



Economic Affairs Committee

Corrected 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 Livingston of Parkhead; Lord Monks; Lord Stern of Brentford; Lord Tugendhat.

Evidence Session No. 2

Virtual Proceeding

Questions 9 - 16

Witnesses

I: Katharine Mullock, Labour Market Economist, Organisation for Economic Co-operation and Development; Guntram Wolff, Director, Bruegel.

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Examination of witnesses

Katharine Mullock and Guntram Wolff.

Q9 The Chair: We now move on to the next session, with Katharine Mullock and Guntram Wolff. Welcome to the Economic Affairs Committee. We have had a very good first session. I do not know if you were able to hear any of it, probably just the latter part. Perhaps I could begin by asking the first question. How does the United Kingdom's package of support for businesses and workers compare with those of other countries that you have examined?

Guntram Wolff: Thank you very much for the invitation. It is a pleasure to be here in this virtual hearing. I feel much more comfortable answering questions on fiscal responses than on specific labour market policies, because my area of specialty is much more on the fiscal side. Let me give you a few overview numbers on the fiscal side and a bit of background. I do not know how long my first remarks are supposed to be. I suppose a few minutes is appropriate.

The Chair: The shorter you can make them while covering the ground, the better, because we have quite a lot of questions that we want to put to you.

Guntram Wolff: The first question is about what the support measures are and how you define them. We did an exercise at my institute in which we differentiate what is called immediate fiscal impulse and, essentially, liquidity and guarantee schemes. Most countries in Europe and the United States have provided a combination of both immediate fiscal impulse, immediate fiscal support, and liquidity: in other words, not only central bank liquidity but guarantees for credit that were quite significant in a number of countries.

If we compare the numbers around that, we see that the immediate fiscal response of the United Kingdom has been at the high end in Europe. According to our data from 15 June 2020, the UK's immediate fiscal response was in the order of magnitude of up to 8%.¹ That compares with a similarly strong response in Germany at 8.3% and a much less significant response in France of only 4.4%. The US number is above 9%. Other European countries are typically much lower: Italy 3%, the Netherlands 3%, Portugal 2%, and Spain 4%. Those numbers are significantly lower.

As I said, the second type of scheme is the so-called liquidity and guarantee scheme. There, extraordinary numbers have been provided. For the UK, our best estimates suggest that up to 15% of GDP has been provided in guarantees and liquidity, mostly to the corporate sector. In Germany, it is as high as 24%, in Italy 32% and France 15%—a very significant package. I can send you a link with the table. It might be helpful for you to see the table with all the numbers precisely.

¹ <https://www.bruegel.org/publications/datasets/covid-national-dataset/>

The key point is that there has been a lot of fiscal support. In the very first phase, there was quite a bit of direct support through furlough schemes or, if you will allow me to use the German word, Kurzarbeit schemes, short-term work support schemes. There was a lot of money allocated directly to supporting workers, thereby of course supporting companies by relieving them of the payroll. There was also a lot of liquidity open to companies on which they could draw but did not necessarily draw.

My last point in this first round is that the guarantee numbers look very large but not every country and not every company has drawn on the full possibility of using the guarantees. We looked at what kinds of guarantees were invoked. In the German scheme, there is a guarantee of more than 20% in the budget package that was agreed, but the corporate sector did not call for 20% of GDP as a guarantee. It called only for a fraction, only a few percentage points, because the German corporate sector was sitting on a lot of cash when it came into this recession. Overall, I would say that the size of the UK fiscal response, compared with other European countries, was at the high end.

Katharine Mullock: It is a pleasure to speak to the Committee. Unlike Mr Wolff, my focus has been mainly on skill measures and retraining policies, and less on support to firms and households, but I will say a few things about the policy tracker that my colleagues have developed. It is an exercise that was started at the start of the crisis where they kept updating a tracker on the types of policies that each country put in place over the course of the pandemic and in the follow-up.

