HM Treasury

Government response to the Lords Economic Affairs Committee's report on Employment and Covid-19

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Chapter 1

Introduction

1.1 The Government thanks the Committee for their work on the impact of Covid-19 on employment. The Committee raise a number of issues and suggestions, which the Government will reflect on as we continue to work through the next stages of the pandemic and plan for the recovery. The upcoming Budget will provide a chance to take further decisions on the economic package. We will continue to take a flexible approach and keep all impacts and policies under review.

1.2 Throughout this crisis, the Government has sought to protect people's jobs and livelihoods while also supporting businesses and public services across the UK.

1.3 To do this, the Government has put in place an economic package of support which will provide businesses and individuals with certainty over the coming months, even as measures to prevent further spread of the virus change. The Government has spent over £280 billion since March 2020 to provide this support.

1.4 In order to support businesses retain their employees and protect the UK economy, the Chancellor has extended both the Coronavirus Job Retention Scheme (CJRS) and the Self-Employment Income Support Scheme (SEISS) until the end of April 2021.

1.5 Businesses have also received billions in loans, tax deferrals, Business Rate reliefs, and general and sector-specific grants. And individuals and families have benefited from increased welfare payments, enhanced statutory sick pay, a stay on repossession proceedings and mortgage holidays.

1.6 The Plan for Jobs set out in July 2020 measures to support people affected by the pandemic to find employment, including doubling the number of work coaches to 27,000 and announcing the £2 billion Kickstart Scheme to help young people at risk of long-term unemployment. This scheme launched in September and has already created over 120,000 vacancies. The Spending Review 2020 built on these commitments by providing £3.6 billion additional funding in 2021-22 for DWP to deliver employment support to those who need it most – from helping the recently unemployed to swiftly find new work, to offering greater support for people who will find that journey harder. It also announced the £2.9bn Restart programme, which will provide intensive and tailored support to more than a million long-term unemployed people.

1.7 The Government is also providing support to those that wish to build their skills or retrain. The Spending Review 2020:

- Provides £375m from the National Skills Fund, including £127m to help adults build the skills they need to get into work, including funding to triple sector-based work academies and traineeships, and investment in the National Careers Service to enable more adults to access high quality careers advice; and £138m for the PM's Lifetime Skills Guarantee to fund in-demand technical courses for adults equivalent to A levels and expand the employer-led boot camp training model.
- Continues the transformation of Further Education by maintaining our commitment to provide £1.5 billion of capital funding to bring the entire college estate up to a good condition, alongside £291m to pay for more 16-19 learners to go to college.

1.8 We remain committed to ensuring we take the right action at the right time to support individuals and businesses in every region and nation of the United Kingdom. The Devolved Administrations have the certainty they need to decide how and when to provide support through an unprecedented upfront funding guarantee of £16.8bn. As part of the SR20 support package, the Chancellor has confirmed that a further £729 million of additional funding will also be provided to reflect further increases in support in England.

1.9 But we must recognise that it will not be possible to preserve every job or business indefinitely, nor stand in the way of the economy adapting and people finding new jobs or starting new businesses.

1.10 As measures to control the virus change, it is right that Government support should also evolve. Because of this, we continue to take a flexible approach and keep all impacts and policies under review.

1.11 Finally, and over time, once the economic recovery is secured, the Government will take the necessary steps to ensure the public finances are on a sustainable path. We will continue to take a flexible but cautious approach as we review restrictions, and by the middle of February we hope to have offered a vaccine to four top priority groups.

Chapter 2

Covid-19 and the economy

Balancing the Books

Recommendation 1: The Covid-19 pandemic and associated lockdowns have led to unprecedented public spending to protect jobs. The Government should not repeat past mistakes by withdrawing economic support too soon. Over the next 12-18 months it will need to continue to spend to generate a sustainable recovery and to address rising poverty and unemployment.

2.1 Throughout this crisis, the Government has sought to protect people's jobs and livelihoods while also supporting businesses and public services across the UK. This continues to be the immediate priority. We have extended the vital support offered by the Coronavirus Job Retention Scheme (CJRS), which has helped to protect 9.9 million jobs across the country, and the Self-Employment Income Support Scheme (SEISS), which has supported 2.7 million self-employed workers, until the end of April 2021, as well as extending access to the coronavirus emergency loan schemes to March 2021. Since they were first introduced in March 2020 in response to restrictions to limit the spread of the virus, these support schemes have been continuously in place and form one of the largest and most comprehensive packages of economic support in the world. The Government has always been clear that it will continue to do whatever it takes to support the economy through the Covid-19 pandemic. We are taking action to support job creation, such as the £100bn announced at the Spending Review for capital investment in 2021-22. We will set out further details about the next steps of our economic response at the Spring Budget.

Recommendation 2: The Government will need to restore order to the public finances in the future, but this should only become a priority once the recovery has been established.

2.2 The economic impacts of the Covid-19 pandemic and the unprecedented fiscal support has caused a significant but necessary increase in short-term borrowing and higher debt. The Government will take the necessary steps to ensure borrowing and debt are on a sustainable path when the time is right.

Chapter 3
Economic rescue

Job retention and support schemes

Recommendation 3: We are disappointed that the Government did not make training more integral to the Job Retention Scheme. Many employees will need access to training in the coming months. We welcome the Lifetime Skills Guarantee but note that it will not begin until April 2021. The Government should expedite its implementation.

