the principles set out in the Busan Principles for Effective Development Cooperation.[28]

Urgent and longer-term actions must include the following:

- The IMF should co-ordinate fiscal stimulus, and issue additional 'special drawing rights' (SDRs) – a mechanism for boosting member countries' reserves - with a Trust Fund into which advanced economies can re-allocate their holdings of SDRs to be used for public health, social protection and protecting jobs.[29]
- The UN should lead a binding sovereign debt work out mechanism In 2018, at least 46 low-income countries spent a greater share of GDP on debt servicing than on healthcare systems. This has no doubt weakened their ability to respond to the Covid-19 pandemic. While there has been some debt cancellation and relief led by the IMF, World Bank and G20, greater action and coordination is needed. The TUC supports a UN-led binding debt sovereign work out mechanism.
- Multilateral organisations should work together to establish a Global Fund for Universal Social Protection to support health care and income support for Global South countries. this should support public services including health and social care and education being brought back in house. Social protection is a fundamental right and key component of the ILO's Decent Work Agenda.[30]
- The WTO should require its members to uphold International Labour Organisation Standards as a key part of promoting a trade agenda that enables decent work.
- The UN should lead a co-ordinated effort towards new global rules on taxation New global rules, including a global financial transaction tax, are also required to ensure there is progressive taxation that ensures companies pay their fair share in the countries where they operate and addresses issues such as carbon emissions. It is estimated that tax havens collectively cost governments between $500-600bn a year in lost corporate tax revenue through evasion and avoidance. Low-income countries account for $200bn of these losses, which is more that the estimated $150bn they receive in foreign development assistance each year.[31]

International co-operation is essential to tackle the far right

Globally, far right governments have used the Covid-19 pandemic as a justification for anti-migrant, racist and xenophobic actions and an increase in authoritarian measures.

- Hungary has put in place an indefinite state of emergency with limits on free speech and has blamed foreigners for the spread of the virus in the country.

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[28] The Busan Partnership for Effective Development Cooperation https://www.oecd.org/dac/effectiveness/Busan%20partnership.pdf

[29] *Covid-19 and Debt in the Global South*, Eurodad https://eurodad.org/covid19_debt1

[30] Toolkit for Mainstreaming Employment and Decent Work, ILO, 2008 www.ilo.org/pardev/partnerships/partnerships-and-relations/ceb-toolkit/WCMS_172612/lang--en/index.htm

[31] www.imf.org/external/pubs/ft/fandd/2019/09/tackling-global-tax-havens-shaxon.htm

- In Brazil the president attended an anti-democracy rally and the education minister has blamed Chinese people for the virus.
- Poland is going ahead with new legislation that can be used as a system of political control of the judiciary.

They have sought to sow division and blame ‘the other’ for the social and economic suffering caused by the pandemic to divert attention from their inadequate responses to the crisis and the long term impact of the economic policies which have left workers behind. Furthermore, far right governments have denied migrants and refugees fundamental human rights such as the right to medical care, rights at work including safe working conditions and social security entitlements.

The TUC works with trade unions internationally to counter the far right, supporting unions to organise workers from all countries and racial backgrounds to demand decent treatment and stop racism and xenophobia. But the efforts of trade-unions must not stand alone. A new internationalism based promoting decent work for everyone must be part of a global effort to counter the hatred, fear and division propagated by far-right parties that damage workers everywhere.

Chapter 7: Paying for itself

Measures to contain the coronavirus have shut down or reduced activity across major parts of the economy. The government has provided large-scale support for jobs and livelihoods, including the job retention scheme that is now supporting over a quarter of employees. New initiatives have been funded, including emergency hospitals and the provision of accommodation for homeless people.

Despite the scale of support, the crisis has meant an abrupt rise in unemployment and a sharp fall in GDP growth. When restrictions begin to be lifted, there is a danger that the economy gets stuck in severe recession. Over the course of lockdown, some companies have closed and others have announced major redundancy programmes. And the economy was fragile even before the pandemic hit, with excessive corporate leverage, excess in asset markets, trade tensions and uncertainties around Brexit.[32] With tax revenues falling sharply, the sum of the parts will be an increase in the deficit and the public debt.

But we should not see the economic outcomes of the lockdown as inevitable. Government action during this period has shown what is possible, and government will need to act decisively to protect against the risk of recession and even depression.

The lesson of the UK's economic history is that investment is the most effective way to deliver growth following a recession, and to restore the public finances. We failed to learn this lesson in 2010 with devastating results. This time must be different.

