



Select Committee on Economic Affairs

Uncorrected oral evidence: Employment and Covid-19

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Members present: Lord Forsyth of Drumlean (The Chair); Baroness Bowles of Berkhamsted; Lord Burns; Viscount Chandos; Lord Fox; Baroness Kingsmill; Lord Monks; Lord Skidelsky; Lord Stern of Brentford; Lord Tugendhat.

Evidence Session No. 16

Virtual Proceeding

Questions 130 - 138

Witnesses

I Dr Katy Jones, Senior Research Associate, Manchester Metropolitan University; Tracy Fishwick OBE, Managing Director, Transform Lives Company; Professor Paul Gregg CBE, Professor of Economic and Social Policy, University of Bath; Laura Dewar, Policy Officer, Gingerbread.

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Examination of witnesses

Dr Katy Jones, Tracy Fishwick OBE, Professor Paul Gregg CBE and Laura Dewar.

Q130 **The Chair:** Welcome to the Economic Affairs Committee. We have two sessions this afternoon. I welcome Dr Katy Jones, Tracy Fishwick, Professor Paul Gregg and Laura Dewar. May I ask the witnesses to introduce themselves?

Dr Katy Jones: I am a senior research associate at the Centre for Decent Work and Productivity at Manchester Metropolitan University.

Tracy Fishwick: I run a social enterprise in Liverpool City Region in the north-west. We work with long-term unemployed people. I am also chair of part of the Groundwork trust in the north-west, an environmental charity.

Professor Paul Gregg: I work on economic, social and public policy around employment, unemployment and social mobility, primarily.

Laura Dewar: I work in policy and research at the charity Gingerbread, which supports single-parent families. I will give evidence about two research projects we are currently involved with, looking at the impact of Covid on single parents.

Q131 **The Chair:** Perhaps I could begin by asking the first question. Have universal credit and legacy benefits provided people with adequate income during the pandemic? I think I know the answer, but could you focus in particular on how much the £20 per week increase to universal credit and tax credits has helped claimants, and what the effect would be of not maintaining that? Also, what has been the effect of the £16,000 capital rules test on new claimants?

Dr Katy Jones: I do not think that universal credit and other legacy benefits have been providing an adequate income. There is a striking contrast between the generosity of the furlough scheme, where relatively high earners have been able to keep 80% of previous wages, and what people can receive through the benefits system.

The pandemic has brought more people into contact with our welfare system, and I think that many have been surprised by just how low the benefit levels have been allowed to fall. They have been surprised when they have not been able to access support through the system because of the savings rules. The temporary increase of £20 per week has been a lifeline for many people and should be made permanent. Further increases need to be considered. Design issues such as the two-child limit and the five-week wait remain with us, which you know from your previous inquiry can create significant debt and financial hardship.

We have been listening to the experiences of claimants, and Laura can speak to that. I want to flag a couple of large-scale projects that have just started, including the Welfare at a (Social) Distance project, led by

Professor Lisa Scullion, and the Covid Realities project, led by Ruth Patrick. They may be able to share further evidence on that.

Tracy Fishwick: A study at Salford University during the pandemic found that about 10% of the claimants studied were not able to access universal credit at all. They were new claimants due to redundancy. The study was of nearly 300,000 people, so it was quite significant. There are wider issues about who can access UC.

The Chair: Could you expand on that? One thing that has irritated me—I only know about it because of the universal credit inquiry we completed—is that Ministers keep saying that people will have access to universal credit, which assumes that they have no savings, and does not take account of the wait, and so on. Many people, as Katy Jones suggested, will have been in a comparatively good situation with the furlough and suddenly find that they have to live on a very small sum of money that is not available to them in practice for perhaps a couple of months. Do you want to expand on that?

Tracy Fishwick: You are right that people who have had good jobs, sometimes very good jobs, may have some savings. They may also have a partner in work and that will affect their ability to claim independently. People have a massive shock to the system when they go for help. They say, "I've paid in all my life and now, when I need it the most, it's not there for me". We hear that a lot. People are confused and, obviously, in panic mode and very upset and scared about what will happen.

The Chair: What do you think the remedy is?

Tracy Fishwick: We need to increase the level of universal credit and widen access to it in some way, so that people can expect some form of basic income during this time, because none of this is anybody's fault.

Laura Dewar: I reiterate the points that Tracy and Katy have made. The two research projects that I am involved with include some qualitative work with single parents, and I have seen the impact of going on to universal credit and people losing their jobs, especially where jobs no longer exist.