3.1 The purpose of the CJRS is to support people who would otherwise have been made redundant, by enabling employers to keep people in employment. To achieve this, the grants compensate employers for the payments that they are contractually obliged to make in order to avoid the need for redundancies.

3.2 The CJRS has never presented a barrier to training. Employees are able to undertake training whilst on furlough, and existing schemes provide an appropriate route for employees to access high-quality training and prepare individuals for jobs of the future. HMRC guidance encourages furloughed employees to undertake training, as long as the training does not provide services to the employer or a linked or associated organisation, or generate revenue for or on behalf of the employer or a linked or associated organisation. The Department of Education has introduced flexibilities to ensure that furloughed apprentices can continue their training and assessments for example.

3.3 Providing access to skills and training opportunities, particularly to support the unemployed and those at risk of unemployment, has been a key part of the Government's economic response to the crisis, in tandem with employment support schemes such as the CJRS. The Chancellor's Plan for Jobs included funding to triple the number of traineeships and sector-based work academy placements, investment in the National Careers Service, incentives for apprenticeships, and funding for school/college leavers to study high value courses. And in April last year, the Department for Education launched the Skills Toolkit - an online platform giving access to over 70 free, high-quality digital, numeracy and employability courses. The Skills Toolkit is a valuable resource to support individuals, including furloughed workers, to build up their skills and boost job prospects.

3.4 Spending Review 2020 committed funding for the Prime Minister's Lifetime Skills Guarantee that will help adults to retrain, get into sustainable jobs and give employers the skilled workers they need. The offer for free qualifications at Level 3 for eligible adults in courses focused on the skills our economy needs will be available from April 2021. It is important that providers have adequate time to plan their delivery of this offer for adults. Following engagement with stakeholders, we believe an April start date will enable them to do this. We will fund an uplift for qualifications available through the Level 3 adult offer, to support providers to scale up their Level 3 provision for adults from April.

SEISS reform

Recommendation 4: The Government has not taken action to better target the Self-Employment Income Support Scheme at those most affected by the pandemic, despite having had months to reform the scheme. Too many people may again receive significant payments despite being largely unaffected, and over 500,000 workers who received no support despite being without work entirely will again miss out because of eligibility rules. The Government should target payments more closely to those who have suffered genuine loss of income.

3.5 Throughout this crisis, the Government's priority has been to protect lives and livelihoods. The Self-Employment Income Support Scheme (SEISS) was designed to target support at those who need it most, while protecting the exchequer against error, fraud, and abuse.

3.6 The three Self-Employment Income Support Scheme (SEISS) grants combined provided up to £21,570 of support for each individual and places the SEISS among the most generous schemes for the self-employed in the world. As of 31 December, around 2.7 million individuals have made claims totalling over £18.9 billion so far across all three grants.

3.7 As the NAO acknowledged, the SEISS has been successful in supporting millions of people and protecting large scale job losses. The Government recognises that some of the rules that were vital to ensuring that the SEISS works for the vast majority means that some people are not eligible for the grant.

3.8 The Government has taken a flexible and responsive approach to providing support to the self-employed as the path of the virus has developed and will continue to look for ways to improve how this support is targeted.

3.9 As part of the new eligibility criteria introduced for the third SEISS grant, claimants must declare that they reasonably believe that any reduced demand or inability to trade due to coronavirus will result in a significant reduction in their trading profits, compared to what they would otherwise expect to have achieved.

3.10 The Government has provided a comprehensive economic response that is one of the most generous globally, taking unprecedented steps to support families, businesses and the most vulnerable. The SEISS continues to be just one element of the package of support available to self-employed individuals, including Bounce Back loans, tax deferrals, rental support, increased levels of Universal Credit, mortgage holidays, and other business support grants.

Lockdown and restrictions: economic support

Recommendation 5: Lockdowns and tiered regional restrictions are designed to save lives, but they cause significant harm to businesses, putting jobs at risk. The Government should continue to search for ways of supporting the businesses and jobs that are most affected by closure and restrictions.

3.11 The Government has put in place a comprehensive package of support worth over £280 billion, supporting millions of businesses and jobs.

3.12 Businesses have received billions in loans, tax deferrals, Business Rate reliefs, for the retail, hospitality and leisure sectors and sector-specific grants. These support measures are carefully designed to complement each other to ensure we protect jobs and livelihoods.

3.13 The Coronavirus Job Retention Scheme (CJRS) and Self-Employment Income Support Scheme (SEISS) have helped to protect jobs and have supported 9.9 million jobs at the cost of roughly £46.4bn and 2.7 million self-employed workers make claims under the scheme totalling £13.7bn respectively.

3.14 In addition, on 5th January, the Government announced an extra £4.6 billion to protect jobs and support affected businesses as restrictions get tougher. Businesses forced to close can claim a one-off grant of up to £9,000. Local authorities will also receive an additional £500m, to a total of £1.6bn, of discretionary funding to allow them to support their local businesses.

3.15 As measures to control the virus have changed, Government support has evolved. We continue to keep all policies under review.

