LUISS

DEPARTMENT OF POLITICAL SCIENCE

MASTER'S DEGREE IN POLICIES AND GOVERNANCE IN EUROPE

THESIS IN SOCIAL AND LABOUR MARKET REGULATION

THESIS TITLE

SHOULD JOB RETENTION SCHEMES BE MADE A PERMANENT FEATURE OF LABOUR MARKET POLICY? THE CASE OF THE UNITED KINGDOM DURING COVID-19

SUPERVISOR
PROF. EDOARDO ALES

CO-SUPERVISOR
PROF. MARCO LEONARDI

CANDIDATE
MIRJAM ALTERIO – 649592

ACADEMIC YEAR 2022/2023

TABLE OF CONTENTS

1. INTRODUCTION

Job Retention Schemes (JRSs, henceforth) are policy tools designed to preserve employment in firms dealing with temporary economic crises. In line with the *business support logic*, the rationale behind JRSs is to avoid costs of re-establishing new links between companies and their employees as they break during financial hardship. On the *labour support* side, these measures could be implemented to back workers' incomes by preserving the employment contract in case of suspension of work[1]. Also generically referred to as *employment support schemes*, JRSs have become by now the most diffuse instrument worldwide to deal with economic downturns since the 2007-2008 Global Financial Crisis (GFC, henceforth). In 2008, at the outset of the Great Recession, these schemes had been implemented in only eleven Member States of the European Union (EU, henceforth). Between 2008 and 2009, pressure from increasing unemployment rates pushed other nine EU countries to introduce them.[2] The increasingly widespread adoption of JRSs was linked to their fundamental role in dampening the employment impact of the economic crisis in these countries. Lessons learned from the GFC led to large cross-country diffusion and the extensive implementation of JRSs during the COVID-19 crisis.

The impact of the pandemic was so massive that labour markets everywhere where severely impacted. Containment measures and lockdowns enacted by national governments to reduce contagion risks resulted in a steep decline in demand for a great deal of products and services. Consequently, labour markets witnessed considerable supply chain disruption and millions of people were at risk of losing their jobs. Against this backdrop, JRSs have been used more extensively during the pandemic than in the 2008-9 economic crisis.[3] In May 2020, short-time work schemes supported roughly 50 million people in the OECD countries. This represents 10 times as many people as those backed by such schemes at the equivalent stage of the GFC. The contingent nature of the shock and the entrenchment of JRSs in the legal framework of many different countries contributed to their consistent implementation worldwide.[4]

---

[1] Ebbinghaus, B., & Lehner, L. (2022). Cui bono–business or labour? Job retention policies during the COVID-19 pandemic in Europe. *Transfer: European Review of Labour and Research*, *28*(1), 47-64.

[2] BG, CZ, HU, LT, LV, NL, PL, SK and SI. See Corti, F., Ounnas, A., & De La Ossa, T. R. (2023). *Job retention schemes between the Great Recession and the COVID-19 crises*. Tech. rep., CEPS, p.1.

[3] Müller, T., Schulten, T., & Drahokoupil, J. (2022). Job retention schemes in Europe during the COVID-19 pandemic–different shapes and sizes and the role of collective bargaining. *Transfer: European Review of Labour and Research*, *28*(2), 247-265.

[4] Eichhorst, W., Marx, P., Rinne, U., & Brunner, J. (2022). *Job retention schemes during COVID-19: A review of policy responses*. IZA-Institute of Labor Economics, p. 6.

Within the EU framework, the European Commission (EC, henceforth) promptly intervened providing Member States with a temporary crisis-response tool known as SURE (Support to mitigate Unemployment Risks in an Emergency).[5] It was a funding instrument of nearly 100 billion euros that provided long-term loans to EU countries under favourable conditions until December 2022. Its main purpose was to ensure a smooth functioning of JRSs to prevent job losses and protect national companies hugely affected by the economic crisis. In accordance with the European Commission final report on SURE, approximately 31.5 million employees and self-employed workers and 2.5 million businesses were backed with this financial assistance programme in 2020.[6] Most Member States took advantage of this financial tool to expand existing JRSs or introduce new ad hoc schemes.

Both within and outside of Europe, three typologies of JRSs have been put into practice during the COVID-19 crisis. Despite sharing the two common goals of preventing job losses and reducing costs for companies, they vary substantially according to their specific functionalities. Under schemes labelled as Short-time Work (STW, henceforth), financial assistance is provided to firms to pay the wages of employees for hours not worked, reducing wage bills for companies. The functional logic of STW is to distribute adjustment costs among workers through working time reductions. This entails a cut in the number of working hours for all employees (e.g., Austria, France, and Italy) or for a specific section or department of a company (e.g., Germany). By contrast, the Furlough Scheme (FS, henceforth) provides for full work suspension. Since working hours are temporarily reduced to zero, it is also commonly referred to as "temporary lay-off scheme".[7] Yet, the difference in working time adjustments between STW and FS may be blurred in some cases. For instance, STW schemes in Italy and Germany have always allowed for cutting the number of hours down to zero. Such ambiguity was further accentuated during the COVID-19 crisis as employment support schemes have been modified to ensure greater flexibility. The aim of FSs consists of reducing wage bills for firms by temporarily firing employees and, at the same time keeping their employment contract unchanged. Finally, Wage Subsidy (WS, henceforth) differs from the previous categories as it provides financial support to companies regardless of hours not worked by employees. The financing of the three categories of JRSs drew from different sources, namely unemployment insurance for FSs, state budget for WSs, and both means for STW schemes depending on the institutional design.

[5] European Commission. *The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE):*EU financial assistance.
[6] European Commission. (2023). *Protecting jobs and workers: Final report confirms SURE was crucial in mitigating impact of pandemic and supporting recovery*. Brussels: European Commission press release.
[7] Müller, T., Schulten, T., & Drahokoupil, J. (2022). Job retention schemes in Europe during the COVID-19 pandemic–different shapes and sizes and the role of collective bargaining. *Transfer: European Review of Labour and Research*, *28*(2), p. 249.

Further cross-country variations within the same typology of scheme are, indeed, related to institutional characteristics of JRSs. First, the scope of the schemes hinges upon *eligibility criteria* to access financial support, which are imposed either at an individual-employee level or at a company level. The criteria used in relation to the latter category typically include three main conditions under which financing can be provided. Specifically, economic difficulties caused by the pandemic, reduction in economic activity resulting from government's decisions, and company's size and sector. Additional requirements to prove financial hardship vary substantially across countries and the typology of employment support scheme. As a general pattern, WSs tend to adopt the strictest rules as they cover a company's entire workforce, and the risk of deadweight is elevated. Further precautions must thus be taken to avoid this possibility and ensure that only companies which are truly struggling economically are eligible for the scheme. These precautions come in the form of objective and quantifiable thresholds for decreases in revenue. STW schemes are typically less precise in their measurement of a company's economic struggles and tend not to rely on thresholds relating to revenue. The focus is shifted instead onto the reduction of a workforce's hours, which is also sometimes measured through changes to the pay of employees. As opposed to WS, the FS by nature is less strict on companies given that funds are channelled directly to employees.

Considerable variations emerged between different countries' eligibility criteria, regardless of the typology of scheme adopted. For instance, differences can be observed in the sectors countries have considered as eligible. While some countries chose to just cover the hotel, restaurant and catering (HORECA) sectors (Hungary and Cyprus), other countries created a broader list (Spain, Croatia, Greece).[8] A large group of countries also made public sector employers ineligible for JRSs. Further down the line, as the issue of deadweight became a more prominent concern among policymakers in many countries, further cross-country variations in eligibility criteria emerged. Some countries began to exclude companies that were transferring bonuses to management (Sweden, Netherlands, Denmark) or that had operation rooted in tax havens (Czechia). Other countries were less proactive and maintained similar levels of leniency of their JRSs eligibility criteria throughout the pandemic. Eligibility dictated on an employee level showed unprecedented levels of coverage, opening up JRSs to groups who had previously not been included. In particular, groups such as temporary workers and non-standard workers on part-time contracts were made eligible. In Italy and Germany permanent schemes were specially modified to allow for this increased coverage. Some countries however

[8] Müller, T., Schulten, T., & Drahokoupil, J. (2022). Job retention schemes in Europe during the COVID-19 pandemic– different shapes and sizes and the role of collective bargaining, p. 256.

decided not to include workers earning more than a set upper limit (Ireland and Poland), while others required individuals to have reached a minimum threshold of contributions to the schemes through taxes (Ireland, Denmark, Finland).

Another characteristic of JRSs depending on countries' institutional design is the *volume*, which refers to as "the amount of money provided over a certain period of time".[9] As its definition suggests, the volume is characterized by three elements, namely the level of support (i.e., the amount of money that workers or firms get), the duration of support (i.e., the length of time for which the financial support is paid), and the cap on support (i.e., the maximum amount of wage support receivable). As concerns the duration, during the COVID-19 crisis, JRSs have been set up for a limited timeframe in some European countries. The latter point constitutes another point of differentiation, as during the pandemic some countries had a permanent JRSs already in place and ready to deploy, while others had to design one from scratch. In the latter scenario, the crucial role played by JRSs in coping with the economic crisis caused during the pandemic has generated a debate over the merits of putting in place a permanent scheme. Commonly cited benefits include increased response speed and increased efficiency, better protecting employees and employers, while also getting more value from taxpayers generated funds. This study will interact with this debate in the context of the UK, a particularly interesting case-study given its traditionally economically liberal stance to welfare and usual non-interventionist approach in case of crises.

The COVID-19 crisis brought to the surface the limitations of the UK's pre-pandemic welfare system.[10] As opposed to countries with solid welfare state regimes, characterised by comparatively well-established JRSs and strong employment protection, the UK's liberal welfare regime possessed a meagre system of unemployment support. At the onset of the pandemic, most European countries modified STW established during the Great Recession (or even before) or replaced existing employment support schemes with specific crisis-related labour market policies. By contrast, the introduction of JRSs in the UK, in March 2020, represented a novelty in the British labour market regulation. Together with Hungary, these two countries were exceptional cases in Europe for not having in place any typology of JRS when the pandemic hit.[11] Unlike its usual non-state intervention

[9] Müller, T., Schulten, T., & Drahokoupil, J. (2022). Job retention schemes in Europe during the COVID-19 pandemic–different shapes and sizes and the role of collective bargaining, p. 257.
[10] Tomlinson, D. (2021). Job well done. *Resolution Foundation.*
[11] Eichhorst, W., Marx, P., Rinne, U., & Brunner, J. (2022). Job retention schemes during COVID-19: A review of policy responses. IZA-Institute of Labor Economics, pp. 6-9.

approach to crises, the British government introduced JRSs during COVID-19 to preserve employee-employer relationships rather than tolerating high unemployment rates.

Following this introduction, this study will provide a comprehensive literature review. This will engage with scholarship on employer and employee behaviour during economic crises, JRSs pre-2008, post 2008 and during the COVID-19 pandemic, both with an international and UK-specific focus. A brief methodology will then precede an in-depth empirical analysis, which will answer the following research question: "Should JRSs be made a permanent feature of labour market policy in the UK?". The analysis suggests that under the correct conditions, such a policy decision would bring various important positive effects and better position the UK to face future crises. These findings will be summarised in a short conclusion, which will close by offering concrete policy recommendations.

2. LITERATURE REVIEW

It is fair to say that over the last few decades JRSs have been an understudied area of labour market policy, a situation that has only changed as a result of their widespread deployment during the COVID-19 pandemic. Prior to this, the literature on such employment support schemes is sparse. However, a more well-established collection of studies is dedicated to the more general question of how employers manage their workforce during times of economic hardship. In particular, focus has been given to the practice of downsizing through layoffs. Freeman and Cameron explain that this is an attractive tool for firms because they are able to immediately reduce costs and increase efficiency.[12] Nonetheless, a large proportion of the literature has provided reasons to be sceptical of whether layoffs are a desirable option to take for employers. In the period of limbo leading up to layoffs, when the prospect of downsizing is public knowledge, but employees are none the wise over who will be affected, negative behaviour can arise. For example, Probst shows that the risk of layoff does not necessary stimulate employees in a positive way. While it may increase productivity, it is linked to an increased disregard for safety protocols and correct procedures. This is because employees feel that they must cut some corners in order to increase performance levels relative to colleagues.[13]

Once the process of laying off employees is actually underway, a certain set of problems can surface. As we may expect, the literature is clear that those employees who directly experience layoffs, suffer both financially and psychologically. The loss of their main source of income leaves them with great

[12] Freeman, S. J., & Cameron, K. S. (1993). Organizational downsizing: A convergence and reorientation framework. *Organization science*, *4*(1), 10-29.
[13] Probst, T. M. (2002). Layoffs and tradeoffs: production, quality, and safety demands under the threat of job loss. *Journal of Occupational Health Psychology*, *7*(3), 211.

financial uncertainty and can force a revision of lifestyle choices and housing arrangements. In the long-term it can negatively affect career trajectories, as they internalise deep feelings of low self-worth. Karren and Sherman go as far as to say that these particular individuals are stigmatised in the labour market and treated differently when applying for new work. This stigmatisation creates a "long-term barrier to reemployment" [14] and often leads to a vicious cycle of chronic unemployment. Indeed, Karren and Sherman point out that the evidence shows that the longer an individual is unemployed, the less likelihood there is that they will return to formal work.

However, a more interesting observation made by many scholars is that negative impacts are also commonly experienced by survivors of layoffs, namely those who were exempted and retained by the company. Wiesenfeld *et al*. argue that layoffs damage the perception of the company among workers, who often feel that their colleagues were hard done by or at the very least treated with a lack of dignity. This can lead to a decrease in commitment towards the goals and visions of the company, ultimately decreasing productivity.[15] Ann Feldheim builds on these ideas, arguing that such outcomes are extremely problematic for certain sectors. The author gives the example of the public sector, which "aims to incorporate a public service ethic based on the altruistic values of civic duty, social justice, and compassionan".[16] These values are often incongruent with the implicit messages sent to employees during downsizing.

Maertz Jr *et al.* argue that layoffs can also trigger an increased turnover of staff in the medium term, as the highest skilled employees become disillusioned with the company and are become more likely to transfer to another firm.[17] As high skilled workers, these individuals are in short supply and tend to have little trouble transferring to competitor firms. Further evidence for the phenomenon of "layoff survivor's syndrome"[18] is provided by Kim, who engages with the case study of Korea, where downsizing occurred on a large scale following the financial crisis in 1997. Kim's study shows that if done in an insensitive manner, layoffs can be counterproductive to their original intentions. This is because, as shown in the Korean case study, resentment quickly turns into individualistic behaviour

[14] Karren, R., & Sherman, K. (2012). Layoffs and unemployment discrimination: A new stigma. *Journal of Managerial Psychology*, *27*(8), 848-863.
[15] Wiesenfeld, B. M., Brockner, J., Petzall, B., Wolf, R., & Bailey, J. (2001). Stress and coping among layoff survivors: A self-affirmation analysis. *Anxiety, Stress and Coping*, *14*(1), 15-34.
[16] Ann Feldheim, M. (2007). Public sector downsizing and employee trust. *International Journal of Public Administration*, *30*(3), 249-270.
[17] Maertz Jr, C. P., Wiley, J. W., LeRouge, C., & Campion, M. A. (2010). Downsizing effects on survivors: Layoffs, offshoring, and outsourcing. *Industrial Relations: A Journal of Economy and Society*, *49*(2), 275-285.
[18] Kim, W. B. (2003). Economic crisis, downsizing and "layoff survivor's syndrome". *Journal of Contemporary Asia*, *33*(4), 449-464.

and a weaker identification with the company. Once again, the final outcome is often decreased productivity.

