

Employment issues in Wiltshire during Covid-19



Wiltshire

August 2020

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Summary

Lottie* has asthma and faces potentially higher risks from coronavirus so she was furloughed by her employer at a local nursery, where she's worked for the past year and a half. Lottie has now been made redundant, with one week's notice. She did not receive any redundancy pay and has no savings. Lottie turned to us as she worried how she would manage to look after her family and pay the rent.

We're helping people like Lottie once every two minutes with a redundancy problem. In July, we helped six times the number of people with a redundancy problem than we had the previous year.

The labour market is in a perilous state, kept afloat by the Job Retention Scheme, the single biggest peacetime intervention in the economy in history. But even that has not proved enough to hold all jobs in stasis. Employment fell by 730,000 in July, with the youngest and oldest workers hardest hit by redundancies thus far. Those aged 16 to 24 years in the labour market decreased by 100,000, while those aged 65 years and over decreased by a record 161,000 from April to June 2020.

The number of people claiming benefits who were not in work has risen to the highest levels for 20 years. And the total number of hours worked has fallen by almost 9%, the fastest decline on record. Every indicator seems to break new records in highlighting how profoundly the coronavirus pandemic has damaged the economy and people's jobs.

Alongside this sobering picture, we can add our own insights from the problems people are coming to us about. The retention scheme formally runs until October, but employers facing the requirement to make contributions from this month and statutory timescales for redundancies will feel the financial pressure to make decisions now.

This report summarises the redundancy issues and other employment problems we're supporting people with in this jobs crisis; and how this is affecting people's finances and ability to pay their rent, council tax and other household bills now and in the future.

*Client name has been changed.

Introduction

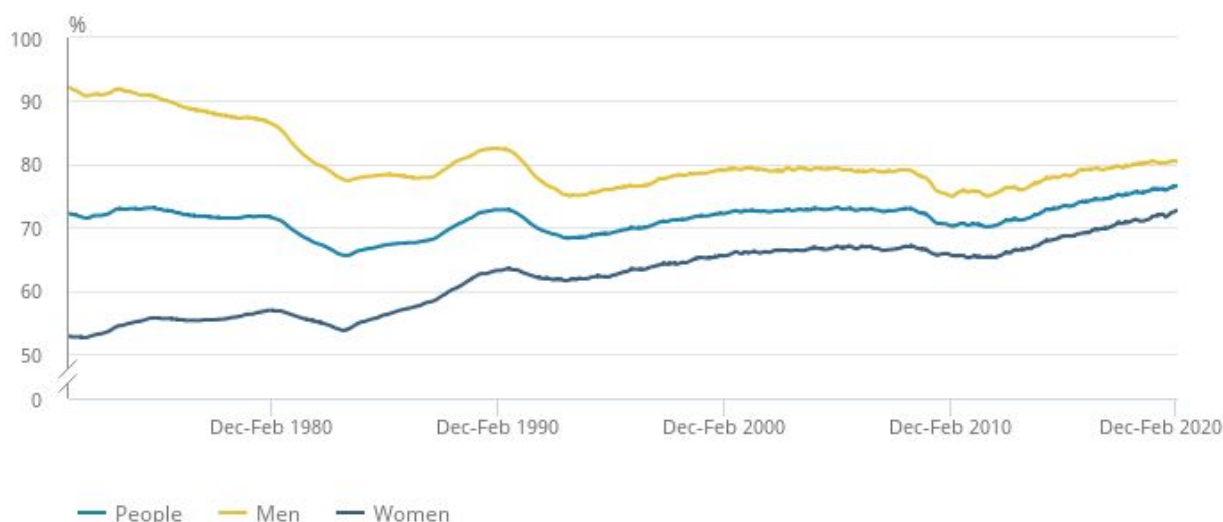
This report has been written by the Research and Campaigns Team at Wiltshire Citizens Advice during July and August 2020. It brings together evidence of the local and national impact of Covid-19 on employment in Wiltshire. It summarises the support schemes put in place to protect employees and the self employed during the lockdown period from 23rd March 2020, and considers what will happen when these schemes come to an end. It will also make recommendations for Wiltshire Citizens Advice and external partners to mitigate some of the impact on those who have lost income or their jobs due to the virus.