Recommendation 6: The Government's calculation of business support funding for regions in tier 3 was opaque. We were told that it did not take enough account of differences between different places. The Government should ensure that the level of support pays due regard to the concentration of businesses, particularly those that are vulnerable to restrictions.

3.16 As measures to control the virus change, it is right that Government support should also evolve. Because of this, we continue to take a flexible approach and keep all impacts and policies under review.

3.17 The Government recognises the significant impact COVID-19 is having upon every region and nation of the UK. As we respond to the economic impacts of COVID-19, we are committed to levelling up opportunity across the country through supporting jobs and boosting growth. We've announced unprecedented support for businesses, workers and local authorities across the UK.

3.18 When areas were in Tier 3, the majority of hospitality and leisure businesses were closed. Those businesses are eligible for grants of up to £3,000 per month they remain closed, under the Local Restriction Support Grant (closed) scheme. These grants are allocated by Local Authorities. Payments for the LRSG (closed) scheme are made to LAs based on data from the

Valuation Office on the number of properties in relevant groups. However, we recognise this data is imperfect, and where there are more eligible businesses than VOA data suggests, we will top up Local Authority allocations accordingly.

3.19 We recognise that local authorities are well placed to provide the relative support to businesses in their regions, and so local authorities will also receive an additional £500m, to a total of £1.6bn, of discretionary funding to allow them to support those local businesses. Further support is offered to local authorities to support the ongoing public health and outbreak management costs of tackling Covid-19 via the Contain Outbreak Management Fund, which will provide an additional £200m during the national lockdown to support activities such as additional contact tracing, testing for hard-to-reach groups, and public health communications.

3.20 We continue to take a flexible approach and will keep all policies under review.

Recommendation 7: The Government should publish a framework setting out the business and employment support that will be provided in response to evolving public health restrictions, to provide more certainty to people and businesses. The public health restrictions and fiscal support will differ depending whether the economy is in lockdown, is reopening or is in recovery. The framework should be drafted in consultation with devolved administrations at national and regional level. It should be updated as viable alternatives to lockdowns or tiered restrictions are developed.

3.21 As measures to control the virus change, it is right that the Government's economic response should also adapt. Over the course of the Covid-19 pandemic, the economic and fiscal policy response has evolved to support the changing public health situation and will continue to evolve to ensure the right support is in place in every region and nation of the United Kingdom. The UK Government continues to work closely with the devolved administrations on a UK-wide response and there is regular engagement on economic issues, including plans on economic recovery.

Business support schemes

Recommendation 8: The Government should create a new state entity to manage debt and repayments, along the lines of the UK Recovery Corporation proposed by TheCityUK.

Recommendation 9: We are concerned that Government-backed loans will be recovered in the same way as standard commercial loans. The Covid-19 loans schemes should be converted into more manageable obligations such as liabilities collected through the tax system or future revenue-linked structures. Repayments could be limited to a percentage of total turnover or profit with the difference covered by the Government guarantee.

3.22 In relation to the management of debt and repayments, the private sector should be the first port of call for any business looking to refinance or restructure their debt. In particular, we remain of the view that lenders, not the Government, are best placed to support borrowers repaying government-guaranteed loans, by leveraging their existing relationship with the borrower and insights into the borrower's position to advise businesses on their options. That is why we have chosen not to pursue the TheCityUK's proposal outlined in the report for a new state aid entity to manage debt and repayments. However, in line with TheCityUK's ideas around further forbearance measures, we agree on the fundamental point that businesses should be offered as much flexibility as possible as they begin to repay their loans.

3.23 Our "Pay as you Grow" options provide Bounce back borrowers with more time and greater flexibility for their repayments: loans can be extended from 6 to 10 years, cutting average monthly payments by almost half, and borrowers can utilise a 6-month interest-only period (this option can be used 3 times) and 6-month payment holiday (this option can be used once). Furthermore, for customers who proactively make a choice to use the Pay As You Grow options and repay their loans, we will ensure that borrowers' credit files are not adversely impacted. This will provide valuable flexibility to more than a million businesses who have accessed BBLS, beyond the existing 12 month period before any repayments are required under BBLS. On CBILS loans, lenders may offer CBILS borrowers forbearance to help them with their repayments where the borrower is in difficulty – in line with their standard forbearance policies.

Recommendation 10: The Government's focus on debt has meant that the role of equity has been overlooked. The Government should consider innovative proposals for increasing equity injections into businesses of a sufficient size. We heard that this could be achieved through the private sector with state coordination, or through a new state corporation.

3.24 We recognise the need for sources of alternative support for business affected by Covid, which is why we have announced the Self-Employment Income Support Scheme and the Local Restrictions Support Grant. We are continually monitoring the changing economic landscape, including the need for further, targeted support. We also established the Future Fund to provide funding to innovative businesses that rely on equity investment. Whilst we continue to provide support to businesses through the generous Covid recovery package, we are also open to private sector initiatives and will keep policy under review, and rigorously test any proposals for their value for money. The Government is committed to supporting businesses to access the finance they need to achieve their full growth potential. For some companies, further debt may not be the right answer, and the private sector should be the first port of call for any business seeking new equity investment.