The issue of how a firm is viewed internally by its staff is coupled with a potential reputational decline with external stakeholders. Indeed, Flanagan and O'Shaughnessy conclude that layoffs have a negative impact on firms' performance in the stock market as it can be perceived as a sign of economic struggle rather than efficient streamlining. The authors find that the reputational impact of layoffs is stronger for younger firms, indicating that companies with this profile may be advised to avoid such downsizing mechanisms where possible.[19] Other studies on the link between layoff and business reputation, reveal a further interesting finding. Goins and Gruca demonstrate that one firm's decision to undertake layoffs can have a ripple effect, which is felt by other firms across the same sector. This is because speculators can perceive one firm's failings as a sign of general malaise across the sector. Such a phenomenon, coined by Groins and Gruca as "the contagion effects of layoff announcements" [20], emphasises that proactive government labour market policies may be useful to discourage layoffs and ensure more stability in certain sectors.

In light of these problems many scholars have taken interest in assessing possible alternatives to layoffs. The most well placed of these alternatives are job retention schemes, advocated for by many scholars, policymakers and trade unions, and the central focus of this study. Cahuc and Carcillo make the case for STW schemes, which they argue were effective in supressing unemployment within the OECD countries that used them in response to the financial crisis in 2008. They balance their overwhelmingly positive results by arguing that certain criteria should be followed for the successful implementation of STW schemes. Namely they need to be wound down in a timely fashion so as not to impede the efficient workings of the labour market. Indeed, liberal economic theory dictates that in times of crises people will leave jobs in sectors which are in decay and move into jobs in more resilient, productive sectors. These sectors of the future will be strengthened while decaying sectors will run their natural course and shrink. Cahuc and Carcillo stress that if STW schemes are left in place for too long, they will artificially support weak sectors and create an economy even more vulnerable to future shocks.[21] Thus, clear rules must be established prior to crises, outlining set time periods and time limits for job retention schemes. In addition, they argue that longer participation

---

[19] Flanagan, D. J., & O'Shaughnessy, K. C. (2005). The effect of layoffs on firm reputation. *Journal of management*, *31*(3), 445-463.
[20] Goins, S., & Gruca, T. S. (2008). Understanding competitive and contagion effects of layoff announcements. *Corporate Reputation Review*, *11*, 12-34.
[21] Cahuc, P., & Carcillo, S. (2011). Is short-time work a good method to keep unemployment down?. *Nordic Economic Policy Review*, *1*(1), 133-165.

times in schemes should imply that companies or employees are required to burden a larger share of the costs, thus acting as a disincentive for their overuse.

Sucher and Winterberg provide a similarly nuanced account in their analysis of furloughs. While arguing that they are an exceptional alternative to layoffs with many benefits on a microeconomic and macroeconomic scale, they emphasise that certain conditions must be in place prior to their activation.[22] Firstly, there must a crisis in place which is causing a temporary reduction in demand. If the reduction in demand is permanent, then for the reasons previously given by Cahuc and Carcillo, furlough is an unideal option. In addition, it is important for firms that the entire sector is suffering the effects of the crisis. If this is not the case, furlough can cause a high level of turnover, where employees would rather move on to pastures new, rather than take a reduced wage for a period of time. Sucher and Winterberg also make a distinction between employees on permanent contracts and part-time or temporary employees. They argue that part-time and temporary workers should not be the main target of furlough schemes because it is often cheaper to simply dismiss them. Equally workers without “firm-specific skills” should not be priority recipients of furlough given that it is easier to replace these employees. From a more moral standing, Sucher and Winterberg note that furloughs which cover large proportions of companies’ workforce can be interpreted as a fairer solution to times of crisis, compared with targeted layoffs. This is because they distribute “a small amount of the pain of an economic downturn across an entire workforce rather than concentrating a high amount of pain onto a selected subset of workers”.[23] They close by highlighting that FSs were under deployed during the financial crisis, which represents a great missed opportunity. Indeed, Sucher and Winterberg point out that in Japan and Germany, JRSs saved an estimated 395,000 and 221,000 jobs respectively. These figures dwarf the mere 22,000 jobs that were saved in the United States in the same period. The authors argue that had similar schemes been deployed in the US to those used in Japan and Germany, over 1 million jobs could have been preserved across the country. An explanation for the traditionally low take-up of job retention schemes in the US can be found in the work of Abraham and Houseman. They argue that in the US, looser regulation makes it easier for employers to dismiss employees, an option which may be perceived by many employers to be more cost effective.[24]

[22] Sucher, S. J., & Winterberg, S. (2014). Furloughs: An alternative to layoffs for economic downturns. *Harvard Business School*, *9*(314-097), 1-9.
[23] Sucher, S. J., & Winterberg, S. (2014). Furloughs: An alternative to layoffs for economic downturns, p. 3.
[24] Abraham, K. G., & Houseman, S. N. (1994). Does employment protection inhibit labor market flexibility? Lessons from Germany, France, and Belgium.

Boeri *et al.* provide further lessons about the deployment of job retention schemes during the financial crisis in 2008. They argue that the exclusion of part-time and temporary workers from JRSs, which they found was common practice during the crisis, is problematic. This is because it risks creating a segmented labour market, in which part-time and temporary workers are not caught by safety nets during economic downturns. The authors propose that rather than addressing this group through a change to JRSs, it may be more efficient to target them with specific policy mechanisms, such as a "graded employment security scheme".[25] Hijlzen and Venn share this observation of a segmented labour market in their comprehensive study on the use of STW schemes in OECD countries during the financial crisis. They also make the crucial point that there was a great heterogeneity of STW schemes used by countries in the OECD. The goal for policymakers should thus be to examine different institutional compositions and design a scheme which is able to optimally "minimise deadweight loss and displacement effects while at the same time reducing excess layoffs during a recession". [26]

Baranik *et al.* departs from this focus on the 2008 financial crisis and instead uses the narrower case of the federal government shutdown in 2013, which saw hundreds of thousands of workers put on furlough, to highlight that such schemes bring their own "unique" emotional stresses. [27] First, employees are left in a state of anxious wait, as the idea of furlough appears on the horizon but without any clarity over how it will impact earnings. This is because companies tend to poorly communicate the exact details of the incoming scheme. Once furlough is in place, employees suffer from a loss of earnings, but also worries over the security of their position. Against this backdrop, Baranik *et al.* argue that companies should provide affected employees with more financial literacy support to help them adapt to temporary life with lower earnings. Finally, Baranik *et al.* explore the effects of life on return to work, an area often neglected by scholars and policymakers. The study demonstrated that as workers return to work, their worries over earnings diminish. However, emotional stress remained and greatly affected job satisfaction. According to Baranik *et al.* much of this stems from a loss of trust in employers, who did not carry out the furlough scheme to the standards expected by employees. Adkins *et al.* also explores the impact of JRSs on the relationship between employees and employers, referring to the idea of a psychological contract.[28] This concept comes from the work of Rousseau,

---

[25] Boeri, T., & Bruecker, H. (2011). Short-time work benefits revisited: some lessons from the Great Recession. *Economic Policy*, *26*(68), 697-765.
[26] Hijzen, A., & Venn, D. (2011). The role of short-time work schemes during the 2008-09 recession. OECD Social, Employment and Migration Working Papers, p. 38.
[27] Baranik, L. E., Cheung, J. H., Sinclair, R. R., & Lance, C. E. (2019). What happens when employees are furloughed? A resource loss perspective. *Journal of Career Development*, *46*(4), 381-394.
[28] Adkins, C. L., Werbel, J. D., & Farh, J. L. (2001). A field study of job insecurity during a financial crisis. *Group & Organization Management*, *26*(4), 463-483.

who defined the psychological contract as a belief in the existence of a mutually recognised set of obligations for both parties. For example, an employee may expect long-term job security in exchange for sacrifices made (e.g., loyalty to the company). Rousseau stresses that once this contract is broken a spiral of mistrust is initiated which can be difficult to reverse.[29]

Lee and Sanders' study builds on this and maintains that under certain conditions JRSs are more likely to keep in the psychological contract intact. They argue that employers, as well as trade unions, generally agree with the premise of furlough and see it as preferable to other cutback options.[30] Employees more likely to show understanding, however, if it comes in times of national economic crises and if they see that the scheme is being applied in an egalitarian way across the company's staff. In contrast, employees lament the fact that many schemes are applied in a top-down manner, which leaves them in the dark over when exactly they can expect to feel the direct effects. Lee and Sanders thus highlight, in a similar manner to other scholars previously mentioned, that clear communication is fundamental in carrying out a successful JRSs. If properly informed and involved, employees will be able to plan financially for the future and better adapt to their changing situation. This ensures that the psychological contract is not broken and that employees retain a healthy attitude towards their employers. On the other hand, if these steps are not taken resentment can arise, which creates a negative ethos in a company and ultimately is unconducive for high productivity. Bellairs *et al.* echo these ideas, arguing that it is pivotal for affected employees to play a role in the formulation of human resources policies.[31]

Following the COVID-19 pandemic and the subsequent dramatic increase in the deployment of JRSs, there has been an equally dramatic increase in the quantity of scholarship dedicated to these labour market tools. Eichhorst *et al.* provide an overlook of JRSs used by OECD countries during the pandemic. They find that in terms of easing the impact of the economic shock and protecting workers from unemployment, the schemes used were generally extremely effective. They also noted that having in place a permanent scheme, ready to administer and scale up whenever needed proved to be very beneficial.[32] Room for improvement was identified in the ability of JRSs to cover part-time and

---

[29] Rousseau, D. M. (1989). Psychological and implied contracts in organizations. *Employee responsibilities and rights journal*, *2*, 121-139.

[30] Lee, S., & Sanders, R. M. (2013). Fridays are furlough days: The impact of furlough policy and strategies for human resource management during a severe economic recession. *Review of Public Personnel Administration*, *33*(3), 299-311.

[31] Bellairs, T., Halbesleben, J. R., & Leon, M. R. (2014). A multilevel model of strategic human resource implications of employee furloughs. In *Research in personnel and human resources management* (Vol. 32, pp. 99-146). Emerald Group Publishing Limited.

[32] Eichhorst, W., Marx, P., Rinne, U., & Brunner, J. (2022). Job retention schemes during COVID-19: A review of policy responses.

temporary workers. Very often they were not as supportive to these workers as they were to those on permanent contracts. The authors noted that another area of weakness for most countries was the scaling-down process. In this regard, JRSs (particularly STW) were found to be rather “sticky”, meaning it was difficult to phase them out in a timely manner. This was because pressure came from employers and trade unions to retain the schemes for as long as possible, cautious of the fact that the effects of the crisis were still being felt. The authors make the case for a more systematic scaling down process, where clear indicators of economic conditions are used as yardsticks. Assessing these indicators on a quarterly basis for example and making more objective assessments would have allowed for more efficient schemes. This almost reactive approach is more feasible if schemes are institutionalised, in place and ready to be readministered if labour market demand falls again.

Drahokoupil and Müller provide an even more optimistic reflection of the deployment of JRSs during the COVID-19 pandemic. Their study suggests that in OECD countries, unemployment would have increased by an additional 50% had it not been for JRSs. The preservation of employment, as well as the subsidised nature of the schemes, meant that firms were able to maintain higher levels of liquidity. The fact that employees also retained most of their income helped to keep money circulating within the economy and somewhat improved macroeconomic conditions. These positive outcomes lead to Drahokoupil and Müller to conclude that JRSs were a “a lifeline for companies, workers and the economy at large”.[33] Such successful results have also increased the appetite to make JRSs permanent in countries with only temporary schemes. However, like Eichhorst *et al.,* the authors find areas where the performance of JRSs could have been better. They find that more needed to be done to prevent the misuse of the support coming from JRSs. In particular, many of the firms who were “benefitting from public support…[were] distributing profits to shareholders and management”.[34] Only a very small minority of countries included mechanisms in their schemes in order to prevent this from occurring. Similarly, little was done to prevent public support from reaching companies based in tax havens. Finally, the study laments the lack of training provisions that accompanied the JRSs used during the pandemic. In this respect, the authors argue, an opportunity was squandered to help individuals make the most of their time not working. Training programmes would have allowed them to prepare for a smooth return to work and facilitate their transition into more productive lines of work.

[33] Drahokoupil, J., & Müller, T. (2021). Job retention schemes in Europe: A lifeline during the Covid-19 pandemic. *ETUI Research Paper-Working Paper*, p. 55.
[34] Drahokoupil, J., & Müller, T. (2021). Job retention schemes in Europe: A lifeline during the Covid-19 pandemic, p. 57.

Corti and Alcidi narrow their focus on SURE, the abovementioned EU programme which provided the financial backing for many member states' JRSs. The authors describe it as a "success story", which acted as "a second line of defence".[35] In light of this success, Corti and Alcidi pose the question of whether the mechanism should be made permanent and extended beyond its set end date. Making use of Article 175(3) of the Treaty of the European Union, SURE could take a similar institutionalised form to the European Financial Stability Mechanism and the Balance of Payments assistance facility. The authors point out that both the EU Commission, as well as the EU Parliament, have expressed support for a permanent form of SURE. This would ensure the EU is more prepared to act decisively in the occurrence of future economic crises.

With respect to the UK, the focal point of this study, a growing collection of literature has been dedicated to JRSs since the country's unprecedented use of FSs during the pandemic. Tomlinson is overwhelmingly positive in his analysis of the CJRS, underlining that "it ensured that the worst recession for 300 years saw the smallest rise in unemployment of any recession in living memory".[36] In doing so it also prevented a standard of living crisis, which would have inevitably followed the 10% hit to GDP which the UK experienced in 2020. Tomlinson makes an interesting observation that at the start of the pandemic, young people were disproportionate recipients of the scheme. As time went on this changed and in 2021, older people were more likely to be on furlough. This posed its own set of problems as older people are more likely to experience chronic unemployment once losing their job. Tomlinson argues that the great success of the CJRS in preventing poverty should be kept in mind by policy makers when designing benefit schemes, which are much less generous in terms of income covered. He makes the point that being made unemployed in normal times can be just as damaging for families and thus more should be done to cushion the fall for these individuals. Tomlinson's analysis is supported by Lenoël and Young, who conduct a simulation exercise estimating the damage that would have been done to the economy had no JRS been put in place. This simulation indicates that, overall, FSs were cost effective, above all due to the negative economic spiral that mass unemployment would have caused.[37]

Görtz *et al.* also presents a positive outlook of the CJRS. Not only did it achieve its goals of protecting workers from dismissals and easing the financial difficulties of companies, but it also allowed for lockdowns to be implemented. These lockdowns were fundamental in the slowdown of the spread of

[35] Corti, F., & Alcidi, C. (2021). The time is ripe to make SURE a permanent instrument. CEPS Policy Insights, PI2021-10.
[36] Tomlinson, D. (2021). Job well done: 18 months of the Coronavirus Job Retention Scheme. *Resolution Foundation.*
[37] Lenoël, C., & Young, G. (2021). Modelling the impact of Covid-19 on the UK economy: an application of a disaggregated New-Keynesian model. *National Institute of Economic and Social Research Discussion Paper*, (531).

the virus and thus this represents a sometimes "overlooked" benefit of employment support schemes. However, one criticism that the authors provide is that the JRS was too "all-encompassing", easily accessible to all. They argue that the impact of the pandemic on different industries varied greatly and thus a more targeted approach, as was seen in many other EU countries, would have been more efficient. Görtz *et al.* highlight that employers were able to self-assess their financial situation in order to access the JRS. Once deemed eligible, there were insufficient levels of compliance monitoring. There were even cases of "furlough fraud", committed by employers who strong-handed their employees to remain in work despite officially being on furlough. Ultimately, the taxpayer was the victim of these inefficiencies and abuses. Görtz *et al.* stress that if the UK wants to introduce a more permanent JRS, which could act as an economic stabilizer for all types of labour market shocks, then it must iron out these issues.[38]

Pope and Shearer demonstrate how the furlough scheme in the UK became less efficient over time. At the peak of the crisis, when lockdowns were most strict, the majority of employees on furlough were working in the worst affected sectors. Pope and Shearer include in this categorisation the following sectors: accommodation and food, aviation, arts and entertainment, administrative services, and wholesale and retail. However, as lockdowns eased, the majority of furloughed jobs shifted to less badly affected sectors. The authors cite manufacturing as an example. Given that jobs in such sectors were not suffering because of lockdown provisions, but rather because of a general decline in viability, the furlough protected many jobs which may not be worth saving. Pope and Shearer argue that this phenomenon became more widespread with time.[39] Carillo-Tudela *et al.* explore whether the CJRS obstructed job mobility from less viable sectors to more productive ones, a common criticism of JRSs. Overall, they find no evidence for this dynamic, nor for the obstruction of job creation.[40]

