

UK Women's Budget Group

Response to the Winter Economic Plan

25 September 2020

Key points

- This intervention by the Chancellor is **much needed but overdue and with major flaws**.
- The **Job Support Scheme is unlikely to protect women from redundancies** in sectors where they are overrepresented.
- The **failure to intervene in the social security system**, including to uplift legacy benefits and lift restrictions on Universal Credit will leave many, including many women and migrants, without work and without necessary support.
- The **failure to increase Sick Pay (SSP)** and abolish the minimum qualification income **disincentivises self-isolation**, especially for **women, who are 50% less than men likely to qualify for Sick Pay**.
- Any **intervention in the labour market should be accompanied by intervention in the care sector**, which is in crisis.

The Chancellor's Winter Economic Plan launched yesterday is a welcome recognition that the Government needs to act to avoid mass unemployment. However, the design of the major intervention, the Job Support Scheme, is severely flawed. It also comes too late for many. The delay has already cost thousands their jobs, with nothing announced yesterday to support the growing numbers of unemployed people in the UK.

Protecting jobs and businesses

The Job Support Scheme (JSS) is a welcome intervention from the Chancellor and recognition that the furlough scheme cannot end on a cliff-edge in November. But the design of JSS is severely flawed and is likely to leave workers in the hardest hit sectors unprotected.

On JSS's flawed design: The design of the JSS will disincentivise many employers from taking part in the scheme as they would have to pay staff for hours not worked at a time when many will be grappling with financial difficulties. In sectors with highly-skilled workers employers might have an incentive to take part in the JSS in order to retain qualified staff that are hard to replace. But in the sectors hardest hit by the pandemic, including retail, hospitality and tourism, where recruitment and training costs are lower, there will be a greater incentive to either reduce hours without using the scheme (as employers won't have to pay for non-worked hours) or to retain fewer staff on a full time basis.

On timeliness: The announcements come far too late to protect many from redundancy as the deadline for redundancy notice passed last week, before employers knew about any extension of job support.

Women are the majority of those working in the retail, hospitality and tourism sectors,¹ some of the hardest hit by the initial shutdown and ongoing social-distancing rules. The JSS will not save many from redundancy and may disproportionately and negatively affect those more likely to work part-time, like young people, pregnant women, those with caring responsibilities, and disabled people.

¹ <https://www.ons.gov.uk/releases/uklabourmarketjune2020>

For the JSS to be effective and comparable to similar schemes in Europe, like Germany's *Kurzarbeit*, **the Chancellor should scrap the Job Retention Bonus and use that money (£7.5bn) to ensure employers don't need to pay for non-worked hours.** This would significantly increase the incentives of employers to retain staff on reduced hours without costing the Exchequer additional money.

The extension of the Self-employment Income Support Scheme (SEISS) is also welcome but, again less generous than the previous scheme. In addition, it does not rectify the gender differences in take up: a lower proportion of potentially eligible women have claimed a SEISS grant (70%) compared to men (78%). In addition, the average claim for women is significantly lower at £2,300, compared to the average claim for men of £3,200. This can be explained at least in part by the 32% gender gap in self-employed earnings.²

Unemployment and social security

Despite the announcements made today, unemployment will continue to grow, with a quarter of pubs and restaurants saying they will not survive the winter and anticipating 675,000 job losses by Christmas.³ Extensions to VAT freezes and business-support loans are a positive development which will hopefully help retail and hospitality businesses to retain staff as far as possible.

However, further restrictions on the retail and hospitality sectors, where women are overrepresented as workers compared to the employed population,⁴ are highly likely to be necessary to stop the spread of the virus and cause more job losses across the board.

Already claims for Universal Credit are up 120% from March 2020.⁵ Universal Credit and Working Tax Credits (WTC) were given a small uplift in March but the Government has not intervened in the social security system at the level required to match the employment crisis ahead:

- The failure to also apply the increase to Employment and Support Allowance (ESA), Jobseeker's Allowance (JSA) and other legacy benefits will see many people miss out on this protection.⁶
- There was only a minor change⁷ to Statutory Sick Pay (SSP). It is not enough to stop the spread of the virus or keep ill people safe and many people do not earn enough to qualify.⁸
- For many non-EU migrant workers, the failure to lift the 'No Recourse to Public Funds' policy during the pandemic will see many left without a safety net.
- The failure to lift restrictions such as the two-child limit and the benefit cap will mean that many cannot receive adequate support.