Universal credit

Recommendation 11: The extended Job Retention Scheme will keep many people employed who might otherwise have lost their job. However, it will not protect every job and the social security system will need to provide an adequate safety net

for those out of work. It will also need to provide strong employment support to help people back into work. The Government should use the time provided by extending the Job Retention Scheme to bolster Universal Credit and the social security system, so that it is able to meet the demands of the labour market crisis. Our July 2020 report on Universal Credit set out what should be done.

Recommendation 12: In our July 2020 Universal Credit report, we set out evidence on the effects of cuts to social security made over the last decade on the poorest. We concluded that Universal Credit had been inadequate for many to live on and that the emergency increase in the standard allowance should be made permanent. This would make a significant difference to many but would be only a small increase in expenditure on the social security system compared with previous cuts to it. The Government should now commit to making the increase in the standard allowance permanent.

Recommendation 13: The Government should ensure that those on legacy benefits receive an uplift comparable to that of Universal Credit.

Recommendation 16: We agree that increasing the child element of Universal Credit and Child Tax Credit would be a better way to target support than a uniform increase in Child Benefit. The Government should assess the merits of these proposals and increase the generosity of social security for struggling families. In addition, there is evidence that spending money on social security can have strong multiplier effects because low-income families have a greater propensity to spend additional income.

3.25 To support families who rely on the safety net of the welfare system during this crisis, the Government has announced significant temporary welfare measures worth £7.4 billion in 2020-21, including a £20 per week increase to Universal Credit (UC) and Working Tax Credit (WTC).

3.26 There has been significant investment in UC in recent years, including the £1,000 increase to Work Allowances from April 2019, which is worth up to £630 per year for working parents and people with disabilities. To support claimants with debt, the Government is also reducing the UC awards deductions cap from 30% to 25%, and increasing the advances repayment period to 24 months.

3.27 The £20 per week increase to UC and WTC was specifically aimed at providing significant temporary support to low income families who may have seen their income fall as a result of the immediate impact of the crisis, and is due to end in April 2021.

3.28 As we have done throughout this crisis, the Government will continue to assess how best to support people and the economy, taking into account the health and economic context as it develops. However, to illustrate, extending the £20 per week increase by a further 12 months would cost over £6 billion, equivalent to adding 1p on the basic rate of income tax plus a 3p increase in fuel duty.

3.29 The Government chose to focus support on UC and WTC claimants because they are more likely to be affected by the sudden economic shock of Covid-

19 than other legacy benefit claimants. Notably, low income individuals who are newly unemployed must apply to UC by default.

3.30 It is also possible for most legacy claimants to make a new UC claim, and benefit from the £20 per week increase, if they wish, although we would encourage them to make use of an independent benefit calculator beforehand to check their entitlement.

3.31 Further, unlike UC and tax credits, DWP legacy benefits are administered using older, less flexible systems. At a time when the Department for Work and Pensions and HM Revenue and Customs are experiencing significant claimant demand and operational pressures, the Government rightly prioritised UC and WTC measures, which could be delivered relatively quickly and would protect the stability of the overall welfare system.

3.32 As well as the £7.4 billion package of welfare measures, the Government has announced significant extra support for children during this crisis, including a £170 million Covid Winter Grant Scheme to help families with the cost of food and bills. We are also increasing the value of Healthy Start payments from £3.10 to £4.25.

3.33 The Government believes that in the long term, the best way to support children and families in poverty is by helping people into work. A child growing up in a home where all the adults work is around five times less likely to be in poverty than a child growing up in a home where nobody works. This is why we have announced a comprehensive Plan for Jobs, including providing £3.6 billion additional funding in 2021-22 at the Spending Review to deliver employment support to those who need it most.

Recommendation 14: The Government should retain the emergency increase in Local Housing Allowance and set out how the benefit will mirror changes in rents.

3.34 As the report notes Local Housing Allowance (LHA) rates have been relinked to the 30th percentile at a cost of almost £1 billion for 20/21. Over 1.5 million households have gained just over £600 on average this year in additional support, while for people renting in the highest demand areas the gain will be even higher, for example, around 500,000 claimants had an increase of more than £100 per month.

3.35 On 25 November 2020 the Government announced that we are retaining LHA rates at the same cash level in 21/22 to ensure that claimants continue to benefit from this increase, rather than reverting back to previous rates, which were significantly less generous. This decision allows people to have certainty in their housing contracts going into the next financial year. The assumption in the forecast is that rates will remain at these levels in future years, subject to the DWP Secretary of State reviewing annually in the usual way.

Recommendation 15: The benefit cap was designed to encourage people into work. This mechanism will function less effectively when there are substantially more claimants chasing fewer suitable vacancies; therefore, it was a mistake to have allowed the grace period to end for many new claimants. It is not good enough for

the Government to review the cap at the "appropriate time". It should be done now.

3.36 The Benefit Cap helps ensure the welfare system is affordable and fair to the taxpayer. As the report notes, it is designed to encourage people into work. Anyone who meets the work requirements is exempt from the Cap. For claimants on Universal Credit, this means earnings of at least £604 per month – equivalent to 16 hours a week at the National Living Wage.

3.37 New claimants to Universal Credit because of Covid-19 will be exempt from the benefit cap for a 9 month "grace period" if they (or their partner if making a joint claim) earned at least £604 a month after tax and national insurance for the previous 12 months. Exemptions will also continue to apply for the most vulnerable claimants.

