

## THE UK COVID-19 INQUIRY

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### TRADES UNION CONGRESS: WRITTEN OPENING FOR MODULE 9: THE ECONOMIC RESPONSE

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#### INTRODUCTION

1. This is the opening statement of the Trades Union Congress (**'the TUC'**) in Module 9 of the UK Covid-19 Inquiry (**'the Inquiry'**). The TUC seeks to be the voice of working people, including the over 5 million members of its affiliated unions. As a core participant in Module 9, the TUC is working in partnership with TUC Cymru, the Scottish TUC, and the Northern Ireland Committee of the Irish Congress of Trade Unions (**'NIC-ICTU'**).
2. This module will include consideration of the Coronavirus Job Retention Scheme (**'CJRS'**) and the Self-Employed Income Support Scheme (**'SEISS'**). They were the key labour market interventions (**'LMIs'**) in the pandemic which supported the employment and economic survival of a great many.
3. The TUC called for and, in substantial part, was able to work in successful partnership with the government in developing these LMIs – the CJRS, in particular. It believes it to be important to recognise the value of these LMIs in mitigating the harms of the pandemic. They were bold and, because they were bold, they came at significant cost to the public purse (at least in the short-term). But it is also because they were bold that they substantially achieved their objectives of minimising economic scarring, enabling the economy to 'bounce-back' tolerably quicker, and minimising the vast harms associated with significant increases in job losses and loss of livelihoods. Those harms, inevitably, would have significantly increased the unequal impacts of the pandemic.
4. It is, at least in broad terms, a success story in the response to the Covid-19 pandemic and current and future governments should prepare to, and be prepared to, repeat similar (albeit improved) LMIs in future pandemics and, indeed, other emergencies.
5. That is not to say that there were not significant gaps in the LMIs which ought to be considered and resolved before future LMIs are needed.

6. There is also a much greater need to have a strengthened social security net for the many who were not able to benefit from LMIs. Her Majesty's Treasury ('**the Treasury**') was much more prepared to support those in jobs and self-employment than those who had the misfortune of neither, or those who were in work but struggling on low (and often reduced) wages to afford the rising cost of living during the pandemic.
7. These submissions will address:
  - a. The importance of the LMIs;
  - b. The contribution of social partnership to the LMIs;
  - c. The need to 'fill the gaps' in the LMIs;
  - d. The need for a stronger social security net; and,
  - e. The Treasury's decision-making on matters outside of its core interests.

**A. IMPORTANCE OF THE LMIs**

8. The LMIs avoided mass redundancies, limited damage to and loss of self-employed businesses, and reduced the severity of long-term economic scarring. By July 2021, 11.6 million people and 1.3 million employers had used the CJRS, with approximately 8.8 million people being supported at the scheme's peak in April 2020.<sup>1</sup> As late as the end of June 2021, around 1.9 million people were still being supported by the CJRS. It is estimated that the CJRS directly protected around 4 million jobs, and that 20% of employers who used the scheme (approximately 250,000) would have closed permanently without it.<sup>2</sup> The SEISS was meanwhile used by around 2.9 million people.<sup>3</sup> It is estimated that the total benefits created by the SEISS were worth around £19.3 billion, with an accompanying social cost of £5.1 billion, giving a net benefit to society of £14.2 billion.<sup>4</sup>
9. Kate Forbes (Deputy First Minister of Scotland) accordingly notes the '*huge difference*' made by the CJRS in terms of supplementing personal income and minimising job loss.<sup>5</sup> Baroness Diane Dodds (Minister for the Economy in the Northern Ireland Executive) similarly explains the impact of the furlough scheme on job retention in Northern Ireland: '*These impacts would have been many times more damaging [...] Some 250,000 employees in Northern Ireland were furloughed during the spring, helping around 30,000 of our business stay afloat*'.<sup>6</sup>

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<sup>1</sup> INQ000612682/6; and please see final figures as per INQ000609893/7.

<sup>2</sup> INQ000609893/8-9.

<sup>3</sup> INQ000612682/8; and please see INQ000609899/7.

<sup>4</sup> INQ000609899/7.

<sup>5</sup> INQ000653255/24, para. 49.

<sup>6</sup> INQ000655659/42, para 209.