Context

In February 2020 official figures showed a record 33.07 million people aged 16 years and over in employment, 352,000 more than a year earlier.

Figure 1: The employment rate for all people increased by 0.4 percentage points on the year to a record high of 76.6%

UK employment rates (aged 16 to 64 years, seasonally adjusted, between January to March 1971 and December 2019 to February 2020)



Source: Office for National Statistics - Labour Force Survey

Then in March 2020, one month after Britain's first confirmed case, the number of coronavirus cases began to rise rapidly across the UK. On 23 March, in a broadcast to the nation, the Prime Minister announced a series of lockdown measures – businesses and schools closed temporarily and people were told not to leave their homes other than for specific essential activities.

In a response to the pandemic, the Government brought in a number of schemes and changes, such as the Coronavirus Job Retention Scheme ('Furlough Scheme') and the Self-Employed Income Support Scheme to financially support those who found themselves with less income or unable to work due to lockdown measures ([you can read more about them here](#)).

Approximately **7.5 million people were temporarily away from their jobs** in June. Now it's August and almost three-quarters of a million jobs (730,000)¹ have been lost from company payrolls since the start of the coronavirus pandemic, with the youngest and oldest workers, along with those in lower-skilled jobs, bearing the worst impacts of this employment crisis.

However, with the official unemployment rate remaining static at 3.9%, it would appear that many people from both the youngest and oldest groups withdrew from the jobs market to become economically inactive.

Figure 2: Employment levels for those 16 to 24 and 65 years and over decreased, particularly since January to March 2020

UK change in employment level by age (aged 16 years and over), seasonally adjusted, between April to June 2019 and April to June 2020



Source: Office for National Statistics - Labour Force Survey

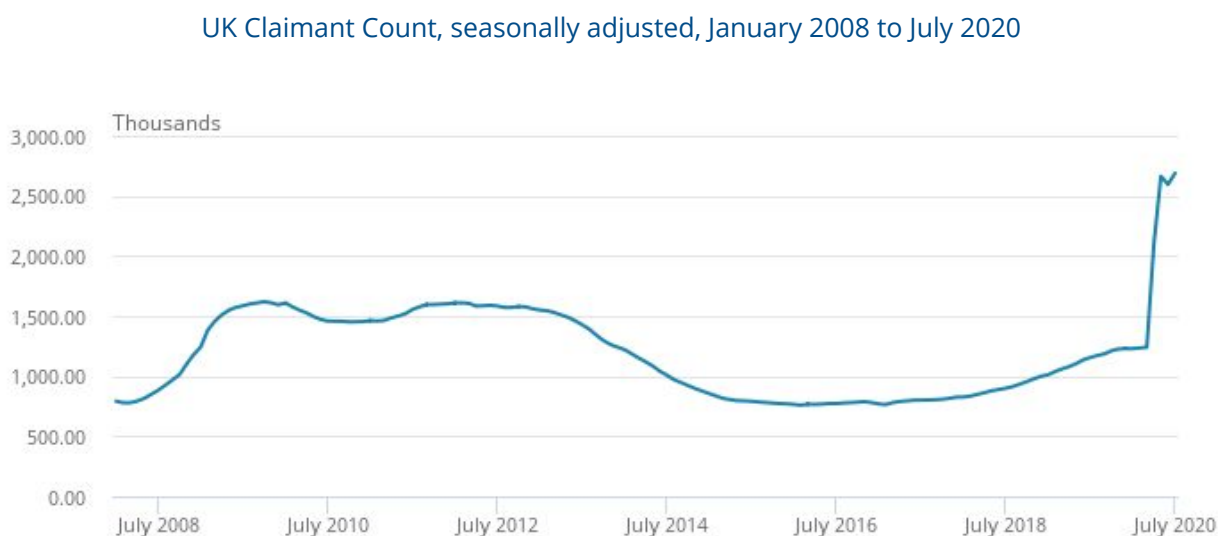
Average earnings have fallen too, along with the number of hours worked. Young people were also most likely to be hit by a loss of hours after the Office for National Statistics (ONS) said it had recorded a rise in zero-hours contracts to the highest

¹ ONS Labour Force Survey (2020). Labour market overview, UK: August 2020

level in history. The number of people on zero-hours contracts now stands at over 1 million.