3.38 Additional support is available through Discretionary Housing Payments (DHPs). Local authorities have a combined budget of £180m for DHPs for this financial year to protect the most vulnerable claimants who are affected by the Benefit Cap.

Statutory sick pay

Recommendation 17: Statutory sick pay helps to slow the spread of the virus by enabling those who may be affected to stay home from work. We heard that the cost of providing adequate sick leave to quarantined workers is small in comparison to the cost of them not isolating and spreading the virus further. As a priority, the Government should raise the level of statutory sick pay and expand eligibility to the lowest paid.

3.39 The Government is committed to supporting individuals financially through this difficult time and has put in place a comprehensive package of support for those directly affected by the Covid-19 outbreak. That is why we have made SSP available to those who are self-isolating in line with public health guidance, provided they meet all eligibility criteria. We have also changed the rules so that SSP is payable from the first day of absence rather than the fourth for those who are sick, self-isolating or shielding due to Covid-19.

3.40 For individuals that have to self-isolate, SSP is a statutory minimum and many employers pay more than that in occupational sick pay: more than half of employees receive more than SSP when they are off sick. However, SSP is still ultimately the responsibility of employers, who may be facing significant financial difficulty as a result of Covid-19. That is why SSP can only be part of the solution and this Government has introduced an unprecedented wider package of support to help individuals with loss of earnings, including through the Coronavirus Job Retention Scheme and the Self-Employment Income Support Scheme.

3.41 In addition to SSP, people who are instructed to self-isolate by NHS Test and Trace and are on means-tested benefits, unable to work from home and will lose income as a result, may be entitled to a payment of £500 from their local authority. Moreover, those who are not in receipt of one of the qualifying benefits, but who meet the other criteria and will face hardship while self-isolating, may be eligible for a £500 discretionary payment. The Government is fully funding the costs of the scheme which is being delivered through local authorities.

Chapter 4
Economic recovery

Training and skills

Recommendation 18: We welcome the Restart Programme and the increased funding for employment support services. The Department for Work and Pensions should include a greater emphasis on skills profiling in its employment support offer, which can help to redeploy people quickly into growing sectors based on the skills of jobseekers and the needs of the local labour market.

Recommendation 19: The Government should also examine successful examples in other countries, such as in Sweden and Austria, of employment services intervening early with declining businesses and sectors to transition workers quickly to more viable employment. These measures could be integrated into the Restart Programme.

4.1 We recognise the importance of ensuring labour market programmes are aligned to their local area. As part of the Restart programme specifically, providers will be required to engage local partners and tailor their offer to take into account the needs of the local labour market. For example, this could include aligning support with local growth sectors, working with local training initiatives, and adapting their support as the local labour market evolves over time.

4.2 Restart is part of a wider landscape of provision that aims to support people find work in growing sectors through work search support, retraining and learning key skills.

4.3 Apprenticeships provide learners with key skills that can enable them to further their careers and can be especially beneficial to young people. As part of the Spending Review 2020, the Government introduced key apprenticeship system improvements for employers, including front-loading training and making the transfer of levy funds to SMEs easier. These changes will help employers create more apprenticeship opportunities for young people, particularly among SMEs and in sectors where there is demand for skills.

4.4 In the Plan for Jobs, to help people move into high demand sectors, the Government announced funding to triple the number of sector-based work academy placements (SWAPs). SWAPs are short programmes consisting of pre-employment training, work-experience placements and guaranteed job interviews linked to vacancies in sectors with high demand.

4.5 In addition to this, the Government has also introduced skills boot camps, 12-16 week training programmes for those over the age of 18 which offer line of sight to a job in a high growth area of the economy. Skills bootcamps in digital, technical skills, and construction will be rolled out across England from April 2021.

4.6 Alongside these measures, the Government has also provided additional investment into the Rapid Response Service, part of DWP's Flexible Support Fund. The Rapid Response Service allows DWP to react quickly to large firms collapsing and risks of large-scale redundancies. It quickly responds to shocks, ensuring personalised and local level support is available and accessible to those affected.

4.7 The Government will continue to monitor evidence from the UK, as well as from economies across the globe, as to how different sectors are responding to this crisis and how the Government can best target its support.

Recommendation 20: The Department for Education and the Department for Work and Pensions should devolve more programmes and resources to local areas, including to combined and local authorities, to employers and directly to education and training providers. This should include increased resources for the design and delivery of employment and training programmes for both young and older people. There is strong evidence internationally that this approach is effective.

4.8 As part of the devolution deals, responsibility for the Adult Education Budget was transferred the devolved Mayoral Combined Authorities and the Greater London Authority. Devolved Authorities have full responsibility to decide how their AEB allocation is spent beyond delivering the legal entitlements to full funding for eligible adult learners.

4.9 DWP's labour market support is currently provided through an extensive range of interventions at a national and local level, including universally available support delivered through the Jobcentre network by work coaches, nationally available employment programmes supporting specific groups facing barriers to enter the labour market and flexible provision driven by local need.