10. Dr Tim Leunig (Economic Adviser to the Chancellor) suggests that the SEISS had a '*moral and political*' rationale rather than an economic one, as the UK '*already has an income support scheme*' in Universal Credit.<sup>7</sup> That fails to recognise the much more limited support available under Universal Credit, the £6,000 savings cap which would have prevented many self-employed workers from claiming Universal Credit due to savings for tax and/or VAT, and the resultant risk that a very significant number of self-employed people would have been unable to afford their usual outgoings and would have suffered irreversible damage to their businesses. For example, a self-employed nail technician whose business activities were forced to halt in March 2020, if forced to survive on only Universal Credit, would have faced enormous financial pressure to sell business assets and to cease contracts, such as premises hire and insurance provision, in order to provide some cashflow and to reduce outgoings. That kind of damage to a business would be difficult to undo in the wake of a pandemic, and, on a large scale, would have ripple effects for the UK economy. It would lead to the 'economic scarring' which the LMIs were intended to avoid.
11. Beyond the significant direct benefits of the LMIs in terms of supporting jobs and livelihoods are a range of indirect benefits, and, indeed, harms avoided. There is evidence that the avoided 'economic scarring' is likely to have been particularly significant for young workers. The Centre for Economic Policy Research reports that economic shocks that hit workers at the start of their careers are more significant than those that hit later, which may reflect young workers' greater need to sort into well-matched jobs, reduced scope to shelter in existing jobs, greater tendency to work for young and less resilient firms, and greater exposure to psychological scarring and signalling effects, given their lack of work history.<sup>8</sup> Concomitantly, the same research reported a '*powerful complementarity between macroeconomic and structural policy in mitigating the scarring effects of downturns on young workers*'. There is much general evidence, pre-dating the pandemic, that the effects of unemployment when young impose costs on individuals and society well into the future, including in respect of mental health.<sup>9</sup>
12. Avoidable losses of jobs and livelihoods would have very significantly widened health and economic inequalities. As Dr Mike Brewer (the independent expert instructed in Module 9) sets out: '[...] *when thinking about inequalities, the core contribution of the LMIs [labour market interventions] is that they prevented what would otherwise have been a huge rise in income*

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<sup>7</sup> INQ000588231/176, para. 602.

<sup>8</sup> INQ000659769

<sup>9</sup> INQ000659768.

*inequality along with very significant changes to labour market participation and household incomes that would have exacerbated pre-existing inequalities'.<sup>10</sup>*

13. Evidence before the Inquiry suggests that the LMIs were critical in supporting both those on low incomes and those with disabilities. Sophie Howes (Child Poverty Action Group) notes that evidence collected by her group suggests that the LMIs protected some low-income families and, in some cases, prevented them needing to claim Universal Credit.<sup>11</sup> Similarly, Kamran Mallick (Disability Rights UK) explains that furlough:

*'benefitted many Disabled people by continuing to provide them with an income when their job may not have been possible due to lockdown measures. Disabled people were more likely to be furloughed and generally spoke positively of the scheme, particularly when it allowed clinically vulnerable individuals to shield [...] Disabled people campaigned at several stages to stress the importance of the scheme'.<sup>12</sup>*

14. The Inquiry should also consider the unquantifiable but significant consequences of mass redundancies and loss of livelihood in terms of impact on mental health and increased levels of poverty, and associated consequences for the lives of children and other dependants, those at risk of domestic violence, and myriad other impacts. There is evidence of a positive association between unemployment and mental ill-health, particularly in respect of anxiety, depression, and bipolar disorder, and links between unemployment and higher rates of drug use and eating disorders in certain demographics.<sup>13</sup>
15. Whilst, happily, there is no UK counter-factual in which a pandemic with the characteristics of Covid-19 is suffered without significant LMIs, there are some international comparators. Data from the ONS indicates that in 2020 unemployment rates rose far more sharply in the US and Canada (both countries where job retention schemes were less widespread) than they did in the UK, France, Germany, and Italy (all of which brought in nationwide job retention schemes or extended existing short-time working schemes). In the US and Canada, unemployment rose 6.2% and 5.2% respectively; in the UK, France, Germany, and Italy, the figures were 0.8%, 0.5%, 1.3%, and 2.0% respectively.<sup>14</sup>
16. These benefits, and avoided harms, are important, and should be examined by the Inquiry and spelt out in its report. It is important in informing consideration in the next pandemic of value-for-money of LMIs.

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<sup>10</sup> INQ000588132/21, para. 44.

<sup>11</sup> INQ000648237/48, para 152.

<sup>12</sup> INQ000652758/36, para. 98.

<sup>13</sup> INQ000659770.

<sup>14</sup> INQ000590540/17: note that the precise figures represented by each bar in the relevant table (Figure 5) are only visible by hovering a cursor over it within the online version.

17. Value for money in implementing LMIs is obviously important, and it may well be that there are features of the LMIs which could be adjusted in order to provide savings. The real success of the LMIs, however, was that they were bold in seeking to achieve their objectives and, for that reason, succeeded in achieving them. Conversely, reductions in spend on the LMIs which severely restrict their capacity to achieve the objectives of protecting jobs and livelihoods will not achieve value for money at all. To take a hypothetical example, significantly lowering the level of income replacement from 80% would thwart the entire benefit of the LMIs. The value of providing income protection at or above 80% of earnings for both employed and self-employed workers is an important lesson learned from this pandemic.