Many workers made redundant have claimed benefits, pushing the claimant count up by 94,400 (3.6%) to 2.7 million in July. According to the ONS, since March, the claimant count had increased by 116.8%, or 1.4 million.

Figure 3: UK Claimant Count level increased by 116.8% since March 2020



Source: Department for Work and Pensions

When the furlough scheme ends in October, and employers have to decide if they can afford to keep those workers, we could see another big rise in unemployment. In scenarios published by the government's spending watchdog, the Office for Budget Responsibility, the unemployment rate peaks at 9.7% this year, and returns to pre-crisis levels in 2022 in its "optimistic scenario".²

In its "downside" scenario, it peaks at 13.2%, in 2021 - with four million people out of work. It is still at 6.3% by the end of this scenario in 2024 - well above pre-crisis levels.³

² Office for Budget Responsibility (2020). Coronavirus Scenarios.

³ Ibid.

Employment in Wiltshire Pre Covid-19

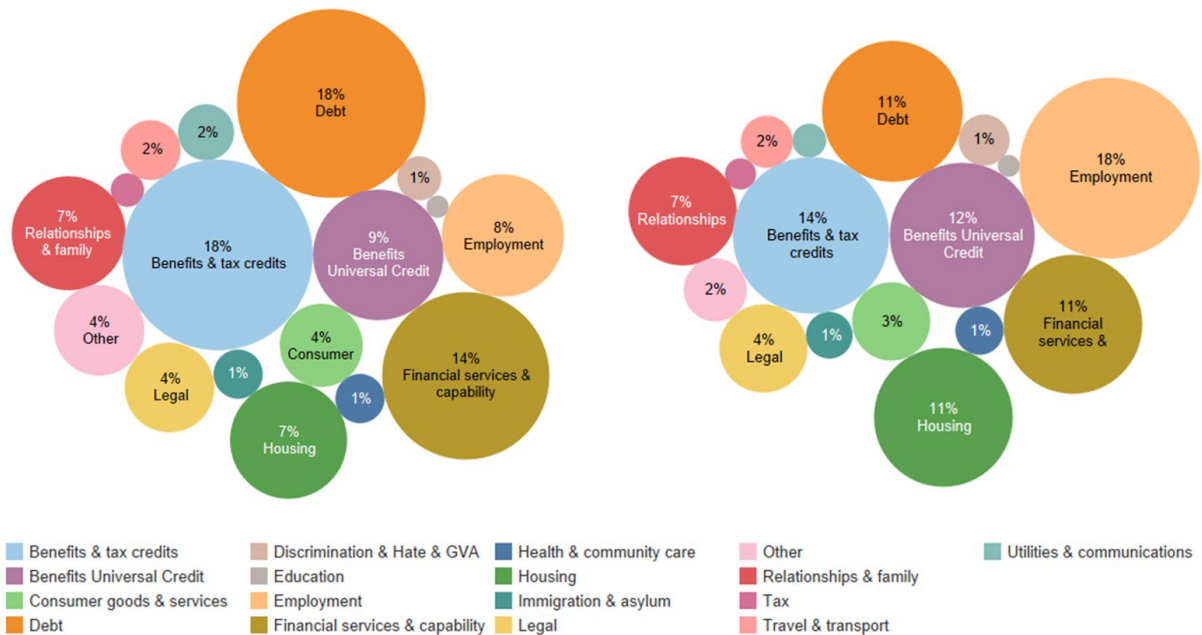
Prior to the lockdown, imposed by the government from 23rd March 2020, with the closure of schools and most businesses, Wiltshire had a low unemployment rate (2.8%), well below the national average (3.9%), and below the South West average (3.25).⁴ In March 2020, Wiltshire had 252,600 economically active residents, 198,400 of whom were employed, 47,000 self employed and 7,200 unemployed.⁵ 50.4% of employed people were in managerial, professional and associated professional and technical roles. 20.5% were in administrative, secretarial and skilled trades. 15.9% were in caring, leisure, hospitality, sales and customer service. 13.2% were in plant and machine operatives or in other elementary occupations.⁶

What has changed since then?