The furlough system is very different for someone who is on a high wage. In theory, a couple could receive £5,000 in what I consider benefits, whereas, if you are at a much lower end of the income stream, a furlough scheme of 80% is pretty low. Some of the single parents we interviewed for the research project told us what they had to go without under that scheme.

We saw the positive difference that the £20 uplift in universal credit made to single parents, especially as during the pandemic food prices have gone up, people have been at home more and they have had higher electricity bills. That is really positive and we support the Joseph Rowntree Foundation "Keep the lifeline" campaign. I reiterate, however, that it is not open to people on legacy benefits. People who are

unemployed and on legacy benefits do not get it, and that is totally unfair.

The Chair: They do not get what?

Laura Dewar: They do not get an uplift. The £20 uplift is only available to people on universal credit.

The Chair: I understand.

Laura Dewar: There are single parents who do not receive that uplift, such as people who are benefit capped; 73,000 single-parent family households are not getting that uplift. In fact, the uplift would probably push them into being affected by the benefit cap. That is an absolute flaw in the system. As Katy and Tracy said, there are other ways that could help address the support that families with children get. In recent research by IPPR and the TUC, they call for an uplift to the child element of universal credit and legacy benefit, which would be a positive way to get money into the pockets of families.

The Chair: Professor Gregg, do you want to add anything?

Professor Paul Gregg: It is something slightly different. In the last recession, the tax credit system was made substantively more generous, partly for the kinds of reasons that the other witnesses are talking about, to mitigate some of the deprivation caused by job loss. It was also used as a fiscal stimulus kind of measure. Trying to stop big falls in income was part of trying to keep spending going on in the economy. The £20 is doing that a bit now, and ending it in April—just when, hopefully, we are beginning to come back into recovery—is really bad timing from an economic perspective.

Q132 **Baroness Bowles of Berkhamsted:** How well have the Government supported self-employed people during the pandemic? That is not just about how well they have done it in monetary terms, but about how well it has been distributed to different types of unemployed people.

Dr Katy Jones: Support has not been well targeted, and approximately 75,000 self-employed workers have been excluded from the Self-employment Income Support Scheme. Universal credit struggles to support the self-employed, whose incomes fluctuate. The Government have temporarily removed the minimum income floor, which has helped with that problem, but there are plans to restore it at a time when small business owners are struggling to regularly earn the minimum wage.

There are also concerns that the self-employed with savings for either future tax or business obligations, or who choose to save instead of paying into a pension, are struggling to access universal credit because of the savings rules. The Women's Enterprise Policy Group has cited evidence that self-employed women in particular need targeted support. My colleague Professor Julia Rouse and others at Manchester Met have been looking at that and they would be happy to talk to you more about it, if that would be useful.

The Chair: Everyone does not have to answer every question, but pitch in, please. Does anyone else want to pick up that point?

Laura Dewar: I reiterate the points that Katy made about single parents. Single parents really struggled with the wait for the first payment under the self-employment scheme that was introduced over the summer, which meant that quite a number of them dropped out of self-employment.

I agree with Katy that the minimum income floor is difficult and will be increasingly difficult for businesses as they are affected by the pandemic and the effects on the economy. I see that today the Government have announced that they are extending it until April, but there has to be more certainty that it will be extended for a much longer period and that there will be much more support for small businesses.

The Chair: Does anyone else want to comment on Baroness Bowles's question? Baroness Bowles, do you want to add anything?

Baroness Bowles of Berkhamsted: We have already covered the minimum income floor point, which I was going to ask about.

Q133 **Lord Burns:** Should the Government be doing more in response to the reported increase in child poverty as a result of the pandemic? If so, I would be particularly interested to know whether the response should be in the form of short-term measures that last as long as we have the pandemic, or whether permanent reform is required, which will do the job of dealing with both the pandemic and other pressures on the system.

Dr Katy Jones: It is important to note that child poverty was rising before March. Prior to the pandemic, 4.2 million children were in poverty. That is 30% of all children in the UK. The free school meals campaign has exposed some of the inadequacies of our social security system in ensuring that basic needs are met.

Fundamentally, it comes back to both the adequacy of the benefits system, which we addressed in the first question, and ensuring that our labour market provides families with decent work that allows them to escape from poverty. A high proportion of the households experiencing poverty both now and prior to the pandemic were in work. As to where the balance should lie as regards immediate measures and who should step in, we will have to rely much more heavily for the foreseeable future on our benefits system because our labour market is in a bit of a crisis at the moment.

Laura Dewar: Before the pandemic, even single parents in work were experiencing poverty. One in five of those single parents was in full-time work and the two in five who worked part-time were living in poverty. The pandemic has seen a huge rise in unemployment for single parents, and I have been particularly alarmed by the spike in unemployment for those who work part-time.