Overall, the UK compares very well with other OECD countries in ticking the boxes on all the important measures. I cannot say anything about the details of the support, but as regards hitting all the important measures for support for firms and households, it is pretty much across the board. Things such as financial support to firms, income support to people who lost income and to quarantined workers were implemented by almost all OECD countries, including the UK. Other measures, such as helping with unforeseen care needs, job retention schemes, reducing workers' exposure to Covid-19 in the workplace and extending paid sick leave, were implemented by a smaller share of countries, more within the 75% to 80% range. Those included the UK. Overall, I would say that the UK had a fairly comprehensive package of support for firms and households, without getting too much into the detail.

Q10 **Baroness Bowles of Berkhamsted:** It is nice to see you again, Guntram. What lessons could the UK learn from previous and current active labour market policies in other countries? As a rider to that question, which ones that we have created on a temporary basis should we be looking to keep, either in the short term or as permanent measures?

Guntram Wolff: The first response is that the work support schemes have been extremely important. Not only did they reduce the cost pressure on companies, which all of a sudden were faced with very low

revenues while their costs base stayed high, but they helped the workers themselves, so that workers did not immediately fall into unemployment, with all the negative long-term consequences that can have. Overall, furlough schemes, or Covid-survival schemes, or whatever you want to call them, were a very strong and powerful policy response, and a necessary policy response.

The key question going forward is to what extent and how long those support schemes should be extended, and what the implications are of that. It depends on your view of the nature of this shock. Do you think it is a permanent demand shock, or is it perhaps also a productivity shock in specific sectors? If it is a productivity shock, you have to continue subsidising workers in specific firms. For example, if restaurants run at 50% capacity and they need the same number of cooks, you need to subsidise those cooks to prevent the business closing, because it is a negative productivity shock. It is also a negative productivity shock because of the health obligations that the state imposes on restaurants and on individuals.

If you think that what we are seeing is a much more permanent shift in demand and consumption patterns, the question is how long the support schemes should last and preserve existing economic structures, and to what extent one should gradually shift to, let us say, more general demand support policies for the economy in general in which you let market forces decide how to reallocate activity across different sectors. Many countries across Europe are now exactly in a phase where they have done the initial support, but we are six months into the pandemic, and we might still have a year to go, perhaps even longer, and we do not know to what extent there will be permanent shifts.

Tourism, the restaurant sector and the services sectors might be affected not just for one or two years but for three, four or five years. At what stage do you decide to reduce support for the existing structures and shift support to broader economy-wide support, so as to allow for reallocation of essential jobs and activity across different sectors? That is the key policy choice. It is not just an economic choice. It is a highly political choice because it implies that you will shift workers and have people working in different professions and so on. At the moment, for me that is the key question.

I am happy to talk a bit more on specific design questions about furlough schemes and how to design them precisely. Survey evidence has shown that, at least in the initial phase, the German scheme was relatively successful in preventing lay-offs, while the British scheme and some US schemes were less successful. Lay-offs were much higher at the beginning of the pandemic in the UK and the US compared with Germany. That probably has something to do with the design of the support schemes.

Katharine Mullock: I draw your attention to some examples of approaches to active labour market policies and some lessons we can draw from the way that other countries have been implementing active

labour market policies, both before the crisis and now. We know generally, based on evaluations of active labour market policies, that in the long-term training programmes can be highly successful at improving employment rates, and that job search assistance and other approaches to getting people into work quickly also have positive impacts but they are smaller.

We know, based on the evaluations, that certain people benefit more from active labour market policies, so there is room for targeting. Hiring subsidies can work really well at creating jobs, particularly for lower-paid workers. That is probably an opportunity for the large group of youth who will be coming out of school in this current period of lower labour market demand. The long-term unemployed stand to benefit quite a bit from training. They have very good employment outcomes as a result of training programmes. That is some general evaluation evidence around active labour market policies.