Wilman provides an interesting counterargument to the criticism made by Gortz *et al*. that the CJRS was too all encompassing. The scholar instead argues that too many people were left unsupported by the scheme. This is because to be eligible for SSP and SEISS, employees and self-employed people needed to have a certain level of income, which not everyone reached. She also highlights the issue of "limb (b) workers" who fall in a grey area and thus were not classified as either employees or self-employed. This left them unable to rely on the safety nets of CJRS and SEISS. Overall, the total

[38] Görtz, C., McGowan, D., & Mortimer-Lee, P. (2022) Box B: A Targeted Furlough Scheme to help the economy in downturns. National Institute UK Economic Outlook.
[39] Pope, T., & Shearer, E. (2021). The Coronavirus Job Retention Scheme: how successful has the furlough scheme been and what should happen next?.
[40] Carrillo-Tudela, C., Clymo, A., Comunello, C., Jäckle, A., Visschers, L., & Zentler-Munro, D. (2023). Search and Reallocation in the COVID-19 Pandemic: Evidence from the UK. *Labour Economics*, *81*, 102328.

number of people who were excluded from the schemes is estimated to be roughly 3 million. Wilman maintains this pessimism when analysising the involvement of stakeholders in the design phase of the CJRS and SEISS. While the Trade Union Congress was officially given some space for input, she argues that in reality it had little impact on proceedings. This fact can be reflected by the lack of targeted provisions for vulnerable groups. Finally, Wilman argues that the CJRS lacked sustainability and foresight. On the contrary, it was effectively a "waiting room for redundancy" and this became evident when 738,000 fewer people of working age were in work in April 2021, compared to in April 2020.[41]

A more politically ideological account is provided by Wiggan and Grover, who compares the CJRS to the Temporary Short Time Working Compensations Scheme (TSTWCS), which was the first ever JRS to be deployed in the UK. The TSTWCS was created by Margaret Thatcher's Conservative government in 1979 to curb the impacts of an economic shock. According to Wiggan and Grover it was an early step taken to "stabilise the Conservative's class political project" and "restore the supremacy of employers and the state in the management of labour commodification".[42] By the time the CJRS was brought in, this dynamic was already firmly in place and thus it served mainly to freeze "existing labour market arrangements". The scheme made a clear distinction between those on benefits and those in work, with the latter being a productive asset worth fully investing in. Those on benefits, however, often people who suffer from chronic unemployment, are unproductive and thus only merit a basic level of support. This, Wiggan and Grover argue, is an ideological position entrenched within the Conservative party and reflected in the CJRS.[43]

3. METHODOLOGY

Given that it is a core focus of this study's research question, it must be clearly established what is meant by "permanent" in relation to employment support schemes. This study defines them as ready-to use instruments that are embedded in the toolkit of labour market policies of a country. This does not entail that the schemes would be in place in normal times, continuously deployed, but rather that it can be implemented under extraordinary circumstances. For example, such circumstances include economic crises, catastrophic events or any other threat to the financial stability and job security of

[41] Wilman, N. (2022). Too Little, Too Late? - Crisis Management in England. In *Protecting Livelihoods*, 147-180.
[42] Wiggan, J., & Grover, C. (2022). The politics of job retention schemes in Britain: The Coronavirus Job Retention Scheme and the Temporary Short Time Working Compensation Scheme. *Critical Social Policy*, *42*(4), p. 733.
[43] Wiggan, J., & Grover, C. (2022). The politics of job retention schemes in Britain: The Coronavirus Job Retention Scheme and the Temporary Short Time Working Compensation Scheme, pp. 731-733.

individual workers. Unlike schemes designed from scratch, they can be easily modified to become better suited to specific circumstances and facilitate the achievement of their targeted objective.

This study adopts a single case-study approach, homing in on the UK, in order to explore the merits of permanent JRSs, following their unprecedently widespread use during the COVID-19 pandemic. The decision to elect the UK as an object of study derives from a number of contextual factors that makes the country a particularly interesting point of focus.

Firstly, the COVID-19 crisis challenged the UK's conservative approach of non-state intervention in the labour market during economic downturns. This approach is linked to the resilience of neo-liberalism (also known as economic liberalism) in the UK.[44] Despite its scholarly debated definition and origins, the features of the neo-liberal ideology have been commonly described as *laissez-faire* market economy and limited state intervention, as promoted by Margaret Thatcher and Ronald Reagan in the late 1970s and early 1980s.[45] Nonetheless, the UK adopted a more flexible approach in the most recent economic crises. In response to the 2007-2008 GFC, the increase in public expenditures and state borrowing was unprecedented. The British government tolerated high levels fiscal deficits and adopted a more Keynesian approach by cutting interest rates aggressively to zero. Quantitative easing was also used to expand the amount of money circulating in the economy and to stimulate investments. Yet, the aftermath of the crisis saw the reassertion of austerity measures mainly based on cutting public expenditures and reducing state intervention. An even more interventionist stance was taken in the context of the COVID-19 crisis to cushion social and labour market impacts. The British government intervened by directly offering fundings to furloughed workers to prevent higher unemployment. Unexpectedly, the government spending on JRSs was higher compared to the average in Europe, making such schemes among the most expensive ones.[46] Overall, the Conservative party departed from their traditional opposition to intensive welfare support during the pandemic and followed the path of most OECD countries in adopting a generous JRS. It remains to be seen whether this ideological flexibility will continue to be demonstrated over the question of adopting a permanent scheme.

[44] Jones, L., & Hameiri, S. (2022). COVID-19 and the failure of the neoliberal regulatory state. *Review of international political economy*, *29*(4), 1027-1052. See also Bartholomeusz, J. (2020). The pandemic that exposed British neoliberalism. Heinrich Böll Stiftung.
[45] Schmidt, V. A., & Thatcher, M. (2014). Why are neoliberal ideas so resilient in Europe's political economy?. *Critical Policy Studies*, *8*(3), 340-347.
[46] Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state. *Cambridge Journal of Regions, Economy and Society*, *16*(1), pp. 82-83.

Secondly, pressures from employee representatives and trade unions pushing for stronger employment protection have been growing in recent times. Latest events over the last decade and a half have reinforced the awareness of the need for a more robust labour market safety net. Both the GFC and the COVID-19 crisis have brought extremely high unemployment rates, and sharp wage reductions. In particular, the pandemic has shown that there may be situations in which the market economy could not meet the needs of the population. When the entire economy is locked down, people cannot survive without their normal income and the government is urged to step in. Despite being temporary instruments, JRSs represented an unprecedented measure to support enterprises and workers during the COVID-19 crisis in the UK. The Trade Union Congress (TUC, henceforth) and its affiliate unions consider the COVID-19 pandemic as a "window of opportunity" to reinforce employment protection legislation by introducing permanent JRSs. Together with other employee representation structures, they claim that providing effective unemployment support schemes and adequate income allowance in normal times represent lifesaving tools in the advent of possible future crises by alleviating financial hardship for families and stabilising the national economy. The fact that the TUC, an important national body in the politics of the UK labour market, has formally lobbied for a permanent JRS, illustrates the relevance of this debate in the UK. [47]

This study will rely wholly on secondary data to conduct its empirical analysis, be it in the form of official reports or scholarly articles. Being a mixed-method study, these secondary sources will consist of both quantitative and qualitative data, allowing for a highly comprehensive analysis of the CJRS and the SEISS. Indeed, quantitative data is crucial in assessing the effectiveness of the schemes, where important measurement indicators must be analysed. Most notably, unemployment rates published by the Office for National Statistics (ONS, henceforth) provide the clearest indicators of whether the schemes have been successful in protecting workers from dismissals. By using projected forecasts on unemployment rates in the absence of any JRS, published by the UK Office for Budget Responsibility (OBR, henceforth), there exists the possibility to reinforce findings surrounding effectiveness. Employment trends, available and standardised, allows for the comparison of the UK's performance with a selection of other leading economies in the OECD. Such comparisons can offer vital insight and lessons on the conditions under which a potentially permanent scheme could best serve the UK. Coverage is also an important aspect to consider when assessing the effectiveness of JRSs and thus the take up rates made available by Her Majesty's Revenue and Customs (HMRC) represent a valuable source of information to this study. The usefulness of this information is

[47] Trade Union Congress (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. London: TUC.

enhanced by the fact that data specific groups is available to researchers. For example, it is possible to extract data both at the disaggregate level and the aggregate level. While the former refers to sex, age and income, the latter includes economic sectors and regions.

By contrast, qualitative data provides the basis for the analysis for the impact of employment support schemes on social and mental wellbeing. Here the focus is placed on underlying dynamics, which are often not quantifiable. Rather, understanding these dynamics requires theoretical input from academic scholars and sector-specific experts. For example, when exploring the effect of JRSs on social and mental wellbeing, researchers must respect the nuances which make it difficult to use quantitative data. This study uses secondary qualitative data, such as interviews with affected employees conducted by the HMRC, to advance the empirical analysis. The remaining sections, efficiency, impacts on minority and disadvantaged groups and future challenges, all apply a more mixed approach. Here, crucial data are complimented by qualitative data. For example, when looking at how future challenges may increase the need for a permanent JRS, statistical forecasts are proceeded by more speculative analyses.

4. EMPIRICAL ANALYSIS

4.1 A general outlook

Prior to assessing the effectiveness of employment support schemes adopted by the UK to cushion COVID-19 labour market impacts, it may be helpful to provide a general outlook about their main characteristics. Two typologies of JRSs have been outlined by the HM Treasury and HM Revenue & Customs (HMRC, henceforth) to prevent the occurrence of mass unemployment, with the latter department in charge of their administration.

Firstly, the *Coronavirus Job Retention Scheme* (CJRS, henceforth), also widely referred to as furlough, was created to preserve the relationship between employers and employees as companies witnessed a temporary decrease in demand. Secondly, the *Self-Employment Income Support Scheme* (SEISS, henceforth) was established to protect self-employed individuals whose businesses had been severely affected by the COVID-19 pandemic. In the period between March 2020 and September 2021, the UK government financially supported workers mainly through CJRS and SEISS. The volume of the schemes accounted for a total of £95 billion of government funds. Specifically, £70 billion were bound to finance furlough payments, and £25 billion were disbursed under the form of five grants for self-employed people. The CJRS covered 11.7 million individual jobs (and 1.3 million employers), whilst the SEISS 2.9 million self-employed people. The schemes have continuously changed throughout their duration according to the stringency of containment measures and the severity of the pandemic.[48]

The SEISS started to be applied from May 2020 and extended over time until its closure in September 2021. *Table 1* shows the number of grants, the corresponding claim period and the volume of support throughout the entire duration of the scheme. At the beginning of its implementation, self-employed individuals could benefit from government grants corresponding to 80% of their average trading profits for a three-month period, capped at £2,500 per month. From August 2020, a second round of the SEISS provided for an additional grant of 70% of their average profits for the same length of time, amounting to a total of £6,570. With the onset of the second wave of the pandemic in September 2020, the British government decided to prolong the duration of the SEISS. Hence, a third round was put in place in the period between November 2020 and January 2021, and a fourth one from April to June 2021. The difference with the previous rounds is concerned with additional eligibility criteria. For instance, being self-employed from the 2019/20 tax year was one of the requirements to receive the grant. Finally, a fifth round of the SEISS was implemented between July and September 2021. The amount of money provided from the last round depended on the reduction of the claimant's turnover. Specifically, if the turnover reduction was equal to 30% or above, the self-employed received 80% of their three-months average profits (not exceeding £7,500). Conversely, if the turnover reduction was below 30%, the self-employed received 30% of their three-months average profits (not exceeding £2,850).

SEISS grant	Application opening from	Application deadline	For a three-month period of average trading profits self-employed receive
First Round	13 May 2020	13 July 2020	80% up to £7,500
Second Round	17 August 2020	19 0ctober 2020	70% up to £6,570
Third Round	30 November 2020	29 January 2021	80% up to £7,500
Fourth Round	21 April 2021	1 June 2021	80% up to £7,500
Fifth Round	29 July 2021	30 September 2021	Up to £2,850 (turnover reduction < 30%) Up to £7,500 (turnover reduction > 30%)

Table 1. Self-Employment Income Support Scheme (SEISS). *Source: HM Revenue and Customs & HM Treasury (2023). SEISS final evaluation - accompanying information. Government Official Statistics.*

[48] Her Majesty's Revenue and Customs (HMRC) (2021) *Coronavirus Job Retention Scheme Statistics*. London: HMRC.

The CJRS was set to be applied from March to May 2020 as the previously outlined scheme. Employers could furlough eligible employees and claim a grant from HMRC to pay their wages. The volume was calculated following the HMRC's Pay As You Earn (PAYE) system. Relevant terms and conditions were established in the furlough contract agreed by both parties. As displayed in *Table 2*, at the beginning of the CJRS implementation, employees were fully furloughed and could receive up to 80% of their gross wage for hours not worked, (capped at £2,500 per month). In addition, the CJRS initially covered also National Insurance and pension contributions. The scheme was extended until October 2020 and underwent modifications to encourage employers to bring employees back to work.

Period	**Government contribution: employer NICs and pension contributions**	**Government contribution: wages for hours not worked**	**Employer contribution: employer NICs and pension contributions**	**Employer contribution: wages for hours not worked**	**For hours not worked employees receive**
March to July 2020	Yes	80% up to £2,500	No	No	80% up to £2,500 per month
August 2020	No	80% up to £2,500	Yes	No	80% up to £2,500 per month
September 2020	No	70% up to £2,187.50	Yes	10% up to £312.50	80% up to £2,500 per month
October 2020	No	60% up to £1,875	Yes	20% up to £625	80% up to £2,500 per month
November 2020 to June 2021	No	80% up to £2,500	Yes	No	80% up to £2,500 per month
July 2021	No	70% up to £2,187.50	Yes	10% up to £312.50	80% up to £2,500 per month
August to September 2021	No	60% up to £1,875	No	20% up to £625	80% up to £2,500 per month

Table 2. Corona Job Retention Scheme (CJRS). *Source: Klahr, R., Dabhi, K., Roelcke, P., Coltman, N. (2023). Coronavirus Job Retention Scheme Employer Quantitative Research: Wave 2. HM Revenue and Customs Research Report: 711.*

From July 2020, the British government introduced the so-called "flexible furlough", which allowed employees to go back to work, albeit while receiving the grant. The scheme became a STW, albeit while being still referred to as furlough.[49] The difference between full and flexible furlough mainly lied in the cap, which became proportional to the amount of time the employee was absent from work. Instead, the percentage of wage for hours not worked remained the same. For instance, a worker furloughed for half of their normal hours could get 80% of his wage, capped at £1,250 per month. Firms were responsible for paying either the amount of time worked by the employee either NICs

[49] Drahokoupil, J., & Müller, T. (2021). Job retention schemes in Europe: A lifeline during the Covid-19 pandemic. *ETUI Research Paper-Working Paper*, p. 21.

(National Insurance Contributions) and pension contributions, which were no longer covered under the revised scheme. From August 2021, furloughed individuals received up to 60% of their wage for hours not worked, and employers had to contribute to at least 20% of wages for time not worked to top up 80%. As the British government enforced another temporary lockdown during winter months, the CJRS was further extended and finally phased out on 30 September 2021.

4.2 Effectiveness

In the UK, the traditional government's non-interventionist approach to the labour market has been challenged by the COVID-19 crisis. As previously mentioned, the adoption of the CJRS and the SEISS marked a shift in the typical response of the state to crises. Prior to the pandemic, while other countries implemented JRSs during past economic crises (as in the case of the GFC), the UK did not undertake any kind of direct intervention to stop unemployment soaring. Once COVID-19 emergency struck, the British government has taken the lead building on the success of STW schemes implemented by European countries. In addition, the generosity of these policy interventions was massive and at odds with its traditional welfare support system.