## B. SOCIAL PARTNERSHIP

18. As explained in previous modules, going into the pandemic there was an absence of established and utilised frameworks for partnership working between unions and government. That had the significant disadvantage that, in the midst of responding to a series of significant and unfamiliar challenges earlier in the pandemic, arrangements for such working also had to be established from something akin to a blank slate. That inevitability had some adverse consequences for policy making. It fits into a broader picture as to engagement with stake holders. Structures for partnership working are not limited to unions, and the TUC notes the challenges faced by a number of groups in being able to engage with government and whose input would have been invaluable, such as the Citizens Advice Bureau, the Disabled Peoples Organisations and, indeed, local government.<sup>15</sup> The limitations on partnership working helps explain some of the gaps in the LMIs that are considered in the next sections.
19. Nonetheless, on many of the core issues there was meaningful and effective engagement between the Treasury, the TUC and a number of unions during the pandemic.
20. As Kate Bell (Assistant General Secretary, TUC) describes, contact between the TUC and government departments in relation to the LMIs was strong, particularly with the Department for Business, Energy and Industrial Strategy (**'BEIS'**), the Treasury and the Department for Transport (**'DfT'**).<sup>16</sup> That engagement was most concentrated in the first few months of the pandemic but did continue throughout 2020 and 2021.<sup>17</sup> That included four roundtable meetings hosted by the Chancellor which included trade unions.<sup>18</sup> There were regularly meetings of the B5 group of business organisations (i.e., the Confederation of British Industry (**'CBI'**), the Federation of Small Businesses (**'FSB'**), the British Chambers of Commerce

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<sup>15</sup> INQ000652346/34, para. 111; INQ000652758/22, para 61); and INQ000653255/64, para. 213.

<sup>16</sup> INQ000587945/8-9, paras. 28; 32.

<sup>17</sup> INQ000587945/9, para. 32.

<sup>18</sup> INQ000587945/10, para. 34.

(‘BCC’), the Institute of Directors (‘IoD’) and Make UK), BEIS and trade unions.<sup>19</sup> In addition, there was significant direct engagement between the TUC, trade union representatives, and the Chancellor, and the Business Minister, Paul Scully.<sup>20</sup> Despite a paucity of pre-existing mechanisms<sup>21</sup>, and the lack of momentum in those fora which did exist (such as the Public Services Forum)<sup>22</sup>, these government departments were quick to adopt new and temporary fora and to increase direct engagement, which contributed towards the development of the CJRS and the SEISS, and the changes to Universal Credit and Statutory Sick Pay (‘SSP’).

21. On 9 March 2020 the TUC made the first call for government to establish a taskforce with unions and businesses to design an emergency support package<sup>23</sup> – a call which was repeated by those within the TUC and its affiliated unions in Select Committees, letters to ministers including the Prime Minister and direct communication between the TUC’s then General Secretary, Frances O’Grady, and the Chancellor.<sup>24</sup> Over a series of phone calls and meetings, the TUC worked alongside the Treasury to develop the concept for the CJRS. It was that consultation of unions, and openness and engagement on the part of the Treasury which, as the TUC identified in a contemporaneous press release, worked to ‘*stop businesses going to the wall and workers being plunged into poverty*’.<sup>25</sup>
22. The TUC and its affiliated unions also worked directly with employers to reinforce the support offered by the CJRS. For example, GMB and its sister steel trade unions reached an agreement with Tata Steel for a protection level of 95% of earnings for the first month on furlough, and 90% thereafter.<sup>26</sup> That engagement, both with business and with government continued throughout the pandemic, and was an important part of the decisions to extend furlough at various stages throughout the pandemic, and alterations to the CJRS which were primarily aimed at improving the flexibility of application of the scheme. For example, the TUC highlighted on a number of occasions the added benefit of allowing employers to use the CJRS to support short-time working and it was announced on 29 May 2020 that the Chancellor had approved this change being made.<sup>27</sup>
23. Shortly after the CJRS was announced, the TUC called on government to extend the scheme to the self-employed.<sup>28</sup> A report published by the TUC in March 2020 proposed a scheme

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<sup>19</sup> INQ000587945/13, para. 40(b).

<sup>20</sup> INQ000587945/13, para. 40(a).

<sup>21</sup> INQ000587945/3, para. 6.

<sup>22</sup> INQ000587945/6-7, para. 22.

<sup>23</sup> INQ000119103/1.

<sup>24</sup> INQ000587945/16, para. 47.

<sup>25</sup> INQ000192222/2.

<sup>26</sup> INQ000612662/1.

<sup>27</sup> INQ000612666/1-2.