4.10 The department's response to Covid-19 has built on strong existing partnerships, in particular with Mayoral Combined Authorities, Local Enterprise Partnerships, Skills Advisory Panels, and with businesses and charities, all of whom have valuable expertise and knowledge of their local labour markets. We continue to work closely across local and central government to capture regional labour market issues, and embed regional feedback on design and implementation of programmes. For example, DWP is working with local government representatives to ensure Restart considers local needs. Providers will be expected to tailor their offer to individual and local need across their contract package area, and to engage with employers and local partners to identify local opportunities and align with the wider landscape of provision. Prospective providers' plans to do this will be evaluated at the bid stage and incorporated into contracts. DWP has invited local experts to support the setting of a contract package area-specific tender question for each contract package area and to nominate up to two representatives per contract package area to assess bidders' responses to these questions.

4.11 The UK Shared Prosperity Fund (UKSPF) will help to level up and create opportunity across the UK. A portion of the Fund will target places most in need across the UK, such as ex-industrial areas, deprived towns and rural and coastal communities. A second portion of the Fund will be targeted differently to people most in need through bespoke employment and skills programmes that are tailored to local need. This will support improved employment outcomes for those in and out of work who face labour market barriers. The financial settlement will be determined at the 2021 Spending Review for April 2022 onwards and a UK wide investment framework will be published in 2021.

4.12 In addition, to help local areas prepare over 21/22 for introduction of the UKSPF, the Government will provide additional UK funding to support our communities to pilot programmes and new approaches. Further details will be published soon.

Aligning Kickstart and apprenticeships

Recommendation 21: Kickstart should be made available to more young people than just those who have claimed Universal Credit for a minimum of six months. Local authorities and other civil society partners should be able to refer young people not on benefits to the scheme.

4.13 The initial focus of the Kickstart scheme is young people aged 16-24 on Universal Credit who are most at risk of long-term unemployment and are unlikely to have found work otherwise, as they are more at risk of long-term economic scarring. There are no rigid Universal Credit duration criteria to access Kickstart, young people are identified using Jobcentre work coach expertise, using a flexible and tailored approach to assess the individual's needs and understand whether Kickstart would be right for them. At present we have no plans to allow other organisations and local partners to refer young people to the scheme, as this would weaken the ability for work coaches to assess who would benefit most. That being said, whilst the scheme is currently targeted at those in receipt of Universal Credit and at risk of long-term unemployment to help those young people who most require additional support to find employment, we will not limit our ambitions about the scope for the Kickstart Scheme and are open to adapting Kickstart as the programme progresses to ensure it targets the right people.

Recommendation 22: The Government should introduce support for young people on Kickstart to look for a follow-on job once their Kickstart placement ends. The Government should consider encouraging Kickstart employers to offer apprenticeships for those completing their Kickstart placement.

4.14 As well as providing meaningful work experience, employers or gateways also provide employability support for the young person, such as career advice or interview preparation, to boost their job prospects and help them find sustained employment after they have finished their placement. Work coaches can offer support to young people throughout their placement as well, if needed, and can help advise on suitable next steps post-placement, including potential work or apprenticeship opportunities if appropriate.

4.15 Indeed, we hope that in some cases a Kickstart placement may lead to an apprenticeship. DWP will continue to work closely with employers to maximise the opportunities available to Kickstart participants at the end of their placement, which may include an apprenticeship or other long-term sustainable work.

4.16 For those who do not immediately find sustained employment, the young person's work coach will continue to provide invaluable personalised support, such as assistance with their CV and advice on the type of role to apply for, and evidence shows this support means people find work quicker. By working closely with a claimant post-placement, a work coach will be able to help them direct their job search most productively using their newly gained experience.

Recommendation 23: The Government should introduce a standardised employment contract for Kickstart jobs to provide clear criteria for ensuring that jobs are good quality. The Government should also consider incentives to help young people move towards jobs with opportunities to develop skills in digital and other growing sectors.

4.17 The quality of Kickstart placements is assessed as part of the application process. In order for vacancies to be approved, organisations must demonstrate how they are quality placements, offering meaningful and suitable employment which offer clear benefits to the participant. Employers and gateways commit to provide these quality placements as a part of their grant agreement with the Department for Work and Pensions.

4.18 Employers from all sectors are able to apply for funding. Indeed, organisations from a range of different sectors, including construction, health and social work, and transport have already had their bids to take part in the Kickstart Scheme approved.

4.19 The Kickstart scheme is just one part of a comprehensive package of support that can help young people develop key skills and move towards jobs with opportunities.

4.20 Apprenticeships provide learners with key skills that can enable them to further their careers and can be especially beneficial to young people. As part of the Spending Review 2020, the Government introduced key apprenticeship system improvements for employers, including front-loading training, making the transfer of levy funds to SMEs easier, and supporting industries with more flexible working patterns. These changes will help employers create more apprenticeship opportunities for young people, particularly among SMEs and in sectors where there is demand for skills.

4.21 In addition to this, the Government has introduced skills boot camps, 12-16 week training programmes for those over the age of 18 which offer line of sight to a job in a high growth area of the economy. Skills bootcamps in digital, technical skills, and construction will be rolled out across England from April 2021.

4.22 Together, these represent a suite of provision that can help young people move towards jobs with opportunities.

Recommendation 24: The Government should reconsider the requirement for employers wanting to offer fewer than 30 Kickstart roles to apply through a representative organisation.