According to the data collected by HMRC, the CJRS implied a cost for the state equal to 70 billion pounds, through which over 9 million workers' wages had been subsidised across 12 million jobs.[50] The level of take-up was strongly related to the stringency of containment measures that were established on the base of the intensity of virus propagation. At the beginning of its implementation, the CJRS registered an extremely high take-up, with millions of jobs on furlough. The highest take-up level was reached in May 2020, when the number of jobs backed by the scheme corresponded to almost 8.9 million. As soon as the first national lockdown ended and restrictions were further eased in August 2020, this number decreased to 2.5 million. Nonetheless, the level of take-up increased once again in November as the second national lockdown came into force, rising to slightly above 5 million jobs furloughed up to January 2021, when the UK entered a third final lockdown.[51] When social contact rules were removed and most economies started to reopen, the number of jobs on furlough constantly declined, and continued to drop until the end of the scheme in September 2021. At this height of the UK's timeline of COVID-19, the CJRS was still subsidizing 1.16 million jobs. However, half of this number accounted for the flexible FS, in which workers got back to their job and worked for a number of hours. Overall, the proportion of workers under the CJRS peaked to 30% of the UK workforce (approximately 11 million individual workers) in April and May 2020, while

[50] Her Majesty's Revenue and Customs (HMRC) (2021) *Coronavirus Job Retention Scheme Statistics*. London: HMRC.
[51] Institute For Government (2022). Timeline of UK government coronavirus lockdowns and restrictions.

roughly 300,000 jobs were being backed through the whole lifeline of the scheme.[52] *Figure 1* clearly illustrates the trend of the number of jobs supported by the CJRS in millions, from the start of its implementation to its final phase out, namely the period between March 2020 and September 2021.

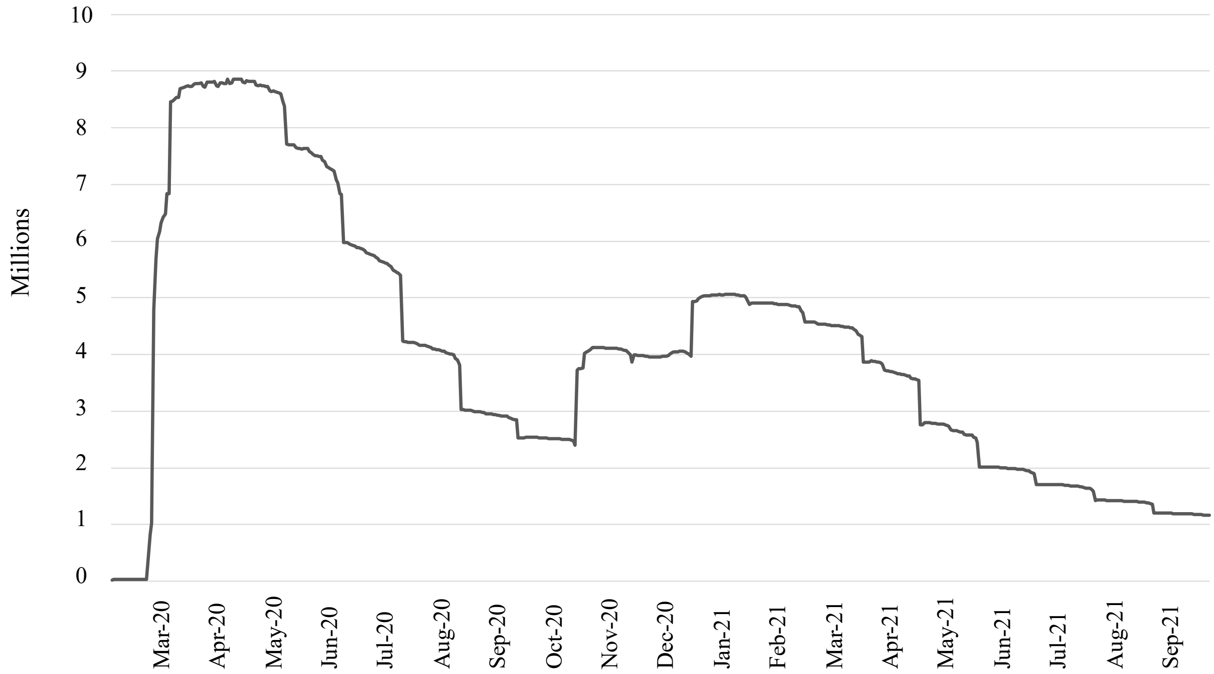

Figure 1. Furlough employments during COVID-19 (March 2020- September 2021). *Source: HMRC (2021). Coronavirus Job Retention Scheme statistics: 16 December 2021. Government Official Statistics.*

Aggregate data demonstrate that CJRS take-up changed from sector to sector to a substantial degree. The most negatively affected by lockdowns and restrictions were those in which such employment support scheme was highly concentrated. Accommodation and food services, Wholesale and retail, Administrative and support services, and Manufacturing proved to be the most vulnerable to lockdowns, with more than one million of employments on furlough since the start of the CJRS. As clearly listed in *Table 3*, these sectors had the greatest number of furloughed employments across the entire country for the entire duration of the scheme. While the take-up rate of CJRS in Wholesale and retail decreased to 22% by the end of January 2021, this proportion remained still high in Accommodation and food services with 68% of jobs furloughed.[53] By the end of the scheme in September 2021, three were the sectors with the highest take-up rate, namely Arts, entertainment and

[52] Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state. *Cambridge Journal of Regions, Economy and Society*, *16*(1), pp. 83-85. See also Stuart, M., Spencer, D. A., McLachlan, C. J., & Forde, C. (2021). Furloughing and the Coronavirus Job Retention Scheme: Managers' Experiences and Perspectives. University of Leeds.

[53] Stuart, M., Spencer, D. A., McLachlan, C. J., & Forde, C. (2021). Furloughing and the Coronavirus Job Retention Scheme: Managers' Experiences and Perspectives. University of Leeds.

recreation (10%), Other service activities (11%), and Food and accommodation services (9%).[54] Independently from the type of sector, the highest take-up rate was in April 2020, when containment measures and social restrictions were extremely tight. Conversely, once pandemic-related measures inhibiting most of these sectors had been lifted, furloughed jobs were gradually diminishing.[55] Additionally, take-up of furlough did not change only across sectors, but also among different geographical areas. Little geographical variation emerged when the CJRS take-up reached its peak in the spring of 2020, with regions registering a similar proportion of furloughed jobs around 30%. Yet, in December 2020, London recorded the highest furlough take up rate, with roughly 16% of employments on furlough rather than 10% to 12% in other regions. This difference has been explained by the sectorial composition of the city. Eventually, this variation shrunk by the end of the scheme in September 2021, with a national average of furlough take-up of 4%, while London registered a slightly higher proportion of 6%.[56]

Sector	**Total number of furloughed jobs**
Agriculture, forestry and fishing	48,400
Mining and quarrying	17,200
Manufacturing	1,210,700
Energy production and supply	22,600
Water supply, sewerage and waste	53,000
Construction	871,300
Wholesale and retail; repair of motor vehicles	2.251,900
Transportation and storage	525,500
Accommodation and food services	2,126,100
Information and communication	275,900
Finance and insurance	93,500
Real estate	187,300
Professional, scientific and technical	789,400
Administrative and support services	1,086,900
Public administration and defence; social security	19,900
Education	422,400
Health and social work	534,600
Arts, entertainment and recreation	552,100
Other service activities	386,200
Total	11,666,400

Table 3. Total number of employments on furlough by sector (March 2020-August 2021). *Source: HMRC (2021). Coronavirus Job Retention Scheme statistics: 16 December 2021. Government Official Statistics.*

[54] Her Majesty's Revenue and Customs (HMRC) (2021). Coronavirus Job Retention Scheme statistics: 16 December 2021. Government Official statistics.

[55] Pope, T., Dalton, G., & Tetlow, G. (2020). The coronavirus job retention scheme: How has it been used and what will happen when it ends? *Institute for Government*, p. 11.

[56] Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state. *Cambridge Journal of Regions, Economy and Society*, *16*(1), p. 85.

At a disaggregated level, the number of furloughed jobs varied across different social groups. Firstly, a minor difference can be found in terms of sex. In the period between July 2020 and April 2021, the number of women on furlough was slightly higher compared to men. Such data have been explained by the greater presence of female workers in the most vulnerable sectors, such as Accommodation and food services, which registered the highest CJRS take-up rate. As a matter of fact, this trend reversed between May and September 2021, when the level of furloughed jobs dropped in sectors with a strong men presence.[57]

Secondly, a more marked difference emerges when looking at age groups. Overall, workers aged between 18 and 24 were more likely to be put on furlough, representing the highest aggregate number of furlough employments throughout the implementation of the CJRS. Interestingly, this result has been partly explained by the heavy concentration of young workers in the UK's hospitality and retail sectors, which have been strongly affected by lockdowns and restrictions.[58] As pandemic-related measures started to be eased in April 2021, the differences between age groups in the number of furloughed jobs gradually decreased. By the end of September 2021, almost all categories of workers registered similar furlough take-up rates, with small differences between women and men. As shown in *Figure 2*, the employment furlough take-up rate ranged from 3% or 4% for those aged between 18 and 29 to 6% or 7% for those aged 65 and over. With the phasing out of the scheme, the youngest category had the lowest furlough take-up, with this proportion decreasing at a faster pace compared to the one of oldest workers.[59]

A third element of comparison is concerned with income. Low-income workers have been severely affected by the pandemic as low paying sectors, such as hospitality and leisure services, were the most vulnerable to lockdowns.[60] It is within this framework that the CJRS played a crucial role in ensuring greater protection for low-paid workers. The number of furloughed jobs for lower income workers was the highest. Their average wage did not exceed £1,413 per month, which is half of the national average of £2,300. Conversely, the highest-earning workers represented the least likely to be on furlough. Likewise, the level of take-up of furlough is also inversely correlated with business size.

[57] Her Majesty's Revenue and Customs (HMRC) (2021). Coronavirus Job Retention Scheme statistics: 16 December 2021. Government Official statistics.
[58] Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state, p. 85.
[59] Her Majesty's Revenue and Customs (HMRC) (2021). Coronavirus Job Retention Scheme statistics: 16 December 2021. Government Official statistics.
[60] Cominetti, N., McCurdy, C. and Slaughter, H. (2021) *Low Pay Britain*. London: Resolution Foundation, p. 22.

As such, the likelihood of employees being furloughed increased if they worked for a smaller firm than a larger one. Small and Medium Enterprises (SMEs) have placed more than 50% of their employees on furlough (with less than 250 employees), compared to less than 20% of large companies' employees (with more than 250 employees) over all time.[61] Therefore, the CJRS has particularly supported those employees who were young, low-paid and employed in small companies.

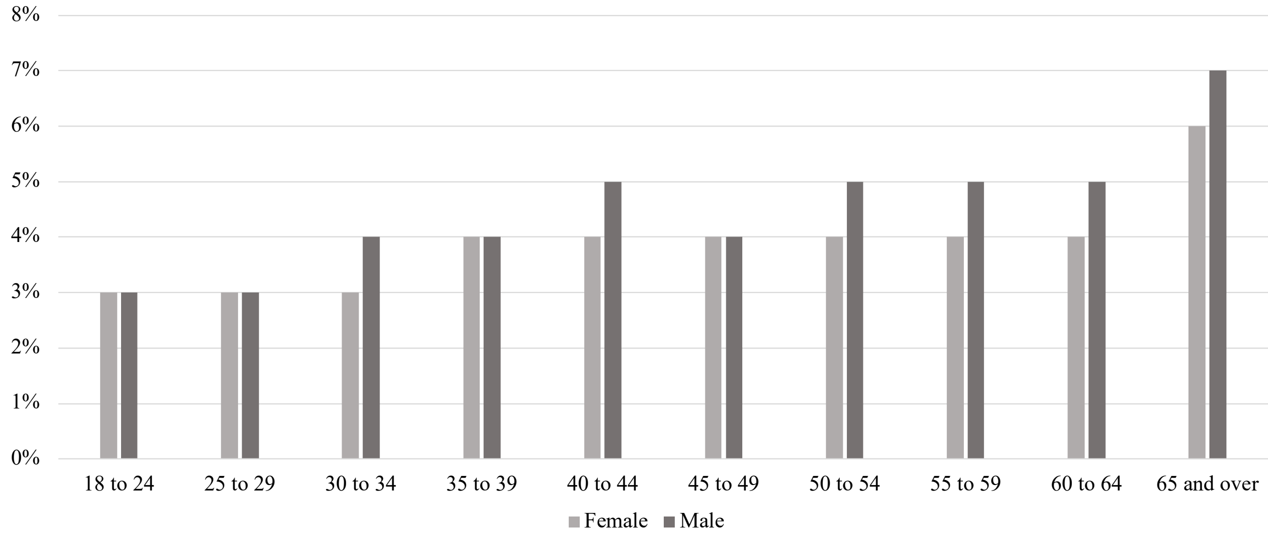

Figure 2. Employment furlough take-up rate by September 2021, by age and gender of the employee. *Source: HMRC (2021). Coronavirus Job Retention Scheme statistics: 16 December 2021. Government Official Statistics.*

In light of these data, the CJRS has undoubtedly prevented dramatic increases in unemployment rates. The Resolution Foundation described the deployment of the schemes as a "job well done" and claimed that "along with the other economic support measures, it has ensured that the worst recession for 300 years saw the smallest rise in unemployment of any recession in living memory".[62] The widely acknowledged success of the scheme in fulfilling its principal objectives of preventing job losses can be further confirmed if one compares such data with unemployment forecasts delivered in the early stages of the pandemic.

In line with the predictions made by the OBR, it was expected that unemployment rate would have increased to 11.9% by December 2020.[63] Since this did not happen, this public institution adjusted its projections. OBR's subsequent forecasts predicted a rise in unemployment rate to approximately 5% at the end of 2021.[64] By looking at unemployment data collected by the ONS, the proportion of

[61] Pope, T., Dalton, G., & Tetlow, G. (2020). The coronavirus job retention scheme: How has it been used and what will happen when it ends?, p. 7.
[62] Tomlinson, D. (2021). Job well done: 18 months of the Coronavirus Job Retention Scheme. *Resolution Foundation.*
[63] Office for Budget Responsibility (2020) *Coronavirus Analysis*. London: OBR.
[64] Office for Budget Responsibility (OBR) (2021) *Overview of the Current Economic and Fiscal Outlook: October 2021*. London: OBR.

unemployed people rose to 5.2% when the pandemic reached its peak in December 2020. This proportion dropped almost constantly the following year, accounting for 4.2% by August 2021, when the CJRS was almost phased out. Since it continued to decline to 4% by the end of 2021, the increase in unemployment corresponded to only about 1 percentage point from December 2020 to December 2021. It is also worth noting that there was no surge in unemployment in the months after the scheme closed on 30th September 2021.[65] This comparison provides some evidence that the implementation of CJRS has helped to retain the employer-employees relation and has been beneficial in preventing higher unemployment levels as projected at the beginning of the COVID-19 crisis by the OBR.