One issue is about the quality of work and how universal credit works. Currently, the taper rate discourages people from working more and keeping their earnings, and that is a constraint. The jobcentre process and the work first agenda pushes too many people into any old job. That is a real issue for people who want to work part-time and more flexibly. In a report I did earlier in the year about in-work progression, I was stunned by the figures. We found that single parents, even where they have the skills, are not getting work that reflects those skills. That is compared with mothers in couples. It is really alarming. We have to get better at using people's skills. That will be important in how a back-to-work service is designed.

Professor Paul Gregg: Again, I have a slightly different point. The poverty line covers a wide spectrum of incomes. There are people who are very close to it and people who are a long way down. What has been highlighted by the recent free school meals campaign is how many people are going to the bottom of that distribution. That is partly because of increased worklessness, but even those staying in work and furloughed have had an income fall. As somebody else mentioned, if your partner loses work, your income falls.

What is being highlighted is what is sometimes called deep poverty. We are getting a growth of deep poverty, and, in my opinion, that is where policy should be focusing right now. Reform of tax credits and work are long-term issues. Right now, we have a deep poverty problem that is growing rapidly, and we need to think about how to address that.

Lord Burns: The IPPR recommended either doubling child benefit or increasing the child element of universal credit. Between those options, which do you support in general?

Laura Dewar: We would support an increase to universal credit and legacy benefits, because that is more targeted at poorer households than child benefit, which is open to people with an income of up to £50,000.

Lord Burns: Do the others agree with that?

Professor Paul Gregg: Yes. If you are talking about people who are really struggling, you want to focus it as much as possible. It is interesting that free school meals are another slightly unusual way of targeting need, in the sense that only a limited number of people are eligible for free school meals, among the poor and among those receiving universal credit. In a sense, that highlights the issue of how we can think creatively to try to focus resources on the problem.

Lord Tugendhat: We have been talking about this problem in a global sense. Are there any significant regional differences? Prima facie, I would have thought that perhaps the problems would be worse in London and the south-east because the cost of living is higher here than it is in some other parts of the country, but we have been, as I say, talking about it in a global sense. Are there significant regional variations?

The Chair: Professor Gregg, that sounds like one for you.

Professor Paul Gregg: There are two ways of thinking about the geography. One is the broad spatial regional story and the other is what is happening in deprived units. Within all our regions, there are areas of very great deprivation. All the things we are talking about are magnified in those areas. All the things we will go on to talk about as regards what is happening with jobs focus on those kinds of communities. Personally, I am less interested or motivated by regional discussions. I am starting to think a bit more about what is happening in communities. That is my personal view.

Lord Fox: Professor Gregg, I am sorry to focus on you, but I have two questions. You touched on one, which was about the take-up of free school meals. I have always been aware of anecdotal evidence that certainly in some areas take-up is less good than in others, so how good a measure is it? The second and probably more important point you mentioned is the concept of deep poverty. Is that another word for destitution? What do you mean by deep poverty, and when does poverty become deep poverty? You talked about key steps. What are some of the pointers to that?

Professor Paul Gregg: What I mean by deep poverty is not destitution. For me, destitution is below that; it is homelessness and has a different kind of feel. The formal definitions are a little vague. What we conventionally define as the poverty line is something like 60% of median income. That is the conventional poverty line. Deep poverty is somewhere around 40%, and certainly well below 50%. That is what I mean by it. You are right that take-up of free school meals is patchy and quite a lot of people do not use them. I suspect far more are now.

Lord Fox: I wondered if there had been an acceleration of people deciding to access them.

Professor Paul Gregg: I am simply not up to speed with that conversation. I am trying to think on my feet here about where the policy implications are. What we have seen over the last 10 to 15 years is the rise of food banks, which are a sign of the acute end of the distribution. They offer an alternative way of trying to get extra resources to those who are in acute need. The acute need may not be long-term acute need. It might be a short-term crisis. A lot of food banks are about short-term crises. We used to have a crisis loan system. We do not have that kind of system any more.

I am riffing a bit. I am thinking about whether there are other ways than general benefit reform that we might try, so that we access those who are in acute need. My daughter has been delivering fruit and vegetable hampers to isolating families. We are in very unusual circumstances, so let us try to think about more unusual and creative responses. The free school meals running through holidays are not being delivered by the schools, of course. It is that kind of creative response. Food banks are part of that creative response. We do not want them as a long-term way

of dealing with poverty. That is a sign of failure and not success, but right now it might be the kind of territory that is potentially interesting as between governmental and charity and community responses.