Local Advice Trends

Demand for our advice relating to people’s rights at work is soaring. Employment enquiries make up almost one-fifth of all issues raised by clients since the lockdown began, up from a normal level of between 8%-10%.

Figure 4: Advice issues as a percentage of all issues people sought help with between 23rd March to 22nd July in 2019 (on the left) and 2020 (on the right)



⁴ Nomis Official Labour Market Statistics (2020). Wiltshire Local Authority: Local Area Report.

⁵ Ibid.

⁶ Ibid.

While offices have been closed for face-to-face advice, the channel through which people have been reaching out to our advisers has changed; with clients now getting in touch through email, webchat and over the phone, via Adviceline.

Between 23rd March and 22nd July 2020, we supported more than 6,000 people with over 13,000 issues, with employment as the top enquiry area.

Within the broad domain of employment, the issues that have seen the sharpest increases have been redundancy and queries about the furlough scheme. Compared with the same period last year (March – July) there has been a **600% increase in the number of people contacting us about redundancy.**

Before the pandemic, clients with concerns regarding their pay, entitlements and the terms and conditions of their employment made up the greatest proportion of employment-related queries being brought to Wiltshire Citizens Advice. Clients whose primary concerns fall into this category **more than doubled from March to April**. Gradually these numbers seem to be beginning to return to pre-lockdown levels but as the changes to furlough come into effect, we may see another spike in relation to these issues.

Clients contacting us regarding the furlough scheme, which simply did not exist prior to March this year, have been a huge concern. Nevertheless, furloughing has shaped employment concerns in recent months. Between 25-31% of the workforce has been furloughed across Wiltshire's constituencies, which is typical of the UK at the moment.⁷

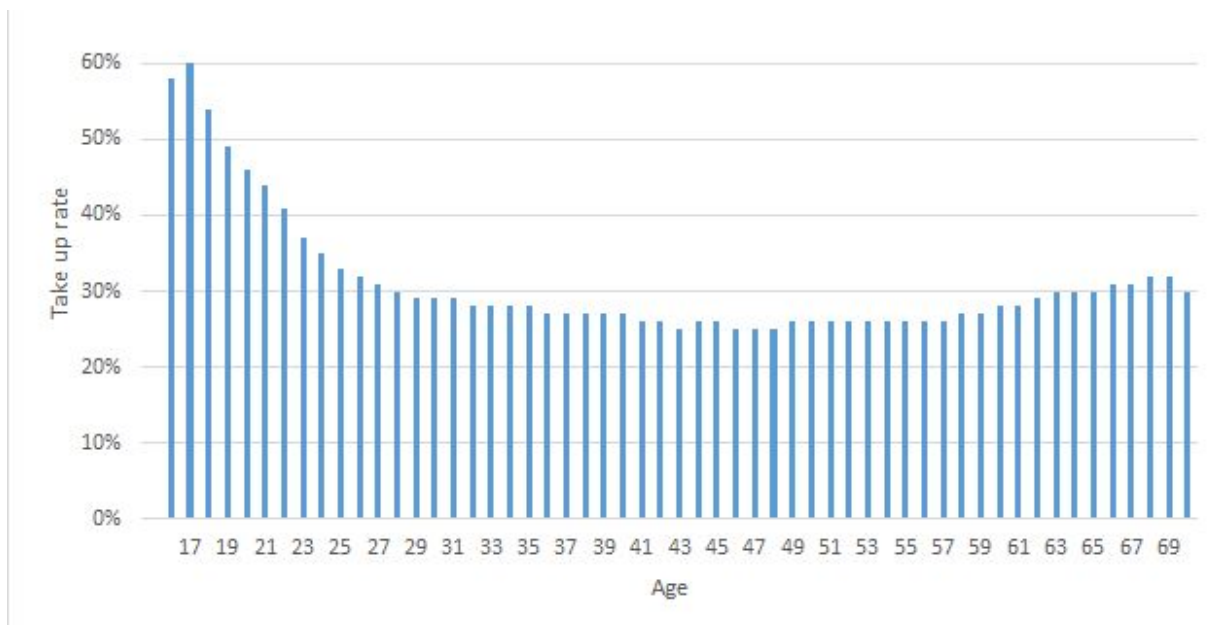
Furlough has disproportionately affected young people, who are overrepresented in 'atypical' or temporary, lower-paying and insecure work.⁸ Large proportions of young people are employed in the retail and hospitality sectors⁹ which continue to be among the greatest impacted sectors during the current crisis. Though a proportion have been furloughed or made redundant, many more are also losing hours and pay as a result of the current crisis. Therefore, it is young people who are potentially at the greatest risk of redundancy or reduction in hours and pay when the furlough scheme changes on 1st August and when it ends on 31st October 2020.