<sup>28</sup> INQ000612683/1-2.

mirroring the support offered under the CJRS which would guarantee at least 80% of income up to a maximum of £2,500 per month. The SEISS, when it was announced, allowed an eligible individual to claim a taxable grant worth 80% of three months' average trading profits, paid out in a single instalment and capped at £7,500 in total.<sup>29</sup>

24. The importance of social partnership in producing an effective economic response is further underlined by events in Wales. As Shavanah Taj (General Secretary of TUC Cymru) notes, before the onset of the pandemic, the Welsh Government's approach to social partnership was well established.<sup>30</sup> Ms Taj notes that good working relationships between Welsh governmental bodies such as 'Creative Wales' meant that when gaps were identified in support (such as in relation to freelancers working in creative industries, addressed below), government and unions worked together to achieve pragmatic solutions (such as a Cultural Recovery Fund providing financial relief specifically to people working in the sector).<sup>31</sup>
25. By way of contrast, Gerry Murphy (Assistant General Secretary of ICTU) notes that there was a '*regrettable*' lack of engagement in social partnership from the Northern Ireland Executive ('the NIE'), with the Strategic Engagement Forum formed by the NIE being '*largely ignored*' and NIC-ICTU never being granted a direct meeting with First Minister Arlene Foster or Deputy First Minister Michelle O'Neill during the pandemic.<sup>32</sup>

## C. GAPS IN THE LMIs

### *The gaps*

26. The LMIs were, however, '*far from perfect*'.<sup>33</sup> There were gaps in the schemes which the TUC considers emerged from limitations in planning pandemic but, also, the absence of a pre-existing short-time working scheme which meant that complex schemes had to be created 'from scratch'. In the early phase of the pandemic unions worked urgently (a) to persuade the government, and the Treasury in particular, that schemes were required to avoid mass redundancies and (b) to assist the Treasury in rapidly devising schemes which would ensure that the largest proportion of the working population was supported to remain in work and out of unemployment. Inevitably, in the scrabble to develop novel schemes, lacunas in support emerged. Some of these gaps were addressed during the pandemic in further revisions to and

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<sup>29</sup> INQ000661483/123-124; para 458.

<sup>30</sup> INQ000615596/5, para. 17.

<sup>31</sup> INQ000615596/12, paras. 33-34.

<sup>32</sup> INQ000652260/4, para. 21.

<sup>33</sup> INQ000587945/53, para. 173.

iterations of the LMIs, but some persisted throughout and require careful attention during this module. In particular:

27. **The timing of the SEISS scheme:** There was a significant delay in the commencement of the SEISS. As Ms Howes points out: *'Following the March 2020 announcement, details of the SEISS were not released until 30 April 2020, and the scheme did not go live until 13 May 2020. Self-employed people also needed to wait to be invited to apply to the scheme by HMRC. Many self-employed people had to wait over seven weeks to be certain whether any support would be available to them and even longer to receive it. The first people to apply for the scheme received their first payment in June 2020'*.<sup>34</sup>
28. **Freelancers, short-term PAYE workers and those who had recently changed jobs:** Workers who had multiple engagements where they were paid through PAYE often did not have an employer willing or able to furlough them. However, unless their income came primarily (51% or more) from self-employment, they also could not access the SEISS. This left these individuals completely without support.<sup>35</sup> Both when the CJRS was first brought in and when it was subsequently extended, a cut-off date was applied. Employees were required to have been on their employer's payroll on or before that cut-off date (in the first instance, 19 March 2020) to be eligible for the scheme. This naturally excluded from eligibility short-term PAYE workers and those who had recently changed jobs.<sup>36</sup> Many people who worked in the creative industries were particularly at risk of falling through these gaps.<sup>37</sup>
29. **The newly self-employed:** The SEISS required at least one year of filed tax returns for a self-employed worker to qualify for eligibility. Those who had yet to submit a tax return were therefore excluded entirely.<sup>38</sup> By contrast, a scheme specifically to support those who were newly self-employed was introduced in Scotland.<sup>39</sup>
30. **Self-employed returners from parental or sick leave:** Because the SEISS worked on the basis of tax returns for 2018/19 or the average of the latest three years, self-employed workers who had taken time off for maternity, paternity or sickness within the previous three years – and so had lower average incomes – were punished unfairly.<sup>40</sup>
31. **Employees denied furlough by their employers:** Because access to the CJRS scheme for any given worker was entirely in the hands of their employer, those whose employers declined to make use of the scheme were left without support. As Dame Clare Moriarty (Citizens Advice

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<sup>34</sup> INQ000648237/50, para. 159.

<sup>35</sup> INQ000588132/33-34, para 75.5.

<sup>36</sup> INQ000588132/33-34, para 75.3.

<sup>37</sup> INQ000615596/12, para. 33.

<sup>38</sup> INQ000588132/33-34, para. 75.1.

<sup>39</sup> INQ000653414/29, para. 58.

<sup>40</sup> INQ000587945/37, para 120.