The Chair: May I ask Tracy Fishwick a question? Professor Gregg, you might want to pick up this point. I hesitate to walk on the eggshells about the delivery of free school meals, where I feel that the Government have not come out terribly well in handling all of that. My instinct when I first heard about it was that the problem is that people do not have the money they need to feed their children, and that is why they are going to food banks and so on; therefore, a big campaign about free school meals is missing the point and is slightly patronising towards parents. People in the media have suggested that parents cannot be trusted to spend the money on their children, which, certainly from my point of view, is an extraordinary suggestion.

Can you help me on that? Am I just a bit of a dinosaur? It seems to me that the fundamental problem, which is why we have seen food banks and other sources become more important, is that people just do not have the cash to meet their basic needs.

Tracy Fishwick: That is the crux of it. We are talking about poverty. Before the crisis, whether they were in work or not, many people were not even just-about managing. They are literally on a knife edge, and one additional cost throws them into complete disarray. There are no savings and nothing to fall back on. If you do not have family to rely on, in quite a lot of cases you are in real trouble. I was asking people about this before I came on this call, and one woman told me, "If my family wasn't there and my auntie wasn't giving me £200 a month, I'd be out on the street, homeless". That is how close these scenarios are for the people we see every day in our work in Liverpool. It is very real.

The whole issue of food banks and how we go about solving these things is patronising and a sticking plaster-type scenario. It is helpful but it is not a long-term solution. I heard the other day that there are more food banks now in England than there are McDonald's. There are quite a lot of McDonald's, so it is nothing to be celebrating. Galvanising people and charity around a particular issue, as Marcus Rashford has done, has touched a nerve. It is a good thing to highlight the issue, but it is not solving the long-term problem.

The Chair: Thank you for that.

Tracy Fishwick: It is about the low income levels if you are in work and the quite punitive benefit system that goes along with that, and the toxic relationship between zero-hours contracts and universal credit, and how that works. I am sure you have heard a lot about that in other Committees. It is about the amount of money that we are not paying people.

Laura Dewar: The benefits system has moved away from the needs of families. If you have a benefit cap, you are not reflecting the needs of a

family. If you have a two-child limit, you are not reflecting the needs of a family.

In the interviews that I did with single parents about moving on to universal credit, there were some perverse things about people moving from legacy benefits to universal credit. Someone who lost their job, who has a child with a disability and who gets carer's allowance, under universal credit gets £300 less. She could not afford uniforms for her children going back to school. As Tracy said, people have to rely on their family. In that case, the grandmother paid for them, but what if you do not have a grandmother who can pay for them, and your child goes back to school and has no uniform?

The benefits system has to reflect the needs of families. It has shown through the furloughing system how quickly it can react to things. Going forward, there needs to be much more connection between the needs of families in particular, and the benefits system, both out of work and in work.

Q134 **Viscount Chandos:** How have school leavers and graduates in particular been affected by the crisis? What does it mean for the level and type of support that should be available? Dr Jones, in your evidence to this Committee in our universal credit inquiry, you gave very depressing feedback on the level of support, so would you kick off by updating us?

Dr Katy Jones: I do not think I have much positive feedback to turn it around. All education leavers will face an incredibly difficult labour market. We know that from our experience of previous recessions. Leaving education during a recession, or experiencing unemployment at any point while you are young, has a lasting impact over your working life. If Professor Gregg was not at the Committee, I would be citing his work, but I will leave it to him.

Those from lower socioeconomic backgrounds and those leaving education with lower qualifications will fare worse. That is a clear example of where we need our welfare and skills systems to work together better. The crucial point is that lots of young people do not claim the benefits they are entitled to. Support cannot only be about schemes such as the Kickstart programme, where young people have to be making a benefit claim to access it. To pre-empt a later question, I believe that we need an opportunity guarantee.

Young people need support to navigate the system and the support offered, and to access the best opportunities that are available to them at this time. That kind of support needs to be effectively resourced. It comes back to the point that people will step into a gap sometimes, but it is always patchy, and we need to ensure that it is joined up and well resourced. There is often a hidden cost borne by housing associations, local authorities and the third sector.

When you read the literature around youth unemployment, and when you speak to young people, it is important to note that entering work for the

first time is always a challenge. I am sure we can all look back to our first experiences of work and the steep learning curve we all had to go through. Under current circumstances, it is very much more so. People's very first experiences of work will be either virtual or socially distanced, and they will need support to get through that.

