

## Written evidence submitted by Community Union

### About Community

Community Union is a general trade union that has a rapidly changing membership. We represent workers from across the economy including:

- Justice, Custodial and Immigration
- Education and Early Years
- Finance and Professional
- Steel and Wire
- Motor Trade
- Betting
- Social Care
- Third Sector
- Footwear, Leather and Textiles
- Logistics
- Self-employed workers across various sectors and industries

*It is vital for all the industries Community represents members in, their jobs, as well as for all workers across the UK, that spending is directed towards inclusive growth after the pandemic.*

Community continues to work with employers and organisations to protect members' health, their jobs and incomes, and our industries.

### Jobs, growth, and productivity

#### Summary:

- The government should create a level playing field to support economic growth.
- Adult education will be critical to growth and productivity. Reforms to increase access to it are necessary.
- Industrial strategy is critical for setting a direction for growth.
- Workers must have a seat at the table and get a say over changes in workplace, sectoral and national level.
- The Treasury's plan for growth is too diffuse and a social partnership approach is needed to bring it to the standards set by the ISC (Industrial Strategy Council).

#### How much difference can government policy make to economic growth?

Government policy can have a significant impact on economic growth through setting a consistent and long-term strategy. Moreover, the government is the main actor with the ability to lead large scale initiatives with far reaching economic implications such as the decarbonisation of our economy.

The government can play a significant and important role in directing economic growth towards key priority objectives such as levelling up and achieving the net zero transition. However, to do this, policy must be co-ordinated across government departments and the scale of the government's interventions must match the scale of the challenges.

Failure to co-ordinate across departments has been a previous failing of government policy, particularly in areas such as skills policy, which to be effective requires co-ordination across

departments including the Department for Education (DfE), the department for Business Energy, Industry and Skills (BEIS), and the Department for Work and Pensions (DWP).

One of the ways we would like to see the government supporting economic growth is through targeted support to specific industries that need it including the steel industry. Government action to prioritise UK steel in public procurement would drive demand and support the industry, which is profitable. The government can also support through action in terms of subsidy controls, ensuring that imports with higher carbon costs are not able to flood the market, and through ensuring that electricity prices are internationally competitive. Measures like these do not subsidise key strategic industries like steel. Rather, they provide a level playing field allowing the industry to flourish when faced with significant international pressure.

**What are the causes of the gap in the UK's level of productivity compared to other advanced economies, and why has productivity growth been persistently weak in the aftermath of the 2007-09 financial crisis?**

Our members tell us that they do not feel like they have opportunities to transfer to new industries and would not be able to find new jobs if they lost their existing ones. This is extremely troubling given the expected changes to the structure of the economy as we face the net zero challenge and the aftermath of COVID. But it also means that the labour market is more illiquid. If people are given opportunities to acquire skills, then they can move into new and better jobs, and clearly if such jobs are more productive this raises the productivity in aggregate.

This productivity puzzle, is in our view down to two main things:

- Lack of investment in adult education
- Lack of co-ordination across the economy (industrial strategy)

Causes of low productivity growth were identified in Community's recent research [report](#) with the Fabian Society, "Sharing the Future, Workers and Technology in the 2020s" published in December 2020.

One of the key brakes on productivity growth is slow adoption of innovative technologies. For example, the UK lags behind other advanced economies in its deployment of industrial robots- in 2019 the UK had just 85 units per 10,000 employees compared to 200 in the USA and 710 in South Korea.

Although the COVID 19 pandemic has been a significant driver of digital adoption and has forced many employers' hands in terms of driving innovation and adopting new technology, there is still a significant gap between the most pioneering firms in the UK and the average small business. For example, consider artificial intelligence, where the UK is a leader, with one third of European AI start-ups located in the UK. However, in contrast to these leading firms, most firms in the UK have very low implementation. In other words, there is an evident productivity gap between the "frontier firms" and laggard businesses. The gap in productivity between high and low performing firms is greater than in other rich countries such as France, the USA and Germany.

The lack of adoption of new technologies can be in part blamed on the poor standard of management in parts of the UK economy, but there is also a significant role for the government to play in setting the policy environment where firms know that investment in technology will pay off, particularly by setting a strategic direction.

There is particular concern around place-based deprivation, with areas lacking in skills and innovation. The government's levelling up agenda recognised this, but without a plan for individual areas, that brings together all the elements for success (support for innovation and investment, training, and infrastructure) certain places remain left behind.

Sector deals, the future of which is uncertain, would be a useful way to support innovation on a sectoral level. Plans for each sector should evolve into a long-term industrial strategy with decades long plans for innovation, skills, and working practices for each sector. A recent report by the Covid Recovery Commission echoed our recommendation, developing it into a recommendation for at least one globally competitive industry cluster in every region and nation of the UK.<sup>1</sup> Concentration of required investment industry and skills into an area not only supports the government's levelling up agenda but also drives growth.

