



## IPPR response to Reset inquiry

### **Part Two: Resetting UK Society after Covid-19**

#### **1. What should be the primary aims of a post-Covid economy, and how should progress against those aims be measured?**

We propose nine criteria to prioritise the types of investment projects to deliver the clean and fair post-covid recovery:

1. Sufficient scale. Investment in a green recovery will need to be big enough to reverse the scarring effect left by the Covid-19 crisis and stimulate substantial job opportunities for people who have been made unemployed because of the crisis.
2. Environmental benefits. The investment package overall must put the UK on a path to net zero and the restoration of nature. All judgements on investment should be grounded in the environmental benefits and emissions savings they can achieve.
3. Job creation. There must be investment in projects with the potential for high- quality, well-paid jobs. This should consider both the 'core' workers needed to deliver a project, but also jobs created through second round effects, such as suppliers and distributors, planners and administrators.
4. Promote local sustainable production and consumption. Projects which shift to more localised production can make consumption less resource-intensive, reduce commuting and increase overall wellbeing. A community wealth building approach may help deliver this shift in practice.
5. Resilience benefits. Investment should prioritise projects that have a clear benefit to both mitigation and adaptation efforts to ensure the UK is well prepared for future threats, including from global heating such as extreme weather events.
6. Targeted investments. The investment should be targeted at workers and businesses that have been hardest hit by Covid-19. The pandemic is no fault of any worker who has lost their job or seen their hours reduced. From a fair perspective, it is imperative that investments provide workers with job security by stimulating demand for skills and decent work in high-demand low-carbon products, services and new industries.
7. Timeliness and feasibility. For the first phase of the recovery, the focus should be on projects that have short set up times. Often these will be projects are well established (such as home insulation) or those that already have some government schemes in place which can be scaled up.
8. Trigger a transformational second phase of the recovery. In the second phase of recovery, investments must target projects essential for the transition with longer lead-in times. For instance, these could be areas that require concerted investment in research & development first (such as hydrogen infrastructure), before deployment can occur.
9. Fair distribution of costs and opportunities. The costs of policy measures must be fairly shared and those with the broadest shoulders should bear the greatest burden. The poorest communities and households, who are least responsible for the climate and nature crisis, must not pay disproportionately or at all. Moreover, it will be important to ensure that the opportunities of the recovery are also fairly shared.

More details [here](#).



**2. What shape should government stimulus packages have if they are to deliver an economy that is greener and fairer, and what should they include? We are particularly interested in evidence that shows how any stimulus package might this contribute to:**

- a. government commitments to ‘levelling up’**
- b. the UK’s equitable contribution to the 1.5 degree temperature goal of the Paris climate agreement**

Priority investments and programmes

- **Homes and buildings:** Deliver a large-scale energy efficiency programme to significantly raise the energy efficiency of the nation’s homes and buildings and drive an ambitious low-carbon heat programme preparing every home and building for the transition to heat pumps, district heating or hydrogen. Investment must be targeted at fuel poor households and social homes first. Embark upon a mass zero carbon social home building programme delivering high energy efficient homes, creating jobs and tackling the shortage of affordable homes.
  
- **Nature restoration:** Invest in tree planting and peatland restoration across the country. This should include the expansion of green spaces including parklands, with a particular focus on deprived areas without current access to green space to ensure fairness and justice is at the heart of these schemes.
  
- **Transport infrastructure:** Invest in electric vehicle uptake and charging infrastructure to significantly ramp-up the uptake of low carbon travel. Support measures should be targeted at poorer households who are dependent on road travel but might not have the resources to switch. Invest to significantly expand low carbon public transport infrastructure by bringing forward investment in rail and electric buses and bus networks. Such investment, in buses in particular, will benefit poorer households who are disproportionately reliant on the bus network for their travel needs.
  
- **Industry:** Provide financial support mechanisms for Carbon Capture and Storage (CCS) and hydrogen clusters which will have a critical role in delivering a net zero economy. Upfront investment is required by government for the successful development of this industry and it will provide a boost to the local economies where these sectors are based.
  
- **Social infrastructure:** Invest in adult social care which is an essential public service and a growing part of our economy. Invest in the National Health Service which the Covid-19 crisis has already exposed as being under significant strain.