Isolation and Sick Pay

Under the Test and Trace programme anyone who has Covid-19 symptoms or tests positive has to self-isolate for 14 days. For those back at work, who are unable to work from home, this will mean claiming Statutory Sick Pay for at least two weeks unless their employer decides to allow them to remain on full salary. Only those who earn an average of £120 a week or more are entitled to SSP, leaving 2 million workers without entitlement to any sick pay.⁹

² <https://wbg.org.uk/blog/latest-ons-data-on-employment-apr-june-2020/>

³ <https://www.theguardian.com/business/2020/sep/23/nearly-a-quarter-of-pubs-and-restaurants-fear-collapse-by-christmas>

⁴ <https://www.ons.gov.uk/releases/uklabourmarketjune2020>

⁵ <https://wbg.org.uk/blog/latest-ons-data-on-employment-apr-june-2020/>

⁶ WBG (2020) Social security and Coronavirus briefing <https://bit.ly/32lrCQA>

⁷ SSP is now also paid from day one of sickness in partial recognition of its importance in keeping people who are sick away from work and limiting the spread of the virus.

⁸ The minimum earning requirement for SSP is £120 per week, well above many people's weekly wage, especially those on zero hour or part time contracts. WBG calculated in May 2020 that women are 50% more likely than men to be ineligible for SSP: WBG calculations find that 15.5% of women in paid work in the UK are not eligible for SSP (12.5% of all workers and 10.6% of men are ineligible). We do not focus on SSP in this briefing. <https://bit.ly/32RwhQu>

⁹ <https://www.tuc.org.uk/blogs/coronavirus-why-every-worker-should-get-sick-pay-day-one>

For those on zero-hours contracts (54% of whom are women) or part-time hours (74% are women)¹⁰ the erratic nature of earnings can make it complicated to calculate average earnings. Women are less likely than men to qualify for SSP because they are more likely to be low paid, and more likely to be in insecure employment.

Women are 50% more likely than men to be ineligible for SSP: WBG calculations find that 15.5% of women in paid work in the UK are not eligible for SSP (12.5% of all workers and 10.6% of men are ineligible).¹¹ **The Chancellor must abolish the minimum income floor of SSP, and increase it to the level of the Real Living Wage to support the proper function of the Test and Trace programme.**

In the short term, the Government should act to prevent further poverty and hardship resulting from the coronavirus pandemic, by:

1. **Lifting restrictions on benefits that are untenable during the outbreak:** Local Housing Allowance (LHA) rates should be raised to the 50th percentile of rents; the benefit cap, under-occupancy penalty (or 'bedroom tax') and two-child limit should be abolished; and the personal allowance in Universal Credit and Working Tax Credits further increased, or at least, the uplift made permanent and proportional to household size.
2. **Get Universal Credit to claimants sooner by making advances non-repayable grants:** Currently families are having to wait five weeks for a payment, or accrue debt in the form of an advance, which is only available as a loan. At least during the crisis, the Government should convert this into a non-repayable grant.
3. **Increase Employment and Support Allowance, Jobseeker's Allowance** and other benefit payments in line with the rise in Universal Credit and Working Tax Credits.
4. **Increase Child Benefit, to £50 per child:** the Covid-19 outbreak threatens to exacerbate child poverty, and the lockdown increased costs for households with children. A temporary uplift is necessary to ensure children do not lose out.
5. **Lift the 'No Recourse to Public Funds' condition:** Excluding many migrant women from support risks exposing them to the virus, which threatens the public health response, and fails to recognise the vital role many migrant workers are playing in combating the pandemic.

Conclusion

Despite the steps taken to protect jobs and businesses in today's announcement, the Chancellor's action will fail to support thousands, especially those who have already lost their jobs and those with caring responsibilities and so more likely to work part-time.

To be effective, any intervention in the labour market must come hand in hand with intervention in the care sector, which is in crisis¹². The failure to bailout the childcare sector and give working parents guidance on what to do when children are sent home from school to self-isolate, means many may not be able to work full time throughout the winter.

The UK Women's Budget Group Commission on a Gender-Equal Economy will, [next week](#), set out a clear alternative to this plan and make the case for a caring economy where understanding of care is placed front and centre of any economic plan.

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¹⁰ <https://wbg.org.uk/analysis/uk-policy-briefings/2019-wbg-briefing-gender-employment-and-earnings/>

¹¹ Calculations based on ONS Annual Survey of Hours and Earnings, Table 8.1a, Weekly pay (Gross) (<https://bit.ly/2XywS6K>)

¹² <https://www.ft.com/content/9f4ad950-a90e-4289-ba2a-36d3292d0a2d>