Clearly a significant driver of this is the skills gap in the UK. Notably this is worse among those groups with the lowest skill levels: employees with a degree are almost four times as likely to have received training at work as employees with no qualifications. Furthermore, there is a low skills equilibrium in many areas of the UK, with low demand and supply of skills.

Adequate funding of adult skills is one of the main causes of the skills gap. Public spending on adult education in England (excluding apprenticeships) declined by almost 50% since 2009-2010. The national skills fund announced by the government whilst welcome will not make up for the cuts that have been made since 2010.

We explore the challenge of supporting people to reskill further below.

### **How successful has the Government's pandemic response been in protecting jobs to date, and how can it help reduce and mitigate the economic scarring effects of the pandemic going forward?**

The government's pandemic response has been broadly successful at protecting jobs with a few highly significant exceptions amongst the self-employed, and in sectors hit hardest such as retail, hospitality, aviation, and the arts.

We would particularly highlight the experiences of those who have been ineligible for the SEISS (Self Employment Income Support Scheme) because they:

- Have trading profits of over £50,000.
- Have not earned more than 50% from self-employment.
- Are Directors of limited companies.
- PAYE freelancers or others on short term contracts.

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<sup>1</sup> Covid Recovery Commission, *Ambition 2030: A Partnership for Growth*, 2021.

These groups of self-employed workers have not been entitled to any support during the pandemic. We welcomed the work of the Treasury Committee in highlighting these gaps, for example, through the committee's report of 15<sup>th</sup> June 2020.

A [report](#) published in September of 2020, led by Community, highlighted that 64% of self-employed workers were unsure or less likely to want to be self-employed in the future. This is a disturbing finding given that in the wake of the financial crisis of 2008 the self-employed were a key driver of post crisis growth and supported the recovery. The legitimately self-employed are key to the recovery. Whilst we share concerns about bogus self-employment driving insecurity and poor-quality work it is important that the legitimately self-employed are not tarred with the same brush.

In respect of the employed, we are concerned that whilst the furlough scheme has insulated the economy from some job losses, lower paid employees are most likely to have been furloughed or made redundant. Notably during the spring 2020 lockdown 42% of employees in the bottom earnings quintile lost their jobs or worked fewer hours compared to under 15% in the highest earnings quintile. Although those in higher income brackets have often been able to make substantial savings during the pandemic, those on higher incomes have historically less likely to spend that which they have earned. It is also those on lower incomes who are most likely to have been burdened with debt over the course of the pandemic which will again put limits on spending.

Although it is still a matter of debate amongst economists the extent to which spending will rebound as the economy opens, we would highlight the risk that the lower paid segment of the employment market, which would have been most likely to spend any "lockdown windfall" have been worse affected.

To mitigate the effects the government should ensure that it does not end the flexible furlough scheme too soon, by extending it to the end of the year. The government should go further by ensuring all workers on furlough can access skills development and training throughout their remaining furlough period and allow the furlough scheme to encourage and account for this. This would create certainty and provide further support to workers in the hardest hit sectors to upskill and retrain if necessary. It should also provide support for household finances by funding a freeze on council tax debt repayments, increase the hardship fund provided to council, and explore ideas such as writing off council tax debt.

Beyond this, wider steps to protect the poorest would have a multiplicative effect on the economy. The government should invest in the types of projects that will create jobs in the coming years including broadband, transport, housing, and green technology. Raising the minimum wage would support the lowest paid workers. Another positive step would be to increase statutory sick pay to the real living wage, protecting workers from the effects of illness. It should strengthen the safety net, raising the level of universal credit and legacy benefits, increase child benefit, and removing the benefit cap. These measures would give households increased certainty and go some way to addressing the lack of financial resilience that characterised the UK economy even before COVID.

**What policies are effective in helping people to reskill, move between occupations and sectors and take advantage of new opportunities? How could these be best implemented in the aftermath of the pandemic, and as technological developments such as artificial intelligence change the nature of work?**

UK participation in employer-based learning is well below the EU average. And adult participation in further education fell by 39% between 2012/13 and 2018/19. We estimate that without action 7 million additional workers will have insufficient skills for their jobs by 2030.

There is a substantial cohort of older workers who do not believe that they are able to reskill and that there is no opportunity available for them if the industry in which they work changes.

Work needs to be done to give people the confidence to take on new opportunities. One of the strengths of the Union Learning Fund (which has been scrapped in England) was that it encouraged reluctant learners into training and education, particularly supporting those who had had poor experiences at school and needed support and encouragement to engage in learning beyond simply making the courses available.