Laura Dewar: May I cheat slightly and open it up? I think you should include single parents in the group that has been really affected by the crisis. They are much more likely on average to be lower skilled, much more likely to be in locked-down sectors, to be in manual work, to be in hospitality, or to work in non-food retail. They need support so that short-term unemployment does not become long term. They need to be a priority group for the new JETS back-to-work scheme.

During our research, we ran a workshop with single parents about what they want, and they talked about the need for specialist support in jobcentres. Work coaches have become generalists. With the absolutely huge increase in unemployment, there has to be more specialism, either in the work coach workforce or through specialist support, otherwise you will leave certain groups of claimants behind, including single parents. If single parents do not move into work, or go into very poor work, it will affect child poverty.

Viscount Chandos: Does anybody have a view on Kickstart?

Professor Paul Gregg: Unemployment goes up rapidly for two very distinct reasons. One is job losses, and that is where all the government focus has been through lockdown in all the hard-hit sectors. The other big driver of rising unemployment is the fact that vacancies disappear. In March, the vacancy door of opportunity closed incredibly fast. It slammed shut, and anybody who was not in work in March and April is in a position where returning to work is extremely restricted. Although the unemployment rise to date is fairly small, it is all coming from people not being able to get into work—school leavers and recent graduates—as well as those who were not working back in March and April.

That is much more important for young people than for other groups, because that is their time for making an entry to the labour market. Entry to the labour market for young people is not always simple and straightforward, whereby you finish education and go into a job. That is sometimes true for graduates, but for most others it is not true, and it is a much more spasmodic and slightly chaotic process. Lots of people were caught on the wrong side of the door back in March, and the new graduates and school leavers are being added to that population.

What it is saying as regards policy is that we need to have two conversations, and I guess we will touch on this in other questions. One is about the general level of economic opportunity being created. We have a sector of the economy that is essentially closed down, but what can we do about trying to get vacancies opening up in the other 80% of the economy? That is the general point about macroeconomic conditions.

We have heard remarkably little about that kind of stimulus story, given that we are six, seven or eight months into the crisis.

On the other side, we have the individual. As has been mentioned, the real problem for individuals is when unemployment becomes longer term. The costs of long-term unemployment for young people are lifelong. The research that Katy nicely mentioned highlighted that kids who had long-term unemployment in the 1980s recession were earning between 12% and 14% less in their 40s. The legacy was still there for them. The essential reason is that youth is all about the period when you progress. You gain experience. You move jobs. You get promoted. It is the period of rapid earnings growth. This knocks a hole out of that kind of story. It is not just the opportunity for a first job but the progression from it that is being closed down. We need that progression in general and for the individual. I will stop there unless people want me to carry on with those points in more detail.

Tracy Fishwick: Somebody mentioned Kickstart. This is the third recession I have worked on, so I am showing my age a little. We have had New Deal programmes and ILMs. Ten years ago, after the financial crash, we had the Future Jobs Fund. Kickstart is pretty much a mirror of the Future Jobs Fund in most of its important ways, except that now we can bring in private sector companies and SMEs, and there is a lot about that which is good.

There has been an issue about youth unemployment for a considerable time. It is not just because of this crisis. Young people have been finding it difficult for many years. There has been a lack of a coherent youth employment strategy for a long time. There is a lack of agencies and organisations and government departments joining up and working collaboratively. The Department for Education and the Department for Work and Pensions do not necessarily do the joining-up they need to do, which has an impact in different areas on how we make things happen. There is a whole multitude of different funding streams that do not speak to each other and do not make sense.

The Chair: I am sorry to interrupt you, but I think Lord Monks will raise some of those wider questions later in the meeting, which will be a chance for you to pursue that further.

Q135 **Lord Fox:** Dr Jones, you told us that the social security system is at odds with the skills needed in the economy. If it is at odds, what should be done to align those policies? Are there practical examples of where it has been done better in other places, in other countries or other territories?

Dr Katy Jones: To put my earlier comments in context, the UK's active labour market policy is underpinned by a "work first" approach, as opposed to one that is more focused on skills and human capital development. You can find examples of different programmes in countries such as Denmark. Pre-pandemic, the case for a different approach was becoming stronger, given the focus on productivity and the in-work progression agenda. We know that human capital approaches have better

longer-term outcomes. The “work first” approach is arguably even less appropriate now, given that we are in the context of a period of—

Lord Fox: Can you define what you mean by a human capital approach?

Dr Katy Jones: More investment in skills, development and training as opposed to an emphasis on moving into any job quickly.

Lord Fox: What you are saying is that, rather than training someone for a job, you are creating skills for jobs that may appear at some time in the future.