Additional data provided by the ONS demonstrate that reported redundancies were relatively stable throughout the period of the implementation of employment support schemes. A significant spike in the number of employees who were made redundant was only observed from August to November 2020, when more than 400,000 redundancies were reported in October. During these months, the redundancy rate (defined by the ONS as "the ratio of the redundancy level for the given quarter to the number of employees in the previous quarter, multiplied by 1,000"[66]) reached a record of 14.2 redundancies per thousand employees, which was even higher than the one peaked during the 2008-2009 GFC (11.1). In accordance with the Labour Force Survey (LFS), several factors led to a huge increase in the number of redundancies. As almost all sectors were severely affected by lockdown measures, most job losses were caused by reduced trade and pandemic-related uncertainty. During summer 2020, the uncertain situation about whether furlough would have been extended beyond its deadline on 31st October 2020, pushed most companies to dismiss part of their workforce.[67] As the extension of the scheme was confirmed, the number of employees who were made redundant declined, recording about 100,000 redundancies by August 2021. Specifically, the corresponding redundancy rate decreased to 3.6 per thousand employees, approximately in line with pre-crisis levels. Eventually, even after three months that the CJRS was no longer implemented, such rate continued to decline, registering 2.6 redundancies per thousand workers by the end of 2021.[68]

In the process of protecting employees from dismissal, governments are able to satisfy another important objective of employment support schemes: the shielding of companies from the negative

---

[65] Office for National Statistics (ONS) (2022). *Labour Market Overview: UK 15 February 2022.* London: ONS.
[66] Office for National Statistics (ONS) (2021). *Coronavirus and redundancies in the UK labour market: September to November 2020.* London: ONS.
[67] Office for National Statistics (ONS) (2021). *Coronavirus and redundancies in the UK labour market: September to November 2020.* London: ONS.
[68] Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state, p. 85.

impacts of labour market shocks. This is because by maintaining the link between employees and employers, the latter are able to avoid a number of costly administrative processes. First of all, redundancies tend to be expensive for employers and will be felt even more acutely during times of financial strain. In the UK, it is estimated that on average a redundancy in the private sector will cost a company £10,600. Another study by Oxford economics finds in the sectors of advertising, IT and tech, legal, media, accounting and retail, losing an employee on a salary of £25,000 per year, equates to a loss of at least £30,000. These costs persist in the long term because once the economy recovers, firms will need to abandon downsizing and begin a process of labour upscaling. The hiring process is not only expensive, but in certain sectors also extremely challenging and time consuming. This is particularly the case for jobs which require in demand, firm specific skills. Therefore, bearing in mind the substantial costs which surround the severance of the link between employers and employees, CJRS hugely benefitted employers in the UK. The generosity of the CJRS meant that they were able to preserve employees at relatively minor cost, while the extensive coverage of the scheme ensured all sectors could benefit.[69]

4.3 Efficiency

Another crucial aspect of JRSs which must be assessed is their efficiency. Unlike effectiveness, which is measured by looking at final outcomes on society, efficiency requires an assessment of the allocation and use of funds. If a large quantity of money is being channelled into avenues which do not contribute towards increasing effectiveness, then it can be concluded that a scheme is inefficient. Given that these funds largely derive from taxpayers, assessing efficiency is an especially important task that should not be neglected by scholars.[70]

In the CJRS deployed in the UK, a scheme which cost nearly £70 billion, a number of inefficiencies can be highlighted. Many of these stems from the fact that its coverage was extremely broad, described as excessively "all-encompassing" and "a hugely expensive blanket scheme". Rather than relying on a set of eligibility criteria, the CJRS applied a liberal self-assessment policy where firms were able to judge whether their finances had been negatively impacted. This meant that a large amount of deadweight was produced, with many firms receiving financial support, which by all intents and purposes they did not need. Indeed, ONS data reveals that in the pandemic period only

[69]Trade Union Congress (TUC) (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. London: TUC, p. 13. See also Stuart, M., Spencer, D. A., McLachlan, C. J., & Forde, C. (2021). COVID-19 and the uncertain future of HRM: Furlough, job retention and reform, p. 906.

[70] Görtz, C., McGowan, D., & Mortimer-Lee, P. (2022) Box B: A Targeted Furlough Scheme to help the economy in downturns. National Institute UK Economic Outlook.

27% of firms suffered a fall in turnover relative to their usual projections. Many firms within this proportion were from the HORECA sectors and other services sectors, which tend to operate on face-to-face interactions and transactions. Firms in other less effected sectors, however, were in no way less eligible to receive financial support, encouraging inefficiently high levels of take up. Other businesses which were suffering decreased turnover, but which was not pandemic-related, were able to take advantage of the CJRS and temporarily improve their financial situation.

However, these firms have simply taken advantage of a short-term government scheme, rather than addressing deep rooted issues which are causing turnover decline. Therefore, such firms, also referred to as "zombie firms", remain vulnerable to future shocks, only artificially protected by the CJRS. The maintenance of "zombie firms" is hugely inefficient as it obstructs the rechanneling of resources to high growth and highly productive firms. In addition to this, the self-assessment policy and the absence of a systematic monitoring process left the scheme open to fraud. According to media reports, it was not uncommon for businesses to pressure employees to continue working, despite officially being on furlough. Other examples of fraudulent activities include applications made by individuals impersonating businesses and the channeling of funds into organized crime groups.[71] Görtz *et al.* calculate that had the CJRS applied eligibility criteria which required clearly documented, pandemic-related decrease in turnover, the scheme would have saved at least £51,1 billion of public funds.[72]

A more targeted CJRS would, therefore, have avoided many of these inefficiencies and saved vast amounts of money. It would have reduced deadweight, protected against anti-competitive labour market dynamics and made fraudulent exploitation of the CJRS far more difficult. However, when the pandemic struck, the feasibility of this policy option in the UK was heavily reduced by the country's lack of a permanent scheme. Indeed, given the urgency of the situation at hand, the UK government had to act quickly. This pushed their hand towards the adoption of a blanket scheme, as a targeted scheme naturally requires more care and precision during the design phase and any shortcoming can lead to the exclusion of large proportions of the population. When looking ahead to future crises, this analysis suggests that the UK can benefit enormously from establishing a permanent JRS. This permanent JRS would be more streamline and ready to deploy in times of crises. Tried and tested over many years, the process of policy learning would ensure that overtime any shortcomings

---

[71] Sawyer, M. (2021). Economic Policies and the Coronavirus Crisis in the UK. *Review of Political Economy*, *33*(3), 414-431.
[72] Görtz, C., McGowan, D., & Mortimer-Lee, P. (2022) Box B: A Targeted Furlough Scheme to help the economy in downturns. National Institute UK Economic Outlook.

are corrected. It would also allow all the relevant public bodies and participants in the scheme to better understand its workings, facilitating a clamp down on fraud.

A final area of inefficiency was the poor take up of training programmes in the UK, which represents a significant missed opportunity to entirely reskill or enhance the skills of workers. Poor access to training stemmed from a lack of investment in this area and a widespread misconception over which types of training were permitted for those on furlough. Indeed, those on furlough were ineligible to undertake training which was deemed to be directly producing profits for companies, a rule which generated some confusion among workers and employers.[73] Training was not obligatory for those on furlough and government initiatives were limited to verbal encouragements attempts. This proved insufficient and meant that the large majority of people on furlough were, professionally speaking, very unproductive during the pandemic. If access to training had been improved and high levels of take up were subsequently achieved, individuals would have been able to prepare themselves for a changing economy. COVID-19 represented an acceleration in the digitalization of the workplace, a predictable development that could have been reflected in a new reskilling strategy.[74] Equally, any sectors which proved to be resilient to COVID-19, in many cases industries of the future which have the potential to absorb employees falling out of other sectors, should have been a focal point of training programmes. Communication between the government and these sectors allow for such programmes to be coordinated in a way which ensures that workers are forming the correct skillset desired by companies.

This increases efficiency because it better protects those on furlough from falling into chronic unemployment, which implies a continuous consumption of state funds in the form of unemployment benefits. Instead, it strategically pushes workers away from failing sectors and into more sustainable, high growth sectors. This is likely to be beneficial to the macroeconomic outlook of the country and make it more resistant to future labour market shocks.[75] While investing more heavily in training certainly entails its own financial costs in the short-term, it is undoubtedly the most cost-efficient strategy when we consider its longer-term effects. It represents a valuable and rarely available opportunity to actively reskill a large proportion of the labour force, who are temporarily free from work obligations. There is the potential to begin moulding a workforce in line with wider industrial policy goals and make upcoming transitions smoother. To illustrate the size of the challenge in the

[73] Tims A. (2020). Furloughed from work? It pays to know your rights. The Guardian.
[74] Trade Union Congress (TUC) (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. London: TUC, p. 21.
[75] Trade Union Congress (TUC) (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. London: TUC, p.12.

UK, the Confederation of British Industry points out that 90% of employees in the country will require reskilling by 2030. A KPMG report in 2021, made clear that skill shortages was posing more immediate problems for companies in the UK and stressed that training should be intimately linked to the furlough scheme.[76] However, despite these compelling arguments, the UK government did not recognise the fantastic opportunity presented by the pandemic to begin this process and as such training played an underwhelming role in the labour market policies implemented in that period.

4.4 Impact on social and mental wellbeing

Numerous studies have demonstrated that losing jobs and being unemployed are negatively correlated to mental and social wellbeing.[77] The consequences of inactivity may lead to isolation from society, negative feelings for lack of social contact, loneliness, frustration and depression. One must also consider that the effects of unemployment on mental health may vary considerably across different social groups according to their age, sex, and level of education. Notwithstanding some differences, a constant and steady connection to employment contribute to better social and psychological wellbeing. Additionally, being less healthy mentally makes it even tougher to move back into employment.[78] Within this context, there is a growing recognition that JRSs have been an effective means to prevent workers' deteriorating mental health.[79]

Particularly noteworthy for our purpose is the work of Wels *et al*. that is mainly focused on furloughed population's mental health in the UK. Their empirical analysis covers the period in which the CJRS registered the highest take-up, namely between April and July 2020. According to their findings, people no longer employed, furloughed or permanently out of work were more likely to exhibit higher risk of poor mental healthcare compared to those with a secure and stable job. Yet, furloughed workers performed comparatively better than those unemployed. The former category registered lower risks of psychological distress and higher levels of life satisfaction. Additionally, they proved

[76] KPMG and REC (2021). *UK report on jobs.* KPMG UK Press Release.
[77] McKee-Ryan, F., Song, Z., Wanberg, C. R., & Kinicki, A. J. (2005). Psychological and physical well-being during unemployment: a meta-analytic study. *Journal of applied psychology*, *90*(1), 53. See also Murphy, G. C., & Athanasou, J. A. (1999). The effect of unemployment on mental health. *Journal of Occupational and organizational Psychology*, *72*(1), 83-99.
[78] Millward, L. J., Lutte, A., & Purvis, R. G. (2005). Depression and the perpetuation of an incapacitated identity as an inhibitor of return to work. *Journal of psychiatric and mental health nursing*, *12*(5), 565-573. See also Giorgi, G., Lecca, L. I., Alessio, F., Finstad, G. L., Bondanini, G., Lulli, L. ... & Mucci, N. (2020). COVID-19-related mental health effects in the workplace: a narrative review. *International journal of environmental research and public health*, *17*(21), 7857.
[79] Burchell, B., Wang, S., Kamerāde, D., Bessa, I., & Rubery, J. (2020). Cut hours, not people: no work, furlough, short hours and mental health during COVID-19 pandemic in the UK.

that this result did not change even if control variables such as gender, age and education were taken into consideration in their statistic model.[80]

In a similar vein, Yue and Cowling assessed the extent to which self-employed workers' well-being has been adversely affected by trading activity reduction and working hours changes during the first wave of the pandemic.[81] Numerous studies have shown that this category of workers is generally associated with higher levels of happiness and satisfaction for life compared to waged employees. A great contributor to better mental wellbeing has been found in the ability to decide work arrangements for self-employment. However, their findings show that the impact on self-employed workers tended to be more negative in comparison with waged employees. Despite being both backed by JRSs, self-employed people experienced greater mental illnesses and lower general happiness. Yue and Cowling argue that such imbalance is the result of asymmetries in the criteria of CJRS and SEISS designed by the British government in response to the COVID-19 crisis.

To get a more complete picture about the impact of JRSs on social and mental wellbeing in the UK, it may be worthwhile looking at the individual perception of employees. In other words, to what extent the British workers felt that being on furlough positively affected their sanity and social sphere. According to qualitative research published by HMRC in July 2023, "Financially Secure Mid-life Workers" and those "Not reliant on Work" are the typologies of furloughed employees who experienced a positive impact on their mental healthcare and social life. The former group refers to those who were financially sheltered since their companies topped their wages up to 100%. This resounding support improved their mental wellbeing, and hence they reported less anxiety related to their work life. In addition, they felt more secure about their job as their employer ensured a proper communication about the reasons for placing them on the CJRS and informed them of any shift in working hours. This group of workers claimed that the employment support scheme has contributed to create a good environment at home since being on furlough allowed them to spend more time with their family. The second category of employees is concerned with those who were not heavily dependent on the income from their job. They enjoyed a large degree of financial security, which was reinforced by the CJRS benefits that complimented other sources of income. Therefore, such workers claimed that the scheme enabled them to relieve work-related stress and dedicate more time to their

[80] Wels, J., Booth, C., Wielgoszewska, B., Green, M. J., Di Gessa, G., Huggins, C. F., ... & Ploubidis, G. B. (2022). Mental and social wellbeing and the UK coronavirus job retention scheme: Evidence from nine longitudinal studies. *Social Science & Medicine*, *308*, 115226.

[81] Yue, W., & Cowling, M. (2021). The Covid-19 lockdown in the United Kingdom and subjective well-being: Have the self-employed suffered more due to hours and income reductions?. *International Small Business Journal*, *39*(2), 93-108.

interests and leisure activities. Unlike other groups they were not greatly impacted by job insecurity, further improving their mental and social wellbeing.

Conversely, employees who experienced a negative impact on their social sphere and mental health were "Financially Pressured Mid-life Workers" and those "Reliant on Work". The former group refers to workers who felt financial pressure as their wage, albeit while being backed by the CJRS, was comparatively lower than their previous one. This was the case for employees whose wage normally exceeded the employment support scheme payment threshold. Additionally, they felt more insecure about their job compared to previously analysed categories due to scarce communication from their employers. Thus, such workers have been negatively affected by the scheme as they experienced strong economic pressure and felt anxious about possible alterations in their working hours. As concerns the second category, namely those "Reliant on Work", they build their personal identity around their job. Working occupies a dominant position in their life as they regard it as an opportunity to socialise and strengthen relationships, but also as a source of wellness for their body and mind. Even for these employees, being on furlough was perceived negatively due to their strong willingness to be in the workplace. Nonetheless, according to the survey "overall these employees recognised the benefit of the CJRS in helping to support employment in the wider economy".[82]

4.5 Impact on minorities and disadvantaged groups

In the realm of labour market policies, there is a constantly growing awareness that concerted efforts must be made to actively include disadvantaged groups in society. Historically on the fringes of the labour market, these groups often end up not being considered throughout the policy cycle and as a result can face exclusion. The importance of actively including these groups at all steps of the policy cycle, be it during the design stage, the legislating stage, the implementation stage or the evaluation stage, can be illustrated by looking at recent EU commission and UK labour market strategies. Indeed, an example can be found in the case of gender equality, where both the UK and the EU have formally adopted strategies to mainstream gender-focused perspectives in policies, regardless of the sector. Promoting equality is becoming firmly entrenched within the policymaking machines of the EU and the UK.[83]

[82] Her Majesty's Revenue and Customs (HMRC) (2023) Coronavirus Job Retention Scheme: qualitative research with employees. Government Official Statistics, pp. 24-25.

[83] HM Government (2019). Gender equality at every stage: a roadmap for change. Government Equalities Office. See also European Commission (2020). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. *A Union of equality: EU anti-racism action plan 2020-2025*. COM (2020) 565 final.