In our [report](#) we call for a wholesale reimagining of what adult learning looks like in the UK.

We believe that the following would be cornerstones of a policy environment which genuinely encouraged workers to retrain and upskill:

- A work and train guarantee should be in place for those out of work- to ensure that after a period of unemployment, training or a job is guaranteed.
- Government should support incomes whilst workers train. Under the current system workers cannot afford to take time off work to train for their next job. A training allowance would be hugely beneficial in encouraging workers to train part time and work part time.
- Local areas should be provided with the flexibility and the funding to be able to offer high quality technical qualifications in priority subjects, as applicable to the area. Funded qualifications beyond the government's current offer to give a free level three qualification to anyone without them should be available up to the highest level where there is a specific need in the local economy.
- Support should be provided for sectors to develop their own occupational training and accreditation pathways. Government providing matched funding for this would be a positive way of encouraging reskilling, specialisation, and advancement. (We would recommend up to level six non-degree education).
- A new digital service should be created to support all workers to retrain.
- Gradually, requirements on employers to support training and skills should be increased. Over time, as the economy recovers, employers could be asked to support skills reviews and plans with their employees and promote access to learning portals and routes into training, as well as ensuring that workers have the time off to engage in training. We would also call for a model of statutory training pay to give workers the ability to work and train part time.
- Finally, Jobcentre Plus needs wholesale reform to ensure it serves as a work and skills hub. Rather than Jobcentres focussing on getting people to any job at any cost, they should consider their role to be just as much about providing training.

It is crucially important to support individuals to move between occupations and to reskill as the economy decarbonises. The majority of the next decade's workforce is already in the labour market, so changes must happen within an individual's working life rather than simply training the young at the start of their careers.

We have seen in many of the deindustrialised areas where we represent members in new growing logistics sector that the time it has taken for growth to return to these areas has resulted in an entire generation growing up without jobs. The effects of this are long-lasting, and as well as a "lost generation" we have seen workers whose lack of exposure to work through their parents means a significant adjustment to regularly attending a workplace. here is unambiguous evidence showing how damaging a sustained period of unemployment is for individuals.

Long term thinking is critical to prevent unemployment in the first place. In a recent [report](#) Community developed with the Alex Ferry Foundation, we highlighted international examples where giving workers notice of technology change, allows them to reskill. For example, at the Austrian steelmaker Voelstapine the company planned to implement Electric Arc Furnace technology but worked closely with the works council to ensure there were no job losses as workers retrained into jobs such as data and technology. This approach has the crucial benefit that workers did not face a harmful period of joblessness as they transitioned.

In contrast in the UK, in the case of Redcar where the former SSI steelworks suddenly closed, the transition was sudden. The dramatic social impact on the workers was explored as an example of what happens when industrial transition is not effectively managed. Although many workers did get new jobs, they tended to be lower skilled and on worse pay and conditions than their previous work on the steelworks. This had dramatic effects on self-esteem, and in many cases resulted in relationship breakdown. And economically it was a reduction in the productivity of the area. We saw that wages in the area have fallen relative to the rest of the country since 2015 when the SSI site closed. In 2015 median gross weekly earnings were £531, and Redcar's were £506.2 – only 4% below the national average. However, by 2019, average earnings in Redcar were £496, 15% lower than the national average of £585. This has had a knock-on impact both socially and across the wider service economy, as workers have less spending power.

Ensuring a just transition is the best way to help workers to change their roles as their sectors and employers evolve.

Fundamentally technologies like artificial intelligence will change the way we all work, but if we can understand what is changing and how we can ensure that people are prepared, rather than left behind. The government's role here is not neutral; it has the power and leverage to ensure that investment is targeted towards the country's strategic objectives including directing spend towards green technologies, and also to ensure that the interests of workers are accounted for.

One of the ways that the just transition we need can be achieved is through industrial strategy, as discussed further below. We call for a social partnership model which brings together businesses, employers, and government to jointly work to solve the challenges that the UK is facing.

Infrastructure is essential, and the government must support R&D, digital infrastructure, high speed internet and smart technologies. Not only this though it must provide the conditions for people to do decent work, including its social enablers such as low cost widely available quality childcare and social care.

Finally, in the face of clear evidence that these technologies can boost productivity, but also transform the way that we work, guidance on the implementation of such technologies is essential.