Bureau) observes, *'We also identified issues with the eligibility criteria for the Coronavirus Job Retention Scheme, our advisors saw substantial evidence that people who were shielding were being denied furlough by their employers'*.<sup>41</sup> As Dr Brewer states: *'it was up to employers to decide whether to make use of it and which employees to put on the CJRS. If an employer did not want to engage with the CJRS and chose instead to make an employee redundant — or, for an employee on a zero-hours contract, simply to offer them no hours of paid work [...] then there was nothing the employee could do about it'*.<sup>42</sup>

32. **Eligibility 'cliff edge' for the CJRS:** Until 1 July 2020, only workers who were not undertaking any work at all for their employers were eligible to receive support under the CJRS; there was no scope for a worker to work (and be paid by their employer for) a proportion of their usual hours while continuing to claim support via the CJRS for the hours not worked. This did not represent value for money in that it precluded employers who had some work available for their workers (and could afford to pay for it) from doing so. Instead, until the belated introduction of *'flexible furlough'* from 1 July 2020, employers were forced to take an all-or-nothing approach, and workers who might have been able to receive 100% of their usual wage through a combination of part-time work and furlough were limited to 80%. This also meant that those required to work sporadically by their employers did not qualify at all.
33. **Income dropping below minimum wage:** The CJRS did not contain any provision to prevent workers from falling below minimum wage when furloughed. This had a disproportionate impact on young workers, who as of 28 February 2021 were furloughed at a higher rate than any other age group (22%).<sup>43</sup> As of April 2020, 423,000 people aged between 16 and 24 were being paid below minimum wage, compared with 64,000 the previous year.<sup>44</sup>
34. **Employer discretion in 'topping up' furlough:** Despite efforts by the TUC and its affiliated unions to place pressure on employers to top up furlough, evidence suggests that only around 30% of employees who were furloughed received any top up.<sup>45</sup> The TUC highlighted during the pandemic that a low percentage of employers were topping CJRS payments up to 100%, and that there was no minimum floor in the CJRS to prevent workers falling below minimum wage when furloughed.<sup>46</sup> The TUC expressed concern about the potential impacts upon those with wages at or close to minimum wage, and raised that young workers (who disproportionately earn the minimum wage) were likely disproportionately affected. As Ms

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<sup>41</sup> INQ000652346/26, para. 84.

<sup>42</sup> INQ000652346/32, para. 72.

<sup>43</sup> INQ000119198/5.

<sup>44</sup> INQ000192264/4.

<sup>45</sup> INQ000648237/118, para. 434.

<sup>46</sup> INQ000119198/4.

Howes highlights: *'For employees earning the minimum wage or just above, a reduction in pay can make the difference between being able to cope financially and not'*.<sup>47</sup>

### ***Why it is important to 'fill the gaps'***

35. There are some overlapping reasons as to why it is important to 'fill the gaps' in the LMIs:
36. First, is maximising the achievement of the objectives of the LMIs. The objective was primarily to prevent job loss and loss of businesses and, in so doing, minimise economic scarring. As the figures identified by Dr Brewer in his report suggest,<sup>48</sup> some of the gaps were significant, and by reducing them, the LMIs would be yet closer to meeting their objectives. The costs of the schemes may increase in some respects, but the long-term protection of the economy is likely to be significantly more valuable.
37. Second, is fairness. Those who were excluded from support were often excluded not further to any policy objective, but simply because the schemes were hastily devised; the gaps were, in the main, unintended consequences. As Ms Forbes observes: *'The UK Government was extremely generous in providing support for groups and organisations that they had identified, but if you did not happen to fall within one of those tightly defined groups, then you got nothing. It was very binary'*.<sup>49</sup>
38. Third, is that the gaps intersect with inequality. Those on the lowest incomes and those in precarious work were some of the most likely to miss out. It is a point about which the TUC is especially concerned. Throughout this Inquiry there has been much anguished and important consideration of the unequal impacts of the pandemic, but it is important to look towards the practical and demonstrably effective levers to mitigate unequal impact, that do exist; such as sufficiently broad and effective LMIs. The TUC considers that addressing these gaps and ensuring that those already suffering disadvantage (and often multiple disadvantage) are those for whom the schemes operate most effectively; rather than being those who fall through the cracks.
39. At a general level, the intersection with inequality arises because those in lower paid and precarious roles are more likely to be in need of LMIs. As the Treasury itself recognised from early in the pandemic, it was *'less well-off households [that] were "particularly vulnerable to the economic shock" and [...] under 25 year olds, women, people from ethnic minorities and people with disabilities would all be more greatly impacted by restrictions'*.<sup>50</sup> Moreover, sectors

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<sup>47</sup> INQ000648237/118, para. 434.

<sup>48</sup> INQ000588132/34, para. 76.

<sup>49</sup> INQ000653414/42, para. 87.