There are two promising approaches. The first is the matching of job vacancies to individuals based on skills rather than occupations or qualifications. That is something that both France and Belgium had implemented even prior to Covid-19, where they had their public employment service help individuals to translate their CVs from occupations and qualifications and convert them into a list of their skills. The advantage of that approach is that you are talking about what people can actually do as opposed to what it says on their CV, which is not always a good indication of what their actual skills are.

That has the potential to improve the matching of jobseekers to vacancies, so we have a lower skills mismatch. It is more inclusive, as we know that older workers in particular might have been in a job for a long time but not have a qualification to prove it, yet they have all the skills necessary. Following France and Belgium, having our public employment services translate CVs into skills and using that as a basis for matching people with vacancies is a promising approach.

A second lesson we have learned during Covid-19 is about both the potential and the limitations of online training. The public employment services in Estonia and France very quickly converted training that would usually be conducted in a classroom into online training for jobseekers who came to the public employment service looking for some support. That is really promising, although we have done a policy brief on the topic and there are limitations with online training that have not totally been addressed yet, particularly the inclusiveness implications. People who have lower digital skills or less access to reliable internet have a disadvantage in accessing that training. Addressing those barriers and facilitating public employment services to convert their training to online training is a promising approach as well.

The Chair: Baroness Bowles, are you happy with that?

Baroness Bowles of Berkhamsted: I am happy.

Q11 **Lord Burns:** We spent much of the first session discussing successors to the job retention scheme, and two issues kept coming up. One was the whole issue of targeting, whether by sector or in other ways; and the other was about conditionality. What conditionality should be attached to job retention schemes going further? Could you tell us about the lessons to be learned from how these schemes operate in different countries, how they compare with the UK, and whether there are aspects of schemes that other people have used that might be helpful in designing the successor or the way in which our own present scheme develops in the future?

Katharine Mullock: I will not say much on this as it is a bit outside my expertise. The UK job retention scheme, based on numbers in our OECD employment outlook, was able to get 31% of employees covered, which was above the OECD average. New Zealand had the highest coverage rate at closer to 70%.

The first of two aspects of the UK design of the job retention scheme that are worth keeping is the ability of workers to accumulate outside earnings while benefiting from the scheme. That was not applied across OECD countries. It is really important, particularly in addressing critical shortages that came up during the pandemic. The second aspect is that furloughed workers were allowed to engage in training while on job retention schemes. Again, that is not the case across all job retention schemes. It is important that furloughed workers have the opportunity to retrain, given that it is unlikely that they will all be able to pick up work once the scheme comes to an end.

Guntram Wolff: I am not a specialist on the UK scheme, but I read a few pieces that studied in detail the German scheme from the great recession 10 years ago. You might remember the numbers. There is an estimate that between 400,000 and 500,000 jobs were saved thanks to the scheme at the time. There is a paper by Tito Boeri and Herbert Brücker from 2011 discussing that. The features that contributed to its success—perhaps in comparison to the furlough scheme in the UK, but I do not know enough about the UK scheme—were flexibility in how much working hours could be reduced. It was not either zero or 100%; there was every possible percentage in between. That is critical for firms because many firms saw their demand fall by 50%. If your demand falls by 50%, it is useful to retain some workers part-time on the scheme, and not just half of the workforce, because you need different skills. Flexibility in working hours reduction was found to be important.

Of course eligibility during the Covid crisis was broadened, so there was very little conditionality, at least in the initial phase, attached to the firms applying for furlough schemes. If you have little conditionality, of course you also have abuse. That is the problem, and there is a careful balancing act as to how much conditionality you want. My personal view is that in the initial phase, which was such a dramatic shock to the corporate sector, it was appropriate to be very generous and to have very little conditionality, because everybody was affected, so instead of bothering companies with reporting and complying with strange conditionalities,

you just gave support. Yes, there was waste, but, basically, you preserved employment. That is certainly what the Germans did. As we speak, after half a year, it is time to think a bit more seriously about what kind of conditionality needs to be attached to firms.