4.23 On 3 February we removed the minimum threshold of 30 vacancies for applications and employers can now choose whether to apply for funding directly or work with a gateway organisation. This change will ensure gateways continue to play a key role in the Kickstart scheme, while simultaneously allowing greater flexibility for employers and ultimately, creating even more Kickstart jobs for young people at risk of long-term unemployment. The Government continues to work closely and engage with stakeholders to ensure Kickstart is working as best it can for employers and young people. While we recognise the vital role that gateways play in supporting employers in accessing and running jobs through the Kickstart scheme, we also understand that some employers may not require the tailored services provided by a gateway.

4.24 Gateway organisations provide an important role in helping to support smaller employers from all regions take part in the Kickstart scheme. Gateways can help employers manage the administrative and application process and provide additional support to both the employer and young person themselves throughout the placement. This ensures that the young people get the most out of their roles, whilst also ensuring that smaller businesses find the Kickstart process easier to manage. To date over 600 organisations have registered as gateways to help support SMEs take part in the scheme.

Apprenticeship incentives

Recommendation 25: The most significant barrier to hiring apprentices is cost. Faced with falling numbers of apprenticeship starts and reduced recruitment, the Government should consider raising the level of hiring subsidies for apprentices. At the least it should reconsider its policy of paying incentives in instalments, which does not help employers enough with the upfront costs of recruiting and training apprentices. Incentive payments should be paid upfront.

4.25 In 2021-22 funding available for investment in apprenticeships in England is almost £2.5 billion, enabling employers of all sizes to access funding for high-quality apprenticeship training.

4.26 As part of the Plan for Jobs, the Chancellor announced that employers could claim a £2,000 payment for new hired apprentices aged 16-24 and a £1,500 payment for new hired apprentices aged over 25.

4.27 The Chancellor announced the extension of the incentive payments until 31 March 2021 at the Spending Review in November 2020, supporting high-quality job opportunities through apprenticeships.

4.28 The incentive payments are made in two equal instalments: one 90 days after the apprenticeship start date, followed by a second payment at 365 days. The payments are staggered to encourage employers to retain their apprentices and make a long-term commitment to their training.

4.29 Employers taking on apprentices that have been made redundant by another employer are also able to benefit from the incentive payment. To get the second instalment the apprentice must have at least one year (365 days) of training left to complete.

4.30 The Department for Education and Department for Work and Pensions have worked together to ensure that those on Kickstart placements can progress to apprenticeships where that is right for the employer and individual. To support this, the Department for Education have made special provision to allow employers taking on Kickstart participants as apprentices to be eligible for the incentive payment.

Recommendation 26: In the short term, the Government should consider extending the lifetime of apprenticeship levy funds from 24 to 36 months to give employers a further year to use their funds to support the training of apprentices, and ensure that apprentices who were furloughed do not miss out on the chance to complete their training due to expiration of levy funds.

4.31 In March 2020, the Department for Education introduced flexibilities to ensure that employers and apprentices could continue with their programmes where possible during the pandemic, enabling employers to continue making use of their levy funds. These flexibilities include encouraging the remote delivery of training and end-point assessment and enabling furloughed apprentices to continue their training and undertake end-point assessments.

4.32 Employers already have 24 months in which to spend their levy funds before these expire on a rolling monthly basis. We continue to believe that this is sufficient for employers to make use of their funds, and do not intend to make any changes to current arrangements.

4.33 At the Spending Review, the Government announced several improvements to the apprenticeships system that will support all employers. This includes enabling the pledging of levy funds to be transferred from levy paying to non-levy paying businesses. This will allow levy paying employers to support apprenticeships in SMEs, such as those in their supply chains, and help address local and regional skills needs. This will be supported by an online matching service to help identify potential links.

Jobs, skills and training guarantee

Recommendation 27: The Government should join up its skills and training policies under the auspices of a new job, skills and training guarantee, available to every young person not in full-time education or employment for one year. The guarantee should include public job creation and hiring incentives for private job creation. The scheme should be managed at a regional level, with mayors, local authorities and Local Enterprise Partnerships providing coordination, prioritisation and leadership. Local authorities should be provided with adequate funding to deliver these objectives.

4.34 The Government has made significant investment in jobs, skills and training support for young people in response to Covid-19, recognising the acute impact of the crisis on this group. These include the new £2 billion Kickstart scheme to create hundreds of thousands of new, fully subsidised placements for 16 to 24-year-olds on Universal Credit at risk of long-term unemployment, apprenticeship incentive payments including a higher incentive for employers hiring individuals under 25, expansion of traineeships and sector based work academies and a bespoke offer for school and college leavers to take high value Level 2 and 3 courses. Funding and delivery responsibility for the school and college leavers offer is devolved to MCAs and the GLA in line with devolution of the Adult Education Budget.

Investment and the recovery

Recommendation 28: The Government's fiscal interventions have focused on measures to rescue businesses and jobs affected by lockdowns and public health restrictions. The Government should now set out a plan for creating job opportunities. Investment should be directed towards jobs that are:

- **suitable for those most at risk of unemployment;**
- **needed across the country as a whole; and**
- **most likely to have long-term benefits to the UK.**

Recommendation 29: We heard a range of ideas for how the Government should invest to create jobs. In line with these principles, we believe the Government should place investment in the UK's 'social infrastructure' and in meeting its objectives on climate at the heart of a recovery plan.