We would endorse the recommendations in the [TUC's AI manifesto](#) which sets out a vision for how technology can facilitate human agency, and benefit everyone and makes proposals for the legislation that would support this. These recommendations include:

- Listening to workers voices as AI is developed and implemented through genuine active consultation.
- Reinforcing the importance of quality and ensuring that decisions made by artificial intelligence are not discriminatory.
- Supporting workers' physical health, mental health, and health and safety and ensuring any technology implementation does not impinge on these.
- Ensuring new technologies respect workers' boundaries between work life and home life, and not allow work to intrude on workers' privacy.
- Ensuring human involvement remains in decision making at work, both to allow the challenging of unfair decisions, and also to maintain the value of human agency, connection, and interaction.
- Designing technologies especially artificial intelligence systems to be transparent, and easily understood. The latter principle includes where such tools are being used, how they are making the decision, and sufficient assurance that the system can be trusted.
- Giving workers control over their own data, including how their employer will use it and where it is used by AI systems. Workers should be consulted on how their data is used, and data used to make decisions about workers must be accurate.
- Introducing a principle of data reciprocity, giving workers the right to collect and use their own data, equalling the balance of power with employers.
- Providing education and training for workers about technology and artificial intelligence to ensure there is a shared language to communicate about technology.

### **Is the "Plan for Growth" an adequate replacement for the "Industrial Strategy"?**

Having a clear industrial strategy is one of the keyways in which innovation can be directed towards laggard firms but we are concerned that the strategy is not comprehensive enough.

The government's strategy must focus not only on pioneering science and technology (which are of course important) but also on those sectors which are high employment but low productivity. By investing in innovation for these areas it could improve productivity and the quality of work for these workers. It should also focus on key strategic industries such as steel which not only support national defence objective but are foundation for other manufacturing industries in the UK.

Industrial strategy is also key in ensuring that the education and skills provision is there to match the needs of firms that innovate.

Finally, a proper industrial strategy is critical to helping foundational industries such as the steel industry to manage decarbonisation.

So far, the government is delivering treasury led growth programme focussing on post-pandemic recovery. Whilst we would agree that it is important that industrial strategy has treasury backing and the value of co-ordination between government departments, we believe a longer-term vision is necessary and that the plan for growth is insufficient in scale and scope.

The plan for growth emphasises one of the government's long-term objectives, achieving net zero. Other notable ones including delivering on Brexit, levelling up, and recovering from the pandemic. The plan for growth focusses on many of these, but it has gaps.

The ISC's final annual report, emphasised that the key ingredients for a successful industrial strategy are scale, longevity, and policy co-ordination. Consistent effort is required, and the strategy needs to survive changes of administration. Scale is necessary to drive change in the macro-economy, and a co-ordinated effort is required between the public and private sectors.

We have several concerns about the plan for growth in respect of these goals.

Firstly, the plan for growth is too short term. As the ISC highlighted long term thinking is required to ensure the strategy survives changes of administration.

Secondly, its funding levels are too low given the size and scale of the challenge facing the country. Delivering on the benefits of Brexit, achieving net zero, delivering a recovery from COVID and levelling up are each in their own terms substantial and intensive goals. In attempting to achieve all of these at once the government has a significant challenge. Directing investment and focus through an industrial strategy would be critical to achieving this.

Third, there is a lack of a plan for high employment low productivity sectors (such as hospitality and retail).

Fourth, one of the criticisms of the industrial strategy, and rightly so, was that it concentrated on too many different plans. The plan for growth is even more limited in this respect.

Fifth, the plan for growth provides no vision for incumbent industries such as steel (notably, the plan for growth merely notes that "high carbon sectors will have to adapt.")

Furthermore, the business council proposed does not provide the role of independent oversight promised by the Industrial Strategy Council. It is notable that the Build Back Better council does not feature any worker participation. Community was pleased to be represented on the Industrial Strategy Council with our General Secretary, Roy Rickhuss CBE, taking on the only trade union role.

We would have liked to have seen this body evolve over time to include more worker representation and gradually evolve into a social partnership institution, facilitating dialogue between business, worker representatives and the government. The business council is also noticeably less empowered than the ISC was to provide oversight of the government's strategy.

Finally, it is notable the extent to which industrial strategy is fragmented in the UK under the new arrangements. There are several existing and planned elements of policy which might have formed part of a complete industrial strategy, but which are sitting separately from the plan for growth including but not limited to:

- The Prime Minister's ten-point plan to deliver the net zero commitment.
- The Energy White Paper
- The innovation strategy, due at the end of June.
- The industrial decarbonisation strategy.

A greater degree of harmonisation would be welcome.

**Is the UK well placed to take advantage of future technological breakthroughs and translate them into economic opportunities?**

In some respects, the UK is very well placed. It has the expertise and the advanced firms. But the problem, as explored above it that it fails at translating those breakthroughs into widespread success.

We would emphasise again the importance of supporting workers to reskill and supporting them through the transition so that the UK has a workforce positioned to take up these opportunities. With the majority of the 2030 workforce already in the workplace, it is existing workers who need to be the focus of the UK's industrial strategy.

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