Q12 Viscount Chandos: Both witnesses flagged many of the issues that my question is trying to home in on. To try to knit them together, what evidence is there to draw upon to judge when to end or radically modify the job retention scheme? I guess that does not just relate to the current crisis and recession. Dr Wolff, you have already referred to evidence from the previous recession in Germany, so, to the extent that you can, can you draw on any longer-term historical precedents?

Guntram Wolff: It is a great question and I wish I had a good answer. The problem is that what we are observing currently is unprecedented. It is the biggest decline in GDP since World War II, and in peacetime for many more years. It is still an absolutely extraordinary situation for business and for society as a whole. That is one element that makes it very difficult to judge.

The second point to emphasise is that we need at some stage, it seems to me, to come to the point where political and strategic choices are made about where we want our economies and our societies to be post Covid. That is the whole discussion about how much you try to preserve, and at what stage you think it is not worth while preserving but, rather, investing in what we think we want for the future.

In a sense, that is very much a political choice. In Europe, the big discussion is about climate neutrality and all those things, which perhaps suggests giving fewer subsidies to industries that are particularly polluting, or only with strict conditionality. At some stage, because there is so much public money being used, there are political and societal choices that need to be taken that go well beyond what an economist can speculate on.

The Chair: Katharine Mullock, do you want to comment?

Katharine Mullock: I will leave that one as it is outside my area of focus.

The Chair: Viscount Chandos, do you want to come back?

Viscount Chandos: No, thank you. The points you raise are interesting, Dr Wolff. As you say, it is a judgment about the extent to which it is a one-off shock or the start of a very long-term change in the economic environment.

Q13 Lord Livingston of Parkhead: That is an excellent segue into where I want to move. We have talked a lot about rescuing the jobs we have in the economy. The question is now how we go to recovery, subject to all the challenges with Covid itself and second waves, et cetera. Katharine Mullock, as you mentioned, the OECD has an excellent hub of the best ideas around the world and the best policy decisions. In the UK, what

should we be looking at as ways to move the demand side of the economy, and whose are the best ideas to copy?

Katharine Mullock: My focus is on helping countries to adjust to changing demand, with a focus on adult training. Demand side is not really my area, but I think that reskilling policies need to be part of the recovery response. There are a number of countries that are already doing that quite well, and there are lessons to be learned for the medium-term recovery phase.

For example, subsidising the cost of retraining needs to be a priority going forward. There are various ways to put together incentives for retraining to support people who may not be able to afford it themselves. France, for example, has le compte personnel de formation, which is an individual training account that provides workers with money towards training. The nice thing about that is that it is tied to the individual rather than the employer. Even if an individual does not have a strong attachment to an employer—they may work part-time or very few hours with a particular employer—they still have that account, which follows them, and they can train as they go. It is also nice because in France they give more training rights to lower skilled workers than to higher skilled workers. They are able to target the money where it is most needed to reduce the potential for deadweight losses.

That is only one example of a financial instrument to support training. There are others, but each of them comes with advantages and disadvantages. Overall, even if there is a scheme for incentivising retraining, there also needs to be a plan for how to reach individuals who need to retrain, since having tonnes of training opportunities and support for retraining does not necessarily mean that the right individuals will be able to access that training. Reaching out to individuals in their places of work through union learning representatives is a good example, and finding other ways to reach out to individuals, with career guidance for example, is going to be really important.

Training needs to be targeted at skills that are in demand. During the crisis, the rapid retraining measures that were most effective were those that focused on skills gaps. They first assessed which skills a person was missing using skill-profiling tools, and then targeted retraining just on the minimum skills that they were missing to fill jobs that were of immediate need. Having those kinds of skill-profiling tools available in public employment services will be important going forward. On digital skills, I mentioned earlier the potential for online training as a retraining response in the medium-term recovery. There needs to be an effort to boost digital skills so that individuals can take advantage of those opportunities, especially given that a lot more people are going to be teleworking.