Dr Katy Jones: It is a mixture. Apologies, Lord Fox. I should define my terms a bit better.

Lord Fox: It is all right.

Dr Katy Jones: “Work first” is about job search, primarily. An example is where people have to search for work for 35 hours a week and take any job that is available to them, whereas a more human capital skills approach is about linking people to better-quality opportunities. That might involve training through work and could be attached to specific jobs and work activities, but it also might involve access to other skills training approaches that are not necessarily tied to a particular workplace. Is that okay?

Lord Fox: It is. We could probably talk a lot about it. Who decides which skills people get trained in?

Dr Katy Jones: That is a really important point. To answer your question about how the two policies can be clearly aligned, two things have to happen. First, the DWP needs to be both more accountable and more ambitious. It is disappointing that it did not accept this Committee’s recommendation that it should ramp up and improve training provision. I encourage the Committee to investigate that.

Lord Fox: Which other countries do it better?

Dr Katy Jones: Broadly speaking, Denmark is usually the example. I repeat Tracy’s point about needing to bring together different government departments. It is not just a case of the DWP acting alone on that agenda. It is about ensuring that it helps to connect unemployed people and people on a low income to the opportunities that colleagues in the Department for Education and BEIS are pursuing, because they are all interested in the same agenda.

The Chair: I will move on to Lord Monks, unless, Laura, you are desperate to come in on this.

Laura Dewar: I am not desperate, but it is interesting to note with regard to skills that currently, if you are unemployed, you can train for up to 10 weeks, which is pretty low, but we got a concession for single parents, after the welfare legislation, whereby if you have younger

children, if your child is aged three or four, you can train for up to a year under universal credit. That has not been happening.

It is about turning off job-seeking and stopping the looking for work for 35 hours, and to stop and assess what skills someone has and look at the jobs that are available. I was really impressed with the single parents I interviewed who had been furloughed and had lost their job. They were looking at the jobs that will exist and how they can use their skills. It would be good if jobcentres could build on that. People are quite self-motivated. They know that certain jobs will no longer exist, and they are keen to learn skills in areas where there will be jobs.

The Chair: The difficulty of course is that at a time like this, where lots of people with existing skills are unemployed and searching for those jobs, if you are someone who wants to reskill, you are less likely to be successful at interview when there is a large number of applicants. It is quite hard to get back into the market.

Q136 **Lord Monks:** Tracy Fishwick has already taken us some of the way to answer the question I am just about to put, which is about job creation. Several of you have mentioned the fact that we have been in job preservation mode, with the furlough scheme in particular. It seems to me that there is much less emphasis on the future and the kinds of jobs that will be available. Several of you made that point.

What job creation measures should we be taking in both sectors, public and private? How successful have previous programmes such as the Future Jobs Fund been? What do they tell us about the implications for Kickstart and the particular initiative that is getting going at the moment? Who would like to have a crack at that?

Tracy Fishwick: I will have a crack at what we can learn from the Future Jobs Fund and Kickstart. I was involved in the Future Jobs Fund in Greater Manchester. We created 8,000 jobs in just over eight months. That was very much a public sector/voluntary sector endeavour because it was a rule of the Future Jobs Fund that it had to be kept there. If we had had free rein to create jobs anywhere, as we do now, we could probably have gone even further quicker.

Things have changed now, and everybody is very busy trying to create Kickstart jobs, but it has been slow because, until Friday evening, we did not have guidance from DWP, so very few jobs have been approved. I hope that will now start to come in throughout November and into the new year. Of course, we are back in lockdown, so that poses a problem as well.

Lord Monks: What sort of jobs were the 8,000 jobs you created previously?

Tracy Fishwick: They were across local authorities, police, health, fire—

Lord Monks: Public sector mainly.

Tracy Fishwick: Yes, because you had to do that in the Future Jobs Fund. You were restricted. It was all across the public sector, voluntary sector, community and charities. Because of state aid rules, that was the rule.

Overall, the Future Jobs Fund created something like 100,000 jobs before it ended. The evaluation I took part in showed that 15% of people found a job before the six months came to an end. Some of them started to move on during the six months, which is a great sign. About 43% sustained a job afterwards, which again is really good. It also had an impact on the youth labour market. It created jobs at a time when there were no jobs. That is what we need now. At its peak, it accounted for 60% of the jobs that young people were going into.

Done well and at scale, Kickstart could be really positive. There are some additional benefits now, in that there is a little more money in it, which is a good decision, and there is also an emphasis on trying to ensure that there is some wraparound support so that people start to think about getting another job before they get to the end of six months. It is important that we use it as a transitional period and not just as an end in itself. There are a number of things.