<sup>50</sup> INQ000661483/39, para. 159(c).

such as hospitality, leisure and tourism were particularly impacted by NPIs, and workers within these sectors included a disproportionate number of economically vulnerable people and people with protected characteristics. The Treasury also drew on analysis from the Institute for Fiscal Studies that, strikingly, found in July 2020 that low earners were seven times as likely, people under the age of 25 were about 2.5 times as likely, and women were about one third more likely to work in a sector closed by restrictions.<sup>51</sup>

40. Those most affected were more likely to be in insecure work. As Dr Brewer makes clear, those in low-earning self-employed roles can be categorised as ‘insecure’.<sup>52</sup> Moreover:

*‘These lower-paid sectors also have larger proportions of workers with insecure employment conditions. [...] around two-thirds of workers in the household activities sector are self-employed, and over 40% of agriculture workers are self-employed. The lowest-paid sector, hospitality, has the highest proportion of zero-hour contract workers of any sector, at 23% (Office for National Statistics, 2025b). Other sectors with high shares of workers on zero-hour contracts are health and social work (21%), education (11%) and wholesale and retail (9%)’.*<sup>53</sup>

And:

*‘Unsurprisingly, being on an insecure contract type meant a higher risk of losing work in the first lockdown. For example, Sandor (2021) found that workers on zero-hour and temporary contracts were four times more likely to lose their job than workers on permanent contracts. The risk of a significant drop in working hours (more than 25%) was over two-times higher for workers on zero-hour contracts compared to workers with permanent contracts’.*<sup>54</sup>

41. Insecure work similarly intersects with a number of protected characteristics and specific vulnerabilities. As Mr Mallick points out: *‘To compound the weight of these higher costs, Disabled people have lower employment rates and are more likely to be in insecure jobs with often lower salaries’.*<sup>55</sup>
42. But, notwithstanding that particularly significant need, those in lower income and insecure roles were more likely to fall in the gaps. For example, there was significant overlap between those in insecure self-employed roles and those excluded from the SEISS, particularly in respect of freelancers who commonly make up their income from a combination of short-term PAYE contracts and self-employed work, and those who earn part (and potentially a significant part) of their wage from self-employed work but who have employed work providing 51% or more of their income. Further, workers on low incomes and in insecure work were more

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<sup>51</sup> INQ000661483/33-34, para 159(c), citing the report at INQ000610856.

<sup>52</sup> INQ000588132/7, para 15.

<sup>53</sup> INQ000588132/11, paras 23.2-23.3.

<sup>54</sup> INQ000588132/19, para. 38.

<sup>55</sup> INQ000652758/3-4, para. 10.

vulnerable to denial of furlough by their employers, particularly where redundancy might have appeared a more cost-effective alternative to those employers.

### **Key lessons on the LMIs**

43. Dr Brewer recommends that: *'HM Treasury and HMRC should do work now to improve the design of the CJRS so that it is ready to be implemented immediately when a similar crisis occurs in the future'*.<sup>56</sup> That must be correct, and should be focused on addressing the gaps identified. Building on the evident value of social partnership in the development of the LMIs in the pandemic, the development of an improved scheme would be assisted by involvement of a tri-partite panel bringing together government, unions and business.
44. The product of that work should include a standing short time working scheme. A short-time working scheme is a mechanism to reduce working time in the existing workforce in response to a major drop-offs in demand. They exist to protect employment and maintain employability by avoiding the scarring effects of dropping-out of work. They can support businesses by responding flexibly to short-term drop offs in demand in a manner that enables production to be increased more quickly when demand returns.<sup>57</sup> The cost to the public purse in subsidising short-term working is balanced by the strengthened labour market and economy. In some respects the UK is an outlier in not having such a scheme; 23 countries in the OECD had short-time working schemes in place before the Covid-19 pandemic.<sup>58</sup>
45. A standing short-time working scheme would have substantial benefits for pandemic response and should therefore be considered by the Inquiry in the context of lessons to learn for the next pandemic. First and foremost is the benefit of a scheme intended to adjust working hours flexibly. An OECD report from 12 October 2020, 'Job retention schemes during the Covid-19 lockdown and beyond' noted:

*'All new schemes, except the one in Iceland, offer support only when hours are reduced to zero, i.e. in the case of temporary layoffs. Such schemes might be easier to implement quickly and less susceptible to abuse based on the misclassification of part-time workers. However, they are also necessarily more rigid and exclude the possibility of sharing the costs of adjustment across the workforce through broad-based working time reductions (i.e. work-sharing).'*<sup>59</sup>
46. This analysis by the OECD points to the fact that it is possible to have a more robust and flexible job retention scheme during a pandemic where it is a permanent scheme, which is

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<sup>56</sup> INQ000588132/53, paras. 128.1-128.3.

<sup>57</sup> See, e.g.: INQ000659767.

<sup>58</sup> INQ000612682/3.

<sup>59</sup> INQ000549323/6.

already in existence prior to a pandemic or other crisis, and which is refined and improved upon throughout each economic shock.