⁷ HM Customs & Revenue (2020). Coronavirus Job Retention Scheme (CJRS) Statistics: July 2020.

⁸ Resolution Foundation (2020). Young workers in the coronavirus crisis: Findings from the Resolution Foundation's coronavirus survey.

⁹ Resolution Foundation (2018). The kids aren't alright: A new approach to tackle the challenges faced by young people in the UK labour market.

Figure 5: Coronavirus Job Retention Scheme (CJRS) employments furloughed by age



Source: HMRC Coronavirus Job Retention Scheme (CJRS) Statistics: July 2020

Across Wiltshire the percentage of young people aged 18-24 now claiming work-related benefits, either Job Seekers' Allowance or Universal Credit, ranges from 9-12% in the constituencies of Chippenham and South West Wiltshire to 3-6% in Devizes.¹⁰ This is an increase from 3-6% in Chippenham, Salisbury and South West Wiltshire and from 0-3% in Devizes and North Wiltshire.¹¹ Similarly, the number of Jobseekers' Allowance or Universal Credit claimants nationally between the ages of 18-24 has doubled since March.¹² Wiltshire has not been spared the economic impact of lockdown on youth employment and job security as these figures show.

Online advice trends

Prior to the announcement of the Job Retention Scheme, there was a huge spike in interest in the redundancy pay pages on the Citizens Advice website, indicating many people were anticipating unemployment. But from the moment the

During the first three months of the pandemic the number 1 most searched for word on the Citizens Advice website was:

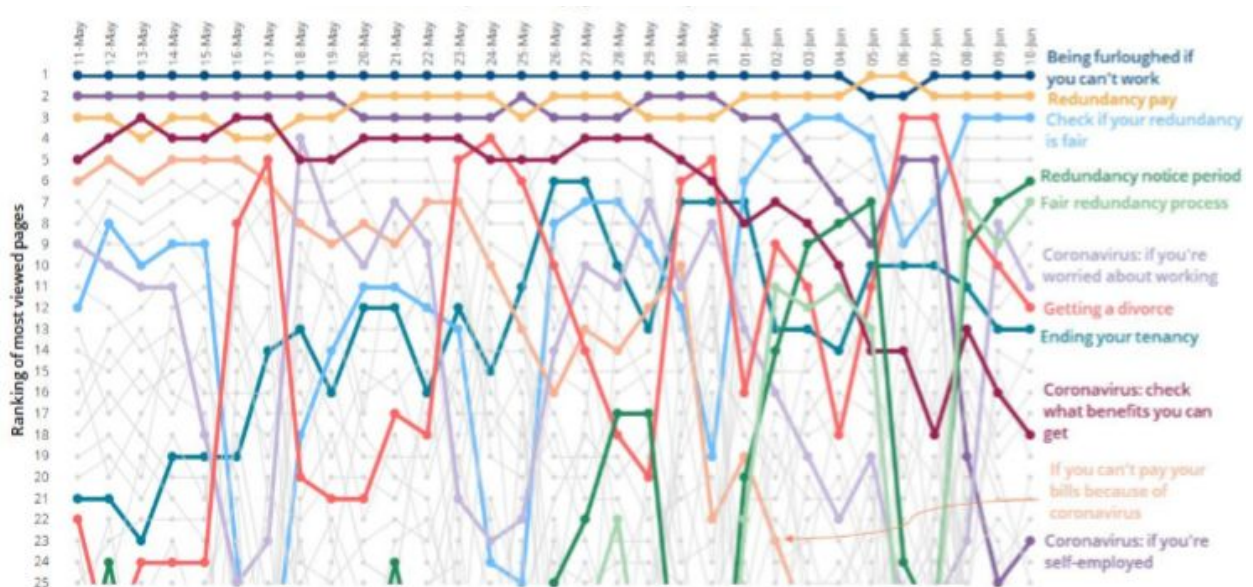
Month 1: Coronavirus
Month 2: Furlough
Month 3: Redundancy