Another thing we can learn from the Future Jobs Fund is about the cost. It was judged as having cost the Government about £3,500 to £4,000. Once you took into account the costs up front, how long people stayed in the job, the money saved on benefits and different things, and factored all of that in, it was seen as quite cost effective. Kickstart on its own will create, if we all do well, 250,000 jobs or thereabouts, but we are looking at possibly 1 million young people who will be unemployed. We need to think about other things or having more of that kind of thing.

Lord Monks: Thank you very much. I have a quick question for Paul Gregg. How cost effective would it be to revive a new form of the enterprise allowance scheme? Do you have a view on that?

Professor Paul Gregg: It would not be my priority as a focus. To expand a little, if we are talking about job creation, we need to be talking about a macroeconomic stimulus focused on job creation, not cuts in VAT to try to stimulate demand, but something focused on jobs. The most obvious is reductions in employer national insurance contributions, which could be targeted on young people, or could be better targeted by increasing the allowance before national insurance payments by employers are made, so that you get it at the lower end of the costs of employing people, and it is more focused on entry jobs, and so on. We need an economic stimulus.

In the individual space, which is more directed to your question, there are two models. There is the intermediate labour market model that the Future Jobs Fund was essentially about. In that case, you were trying to create charity and public sector positions from which you would move people into regular employment. The other model is hiring subsidies, which again could be targeted on those most in need.

Kickstart is more like a hiring subsidy; it is closer to a hiring subsidy. There is much less emphasis on the experience of the placement than there was under the Future Jobs Fund. Because it was an intermediate labour market, all the emphasis was on the quality of the experience the person was gaining while they were on it. The Government want quality as part of the Kickstart programme, but there is no requirement around it. There is nothing more than just saying what people are going to be doing; it could be making the tea or stacking shelves. There is no emphasis on the enrichment side of the story. That is the distinction between an intermediate labour market and a hiring subsidy. We need both. This is so serious that we do not need only something like the Future Jobs Fund; we need the Future Jobs Fund and wider hiring-type subsidies, and Kickstart is a valuable one.

I will touch on the skills part of the previous question. The Government have had a scheme for a while—traineeships—which takes young unemployed people and gives them skills in a work-type setting with training. It is very successful. There is a range of options for the later kind of stuff. There are lots of ingredients that are positive and successful. However, as somebody has already mentioned, we are nowhere near scale. We are trying to do it when loads of firms are shut down, or semi shut down, or distance working. All of those are major barriers in trying to get the private sector to engage in numbers in that kind of territory. We need to find some kind of intermediate labour market model as well.

Lord Skidelsky: In one of the papers that was circulated for the Committee, you said that to withdraw support when the economy is down is bad economics. I was intrigued by that remark, because I think it ties in with other things that have been said—that almost no attention has been paid to the demand side of recovery. Could you expand a little on what you meant by bad economics? Do not take too long because it is a huge subject, but if you could, very shortly.

Professor Paul Gregg: Normally, after a recession, you have some package of fiscal stimulus of various forms—income supports, training programmes, support for the unemployed and wider interventions to try to boost demand. Normally, you do not withdraw those kinds of programmes until the recovery is firmly established. In the last recession, it was after 2010—in 2011 and 2012—that fiscal packages of all kinds were withdrawn, and even then it was probably too early.

At the moment, the plans are, essentially, that after January there is very little ongoing financial support for the preservation side, which we have talked about. There is a little through to April, but January is the peak and then it starts falling off. As we have touched on, there is very little wider stimulus. A case in point is the universal credit £20 bonus ending in April. All the packages that the Government have put together so far are ending, as it stands, when we will not have got the recovery off the ground. It is just too early. My position is to make that clear because I do not believe we are staying there. The Government will have to do more,

and they will have to do more for longer. That is coming, in my view, but I am trying to make the point that, as things currently stand, we would be cutting support before we had even got the recovery started.

Q137 **Baroness Kingsmill:** I am interested in what the advantages and disadvantages might be of spending money on social infrastructure, by which I mean social care and in particular childcare provision. Can you give me your views? I look at it in two particular ways. The childcare sector is an employer of mostly women to some considerable degree and it is under threat at the moment. Lots of nurseries and childcare facilities are closing. The other side of the coin, of course, is that it particularly liberates women to join the workforce and to be part of the re-establishment of employment.

Do you think it is a sector that requires further government investment? Social care is included, because it is in a similar position as an employer. It is not so much a means of liberating women to work as child carers, but it is in a similar sort of context.