4.35 In addition to a wide-ranging package of business support, the Government has already invested in the recovery through the Plan for Jobs. The 2020 Spending Review built on previous commitments by providing £3.6bn additional funding in 2021-22 for DWP to deliver employment support to those who need it most, and the £2bn Kickstart Scheme is creating hundreds of thousands of new, fully subsidised jobs for young people. The Government is also taking action to support the recovery through investment in infrastructure, such as the £100bn announced at Spending Review 2020 for capital investment in 2021-22. We also announced funding for the Government's 10 Point Plan for a Green Industrial Revolution, which will create and support up to 250,000 jobs across the UK by 2030, and has the potential to deliver over £40 billion of private investment by 2030. The Government continues to take a flexible approach and will keep all impacts and existing policies under review. We will set out further details about the next steps of our economic response to the coronavirus and how best to support the recovery at the Budget.

Investment in 'social infrastructure'

Recommendation 30: The UK has an aging population and shortage of care workers. The Resolution Foundation said it would take an extra 180,000 care workers just to bring the ratio of carers to the over-70s population back to its 2014 peak. The Government should significantly expand the number of care workers by increasing funding in the social care sector with stipulations that it should be used to raise wages and improve training and conditions in the sector.

Recommendation 31: The childcare sector has sustained significant damage during the pandemic. The sector can employ large numbers of people across the country quickly and provides a service which helps others re-join the workforce. To prevent further closure of childcare providers, the Government should continue to provide free entitlement funding to local authorities and childcare providers at pre-pandemic occupancy rates until they have returned to normal levels. It should provide transitional funding in line with that provided to schools to help prevent redundancies and ensure providers continue to operate.

4.36 The Government will continue to support families with their childcare costs. In March 2020 the Government confirmed that they would will continue to pay local authorities for free early years entitlement places for 2-, 3- and 4-year-olds, which included funding the autumn term 2020 at broadly the levels early years providers would have expected to see had there been no pandemic. Where possible, it is right that early years providers are funded for the places that they are providing, and the Government has confirmed that local authorities should return to the normal funding approach (that is, 'funding following the child') for all providers from 1 January 2021, which is in line with the intention announced in July 2020. The Government will continue to provide some protection for local authorities for the spring term on a case by case basis, if attendance levels are abnormally low in January. By exception, the Government will fund local authorities in the 2021 spring term based on their January 2021 early years census, and if attendance rises after the early years census is taken, we will top-up councils by up to 85% of their January 2020 early years census level, where a local authority can provide evidence for increased attendance during the spring term. The top-up would only fund the additional places taken up after the January 2021 early years census week count and would be limited so that a local authority's final funding allocation for the spring term is capped at equivalent to 85% of their January 2020 early years census. This will give local authorities additional financial confidence to pay providers for increasing attendance later in the spring term.

4.37 Further, the Government is providing an additional £44 million in 2021-22, to increase the hourly rate paid to childcare providers who deliver the Government's free hours offers.

4.38 The Government has put in place a wide package of additional support for businesses and the economy, including the early years sector, throughout the current crisis. This includes business loans and grants, and schemes, the Coronavirus Job Retention Scheme (CJRS), which has been extended until the end of April 2021, and the Self-Employed Support Scheme (SEISS).

A 'green industrial revolution'

Recommendation 32: The Government should prioritise green projects that can be delivered at scale, quickly, and across the country. This would help align economic recovery with the Government's longer-term objectives on levelling-up and climate change. We heard that investment in parks and green spaces, making cities friendlier to cyclists and pedestrians, retrofitting buildings, and switching gas boilers to low-carbon alternatives could create jobs quickly. The Government should also examine expediting renewable energy projects.

4.39 The Prime Minister's recent Ten Point Plan to help enable a Green Industrial Revolution provides £12 billion of funding with the aim of leveraging over three times as much private sector investment. The will help the UK achieve its Carbon Budget targets on the path to Net Zero and align with the Government's mission to level up the country. In addition, the Spending Review in November allocated investment to key green infrastructure projects in order to effectively tackle climate change.

4.40 The Government is committed to encouraging more active and sustainable transport, and will invest £5bn in buses and cycling and walking. The Ten Point Plan also committed £2.8bn to support the transition to zero emission vehicles. The Ten Point Plan will double the Green Recovery Challenge Fund to £80 million to better protect our national parks, and will also enable the retrofitting of homes through the extension of the Green Homes Grant by a year and helps to fund the exploration of alternative sustainable energy sources such as offshore wind, hydrogen and nuclear.

Recommendation 33: Investment in sustainable industries, social infrastructure and in the employment and skills system should be a major element of the Government's 'levelling up' agenda and it should help the people and places that have been hardest hit during the pandemic.

4.41 The Ten Point Plan aims to utilise the UK's industrial heartlands to build green jobs and industries of the future. For example, there is new funding towards four Carbon Capture and Storage Clusters by 2030, potentially in areas such as the Humber, Teesside, Merseyside, Grangemouth and Port Talbot which could help to support up to 50,000 green jobs.

4.42 The Government has also launched a Green Jobs Taskforce to set the direction for the job market as we transition to a high-skill, low carbon economy.