Finally, we talked a little about a sector-based approach. There are good examples of early interventions having a lot of success in sectors that are clearly declining. I am thinking of Australia and Sweden. A few years back in Australia, when their auto manufacturing sector was closing, the

Government and industry partnered to give workers early notice. It was something like four years' notice, which is quite a bit, and they set up transition centres within factories that provided affected workers with career guidance, retraining support and recognition of prior learning, so that they could get recognition for the skills that they had acquired. As a result of that early intervention and all that support, by the time the plant actually closed, something like 84% of workers had either found new employment or were at the age of retirement. Early intervention and a sector-based approach could be potentially effective here as well, in the medium term.

Lord Livingston of Parkhead: Effectively, it is guiding people to sectors where demand may be, rather than where it is no longer.

Katharine Mullock: Exactly.

Lord Livingston of Parkhead: Could I ask Guntram Wolff a similar question, to the extent that he is aware, about innovative measures from Governments around the world on the demand side of the equation? We have looked quite a lot at the supply side.

Guntram Wolff: I definitely agree with Katharine that skilling is part of the package, but as a fiscal expense it seems to me that it is quite a small part of the package. The real need will have to be with broad macroeconomic support to the economy, to underpin the economy and ensure that the scars that the current recession is leaving on highly leveraged households and companies disappear. I think we will have to have supportive demand policies for quite some time, which is what the macro evidence says.

At the beginning of the pandemic, there was a strong debate about whether we should think of the pandemic more as a supply-side shock or a demand-side shock. Looking at the current inflation numbers, the macroeconomist in me sees a huge demand shock that outweighs the supply shock. The consequence is that we will need not only accommodative monetary policy but accommodative fiscal policies for quite some time.

Within that accommodative policy, the question is: how much will be generous support? Germany, for example, has introduced a temporary VAT tax cut, and that makes sense in the German context, but it is a quite general demand policy to try to incentivise people to consume again, which is difficult in the current period because of the pandemic. People just do not want to consume.

It seems to me that, once there is a vaccine, there will still be quite a long period during which the economy will need to recover to come back to the old level, and in that period we will need strong demand-side policies. If we can introduce an element of, let us say, transition towards different economic models, and some supply-side elements in that demand side, and we decide that we want a more carbon-neutral economy, a significant part of our demand-side policy will be focused on

renovation of buildings, reducing emissions, building railways and so on. We could thus combine a demand-side policy with a positive investment policy, which I think is to be preferred over giving a general handout to everyone.

Lord Livingston of Parkhead: If it is a question of a supply or a demand shock, it rather depends which sector you are sitting in, but thank you for that.

Q14 **Lord Monks:** This follows on from the last question and perhaps one or two before that. The emphasis so far has been on job retention in different ways: can we preserve as much as we can in the face of this pandemic? The question that I am feeling for is whether we can go for something else in the recovery period. There is no shortage of manifestos from various political parties saying things like, "Can we go back to something better than we had before, something more sustainable, something greener, something where skills are absolutely a priority?", and so on.

I am interested in any examples you have. Some have been given. Katharine gave one about the French individual learning account system, and, Dr Wolff, you talked about demand-side measures and so on. What advice would you give Governments about how to make the change and what direction they take us in? It is not just an economic question, is it? It is a political question, too. It might involve inequality as well as the environment and so on. I am interested in whether you have anything to add to your previous answers, specifically on that issue.

Guntram Wolff: Thank you for the question. I am convinced that the big issue facing my generation, and certainly the generation of my kids, is climate change. It is an undeniable reality that is already visible around us, and a very big reality that has major implications. It seems to me that using part of the public resources to decarbonise is the right thing to do. The mistake that is sometimes made is to say, "Let's subsidise green buildings, green investment, green energy production", but without making green targets more ambitious, and without making constraints that already exist, such as the European Emissions Trading Scheme, more binding, that is basically throwing money after something that is already happening.