¹⁰ HM Customs & Revenue (2020). Coronavirus Job Retention Scheme (CJRS) Statistics: July 2020.
¹¹ Ibid.
¹² BBC (2020). Coronavirus: Young people on benefits double in lockdown.

scheme was announced, the Job Retention Scheme commanded total attention - **for 72 straight days, advice on being furloughed was the most viewed page on the website.** However, as the furlough scheme begins to be withdrawn, the number of visits to redundancy advice pages has been rising. By June, **redundancy** emerged as the top search term on the Citizens Advice website, and the top 4 most viewed advice pages were:

1. Being furloughed if you can't work
2. Redundancy pay
3. Check if your redundancy is fair
4. Redundancy notice period.

Figure 6: Citizens Advice top 25 advice pages: 11th May - 10th June 2020



This was echoed locally in June, with frontline advisors helping one person every two minutes with a redundancy issue.

In July, more than 410,000 visits to the redundancy pages on the Citizens Advice website were recorded, compared to just over 70,000 this time the previous year and nearly 30,000 more than in the previous month.

Evidence Forms

As well as the number of employment queries we have dealt with, advisors also raise Evidence Forms when they have seen particular examples of where poor policies or poor practice has impacted on clients.

An exceptional number of evidence forms, 55, focusing on employment issues have been raised by advisors since the beginning of the lockdown.

The Furlough Scheme

In April and May, clients in vulnerable categories who were shielding reported being refused furlough and told to claim Statutory Sick Pay. Furlough was also refused to some pregnant women or those on maternity leave. Some employers used the situation to change work contracts to less advantageous terms and conditions, on threat of dismissal rather than furlough. One client reported being told to continue to work from home, despite being furloughed. There were also examples of employers who refused to engage with the furlough scheme or missed the deadline to register employees.

From June, as more employers ended furlough as they restarted their businesses, some clients were concerned because they considered that their employer had not instituted social distancing measures. Other clients were unable to return to work because of a lack of suitable child care arrangements or were living with shielding relatives, so were under threat of dismissal.

Self Employed Scheme

In May, in particular, examples were raised of clients who had found they were not eligible for the self-employment scheme.

Dismissals

Almost from the start of lockdown, from the end of March, clients reported immediate dismissals. From May, there were clients being dismissed because they were required to shield. In June and July, an increasing number of Evidence Forms reported dismissals following employers withdrawing from the furlough scheme. Many of these examples suggest dismissals not properly carried out, for example simply by email or text.

Increased insecurity of employment has been indicated. For example, one client reported in July that he had been made redundant with 3 months' pay, subsequently registered with an Agency and was sent back to the same company; as a result, his employer demanded he return his redundancy pay, before then dismissing him again as surplus to requirements.

Many clients who have lost their jobs have needed to apply for Universal Credit. Where clients received their final pay during the UC Assessment period, many have found that their first month's UC Award has been as little as £30-£40 because of the way the system calculates income.

Impact on Finances

Jobs, earnings and total incomes have been hit hard during lockdown. The lowest paid households have suffered the most as, compared with middle or higher income households, they had little or no opportunity to make savings through cutting down recreational and discretionary spending (e.g., on activities and experiences that just weren't available). The Institute of Fiscal Studies (IFS) Briefing Note 298 of June 2020¹³ calculates that the poorest households, by reference to pre-Covid incomes, have seen a fall in median household earnings of around 15%.