The approach outlined in this report is aimed at supporting workers and businesses in the transition from lockdown, but also in the longer term to create decent work and a fairer society. Achieving this change will mean that GDP will be higher; unemployment will be lower; wages and incomes higher; and government action on climate change will stimulate innovation and create decent jobs. In turn, the higher tax revenues this enables will help government to pay off its debts. In the meantime, with the cost of borrowing at record lows, government should see all talk of austerity as a dangerous distraction from the real task at hand; to build a better economy and a fairer society.

The impact of the pandemic

As the lockdown continues, various economists are setting out forecasts for the UK and global economy. The UK Office for Budget Responsibility (OBR) has published a 'scenario', which provides a starting point to assess the potential impact.[33]

At the simplest level this and other scenarios start with judgements about which industries are affected by the lockdown and to what extent, and do the same across categories of expenditure.

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[32] Eg *FT* editorial, Saturday 2 may – "Markets Are Out of Step With Economic Reality". www.ft.com/content/7aed2eae-8bac-11ea-9dcb-fe6871f4145a

[33] OBR (April 2020) The OBR's coronavirus analysis https://cdn.obr.uk/The_OBRs_coronavirus_analysis.pdf

Using this approach, for example, the OECD estimate UK output has been reduced (temporarily) by around a quarter and consumer spending by a third.

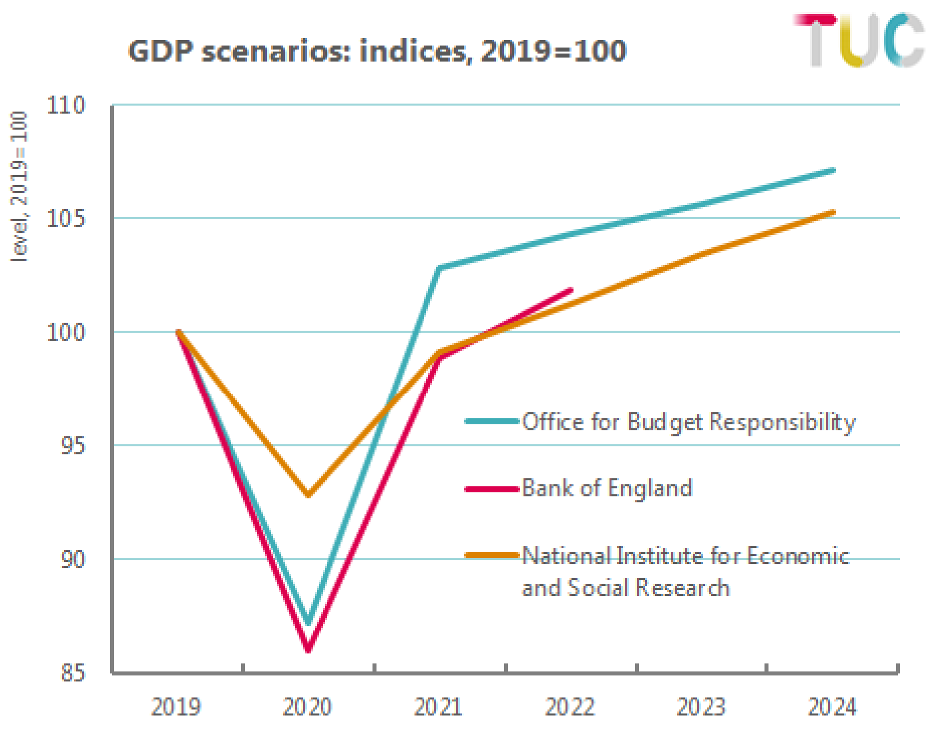
The OBR scenario shows real GDP falling by 35 per cent in the second quarter, but bouncing back quickly. Unemployment rises by more than 2 million to 10 per cent in the second quarter, and it recovers lost ground more slowly than GDP does. Average earnings take a big hit in 2020 (-7 per cent), but bounce back the following year (+18.3 per cent) and get back to (post-crisis) norms of 1-3 per cent in the following years.

These projections then translate to a reduction in government taxation revenues, projected at £130bn lower than expected at the Budget. The cost of government measures to support workers and businesses is estimated at £120bn. So, there is a sharp but temporary increase taking public borrowing to £300bn in 2020–21; this is 15 per cent of GDP, by far the highest figure outside war years.