Against this backdrop, it is vital that this study does not neglect this perspective and gives sufficient consideration to the impact of the UK's JRSs on disadvantaged and minority groups. The first group of interest to this study is women, whose disadvantaged position in the UK labour market is reflected by a persistent gender pay gap. The latest data puts the median pay gap at 9.4%, highly similar to when this form of data was first released by companies in 2017. Meanwhile, four out of every five employers pay men more on average. This structural inequality was reinforced by the pandemic and the ensuing economic troubles, which has been coined by Alon *et al.* as a "Shecession", rather than a recession.[84] Women's heavy presence in highly affected sectors, such as HORECA, and their greater representation in part-time work saw them more impacted and thus at a greater risk of layoffs. This risk was reflected in women's greater likelihood of being put on furlough, compared to men. Other than in the West Midlands, every region in the UK had higher levels of furloughed women than men. It can be argued that these greater participation rates in the furlough schemes is a positive sign, as it shows their effectiveness in protecting an at-risk group. However, given that furlough necessarily entails a decrease in earnings, it inevitably had negative implications for the gender pay gap.[85]

More cause for concern arises when we consider the various other factors that contributed to women's greater participation in the furlough schemes. First of all, the closure of schools saw children forced to be at home and therefore requiring care. Under some circumstances, the UK JRSs allowed for workers to request furlough. Where this was the case for mix-sex couples, the mother tended to opt for furlough and carry out the role of child carer. This is partially due to the fact that men are often the primary breadwinner in UK families. As a result, these families are more reliant on this source of income and cannot afford to have it cut. Other socio-cultural norms, which see women as principal care providers for children, likely informed many couples' decisions on the question of furlough. Where furlough was proposed and decided by employers, Wielgoszewska *et al.* suggest that discriminatory practices were also a contributory factor towards women's increased propensity to be furloughed. Indeed, even when accounting for job type and whether an individual has children or not, women were still had a greater likelihood to be placed on furlough. Wielgoszewska *et al.* argue that while there is a well-established legislative framework rendering gender-based discrimination illegal in the UK, the "unprecedented setting" of the COVID-19 pandemic may have undercut such efforts and "reinforced existing prejudices and fixed ideas about gender roles that some hold".[86] Women's

[84] Alon, T., Coskun, S., Doepke, M., Koll, D., & Tertilt, M. (2022). From mancession to shecession: Women's employment in regular and pandemic recessions. *NBER Macroeconomics Annual*, *36*(1), 83-151.
[85] Women's Budget Group (WBG) (2020). HMRC data prompts concern of "gender furlough gap". UK Policy Briefings.
[86] Wielgoszewska, B., Bryson, A., Costa Dias, M., Foliano, F., Joshi, H., & Wilkinson, D. (2023). Exploring the reasons for labour market gender inequality a year into the COVID-19 pandemic: evidence from the UK cohort studies. *Longitudinal and Life Course Studies*, *14*(2), p. 198.

overrepresentation in the furlough schemes not only decreased earnings in the short-term, but also likely had some longer-term impacts. Indeed, it led to these women missing out on months of potential experience which, in many cases, is likely to have slowed down their career trajectories upon return to work. It also led to many women not returning to work at all, given the statistically inflated risk that workers on furlough had of being made redundant upon the closure of the government schemes.

In this light, it is clear that the relationship between furlough and gender inequality is a complex one. While the increased participation of women can point to the effectiveness of the schemes in cushioning the impact of the labour market shock on this group, the overall effect was the reinforcement of existing gender inequalities. This occurred because the UK government did not take a gender sensitive perspective when designing the scheme and adopted an unambitious damage limitation approach. This lack of attention to gender issues even risked undermining the basic cushioning role of the schemes. Indeed, controversy has surfaced in the form of a judicial review launched against the UK government, initiated by the NGO "Pregnant then Screwed", which campaigns against maternity discrimination. The group believe that SEISS was discriminatory against women who had been on maternity leave at some point during the three years leading up to the scheme. This is because SEISS payments were calibrated based on mean earnings over three years prior to an individual's application. Women who took maternity leave in this period naturally suffered a decrease in their average earnings and thus were entitled to less financial support. This is estimated to have impacted a total of 75,000 women in the UK.[87]

Moving to ethnic minorities groups, many of the same dynamics affecting women can be identified. As expected, we find that given this group's overrepresentation in sectors vulnerable to pandemic related decreases to turnover, they are also overrepresented in the UK's furlough schemes. However, once again, the protection provided to this group from furlough is often short term and ultimately fails to prevent the exacerbation of existing inequalities. This can be illustrated by the fact that individuals on furlough from an ethnic minority group are significantly more likely to be made redundant once the scheme finishes when compared to white British workers. To be precise 22% of furloughed individuals from ethnic minority groups were dismissed compared to only 9% for everyone furloughed in the country.[88] This disparity merits further investigation. It may justify more targeted support for these groups in order to prevent economic crises from undermining long-term

[87] Close the Gap (2021). One Year On: How COVID-19 is impacting women's employment in Scotland. Glasgow: Close the Gap, pp. 1-31.
[88] Blundell, R., Cribb, J., McNally, S., Warwick, R., & Xu, X. (2021). Inequalities in education, skills, and incomes in the UK: The implications of the COVID-19 pandemic. *Institute for Fiscal Studies*, p. 27.

efforts to improve the position of ethnic minorities in British society. Another disadvantaged group which was extremely vulnerable during the COVID-19 pandemic is concerned with disabled people. Indeed, given this group's increased propensity to suffer dangerous symptoms of the COVID-19 virus, they were often forced to shield. In other words, they were prevented from going into their workplace. This situation was recognised by the UK government and was integrated into the CJRS and SEISS, providing crucial support to disabled people.

With regards to economic inequalities in society, the furlough schemes to some extent had an equalizing effect. This is because both CJRS and SEISS included income caps, which meant that they were more generous for lower earners. For earners in the very lowest quintile, equating to lower than £7,000 per annum, the compensation was set at 90%. In contrast, for those on at least 45,000, the financial support decreased to 70%.[89] However, despite these progressive measures, the schemes had some potentially problematic elements for many working-class households. Those earning minimum wage wear only granted 80% of their previous earnings. This led to these individuals receiving less than the minimum wage and putting a great strain on their finances, a particularly important point when considering that this group usually has few savings at their disposition.[90]

4.6 Perspectives from other OECD countries

This section focuses on an in-depth analysis of different typologies of JRSs adopted by other developed countries to limit job losses caused by the COVID-19 crisis. Comparisons with similar employment support schemes on a wider scale may be useful to further assess both their effectiveness and efficiency in the UK. Drawing from the empirical study of Pope and Shearer, this section assesses the extent to which JRSs adopted by the British government have been effective compared to those implemented by other leading economies. Four countries are taken into consideration in this comparison, namely France, Germany, Canada, and the US.

In the European context, Germany adapted and expanded already existing regulatory systems of STW. Such schemes have a particularly long-standing tradition in this country as they have been put in place since the 1920s. The *Kurzarbeitergeld* (short-time work programme, KA henceforth) is a permanent scheme, which has been heavily used in the years between 2008 and 2009 of the Great Recession. The KA was amended in March 2020, as new rules were set up in response to the COVID-

[89] Blundell, R., Cribb, J., McNally, S., Warwick, R., & Xu, X. (2021). Inequalities in education, skills, and incomes in the UK: The implications of the COVID-19 pandemic. *Institute for Fiscal Studies*, p. 17.
[90] Görtz, C., McGowan, D., & Mortimer-Lee, P. (2022) Box B: A Targeted Furlough Scheme to help the economy in downturns. National Institute UK Economic Outlook.

19 crisis. Legislative changes included easier access to the scheme, broadening scope by including temporary agency workers, higher employment support with insurance contributions covered, extension of duration of support from a maximum of 12 months in normal times to 24 months during the pandemic. The volume was proportional to the maximum period for which the allowance was paid. From May 2020 the size of the compensation corresponded to 60% (or 67% for workers with children) of the original net wage for the first three months. For the following three months the volume accounted for 70% (or 77% with children). From the seventh to the twelfth month, it reached 80% of the original net wage.[91] Likewise, the French permanent scheme called *Activité Partielle* (partial unemployment scheme, AP henceforth) has been modified from March 2020 in the face of the pandemic. Another employment support instrument was created for companies facing long-term reduction of activities, namely the *Activité Partielle de Longue Durée* (long-term partial unemployment scheme, APLD henceforth). Under the schemes, almost all categories of employees were eligible, and the level of support was increased up to 70% of the original gross wage, corresponding to 84% of the net wage.[92]

Within the OECD framework, the two selected North American countries used WS schemes as the main instrument to preserve employment. The Canada Emergency wage subsidy (CEWS, henceforth) was originally scheduled for 12 weeks starting from March 2020, and later expanded until October 2021. The primary objective of the CEWS was to avoid business closures and layoffs. It provided easier access to funds, increased generosity, broader scope with the inclusion of self-employed and contract workers usually not covered under the standard employment insurance. In the US, nearly 26 states (corresponding to around 70% of the population) adopted STW schemes. Among them, those with an existing Short Time Compensation programme (STC, henceforth), also known as work-sharing, were fully financed by the Federal Government, whilst those introducing a new one received 50% of government funds. Nonetheless, STC take-up remained limited due to several issues, such as low financial incentives (social security contributions for hours not worked were not covered), bottlenecks in administrative procedures, and lack of awareness by employers.[93] The US decided therefore to introduce a temporary WS, namely the *Paycheck Protection Programme* (PPP, henceforth), and the *Employee Retention Tax Credit* (ERTC, henceforth) for companies that experienced a significant decline in revenues.

---

[91] Müller, T. (2021). Job retention schemes in Europe: Germany. ETUI Working Papers. See also Müller, T., & Schulten, T. (2020). Ensuring fair short-time work-a European overview. *ETUI Research Paper-Policy Brief*, *7*.
[92] Vincent, C. (2021). Job retention schemes in Europe: France. ETUI Working Papers.
[93] Organisation for Economic Co-operation and Development. (2020). *Job retention schemes during the COVID-19 lockdown and beyond*. OECD Publishing, pp. 4-5.

Figure 3 displays the selected countries' trends in the number of employees from December 2019 to May 2021. As clearly shown in the line graph, the number of employees remained stable in the UK, France and Germany. By contrast, the US and Canada registered a sharp decline in employment in the period between February and May 2020. In the latter country, the number of employed individuals dropped by 3 million in the first two quarters of 2020. Specifically, employment declined from 19.1 million in February 2020 to 16.1 in April 2020.[94] Although an appropriate evaluation of the schemes requires a picture of what would have happened without their implementation, Corak maintains that at least it can be safely said that the CEWS failed in its objective of preventing jobs losses.[95] By the same token, the US registered a steep decline in employment in the same time span, as clearly shown in the chart. Despite having more than a half of their loss recovered by September 2020, the proportion of employees in the two North American countries remained lower compared to the European ones by the end of May 2021.

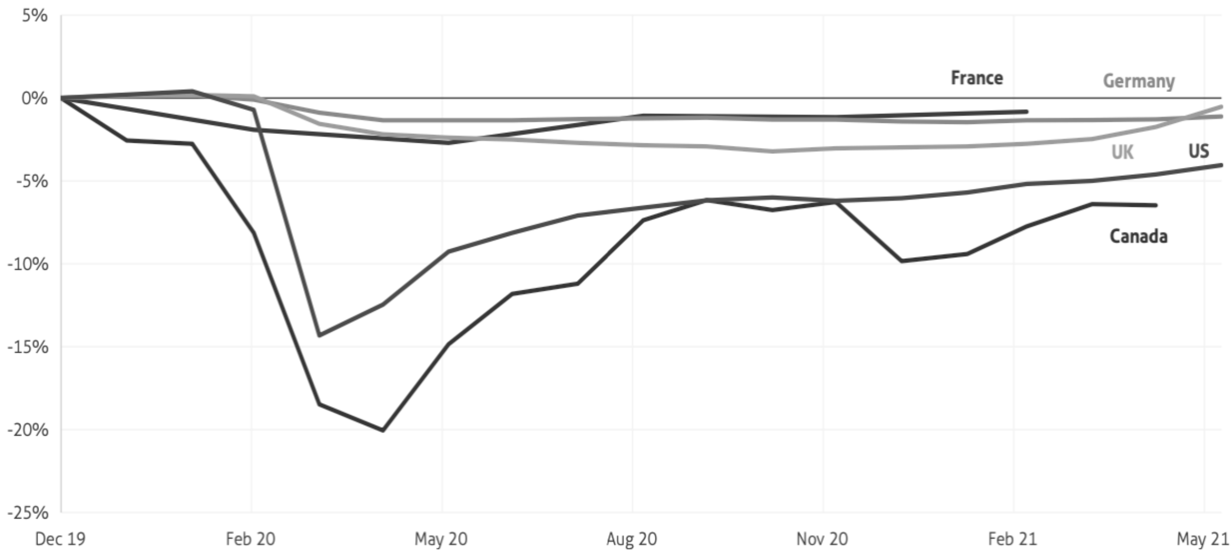

Figure 3. Variations in number of employees (December 2019 - May 2021). *Source: Pope, T., & Shearer, E. (2021). The Coronavirus Job Retention Scheme: "How successful has the furlough scheme been and what should happen next?". Institute for Government.*

The findings of Pope and Shearer's cross-country comparison show that different approaches to labour market support resulted in considerably different outcomes. Among the STW schemes of the selected countries, the ones adopted by the UK represented the most generous. The British government provided for 80% of employee's gross wage for hours not worked for almost all the duration of the scheme. The UK succeeded in its objective of protecting jobs as much as France and

[94] Statistics Canada. *Labour force characteristics, monthly, seasonally adjusted and trend-cycle, last 5 months*. Table 14-10-0287-01.
[95] Corak, M. *The Canada Emergency Wage Subsidy as an employer-based response to the pandemic: First steps, missteps, and next steps*. The Graduate Center, City University of New York.

Germany did, two countries with similar schemes and already established STW. In the UK, the schemes had satisfactorily protected most employments. The total number of employees never declined by more than 800,000 compared to pre-crisis levels.[96] In addition, in the first half of 2020, the proportion of the working British population aged between 16 and 64 represented 76.6%, accounting for the highest rate since 1971, whilst the unemployment rate was extremely low (about 3.7%).[97] Pope argues that if the British Government had followed the two North American countries' paths by allowing more people to become unemployed in the early stages of the pandemic, the UK could have developed similar trends in employment levels. Despite the good performance of the UK, the graph clearly illustrates that Germany and France were more successful at protecting employment rates, which were more stable than in the UK. As such, some lessons can be learnt from their JRSs adopted as a response to the COVID-19 crisis.

In these countries with strong employment protection and permanent labour market support schemes, JRSs tended to be particularly effective in alleviating the impacts of external shocks on employment. This is especially true for STW, whose diffusion has increased widely across countries in response to the COVID-19 crisis. At the onset of a crisis, it may be advantageous for actors to rely on STW as ready-available tools rather than creating new ones from scratch. It goes without saying that it also requires an efficient administrative capacity able to timely adapt such policy tools when necessary.[98] Instead, countries with none or little experience with JRSs tended to introduce temporary WS together with emergency support policies not related to employment patterns and working hours. Such schemes have been typically more generous compared to STW, but generally scheduled for a shorter period than STW. As in the case of the US and Canada, WS have been eventually rolled back for a limited timeframe. Conversely, STW tended to be more long-lasting and adjustable than lump-sum subsidies. The amount of money provided to firms and employees through the latter schemes decreased gradually as the economy started to recover from the recession in late 2020. This allowed a more long-term and effective recovery than short temporary schemes.[99]

Yet, the main distinction between countries with permanent JRSs and the UK lies within some regulatory aspects of their employment support schemes. In particular, differences were evident when

[96] Pope, T., & Shearer, E. (2021). The Coronavirus Job Retention Scheme: How successful has the furlough scheme been and what should happen next? Institute for Government, p. 28.

[97] Office for National Statistics (ONS). Unemployment rate (aged 16 and over, seasonally adjusted): %. Data and analysis from Census 2021. See also Business, Energy, and Industrial Strategy Committee (2023). Post-pandemic economic growth: UK labour markets. UK Parliament.

[98] Eichhorst, W., Marx, P., Rinne, U., & Brunner, J. (2022). Job retention schemes during COVID-19: A review of policy responses. IZA-Institute of Labor Economics, pp. 27-28.

[99] OECD (2020). Job *retention schemes during the COVID-19 lockdown and beyond*. OECD Publishing.

it came to provisions for training, collective bargaining and limitations on dismissals.[100] As concerns the first point, no action was taken by the British government to encourage furloughed employees to undertake upskilling programmes. For instance, Germany and France included in the STW schemes incentives to encourage companies to provide training courses for those on STW, allowing workers to improve or strengthen their skills.[101] These incentives for companies came in the form of financial rewards. In Germany, for example, social insurance contribution covered by the government was conditional on the provision of at least 150 hours of training to employees.[102] The UK's crisis response resulted, instead, in a passive reaction of the state that simply left workers to their own devices at home, without an active and continuous support framework. While the government officially encourage employers to provide training, they did not offer any concrete financial incentives.