At the same time household debt has risen and whilst much enforcement action has been suspended, interest will continue to accrue and debt will continue to rise which will sooner or later have to be faced.

Protection

Some protection has been provided through increased benefits, the suspension of deductions from benefit payments, the furlough scheme, the protection for some self-employed and the suspension of recovery action for rent and council tax arrears, utility and water bills (and, in practice, for many other sorts of consumer debts where Covid-19 has impacted on the consumer's ability to pay.)

The IFS Briefing Note finds that benefit enhancements have in the short term largely protected "total incomes" of the lowest paid households by providing "insurance" against the loss of earnings experienced by many.

¹³ Bourquin, P. et al (2020). The effects of coronavirus on household finances and financial distress. Institute for Fiscal Studies.

What support has been available?

In a response to the pandemic, the Government brought in a number of schemes and changes to financially support those who found themselves with less income or unable to work due to lockdown restrictions.

The Coronavirus Job Retention Scheme (CJRS) - Furlough Scheme

The CJRS, also known as the furlough scheme, has run from March and will last until the end of October. This was brought in to help employers pay their workers during lockdown, even if there was no work for them to do. It works by providing grants to employers of up to 80% of salary to a maximum value of £2,500 per employee. The scheme is now closed to new entrants with only a few exceptions.

Flexible furlough

From July 1 an employer could bring someone back to work on a part-time basis. The employer will have to pay wages for any hours that an employee works. The amount of time an employee can work each week can vary over the month, with employers varying it week by week. An example of how flexible furlough works is shown in Appendix A.

Self-Employed Income Support Scheme (SEISS)

Those who are self-employed or a member of a partnership who have been adversely affected by Covid- 19 may be able to use this scheme to claim a grant.

This scheme allows those who are eligible to claim a taxable grant worth 70% of their average monthly trading profits, paid out in a single instalment covering 3 months' worth of profits, and capped at £6,570 in total. The scheme is now closed to new claims for the first grant but has been extended to cover a second grant to be claimed by 17th August 2020. The grant does not need to be repaid but will be subject to Income Tax and self-employed National Insurance. Further details, including who is eligible, how the grant is calculated and how to apply, are available by [clicking here](#).

Further Support for SE and Business

Other Coronavirus (COVID-19) support is available to employers and the self-employed, including sole traders and limited company directors. See the [Business Support Finder](#), an interactive tool on gov.uk that checks eligibility for a range of financial support, including loans, tax relief and cash grants, whether the business is open or closed.

Welfare Benefits

Those struggling financially may be [able to claim benefits](#) or get more money on their current benefits if their work has been affected by coronavirus.

For those already claiming benefits, such as Housing Benefit or tax credits, they can usually stay on one of these benefits unless something has changed. Those who haven't claimed benefits before may be able to get Universal Credit (even if they're self-employed or on a zero hours contract). The amount depends on their situation and earnings (including money from the Furlough or Self-employment Income Support Scheme).

Those who can't get Universal Credit (for instance, because they are above the savings threshold), may be entitled to 'new style' benefits - providing they have paid enough national insurance contributions. These benefits are available to those who are out of work (see [new style JSA](#)), or can't work because of illness or disability (see [new style Employment and Support Allowance \(ESA\)](#)).

[Statutory Sick Pay \(SSP\)](#) may be available to those who are following government guidance to self-isolate or are shielding. They won't be able to get statutory sick pay (SSP) after 1 August if they're shielding although they might still be able to get SSP if they can't work from home and it's not safe to go to work.

Struggling to pay bills

For those struggling to pay bills (such as mortgages, energy bills, council tax or court fines), there is help available ([click here to check](#)).

Payment holidays (for example, on mortgages, loans and credit cards) should be available to those whose finances are affected by coronavirus.

Further Initiatives

The Chancellor unveiled a range of measures ([Plan for Jobs - gov.uk](#)) designed to help support people and kickstart the economy. Plans include a new £2bn scheme to create thousands of job placements for young people and a new job retention bonus for employers who bring back furloughed staff.