While the increase to the deficit is a one-off, public debt rises to 95 per cent from 78 per cent of GDP in 2020-21 and is sustained at this level into the future. While borrowing rises however, the cost of servicing this borrowing is expected to fall. The Resolution Foundation show that the impact of low interest rates and a flight from risky assets is that: Despite the debt-to-GDP ratio more than doubling in the most extreme scenario, the proportion of government revenue devoted to paying debt interest actually falls below the pre-outbreak forecast under all three scenarios [modelling different courses of the pandemic]. 7

Most published scenarios are broadly consistent with the OBR view, and in general show rapid recovery and very broadly pre-crisis trends restored.

Figure 10: Comparison of GDP scenarios



Source: OBR, BoE and NIESR

Achieving the recovery

The OBR and Bank of England models shown above do not say whether the rapid recovery they forecast is contingent on government support continuing into the recovery phase. The TUC believe that the measures we set out in this report are essential steps towards delivering that recovery, and a more effective economy.

A changed economic model is desperately needed. Even apart from the effects of austerity, the model that culminated in the global financial crisis was gravely flawed. Extreme inequalities of income and wealth, regional disparities, high levels of private debt, financial instability and repeated recessions in manufacturing were just some of the symptoms of a broken system, even before the insecurity and inequality we set out above was thrown into sharp relief.

This model saw decades of downward pressure on workers' wages, not least through gradually undermining the strength of trade unions, lowering the level of effective demand. The importance of wages to economic conditions was made eloquently by Baron Morris of Handsworth (GS of the TGWU from 1992 to 2003) in the House of Lords debate on the 150th anniversary of the TUC:

"The late Henry Ford was visiting one of his factories in Detroit. His guest for the day was the late Walter Reuther, president of the United Automobile Workers. Henry Ford was describing how he had automated the factory and boasted that the robots would not be asking for a pay rise and that he could rely on their accuracy. Walter Reuther, the trade union leader, replied, "Yes, Henry, but they won't be buying any of your damn cars either" (2019)

In the run up to the global financial crisis, ever-rising private debt reflected the consequence of production outstripping incomes and purchasing power (at both the national and international level).34 Policymakers continue to interpret the global financial crisis as meaning the public were living beyond the means of the economy, but instead the economy has been operating beyond the means of the public. In the past this situation has been understood as 'over-production' or 'underconsumption'. A decade of austerity exacerbated the crisis, resulting in weak growth, the crises of pay and poverty, and further exacerbating private debts. Repeated failed attempts to tighten monetary policy were further indicative of a misreading of economic conditions, mistaking weak demand for weak supply-side conditions most recently when central banks backtracked from planned interest rate rises in the wake of financial market turbulence in autumn 2018.

Ahead of the pandemic there was growing recognition of the scale of global of global indebtedness, especially corporate debts – including those in emerging market economies. The Systemic Risk Council (comprised of ex-central bankers and academics) warned:

"Covid-19 strikes the world at a time when too many corporations around the world are over-indebted, and after a period during which persistently favorable market conditions caused traders to take aggressive positions, exposing them and the system to spikes in volatility, let alone a collapse in asset values".[35]

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[34] TUC (2019) *Getting it Right This Time: lessons from a decade of failed austerity* https://www.tuc.org.uk/sites/default/files/2019-10/Gettingitrightthistime1.pdf

[35] https://www.systemicriskcouncil.org/2020/03/src-statement-on-financial-system-actions-for-covid-19/