As regards the second point, unlike France and Germany, in the UK there was no formal requirement to involve trade unions or employee representation structures in the design and implementation of JRSs. However, it must be recognised that even in the absence of such provision in the UK, union representatives at company-level have contributed to better agreements for workers. For instance, firms were topping up the level of wage support provided by the state, ensuring full payment of pension benefits. In addition, workers who often fall outside the remit of government support, thus vulnerable to being left without a safety net, were included in the schemes. Most notably we can highlight the inclusion of individuals on zero-hour contracts, a common category of workers in the UK. [103]

Finally, permanent STW schemes in France and Germany set dismissal protection as another important condition to receive state funds. In particular, in both countries dismissing workers was not permitted, or at least limited. For instance, in France in the event that a company made a worker redundant, which was at the time on furlough, it was obliged to return the full amount of money received from the state under the scheme.[104] In contrast, such measures were sorely lacking in the UK, leaving workers less protected against redundancies. Indeed, where more convenient, employers were often inclined to opt for dismissing staff rather than putting them on furlough. This happened to

---

[100] Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state, pp. 86-88.
[101] Eichhorst, W., Marx, P., & Rinne, U. (2020). Manoeuvring through the crisis: Labour market and social policies during the COVID-19 pandemic. *Intereconomics*, *55*, 375-380.
[102] TUC (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. pp. 21-22.
[103] Fulton, L. (2021). Job retention schemes in Europe: United Kingdom. Online annex: country reports, p. 3.
[104] Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state, p. 86.

large degree in companies in the aviation industry, which were quick to dismiss large proportions of their workforce.[105]

4.7 Future challenges

While the effects of the pandemic have been gradually offset, concerns have been raised about the fact that potential transboundary crises could threaten the stability of the labour market worldwide. As a matter of fact, companies are currently facing new challenges that are likely to cause disruptions in their economic activity and productivity. The impact that such crises may have on certain categories of workers and enterprises would also further exacerbate labour market inequalities.

The COVID-19 crisis has given a boost to the deployment of artificial intelligence (AI, henceforth). In pharmaceutical industries, AI has been widely used for the development of new vaccines and medicinal products. In addition, advancements in robotics allowed most European hospitals to be equipped with disinfection robots. This enabled greater protection for patients and reduced pressures on the healthcare staff as these machines were able to disinfect hospital rooms quickly and continuously.[106] By collecting huge amount of data, AI powered technologies also supported most businesses in the organization and execution of different tasks during the pandemic. In retail and hospitality sectors, companies have been able to manage orders and table reservations thanks to the development of mobile applications. Yet, digital innovation and technological advancement accelerated by the pandemic present sizeable challenges to the labour market.

Automated systems have been taking up new roles that have increasingly replaced human activities. The ONS predicted that more than one million jobs in the UK are at risk of being automated in the coming years.[107] Automation tends to be a major threat for lower-skilled jobs as it can increase the speed and the efficiency of routine and repetitive tasks that are common in elementary occupations. Conversely, high skilled professions such as managers, directors and senior officials are those with the lowest risk of automation. In this context, the risk of having their job automated is greater among workers aged between 20 and 24 than other age groups. The reason for this is that workers tend to acquire additional skills as they move forward in their career. The more they advance towards higher positions, the more knowledgeable they become in their field. As a general rule, young workers entering the labour market tend to be employed in positions where the likelihood to find automated systems is comparatively high, such as those in retail or sale industries. Prior to settle into a career,

[105] Wilman, N. (2022). Too Little, Too Late? - Crisis Management in England. In *Protecting Livelihoods*, p. 157.
[106] European Commission. (2021). 305 disinfection robots delivered to hospitals across EU.
[107] Office for National Statistics (2019). Which occupations are at highest risk of being automated? London: ONS.

most of them progress through a wide range of roles. [108] In addition, income inequalities may be exacerbated by technological progress that favour highly educated and qualified individuals, who are more likely to have higher income. While the effects of technological change on the UK labour market may be modest in the next five years, they could become more significant in the next decade.[109]

In a context where advanced technologies are changing the outlook of the labour market, "the key thing to ensure is that, as new technologies develop, people are trained to use them and new roles are created off the back of them".[110] If this is not achieved, the British Government warns that the UK will suffer a huge hit to productivity, estimating a loss of up to £141 billion of GDP.[111] Given this reality, JRSs may be crucial for employers and employees to help them facing technological transformation. By including training provisions in the design of the furlough scheme, workers would be able to improve their skills and ride the wave of the digital transformation. With the acquisition of digital competences workers would have greater possibility to progress in their career, to search for another occupation and, finally, to be employed in new jobs created with the adoption of cutting-edge technologies. Finally, the CJRS would allow furloughed employees to spend more time on building their skillset, while also being supported financially in case of job loss caused by automation.

Another threat to the stability and functionality of the labour market is concerned with climate change. Global warming is already causing a 1.1% loss to the UK's GDP, and this is projected to worsen to 3.3% by 2050. Temperatures are predicted to continue rising beyond 2050, reaching a global average of 3.2°C by 2100. The UK will not be immune to this increase, hitting a 2.9°C rise by the same date.[112] When working under high temperatures, the human body is exposed to heath stress that make it harder to carry out both cognitive and physical tasks. As such, the higher the temperature, the lower the output produced by each member of the labour force. Within this framework, global warming caused by climate change poses a threat to labour productivity. It goes without saying that jobs that are done outdoors are projected to be hugely impacted. This is due to the fact that they are the most exposed to such conditions, and hence even more vulnerable than indoor employment. According to the European Commission's Joint Research Centre, the impact on outdoor workforce productivity is

[108] Office for National Statistics (2019). Which occupations are at highest risk of being automated? London: ONS.
[109] BEIS (2021). The Potential Impact of Artificial Intelligence on UK Employment and the Demand for Skills. Department for Business, Energy and Industrial Strategy (BEIS). BEIS Research Report Number: 2021/042.
[110] House of Commons (2022). Post-pandemic economic growth: labour markets. Business, Energy and Industrial Strategy Commettee, Tenth Report of Session 2022-23, p.17.
[111] Office for National Statistics (2019). Which occupations are at highest risk of being automated? London: ONS
[112] Rising, J., Dietz, S., Dumas, M., Khurana, R., Kikstra, J., Lenton, T., ... & Ward, B. (2022). What will climate change cost the UK? Risks, impacts and mitigation for the net-zero transition. Grantham Research Institute on Climate Change and the Environment.

predicted to be 4 percentage points higher compared to the indoor one across Europe, with agricultural and construction sectors being the most affected.[113]

In this warming scenario, JRSs could play a crucial role in protecting outdoor workers and prevent a decline in labour capacity. A best-practice example is the recently approved Decree-Law No. 98/2023 issued in Italy in July 2023. Under the legislation, the government has broadened the scope of the normal STW scheme, known as CIGO (*Cassa integrazione guadagni ordinaria*)[114], including climate emergency in the conditions to access funds. In the absence of measures able to reduce the risk of heat stroke, the scheme has been adopted to help outdoor workers coping with extraordinary heatwaves in the summer of 2023. The CIGO allowed those employed in enterprises exposed to temperature above 35°C, such as employees in construction and agriculture sectors, to receive financial support. Despite extremely hot conditions being rare in the UK, the British labour market is more likely to be affected by climate change-related catastrophic events. For instance, flooding is ranked among the largest risk factors to obstruct transportations and cause supply-chain disruptions.

With climate change being a clear problem, the UK government has endeavoured to achieve net zero by 2050. This transition will require swathes of new infrastructure and transportation to be put in place. Crucially, steel will be at the heart of much of this, especially when considering the increased need for wind turbines and electric vehicles. In this context, a strong domestic steel industry will be highly beneficial to the UK, as it will allow for the avoidance of mass importation of the resource and ensure that the green transition generates internal economic growth. However, trade unions for steel workers have identified the absence of a permanent JRS as a major weakness of the UK steel industry. They argue that by nature the industry is highly cyclical and thus when downturns inevitably occur, steel companies must be given support to increase the efficiency of their operations without completely cutting the link with employees. Importantly, many European competitors adopt permanent JRSs, and this makes them more attractive to investors. This is particularly concerning given that the future of the UK steel industry will rely on its ability to attract investment. Indeed, while steel will be important in the decarbonisation process, it itself must become greener if it is to survive. By giving the industry more stability and helping it better compete for investment, a permanent JRS will facilitate the green transition of both the UK and its steel industries.[115]

---

[113] European Commission's Joint Research Centre (JRC) (2022). Outdoor labour productivity and climate change. JRC PESETA III, Science for Policy Summary Series.
[114] Faioli, M. & Bologna, S. (2021). Job retention schemes in Europe: Italy. ETUI Working Papers.
[115] Trade Union Congress (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. London: TUC, pp.16-17.

5. CONCLUSION

This study has engaged with a somewhat understudied, yet nonetheless vitally important debate, posing the research question, "Should JRSs be made a permanent feature of labour market policy in the UK?". The response to this question has been deeply rooted in an analysis of the JRSs used by the UK during the COVID-19 pandemic, a period in which these schemes were deployed on an unprecedented scale. Identifying the key successes and failures of these JRSs has been fundamental in informing the conclusions reached. Equally, an overview of the future challenges on the horizon for the UK, as well as a reflection on the performances of other comparable countries during the pandemic, have also provided pivotal insight. Ultimately, this study can conclude that the UK would benefit greatly from a permanent JRS, which would allow for a more swift and efficient deployment in the event of future labour market shocks. This verdict, however, is dependent on the correction of certain flaws which undermined the successfulness of the CJRS and SEISS. In particular, a permanent JRS should ensure that more is done to protect minority and disadvantaged groups, where possible actively tackling societal inequalities rather than reinforcing them. Other areas to improve concern training and fraud. This conclusion has been drawn from the following key findings.

First, JRSs have been highly effective for workers, companies and the state, achieving the principal objectives set out by the government. At the employee level, the schemes ensured both income and employment protection. Unemployment rates were kept relatively close to precrisis levels, not falling to the catastrophic levels outlined in early forecasts. At the employer level, the schemes were extremely effective in cutting labour costs, be they from redundancies or recruitment (in the long-term), at a time when financial liquidity was under great strain. This resounding success in terms of effectiveness was not matched by the schemes' efficiency. Indeed, given that the UK government had to implement an ad hoc scheme from scratch and in a rush, they ultimately compromised efficiency in order to ensure high levels of effectiveness. In the absence of an existing institutional framework, a greater level of precision regarding eligibility was difficult to achieve and instead the CJRS and SEISS resembled large blanket schemes. This not only channelled public funds to those who didn't need it, but also proved to be fertile ground for fraudulent activity. Training was also overlooked by the government, representing a further source of inefficiency. Had the pandemic been used as an opportunity to strengthen the skillset of great numbers of the UK labour force, the country could have improved its productivity and competitivity. Importantly for the purpose of this study, a permanent scheme would likely have reduced many of these inefficiencies. It would have allowed for greater levels of targeting and firmer eligibility criteria, reducing the scope for fraud and saving billions in public funds. This saved money could have been redirected towards a comprehensive strategy to integrate training programmes into the JRSs. Going forward, the UK must strive to build on the successful elements of the CJRS and the SEISS, namely the effectiveness in protecting against unemployment, while at the same time efficiency levels are brought up to an adequate level. The implementation of a permanent JRS is the best way to achieve this.

The study has also examined the success of JRSs in the UK using a range of further criteria. Firstly, it looked at how social and mental wellbeing was impacted by employment support schemes. Overall, the effect proved to be positive, as the continuity and stability granted by the schemes provided furloughed workers with higher job security. This resulted in lower levels of anxiety, distress and mental disorder typically brought by unemployment. Being on furlough was also taken as an opportunity to dedicate more time to their familiars and hobbies. Secondly, it looked at the impact of the CJRS and the SEISS on disadvantaged and minority groups. In this area, results were more concerning, with females found to be particularly likely to be inconvenienced by the scheme. The SEISS scheme did not consider the issue of maternity leave in its eligibility criteria, condemning many mothers to receive less financial support. These shortcomings can be attributed to a lack of gender sensitivity in the design stage of the UK JRSs, plausibly a result of time pressures imposed by the urgency of the pandemic. A permanent scheme would give ministers plentiful occasion to consider the impact of the JRS, not just on women, but all disadvantaged groups.

Disparities among social groups in the UK's labour market may be further increased by emerging challenges. The COVID-19 crisis has indeed sped up the take-up of advanced technologies worldwide, which are more likely to benefit those with higher level of education and technological know-how. With the digital transition, the structure of the labour market has already experienced significant changes. AI powered robots and machines are gradually replacing employees in elementary occupations. Likewise, climate change is posing serious threats to the stability of the labour market on a global scale. The predicted warming scenario is likely to cause huge economic losses and lower labour productivity worldwide, with outdoor workers being the most affected. In the UK, flooding is also predicted to disrupt supply chains, posing serious risks to workers in charge of transportation. Given this reality, ready-to deploy JRSs could play a vital role in promptly supporting workers in the advent of future crises threatened by such changing dynamics.

Finally, cross-country comparison with other leading economies provided further fruitful insights about the necessity to establish JRSs as permanent feature of the UK's labour market. France and Germany succeeded in protecting most jobs throughout the whole period of the JRSs implementation, while Canada and the US registered a spike in job losses in the first stage of the pandemic. This was partly linked to the fact that the two EU countries had long-standing employment protection traditions and permanent STW, while the two North American countries had no or little experience with such schemes and preferred to implement lump-sum subsidies instead. The UK was markedly more successful than the US and Canada but can take on board some important lessons from its two European neighbours. Within the institutional design of France and Germany's STWs, provisions were included to ensure formal trade union involvement, worker participation in training programmes and limits on companies' ability to dismiss workers. These measures were absent in the UK context.

In light of these findings, this study firmly advocates for a permanent employment support scheme, which includes the following features. First of all, the scheme must be made more efficient. This entails ensuring a greater level of targeting via the use of clear eligibility criteria. As suggested by the National Institute of UK Economic Outlook, financial support could be granted on the condition that firms' revenues have fallen by 15% as a result of the crisis in question.[116] To verify that these conditions are always fully adhered to, monitoring efforts should be stepped up and firms must be required to include profit and loss reports, balance sheets and bank statements in their applications. As well as cutting deadweight from the scheme, this would also dramatically reduce the frequency of fraudulent activity. Increased efficiency should not, however, come at expense of a more ambitious scheme which also seeks to create a more equal society. For example, in line with wider gender mainstreaming strategies, a permanent JRS should take a gender sensitive perspective throughout the design, implementation and evaluation of the scheme. Meanwhile, for those earning a minimum wage, volume should be increased to 100%. This group of workers are especially vulnerable to poverty and any decrease in their earnings can cause great financial and psychological stress. Finally, as recommended by TUC, a permanent JRS should be guided by a "tripartite panel", consisting of employee representation structures, business representatives and the government.[117] Finally, training must be given more importance and in a similar mould to the German and French models, concrete financial incentives should be offered to firms.

[116] Görtz, C., McGowan, D., & Mortimer-Lee, P. (2022) Box B: A Targeted Furlough Scheme to help the economy in downturns. National Institute UK Economic Outlook, p. 3.
[117] Trade Union Congress (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. London: TUC, p. 18.

6. BIBLIOGRAPHY

Abraham, K. G., & Houseman, S. N. (1994). Does employment protection inhibit labor market flexibility? Lessons from Germany, France, and Belgium. National Bureau of Economic Research, pp. 59-94.

Adkins, C. L., Werbel, J. D., & Farh, J. L. (2001). A field study of job insecurity during a financial crisis. *Group & Organization Management*, *26*(4), 463-483.