47. An existing scheme would avoid some of the challenges and shortcomings of bespoke and ad-hoc schemes developed in the course of an emergency response. An example would be, as Dr Leunig raises in his evidence, the issue of holiday entitlement accruing during periods of furlough which *'We never managed to sort ... out'*.<sup>60</sup> He similarly notes in respect of the occasion when Ms Bell raised with him, in April 2020, that employers would need advance notice of the furlough scheme being extended due to the commonplace use of six-week notice periods in large companies: *'I think this is the first time HM Treasury had thought through the interaction between notice periods and furlough extensions'*.<sup>61</sup> For a standing scheme, such issues would already be fully worked through, and government, employers and employees would be familiar with the contractual obligations arising under the scheme and any practical consequences of these. An existing scheme would increase confidence and certainty for businesses.

#### **D. THE NEED FOR A STRONGER SOCIAL SECURITY NET**

48. As Ms Bell sets out: *'SSP is one area that needs strengthening in order to ensure a social security system that acts an effective safety net in times of crisis for individuals. Universal Credit is another crucial component that was found not to be fit for purpose in the pandemic'*.<sup>62</sup>

#### **SSP**

49. The TUC had been concerned about the level of SSP long before the pandemic. At the beginning of the pandemic, the level of SSP was set at £95.5. The average worker would therefore see their weekly income fall from £504 to £95.85.<sup>63</sup> It was insufficient to support workers not to attend the workplace when ill, or to protect the most economically vulnerable from the effects of poverty.
50. An additional concern was (and remains) the lower earnings limit of £120 per week which meant that many had no entitlement to SSP at all. It caused around 1.8million employees to miss out, 7 out of 10 of whom were women.<sup>64</sup> It also particularly impacted young workers and those on zero-hour contracts.<sup>65</sup> In June 2021, the TUC published an analysis that reported

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<sup>60</sup> INQ000588231/68, para. 247.

<sup>61</sup> INQ000588231/73, para. 266.

<sup>62</sup> INQ000587945/55, para. 179.

<sup>63</sup> INQ000119080/1.

<sup>64</sup> INQ000587945/24, para. 72; and please see INQ000119080/2.

<sup>65</sup> INQ000587945/24, para. 72; and please see INQ000119080/2-3.

that a third of key workers did not receive sick pay.<sup>66</sup> It appeared that the concern had also been shared by government. A consultation launched in 2019 stated that:

*'the government is concerned that employees on lower incomes are missing out on the protection that SSP provides. People may be working when unwell, or relying on the benefit system, when remaining attached to their employer is likely to be more beneficial. The Taylor Review of Modern Working Practices recommended extending SSP to include those earning below the [lower earnings limit]. This would extend SSP protection to around 2m employees, including over 1m who work less than 16 hours per week. The government believes there is a case to accept this recommendation'.<sup>67</sup>*

However, by October 2021, and notwithstanding the particularly acute difficulties experienced during the pandemic, the Government response to the consultation expressed the view that *'now is not the right time to introduce changes to the sick pay system'.<sup>68</sup>*

51. The consequent disincentive to stay away from work when unwell was of obvious and particular importance to policies on self-isolation. In September 2020 the TUC published a report on sick pay and debt which said:

*'Living off just SSP for two weeks will push many people into financial hardship. Over 4-in-10 workers (43 per cent) told us that they would have to go into debt or not pay bills if their income dropped down to £96 per week for two weeks. Concerningly, those who have been working outside their home are more likely than those working from home to say they'd fall into debt or not pay bills if they had to live off SSP for two weeks (47 per cent compared to 37 per cent). Those on low and average incomes are also more likely than high earners to be unable to cope on SSP without being pushed into debt. Half of those earning less than £15,000 per year and around half (47 per cent) of those earning between £15,000 and £29,000 say they'd be unable to get by without going into debt, compared to around a third (32 per cent) of those earning more than £50,000 per year'.<sup>69</sup>*

52. The limitations in SSP were part of the need for a test and trace support payment scheme, the effectiveness of which has been the subject of evidence and submissions in earlier modules (and, in this module, see Ms Bell's statement at paragraph 83).<sup>70</sup>
53. The TUC therefore continued, throughout the pandemic, to press the case for reform to sick pay to ensure it was accessible to all workers (through the removal of the lower earnings limit) and set at a more reasonable rate, as did TUC Cymru<sup>71</sup> and NIC-ICTU.<sup>72</sup>

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<sup>66</sup> INQ000615596/15, para. 44, citing INQ000180921.

<sup>67</sup> INQ000587945/24, para. 73.

<sup>68</sup> INQ000587945/24, para. 73, citing INQ000192238.

<sup>69</sup> INQ000119080/4.

<sup>70</sup> INQ000587945/27.

<sup>71</sup> INQ000615596/14, para 41 and 16, para. 48.

<sup>72</sup> INQ000652260/9-10, para. 42.