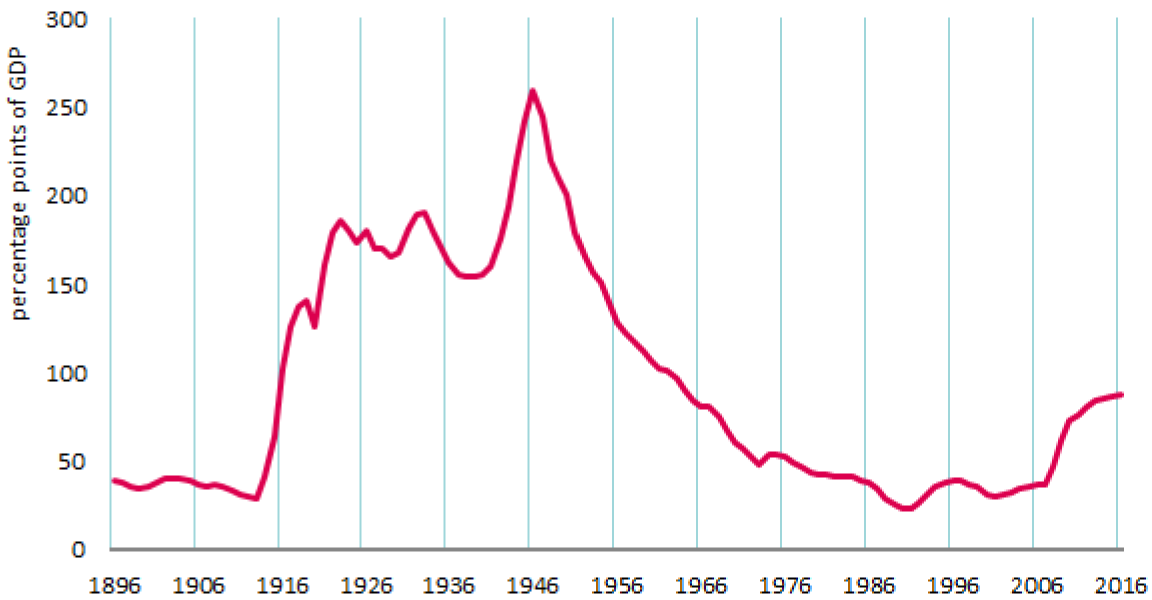
The action taken by governments to manage the exceptional impact of the virus has shown that change can happen quickly. That change should build on what we have learnt from the last century of economic history.

Lessons from history: the tale of three recoveries

The great depression of the 1930s exemplifies the failure of the economic system that was constructed after the First World War. When the war ended, government spending was cut in two waves (the second infamously known as the Geddes' Axe, after the minister responsible); interest rates were set high to reward creditors; and the sterling exchange rate was fixed high to protect and encourage overseas asset holders. The result was the most disastrous decade for the British and global economy in modern history.

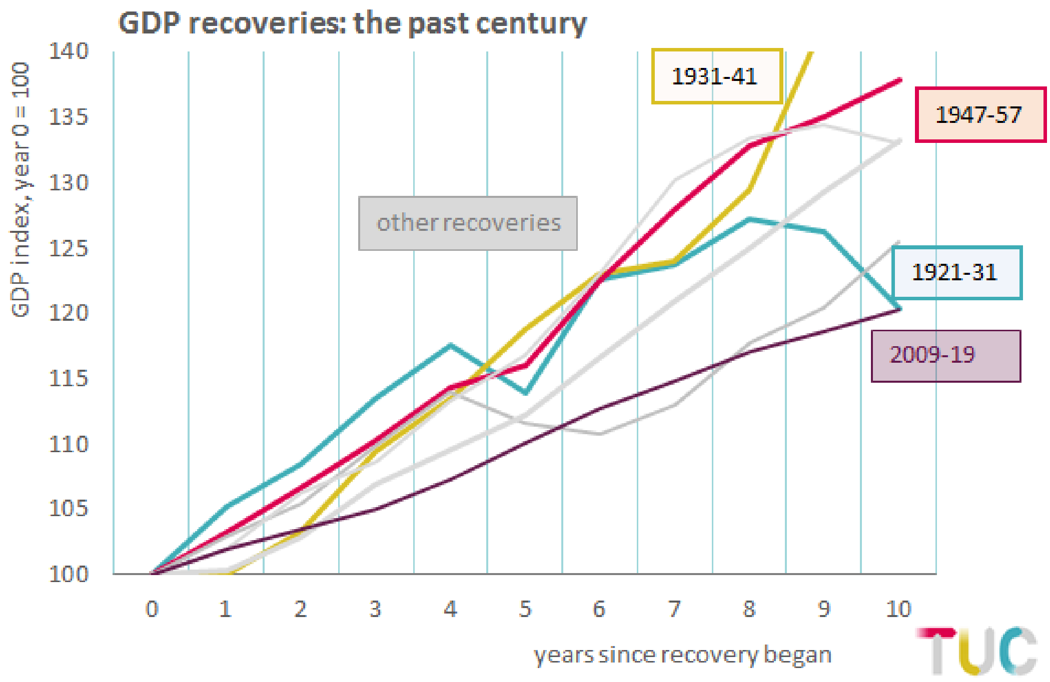
The approach after the Second World War was wholly different. Debt stood at 250 per cent of GDP; but rather than retrench, the war economy was simply repurposed and aggregate demand sustained rather than restricted. The Attlee government implemented decent social security, the NHS, built homes, extended education, supported the arts, and delivered a programme of nationalisations. The private sector was advantaged by these social advances. The unemployment rate was between one and two per cent, and wage rises were material but not inflationary (in part because of an agreement between trade unions and government that held until the Korean War). Rather than balance, the government's books were brought into decisive surplus. Rather than stagnate, the public debt began to fall, and continued to fall for the next three decades.