If you subsidise green technology, you have simultaneously to tighten the screw on the pricing of carbon emissions and reduce the number of allowances in the market—the emissions trading system. If you do not do that, you just reduce the price, and the allowances that are freed because of the subsidy move to other sectors where there is no subsidy. You need to reduce allowances simultaneously with spending. One big message that I would certainly give EU policymakers is that, as we talk about tightening and increasing the emission reduction targets, we need to become clear on the constraints, and that means either expanding the emissions trading system to all sectors, or introducing a significant CO₂ tax on all the sectors that are not covered by the emissions trading system, and with that CO₂ tax also reduce uncertainty.

My last point is that one big problem at the moment is that companies and households face huge uncertainty as regards the climate agenda. They know that something big is happening and that policymakers want to change things, but they do not know exactly when and how. The more we can reduce uncertainty, the more companies and households will start to invest and build solar panels on their roof and so on. We need clarity and certainty on the pricing of emissions and we need tougher emission targets as we subsidise technology that reduces emissions.

The Chair: Katharine Mullock, you covered quite a lot of this earlier. Is there anything you want to add?

Katharine Mullock: I would emphasise or put an umbrella over some of my earlier remarks about the importance of addressing issues of inequality. Skills retraining, if properly designed, can hit both the inequality issue and issues to do with improving productivity, which will also be important going forward.

To highlight two other examples from during the pandemic, there was a big drop in labour market demand, but using online vacancy data we are able to see that in certain sectors and certain occupations—those that were considered essential—they were still hiring, and in some cases there was an increase in hiring, in the UK mostly concentrated in the health sector. There were several local-level initiatives to rapidly retrain people who all of a sudden found themselves out of work, and move them into higher-demand jobs.

In Sweden, an initiative identified that a whole fleet of airline staff had lost their jobs, but there was demand in hospitals where nurses and doctors were overburdened. They were able to identify that people who worked in the airline industry as stewardesses, for example, already had the foundational skills to work with individual customers; they were trained in first aid and familiar with emergency responses. Within a very short period—one week—they were able to put together a three-day curriculum to train those airline workers to move into hospital work. It is that kind of thinking about the transferrable skills that laid-off workers currently have and how we can quickly move them into positions that are in demand.

As I mentioned earlier, having good skills-profiling tools in the public employment service will be important for that. I can give you an example from Australia of a skills-profiling website that was in place even before Covid. It is called Skills Match. Individuals who go on to the website can have assistance in identifying their previous work experience, and then the website tells them, “Here is a list of skills you might have based on your previous work experience. Can you confirm that you have those skills?” Based on that list, they are given some suggestions about occupations that are in high demand that they might consider, given their transferable skills. It might be suggested that someone who was laid off in the food and accommodation sector, for example, should look at jobs as a cashier or a cleaner or a disabled care worker. That empathises the

fact that policies to improve the way we profile skills can be really important.

Q15 Lord Stern of Brentford: I want to pick up on questions and answers that already have been offered with Lord Livingston and Lord Monks, so I hope I can be fairly brief. You have been very clear on the importance of the demand side and that this is no time to slip back into austerity. You have been very clear, in many ways, about the importance of investment, not just cutting taxes but getting the incentives and support right for private investment.

In the context of the things you have already articulated, do you think there is anything special about the UK compared with other countries that would make that more or less difficult, or more or less advisable? Perhaps you could do that in part by a comparison with the French relaunch package last week of €100 billion, which is very much focused on competitiveness, green investment and training. Is the UK hampered in doing those things, or are there good examples the UK can learn from and perhaps do even better?

Guntram Wolff: That is a difficult question. It seems to me that the specificity of the French scheme, and of many schemes in the EU at the moment, is the unique combination of national fiscal borrowing and the new EU borrowing scheme, which amounts, as you have probably seen, to up to €750 billion that can be borrowed at the central level. Of that, €390 million can be passed on to the EU member state as grants while the rest can be given as loans. We hear from France that, of the €100 billion, a significant percentage—the official number given was 40%—could be funded from the EU money.