Tracy Fishwick: One of my thoughts around that is, "If not now, when?" We know that we need to do something different about social care. It is wrong to think about it as an NHS problem. An awful lot of work goes on in local communities, local social enterprises, charities and civil society. It would be very interesting to stimulate something from the ground up and to focus on it, and to link it to some of the things we have been saying about having a care task force, creating jobs and, as you say, liberating women, providing services at local level, which all fits together to enable people both to go to work and to get jobs. Quite a lot of people have been calling for that.

I can point you to a really interesting report about women in Liverpool called *ONE DAY*, which highlights issues in the city around what you have just mentioned. Key to that is a re-evaluation and revaluing of the role of care and the salaries attached to that. We can do all of those things, but if people cannot survive on the wage in that sector, we will just go round in circles. It can no longer be a Cinderella service.

Baroness Kingsmill: I wrote a report on it a couple of years ago, as you may know. Does anybody else want to talk about it? We have already discussed social care to quite an extent and we have already done a report, so I would like to look at the childcare sector and how women can be enabled to work with the provision of decent childcare.

Laura Dewar: It was interesting in the first lockdown how important the care of children became. The opening up of schools and childcare provision enabled key workers to work. Childcare has always been too expensive and too inflexible. I agree that for single parents the childcare sector needs to work better for them to enable them to work. I would support that. The cap on childcare costs has been in place since 2003. It is quite a limitation for single parents, particularly in London and the south-east, when they have to meet those costs.

As regards stimulating flexible jobs, it was interesting that the lockdown in March meant that all of a sudden people were able to work from home, whereas it had been considered that lots of jobs could not be done that way. Some of the single parents I interviewed talked about how that could be an opportunity. An investment in part-time work, where we are seeing big job losses, would be great. Perhaps the Government could support people to do job shares, which they could do through their "Find a Job" site. It is broader than sectors. I hope that allowing women to do quality, part-time and flexible jobs will be a result of some of the flexibility that we have seen during the lockdowns.

Dr Katy Jones: I am conscious of time, so I will be very brief. I completely agree with the point that investment in social infrastructure both creates jobs and opens up jobs for those previously held back by a lack of such investment. On the social infrastructure point, I would add the importance of investing in accessible and affordable public transport, which is not at the forefront of our minds when we are all locked down, but when we go back out there and people need to access opportunities, what good is a job if you cannot get to it? That is the case for both childcare provision and broader services.

Baroness Kingsmill: Professor Gregg, do you have anything to add?

Professor Paul Gregg: I will be very brief. I will focus a little more on young people. The primary entry points into the labour market for young people who are not graduates are hospitality, leisure, retail and care. Three of those four have gone pretty disastrously out of the window. Care involves mostly young women, and it is one of the big entry points into the labour market. Anything that we can do to stimulate that as an entry point into the labour market is positive for tackling the problem.

Baroness Kingsmill: We talk about investment in IT as if that is a means of enabling people to work more, and I was thinking that perhaps we should be focusing as much on social infrastructure, because that holds people back from jobs and employment as well. That is the focus I had. Thank you very much for your contributions.

Q138 **Lord Skidelsky:** We have covered a lot of this already, so I will confine it to one point. In considering schemes of job creation, job retention and support for young people, how much attention should be paid to the cost of such schemes? Should one be aware of just the gross cost or the net cost?

Professor Paul Gregg: There are pay-offs to those kinds of interventions when they are done really well. I will come back to the things that are very poor investment in that territory because there are quite a few.

The better end of the stuff does not quite pay for itself to the Treasury. Once you take into account the revenues and expenditure, which is the gross and net point, they do not quite pay for themselves in net terms to the Treasury. That is a really narrow view of the social value of such

programmes. There is massive social value to the individuals who experience them, and in addressing some of the long-term scarring that follows from long-term unemployment. There are massive private returns to the individuals participating, but there are also big returns to the firms taking people on. If you are placing people in firms and organisations, there are benefits to the organisations, but there are also benefits to them in recruiting people from those programmes who have experience and more knowledge than they otherwise would have from long-term unemployment.

Whose costs are we focusing on? Is it just the Treasury costs, the wider societal benefits, or the benefits to individuals and businesses? That is a slightly deeper question. When you are making investments in roads, you do not talk about the Treasury costs; you talk about the benefits. We need more of a conversation about the social return and the social benefits, not just the Treasury costs and the Treasury returns.

The Chair: On that note, we have used up our allocated time. I am very grateful to you, Dr Katy Jones, Tracy Fishwick, Professor Gregg and Laura Dewar for what has been a very interesting session. You are welcome to stay on the line if you wish to listen to the next session.