Alon, T., Coskun, S., Doepke, M., Koll, D., & Tertilt, M. (2022). From mancession to shecession: Women's employment in regular and pandemic recessions. *NBER Macroeconomics Annual*, *36*(1), 83-151.

Ann Feldheim, M. (2007). Public sector downsizing and employee trust. *International Journal of Public Administration*, *30*(3), 249-270.

Baranik, L. E., Cheung, J. H., Sinclair, R. R., & Lance, C. E. (2019). What happens when employees are furloughed? A resource loss perspective. *Journal of Career Development*, *46*(4), 381-394.

Bartholomeusz, J. (2020). The pandemic that exposed British neoliberalism. Heinrich Böll Stiftung. Available at: https://eu.boell.org/en/2020/05/27/pandemic-exposed-british-neoliberalism (Accessed: September 18, 2023).

Bellairs, T., Halbesleben, J. R., & Leon, M. R. (2014). A multilevel model of strategic human resource implications of employee furloughs. In *Research in personnel and human resources management* (Vol. 32, pp. 99-146). Emerald Group Publishing Limited.

Blundell, R., Cribb, J., McNally, S., Warwick, R., & Xu, X. (2021). Inequalities in education, skills, and incomes in the UK: The implications of the COVID-19 pandemic. *Institute for Fiscal Studies*, 1-42.

Boeri, T., & Bruecker, H. (2011). Short-time work benefits revisited: some lessons from the Great Recession. *Economic Policy*, *26*(68), 697-765.

Burchell, B., Wang, S., Kamerāde, D., Bessa, I., & Rubery, J. (2020). Cut hours, not people: no work, furlough, short hours and mental health during COVID-19 pandemic in the UK. Working paper V.6.

Burn-Murdoch, J. (2022). Half a million missing workers show modern Britain's failings. Financial Times. Available at: https://www.ft.com/content/b197e9e0-dd53-4d77-a84f-a94824100ed5 (Accessed: September 18, 2023).

Business, Energy and Industrial Strategy (BEISS) Committee (2023). Post-pandemic economic growth: UK labour markets. House of Commons. Tenth Report of Session 2022-23.

Business, Energy and Industrial Strategy (BEISS) Committee (2021). The Potential Impact of Artificial Intelligence on UK Employment and the Demand for Skills. Department for Business, Energy and Industrial Strategy (BEIS), UK government. BEIS research report number 2021/042.

Cahuc, P., & Carcillo, S. (2011). Is short-time work a good method to keep unemployment down?. *Nordic Economic Policy Review*, *1*(1), 133-165.

Carrillo-Tudela, C., Clymo, A., Comunello, C., Jäckle, A., Visschers, L., & Zentler-Munro, D. (2023). Search and Reallocation in the COVID-19 Pandemic: Evidence from the UK. *Labour Economics*, *81*, 102328.

Close the Gap (2021). One Year On: How COVID-19 is impacting women's employment in Scotland. Glasgow: Close the Gap, pp. 1-31.

Cominetti, N., McCurdy, C., & Slaughter, H. (2021). Low Pay Britain: 2021. *Resolution Foundation*.

Corak, M. *The Canada Emergency Wage Subsidy as an employer-based response to the pandemic: First steps, missteps, and next steps*. The Graduate Center, City University of New York.

Corti, F., & Alcidi, C. (2021). The time is ripe to make SURE a permanent instrument. CEPS Policy Insights.

Corti, F., Ounnas, A., & De La Ossa, T. R. (2023). *Job retention schemes between the Great Recession and the COVID-19 crises*. Tech. rep., CEPS.

Drahokoupil, J., & Müller, T. (2021). Job retention schemes in Europe: A lifeline during the Covid-19 pandemic. *ETUI Research Paper-Working Paper*.

Ebbinghaus, B., & Lehner, L. (2022). Cui bono–business or labour? Job retention policies during the COVID-19 pandemic in Europe. *Transfer: European Review of Labour and Research*, *28*(1), 47-64.

Eichhorst, W., Marx, P., Rinne, U., & Brunner, J. (2022). Job retention schemes during COVID-19: A review of policy responses. *IZA-Institute of Labor Economics.*

Eichhorst, W., Marx, P., & Rinne, U. (2020). Manoeuvring through the crisis: Labour market and social policies during the COVID-19 pandemic. *Intereconomics*, *55*, 375-380.

European Commission (2020). Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. *A Union of equality: EU anti-racism action plan 2020-2025*. COM (2020) 565 final. Available at: https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM%3A2020%3A0565%3AFIN (Accessed: September 18, 2023).

European Commission (2023). *Protecting jobs and workers: Final report confirms SURE was crucial in mitigating impact of pandemic and supporting recovery*. Brussels: European Commission press release. Available at: https://ec.europa.eu/commission/presscorner/detail/en/ip_23_3024 (Accessed: September 18, 2023).

European Commission. *The European instrument for temporary Support to mitigate Unemployment Risks in an Emergency (SURE):*EU financial assistance. European Commission official website. Available at: https://economy-finance.ec.europa.eu/eu-financial-assistance/sure_en (Accessed: September 18, 2023).

European Commission's Joint Research Centre (JRC) (2022). Outdoor labour productivity and climate change. JRC PESETA III, Science for Policy Summary Series. Available at: https://joint-research-centre.ec.europa.eu/system/files/2018-11/task_13_labour_productivity_final_v1.pdf (Accessed: September 18, 2023).

Faioli, M. & Bologna, S. (2021). Job retention schemes in Europe: Italy. ETUI Working Papers. Online annex: country reports.

Flanagan, D. J., & O'Shaughnessy, K. C. (2005). The effect of layoffs on firm reputation. *Journal of management*, *31*(3), 445-463.

Freeman, S. J., & Cameron, K. S. (1993). Organizational downsizing: A convergence and reorientation framework. *Organization science*, *4*(1), 10-29.

Fulton, L. (2021). Job retention schemes in Europe: United Kingdom. ETUI Working Papers. Online annex: country reports.

Giorgi, G., Lecca, L. I., Alessio, F., Finstad, G. L., Bondanini, G., Lulli, L. ... & Mucci, N. (2020). COVID-19-related mental health effects in the workplace: a narrative review. *International journal of environmental research and public health*, *17*(21), 7857.

Goins, S., & Gruca, T. S. (2008). Understanding competitive and contagion effects of layoff announcements. *Corporate Reputation Review*, *11*, 12-34.

Görtz, C., McGowan, D., & Mortimer-Lee, P. (2022) Box B: A Targeted Furlough Scheme to help the economy in downturns. *National Institute UK Economic Outlook*.

HM Government (2019). Gender equality at every stage: a roadmap for change. Government Equalities Office.

HM Revenue and Customs (HMRC) (2021) *Coronavirus Job Retention Scheme Statistics*. London: HMRC. Available at: https://www.gov.uk/government/collections/hmrc-coronavirus-covid-19-statistics (Accessed: September 18, 2023).

HM Revenue and Customs (HMRC) (2021). *Coronavirus Job Retention Scheme statistics: 16 December 2021*. Government Official Statistics. Available at: https://www.gov.uk/government/statistics/coronavirus-job-retention-scheme-statistics-16-december-2021 (Accessed: September 18, 2023).

HM Revenue and Customs (HMRC) (2023) *Coronavirus Job Retention Scheme: qualitative research with employees*. Government Official Statistics. Available at: https://www.gov.uk/government/publications/coronavirus-job-retention-scheme-qualitative-research-with-employees (Accessed: September 18, 2023).

HM Revenue and Customs & HM Treasury (2023). *SEISS final evaluation - accompanying information*. Annex A: The SEISS timeline. Government Official Statistics. Available at: https://www.gov.uk/government/publications/the-self-employment-income-support-scheme-final-evaluation/seiss-final-evaluation-accompanying-information (Accessed: September 18, 2023).

Hijzen, A., & Venn, D. (2011). The role of short-time work schemes during the 2008-09 recession. OECD Social, Employment and Migration Working Papers.

House of Commons (2022). Post-pandemic economic growth: labour markets. Business, Energy and Industrial Strategy Commettee, Tenth Report of Session 2022-23.

Institute For Government (2022). Timeline of UK government coronavirus lockdowns and restrictions. Available at: https://www.instituteforgovernment.org.uk/data-visualisation/timeline-coronavirus-lockdowns (Accessed: September 18, 2023).

Jones, L., & Hameiri, S. (2022). COVID-19 and the failure of the neoliberal regulatory state. *Review of international political economy*, *29*(4), 1027-1052.

Karren, R., & Sherman, K. (2012). Layoffs and unemployment discrimination: A new stigma. *Journal of Managerial Psychology*, *27*(8), 848-863.

Kim, W. B. (2003). Economic crisis, downsizing and "layoff survivor's syndrome". *Journal of Contemporary Asia*, *33*(4), 449-464.

Klahr, R., Dabhi, K., Roelcke, P., Coltman, N. (2023). *Coronavirus Job Retention Scheme Employer Quantitative Research: Wave 2*. HM Revenue and Customs Research Report: 711.

KPMG and REC (2021). *UK report on jobs.* KPMG UK Press Release. Available at: https://kpmg.com/uk/en/home/media/press-releases/2021/07/kpmg-and-rec-uk-report-on-jobs. (Accessed: September 18, 2023).

Lee, S., & Sanders, R. M. (2013). Fridays are furlough days: The impact of furlough policy and strategies for human resource management during a severe economic recession. *Review of Public Personnel Administration*, *33*(3), 299-311.

Lenoël, C., & Young, G. (2021). Modelling the impact of Covid-19 on the UK economy: an application of a disaggregated New-Keynesian model. *National Institute of Economic and Social Research Discussion Paper*, (531).

Maertz Jr, C. P., Wiley, J. W., LeRouge, C., & Campion, M. A. (2010). Downsizing effects on survivors: Layoffs, offshoring, and outsourcing. *Industrial Relations: A Journal of Economy and Society*, *49*(2), 275-285.

McKee-Ryan, F., Song, Z., Wanberg, C. R., & Kinicki, A. J. (2005). Psychological and physical well-being during unemployment: a meta-analytic study. *Journal of applied psychology*, *90*(1), 53.

Millward, L. J., Lutte, A., & Purvis, R. G. (2005). Depression and the perpetuation of an incapacitated identity as an inhibitor of return to work. *Journal of psychiatric and mental health nursing*, *12*(5), 565-573.

Müller, T. (2021). Job retention schemes in Europe: Germany. ETUI Working Papers. Online annex: country reports.

Müller, T., Schulten, T., & Drahokoupil, J. (2022). Job retention schemes in Europe during the COVID-19 pandemic–different shapes and sizes and the role of collective bargaining. *Transfer: European Review of Labour and Research*, *28*(2), 247-265.

Murphy, G. C., & Athanasou, J. A. (1999). The effect of unemployment on mental health. *Journal of Occupational and organizational Psychology*, *72*(1), 83-99.

Office for Budget Responsibility (OBR) (2021) *Overview of the Current Economic and Fiscal Outlook: October 2021*. London: OBR. Available at: https://obr.uk/efo/economic-and-fiscal-outlook-october-2021/ (Accessed: September 18, 2023).

Office for National Statistics (ONS) (2021). *Coronavirus and redundancies in the UK labour market: September to November 2020.* London: ONS. Available at: https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/articles/labourmarketeconomicanalysisquarterly/december2020 (Accessed: September 18, 2023).

Office for National Statistics (ONS) (2022). *Labour Market Overview: UK 15 February 2022.* London: ONS. Available at: https://www.ons.gov.uk/releases/uklabourmarketfebruary2022 (Accessed: September 18, 2023).

Office for National Statistics (2019). *Which occupations are at highest risk of being automated?* London: ONS.

Organisation for Economic Co-operation and Development. (2020). *Job retention schemes during the COVID-19 lockdown and beyond*. OECD Publishing.

Pope, T., Dalton, G., & Tetlow, G. (2020). The coronavirus job retention scheme: How has it been used and what will happen when it ends?. *Institute for Government*.

Pope, T., & Shearer, E. (2021). The Coronavirus Job Retention Scheme: How successful has the furlough scheme been and what should happen next?. *Institute for Government.*

Probst, T. M. (2002). Layoffs and tradeoffs: production, quality, and safety demands under the threat of job loss. *Journal of Occupational Health Psychology*, *7*(3), 211.

Rising, J., Dietz, S., Dumas, M., Khurana, R., Kikstra, J., Lenton, T., ... & Ward, B. (2022). What will climate change cost the UK? Risks, impacts and mitigation for the net-zero transition. Grantham Research Institute on Climate Change and the Environment.

Rousseau, D. M. (1989). Psychological and implied contracts in organizations. *Employee responsibilities and rights journal*, *2*, 121-139.

Sawyer, M. (2021). Economic Policies and the Coronavirus Crisis in the UK. *Review of Political Economy*, *33*(3), 414-431.

Schmidt, V. A., & Thatcher, M. (2014). Why are neoliberal ideas so resilient in Europe's political economy?. *Critical Policy Studies*, *8*(3), 340-347.

Spencer, D. A., Stuart, M., Forde, C., & McLachlan, C. J. (2023). Furloughing and COVID-19: assessing regulatory reform of the state. *Cambridge Journal of Regions, Economy and Society*, *16*(1), 81-91.

Stuart, M., Spencer, D. A., McLachlan, C. J., & Forde, C. (2021). COVID-19 and the uncertain future of HRM: Furlough, job retention and reform. *Human Resource Management Journal*, *31*(4), 904-917

Stuart, M., Spencer, D. A., McLachlan, C. J., & Forde, C. (2021). Furloughing and the Coronavirus Job Retention Scheme: Managers' Experiences and Perspectives. University of Leeds.

Sucher, S. J., & Winterberg, S. (2014). Furloughs: An alternative to layoffs for economic downturns. *Harvard Business School*, *9*(314-097), 1-9.

Tims A. (2020). Furloughed from work? It pays to know your rights. The Guardian. Available at: https://www.theguardian.com/money/2020/may/03/furloughed-from-work-it-pays-to-know-your-rights (Accessed: September 18, 2023).

Tomlinson, D. (2021). Job well done: 18 months of the Coronavirus Job Retention Scheme. *Resolution Foundation.*

Trade Union Congress (2021). *Beyond Furlough: Why the UK Needs a Permanent Short-Time Work Scheme*. London: TUC.

Vincent, C. (2021). Job retention schemes in Europe: France. ETUI Working Papers. Online annex: country reports.

Wels, J., Booth, C., Wielgoszewska, B., Green, M. J., Di Gessa, G., Huggins, C. F., ... & Ploubidis, G. B. (2022). Mental and social wellbeing and the UK coronavirus job retention scheme: Evidence from nine longitudinal studies. *Social Science & Medicine*, *308*, 115226.

Wielgoszewska, B., Bryson, A., Costa Dias, M., Foliano, F., Joshi, H., & Wilkinson, D. (2023). Exploring the reasons for labour market gender inequality a year into the COVID-19 pandemic: evidence from the UK cohort studies. *Longitudinal and Life Course Studies*, *14*(2), 180-202.

Wiesenfeld, B. M., Brockner, J., Petzall, B., Wolf, R., & Bailey, J. (2001). Stress and coping among layoff survivors: A self-affirmation analysis. *Anxiety, Stress and Coping*, *14*(1), 15-34.

Wiggan, J., & Grover, C. (2022). The politics of job retention schemes in Britain: The Coronavirus Job Retention Scheme and the Temporary Short Time Working Compensation Scheme. *Critical Social Policy*, *42*(4), 716-739.

Wilman, N. (2022). Too Little, Too Late? - Crisis Management in England. In *Protecting Livelihoods*, 147-180.

Women's Budget Group (WBG) (2020). HMRC data prompts concern of "gender furlough gap". UK Policy Briefings. Available at: https://wbg.org.uk/analysis/uk-policy-briefings/hmrc-data-prompts-concern-of-gender-furlough-gap/ (Accessed: September 18, 2023).

Yue, W., & Cowling, M. (2021). The Covid-19 lockdown in the United Kingdom and subjective well-being: Have the self-employed suffered more due to hours and income reductions?. *International Small Business Journal*, *39*(2), 93-108.