### ***Relationship between furlough and SSP***

54. Dr Brewer sets out in his report that: *'Employers were not supposed to use furlough for employees who were off sick or self-isolating unless they were clinically vulnerable'*.<sup>73</sup> He makes a related recommendation that the Treasury and HMRC should consider whether, under future furlough schemes funded by the UK government, employers should be allowed to use furlough to cover instances where employees cannot work due to self-isolation obligations.<sup>74</sup> However, as Ms Bell explains: *'the CJRS did, in fact, allow employers to temporarily furlough workers if they required to self-isolate, but government communication of the scheme was poor, if not deliberately suppressed'*.<sup>75</sup> Indeed, in 2021 Politico reported on emails between senior civil servants showing the Treasury instruct government officials to conceal a provision in the CJRS which enabled employers to use it to pay employees required to self-isolate.<sup>76</sup> The email correspondence said:

*'Furlough can be used to cover self-isolation, but [the Treasury] are reluctant to say this explicitly in guidance because it could lead to employees being furloughed who do not need to be' and 'Incentive payments are too low to incentivise employees to take tests due to risk of loss of income'*.<sup>77</sup>

55. That is not to say that the TUC considers furlough as an effective alternative to adequate SSP. The point, ultimately, is that the level of support under SSP was entirely inadequate and remains so.

### ***Universal credit***

56. The TUC and its affiliated unions held concerns about inadequacies in Universal Credit which were exacerbated during the pandemic. The five-week wait for Universal Credit, which leaves claimants without income for a significant period, and the savings cap, which dramatically tapers payments when the claimant has over £6,000 of savings, were particular areas of concern. The £6,000 savings cap can be a particular barrier for people who are self-employed, who typically hold savings intended for paying liabilities to HMRC which are likely to exceed £6,000, or may hold personal savings intended to provide an income during retirement. On 6 April 2020, the TUC published its report, *'Fixing the safety net: next steps in the economic response to coronavirus'*.<sup>78</sup> It noted that the best way to protect people's incomes was to keep them in work, but that many more people were already having to turn to the social security

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<sup>73</sup> INQ000588132/32, para. 72.1.

<sup>74</sup> INQ000588132/53, para. 128.3.

<sup>75</sup> INQ000587945/48-49, para. 156.

<sup>76</sup> INQ000549324.

<sup>77</sup> INQ000549324/2-3.

<sup>78</sup> INQ000618152.

system.<sup>79</sup> The report called for an emergency overhaul of the Universal Credit.<sup>80</sup> As set out in Ms Bell's statement, the TUC made attempts on a number of occasions to engage the government on these issues.<sup>81</sup> On a number of occasions the TUC made the case for the basic level of income support to be raised to 80% of the national living wage (£260 per week).

57. Therese Coffey explains in her evidence to this module that she would have supported permanently maintaining the £20 per week uplift to Universal Credit informed, she says, by *'the numerous discussions [she] had with stakeholders supporting those with lived experience of Universal Credit and stakeholders who supported vulnerable groups and the impact of the Universal Credit uplift on families that were struggling financially.'*<sup>82</sup> The evidence in this module supports a conclusion that universal credit urgently needs to be addressed in advance of a future pandemic.

#### E. TREASURY DECISION-MAKING ON MATTERS OUTSIDE ITS CORE INTEREST

58. The TUC notes the evidence in this module around the approach of the Treasury to exterior advice, whether it be public health advice, or advice around social and mental health impacts. Dr Ben Warner in his witness statement describes cultural issues within the Treasury and concern regarding *'the insular nature of HMT.'*<sup>83</sup> Robert Harrison describes a lack of transparency by the Treasury during the pandemic and a tendency for the department to work in silo.<sup>84</sup>
59. In a similar vein, the TUC considers that the Treasury was most effective and responsive on matters related to the wider economy, and but less persuadable on issues of social and mental health impacts, and widening health inequalities, unless linked to wider economic impacts. This featured during the pandemic in a number of respects, perhaps most significantly:
- a. The gaps in the LMIs; the Treasury was less concerned with addressing these gaps, many of which intersected with inequality, once it had established the schemes and avoided nationwide mass redundancies.
  - b. The failure to, even temporarily, make SSP a more generous and effective means of support for those out of work due to ill-health or self-isolation requirements, nor to fix the weaknesses in the social security net.

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<sup>79</sup> INQ000618152/6.

<sup>80</sup> INQ000618152/10.

<sup>81</sup> INQ000587945/28-31, paras. 90-98.

<sup>82</sup> INQ000588230/12-13, para 33.

<sup>83</sup> INQ000657617/29-30, para. 99 and 33-34, para. 118.

<sup>84</sup> INQ000656298/33, para. 109 and 36, para. 124.

- c. The reticence around providing generous schemes to support self-isolation addressed in detail in previous modules. In previous modules the TUC has highlighted the absurdity of the pilot scheme introduced in August 2020 to pay low-income workers £13 per day 'incentive' to self-isolate.<sup>85</sup>

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<sup>85</sup> INQ000587945/26, para. 81.