Other areas for investment

- **Digital Infrastructure:** Invest in broadband to ensure there is adequate connectivity across the country and lock-in the positive behavioural changes seen since the onset of Covid-19.
- **Energy generation, storage, and distribution:** Invest in the extension and modernisation of the electricity grid. This will require investment in the production of zero carbon energy, energy storage infrastructure and interconnection.



- Research and development: Investment in research and development to driving innovation, supporting new start-ups and small and medium-sized enterprises, with consideration of equity stakes for government to share the proceeds of success.
- Education, skills and training: The recovery plan and shift to the zero-carbon economy will inevitably require new skills and widespread training initiatives. This will demand a number of particular initiatives including:
  - a Right Start Guarantee comprised of three bold measures i. the reform of welfare support for young people ii. Reform of the Apprenticeship Levy iii. the creation of Right Start Fund to support those young people that are not ready for the labour market or apprenticeships
  - a Just Transition Fund to be established as part of regional economic development funding to help the drive towards a net zero economy and to ensure those negatively disrupted are given the resources and support to succeed in the future. The UK government should capitalise the fund with an initial down-payment of £5 billion.

#### Regarding levelling up:

In our [work on a green recovery](#) we estimate the geographical distribution of clean recovery jobs. We found that across England, Wales, Scotland, and Northern Ireland, clean recovery investments outlined above could help fill three quarters of the jobs gap caused by covid-19.

Three aspects are worth highlighting.

- First, we find that the unemployment impact could be broadly proportional to the size of a country's (and region's) labour markets.
- Second, we find that jobs creation potential is broadly equally distributed throughout the UK. That is, the same types of jobs opportunities are broadly present across countries of the UK.
- Third, there are some differences in clean jobs creation opportunities. For instance, as a share of its labour market, Wales has a relatively bigger role for CCS and hydrogen jobs creation, thanks to an industrial cluster in South Wales. Scotland has a relatively larger jobs share in nature restoration due to ambitious afforestation targets. Wales and Scotland have a relatively larger share in rail expansion jobs. And England has a relatively higher share in social housing jobs creation opportunities, due to the large shortfall of social housing there.

### **3. What training is needed for people to be able to take up the jobs created by such investment, and how might national government put in place measures to distribute available work more equitably, and address intergenerational inequity?**

We will publish research on this soon.

### **4. What contribution might the following policy proposals make to ending wealth, income and pay inequality?**

**- Some kind of universal basic income or minimum income guarantee, and what form should this take?**

Our most immediate demand in this space is fundamentally invest in and reform universal credit, to ensure a minimum income is guaranteed for those currently on low incomes.



We recommend it address what we call the ‘security’ deficit at the heart of our society – the prevalence of low incomes, precarity, debt and destitution. Ahead of the general election, we are calling on political parties to reverse the impact of the benefits freeze and invest in the social security system by:

- removing the benefit cap at a cost of £295 million.
- reversing the impact of austerity measures in either of the following ways:
  - removing the ‘two-child limit’ and partially reversing the benefit freeze at a total cost of £3.8 billion, or:
  - removing the ‘two-child limit’ and fully reversing the benefit freeze at a total cost of £5.6 billion
- lowering the universal credit taper rate and increasing work allowances, including introducing new work allowances for second earners and single parents who have been unfairly penalised by universal credit – at a cost of £2.5 billion.

We also recommend a package of reforms to correct some of the most damaging features of universal credit, including reducing the assessment period for UC from one month to one week; cutting the initial wait for UC from five to two weeks; introducing a three-month ‘breathing period’ before debt deductions are made to UC payments and extending the debt repayment period to 24 months, lowering the cap to 20 per cent; limiting the severity of sanctions; and sparing the most vulnerable from sanctions altogether.

#### **- A shorter working week and how should this be implemented?**

##### Furlough scheme related action:

The UK government should extend the flexible furlough scheme to facilitate short-time working while the economy is subdued and until a recovery has been achieved. This would see employers continue to access wage-subsidy support for workers, with the scheme ending when economic conditions allow, rather than an arbitrary cut-off date. The scheme should be extended to new applicants, including new employees, to protect against job losses and share available work, keeping a greater number of people out of unemployment and connected to the workplace. This reformed scheme could form the basis of a more permanent offer to firms struggling from economic shocks, as in Germany.

More detail [h ere](#).