I have to admit I am still a little sceptical as regards the 40% number, because my understanding is that the EU budget scheme will take time to be implemented. Currently, it is not even agreed. It is still being negotiated in the trilogue between the European Parliament, the European Commission and the Council. Even if it is passed, as I think it will be by the end of the year, payouts from an EU scheme typically take time. Absorption capacities are not so high, so, even though money will be committed in 2021-22, a large part of the payouts will only come in 2022, 2023 and 2024. There is a significant delay of one, if not two, years for the disbursements, which means that in 2021 the countercyclical fiscal policy will be done through national budgets and national borrowing, including in France. I am still a little sceptical as regards the 40% number.

Overall, of course, the scheme is extremely important for the EU and has provided the EU, especially the eurozone, with at least a first step towards, perhaps I can even say, fiscal union, by providing a European-safe asset. It has been perceived like that in the financial capital markets that have been investing in the eurozone since the Franco-German agreement in March. I think that is why the euro has gained a lot in strength. At the end of the day, it is a hugely beneficial scheme for the

eurozone. It is not a 100% fix, but it is a move in the direction that is needed to increase the stability of the eurozone.

The UK has its own currency and its own central bank, so it can borrow in the markets. The real difficulty in the UK is of course that the pound sterling could weaken significantly at some stage, and the policy space may become limited, but I am not sure we are at a stage when I would worry so much about that.

One has to be careful. One has to watch that space, because Brexit is still going to be a shock for the capacity of the UK to export, especially if there is no deal. All those things will matter for the capacity of the UK to be a strong economy and to be able to export and so on. There is a space to watch, but at the moment I do not think I would worry too much about those issues because, overall, the policy credibility of all advanced economies is strong enough to give generous demand support to our economies, with the support of the central bank, and that is what we are all doing, and what I think we should be doing.

The Chair: We are going slightly beyond the immediate focus of the inquiry. Lord Stern, do you want to pursue that?

Lord Stern of Brentford: No. I took it that at the end, Guntram, you were saying that now is the moment to invest and get on with it, and pursue a growth story.

Guntram Wolff: Exactly.

Lord Stern of Brentford: And not worry about the public finances, which we will have to do a little way down the track. Is that correct?

Guntram Wolff: Exactly. I would invest now, try to use the money as productively as possible and worry later on about consolidating the budgets.

Lord Stern of Brentford: And invest in the technologies and activities of the 21st century and not the 19th and 20th centuries.

The Chair: I think you are now leading the witness.

Lord Stern of Brentford: I am reading back to Guntram what he said.

Guntram Wolff: And I agree with what he said.

The Chair: Katharine, are you happy for me to move on to the next question?

Katharine Mullock: Yes.

The Chair: I am very conscious of time.

Q16 **Lord Tugendhat:** We have the impression in this country that people are going back to their offices more slowly and more reluctantly than in some other countries. Are there significant variations among comparable

European countries in the rate at which people are returning to their offices? If there are, what do you feel might be the reasons for that? In the case of the UK, we moved later into the lockdown, and now our infection rate is rising, but behind that of France and Spain. It may be just that we are behind the times in each of the developments, or are there reasons why people are more reluctant in some countries than others?

Katharine Mullock: I will not say too much, because I would be speculating. I imagine that, to some degree, British people are looking over at France and Spain and at what is happening here, and seeing the number of cases rising and thinking, "That doesn't seem like a great position to be in". Certainly as you say, in the UK the lockdown measures started a bit later than in France and Spain. Personally, I do not think it is a problem, given that we have seen the number of cases rise in neighbouring, countries, but that is all I will say.

The Chair: Mr Wolff, is there anything you want to add? Lord Tugendhat, do you want to come back?

Lord Tugendhat: No.

The Chair: I thank both Katharine Mullock and Guntram Wolff for their answers and for helping us in our inquiry. It is very much appreciated and, as there are no more questions, that concludes our session, on time at 5 pm, which is very impressive given the ground we have been able to cover with our witnesses. Thank you for answering complex questions very succinctly. That marks the end of this session, so have a good evening, everyone.