Existing Legal Protections (Employment)

There are a number of existing employment protections available:

Redundancy Rights

Clients have redundancy rights if they are legally classed as an employee and have worked continuously for their employer for 2 years before being made redundant. During the coronavirus (COVID-19) pandemic, employees have the same redundancy rights, including redundancy pay.

Changing an employment contract

Due to the current circumstances, an employer may be looking to reduce an employee's pay or change their hours of work. Under certain circumstances (see here), an employer can make a change ('variation') to an employment contract. An employer can force a new contract on an employee, although this should be a last resort and could lead to legal action.

Employment prospects

The Furlough and SEISS schemes end on 31st October 2020, with employers having to make contributions to furlough payments from August onwards. Employees will either return to work or be made redundant. There will be two immediate pinch points: early-mid August and again in early-mid November.

Employees with less than two years' employment will not be entitled to statutory redundancy pay so will only receive their contractual or statutory notice (reasonably assumed to be one week in most cases) and any arrears of holiday or sickness pay.

Employees may also be required to return to work in circumstances where they are not able to do so (e.g., because of Covid-related lack of available childcare) or where they are not sure they can do so safely. There will be an increase in people looking for work. Official employment figures show only a small decrease in the employment rate up to May 2020 (as furloughed employees and the protected self-employed count as employed) but the number of hours actually worked exhibited a record fall.

It is reasonable to anticipate available jobs will be fewer, as businesses close and as new ways of working requiring lower headcount have emerged and become embedded. Young adults coming out of school or college may find particular difficulties in finding entry-level jobs.

In the absence of available work, previously protected households will be applying for benefits and will receive what is likely to be a much lower household income than their anticipated earnings.

Self-employment

The ONS July figures show a record quarterly decrease (March-May) (reference) in the number of self-employed workers. For those that were protected, the self-employed income support scheme ends with a final payment in August and those affected will be dependent on generating an income (in a much more difficult economic climate, where many people will be controlling their spending) or going on to benefits.

Increase in priority debt

The IFS report shows that for April and May 2020 the amounts of payments for Mortgages, Rent, Council Tax and, for the lowest paid households, utility bills all reduced significantly in comparison to what would have been predicted by them pre-Covid. Some of this will be due to welcome payment holidays but that now represents a stored-up problem.

The IFS calculated that the average January 2020 household bills for rent, council tax and utilities which were then not being paid in May 2020 totalled just under £1,000.

This all points to a regularly increasing and unsustainable household debt building up in the form of arrears and/or borrowing to fund everyday spending and catching up with missed payments during the Covid period.

The suspension of recovery action for rent arrears ends in August so that eviction procedures will restart and over time recovery action for council tax, utility and water bills will recommence, with bailiff action re-starting from mid-August.

Consumer debt will start to be collected again and debt collectors will no doubt show less “forbearance” than has been required by the FCA during lockdown.

What happens next?

People affected by a worsening financial situation following the ending of lockdown protections will have to:

- find ways of increasing their incomes and / or reducing their spending;
- find ways of dealing with their priority creditors which may mean negotiating individual deals with landlords, mortgage lenders, councils, and energy and water companies;
- consider how to deal with pre-Covid creditors who have been holding off collection action;
- make sure they keep a roof over their heads, or risk becoming homeless;
- consider how to deal with short term and other lenders, who may have been used during the pandemic.

However, it is likely that not everyone is equally likely to be impacted. The latest research from Citizens Advice shows that parents, carers and disabled people are twice as likely to face redundancy.¹⁴

The need for accessible advice and guidance will rise, probably significantly, and agencies and funders will have to work out how this is best done.

¹⁴ Citizens Advice (2020). Parents, carers and disabled people at least twice as likely to face redundancy, warns Citizens Advice.

Appendix A

An example of flexible furlough

You work a 40-hour week, and you earn £1,000 a month for that. On furlough, you don't work and you get £800 a month.

You go back to work for 10 hours a week, so you'd earn £250 a month for the work you do (a quarter of your "normal" pay). You are still furloughed for 30 hours a week, so you get three quarters of your monthly furlough pay – that's £600.

Adding it up, you'd get a total of £850 a month working those 10 hours, compared with £800 on full furlough.

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