##### More general policy action on working time:

There has been recent interest in the proposal for a four-day week (Stronge and Harper 2018; TUC 2018; NEF 2019). A 20 per cent reduction in working hours is substantial and requires a phased plan for how to reach it. A four-day week is also not an arrangement of working time that will suit everybody equally: a shift to a four-day week may be less useful to the parent wanting to pick up their child from school than a flexible allocation of hours off, for instance. And those who do not currently work five days a week (of whom the majority are women) would not stand to benefit under some versions of the proposals. To reduce working time equitably, we recommend an increase in annual leave entitlements, a proportion of which could be in the form of bank holidays. Increased annual leave entitlements provide a mechanism by which to phase-in reductions in working hours over



time, benefitting part-time workers as well as full-time, and ensuring recipients have flexibility over how they use the additional hours.

This change would be welfare-improving for the typical UK worker, as we know that annual leave is valued highly: a recent paper has assessed that the average UK worker would be willing to pay 35 per cent of their hourly pay to gain 28 days paid annual leave as well as 16 weeks occupational sick pay, compared to no holiday or sick pay (Datta 2019). Increases in productivity could enable faster additions to annual leave entitlements. Indicative analysis suggests that a 2 per cent real increase in productivity could be sufficient for an additional week of leave for workers, keeping output constant.<sup>18</sup> But increased annual leave entitlements could also stimulate faster adoption of productivity-enhancing measures by employers. In order not to incentivise the bogus classification of workers as self-employed, and to ensure ‘workers’ receive these rights as well as employees, this recommendation would need to be accompanied by strong enforcement of employment rights.

As a first step, we have recently recommended a national holiday in recognition of the contribution of key workers through the pandemic. Next year will be the 150th anniversary of the original Bank Holidays Act. We recommend that government consider introducing a new bank holiday, to celebrate the health and care workforce – both in reaction to Covid-19, and their wider contribution to society. This should be the first step in a longer-term plan to increase bank holiday and more flexible annual leave entitlements.

More detail [here](#).

### **- A job guarantee and how might this work?**

We would argue that currently the best way to ensure good jobs are being created is through public investment in key areas.

Building on the areas for priority investment in our response to question 2, we estimate that they could together create 1.6 million jobs over the next decade. This means clean recovery investments could generate about three quarters of the jobs expected to be lost during the Covid-19 crisis. These jobs would be broadly equally distributed throughout the UK. They include the following areas:

- Low-carbon, home-related investments (energy efficiency, low-carbon heat and zero carbon social homebuilding) could generate more than 560,000 jobs.
- Closing the huge gaps in social care and in health care could create up to 700,000 jobs by 2030. Jobs in these areas fulfil pressing social needs and at the same time are in line with a low-emission economy.
- Investing in better public transport – such as rail and electric bus services – as well as sustainable urban transport can be a jobs locomotive. Investments in these areas could help generate more than 230,000 jobs.

More details [here](#).

## **5. Should there be conditions (or exclusions) applied to government support for particular**



**industries, and if so, what should they be?**

Yes, we signed [this recent letter](#) to the PM in which we outline the broad strokes of conditions for firms.

In addition, as highlighted in our [recent working paper](#), there is a case for creating a national wealth fund which takes ownership stakes in firms, based on retrospectively applying conditions.

**6. What mix of investment and changes to taxation would be needed to deliver a government stimulus package that resets the economy so that it is green and fair?**

We will publish research on this soon.

**7. What changes are needed to the structure of public and private finance to support a fair and green recovery?**

We will publish research on this soon.

**8. What kind of businesses we need to deliver a fair and green economy, and how should they be owned and run?**

The unequal ownership of capital in the economy is a powerful driver of inequality. With the share of national income going to capital having increased in recent decades, and likely to rise further, new models of company ownership are needed to reduce inequality and ensure the benefits of growing national wealth are widely shared.

The aim of ownership reform should be two-fold: to give more people a share of capital, both as useable wealth and for its income returns; and to spread economic power and control in the economy, by expanding the decision rights of employees and the public in the management of companies.

There are three different ways in which ownership can be spread more widely:

1. the establishment of a national Citizens' Wealth Fund, giving the public a share of corporate and other assets;
2. the expansion of employee ownership trusts, which give employees majority ownership of companies; and
3. the growth of co-operative and mutual firms.

Detailed proposals [here](#).