Public sector net debt as percentage of GDP



Source: Bank of England historical data resource

GDP recoveries over the past century



This changed economic approach and the government's decisive programme of investment in social infrastructure led to material changes in economic performance. Many have sensed a parallel between the lockdown economy and war, but the most important parallel is with the transition to peace. Only after the Second World War were commitments to the heroic efforts of workers and soldiers honoured.

Post-financial crisis austerity was based on the same doctrine that was deployed after the First World War. GDP statistics from the trough of the recession to the present (2009-2019) show the worst recovery for two centuries.[36] It is unsurprising but very striking that the only 'recovery' in the past century that is in the same ballpark is the decade of after the First World War (Figure 3). Conversely, the recovery from the Second World War is at the top of the pack. (Though the expansion into the Second World War moves the 1931-41 recovery very clearly into the front.)

Just as after the First World War, austerity policies over the 2010s may have reduced the deficit, but no material dent was made to the public debt ratio and the UK went into the coronavirus crisis with the public finances in much worse shape. In October 2007, just ahead of the global financial crisis, the Treasury was looking at an outturn for public sector net borrowing in 2006-07 at 2.3 per cent of GDP. In March 2020 the comparable figure was 2.1 per cent, imperceptibly different. But in 2006-07 debt was estimated at 38.5 per cent of GDP; in 2019-20 the figure was double at 80.6 per cent (even on a favourable measure that excludes extensive subsidies to the financial sector).[37]

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[36] Geoff Tily (11th February 2020) *The Worst Decade For Growth in Two Centuries* www.tuc.org.uk/blogs/worst-decade-growth-two-centuries

[37] Figures from the OBR historical forecasts databank https://obr.uk/data/

Even in its own terms, austerity failed, as harsh public spending cuts led to lower incomes, weakened demand, lower tax revenues and weaker economic growth. It is flawed economic systems and policies that are not affordable, even on the narrow view of the public sector finances.

Creating a fairer and more sustainable economy

Learning from our history suggests that how a better economy can be paid for is the wrong question. Instead, we should ask how to finance the transition to that better economy. And this is where coronavirus learning comes back in: given the finance was found for emergency measures through the pandemic, finance can be found to construct a new economic model.

Some may contend that the cost of borrowing will rocket and Britain will lose credibility in global markets. But public debt has steadily risen over the past decade, and in parallel interest rates have fallen to record lows. As the Financial Times put it in its succinctly titled editorial 'Now is not the time to worry about the UK debt burden "*There is no sign of a debt crisis and little prospect of bond vigilantes singling out the UK while all major governments are running unprecedented deficits. In fact, the cost of borrowing has fallen further during this crisis*."[38] Plainly Bank of England asset purchases have been critical in this situation. The ideal must be an economic model that finally permits debt decisively to fall, and the facility to be gradually withdrawn.

Government spending to put in place a new economic model will provide necessary support to the economy as restrictions are lifted. Increases in public sector pay and employment will be quick-acting and will help rebuild confidence in the private sector. The jobs guarantee, collective bargaining, improved conditions at work, strengthening of benefits and improved pensions will also support demand as well as fostering a more positive working environment. In the medium-term just transition, lifetime learning and addressing supply chains will strengthen the economy as well as protecting the environment and improving the economic security of the UK.

With the imperative to sustain aggregate demand, questions of tax are immediately less pressing. But in the medium term, there are wider questions of who pays and how government debts are repaid. The way income and wealth are taxed in this country helps fuel inequality, and reforms to taxation are needed as supplementary means to tackling inequality, promote green growth and secure forms of employment.

This is not to underestimate the complexities as the lockdown is gradually undone. While demand will be deficient, supply will also be contained given likely restrictions on movement and operations in the workplace. The TUC is calling for a National Recovery Council, replicated at sectoral and regional level so that unions and employers can work together with government to approach strategically and handle collectively the coming challenges.

Under the Attlee government that came after world war two the economy was changed from a bad system to a better one. Large scale social and economic reform was achieved and found affordable. The same should be true today.

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[38] *Financial Times* Editorial Board "Now is Not The Time to Worry About The UK Debt Burden" www.ft.com/content/f4512808-9517-11ea-abcd-371e24b679ed