

## **Unite response to Treasury Committee call for evidence on Government's Coronavirus financial package**

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**This submission is made by Unite, the UK's largest trade union with over one million members across all sectors of the economy including manufacturing, financial services, transport, food and agriculture, construction, energy and utilities, information technology, service industries, health, local government and the not for profit sector. Unite also organises in the community, enabling those who are not in employment to be part of our union.**

### **Executive Summary**

- Unite supports the TUC call for the Government to convene a taskforce of trade unions and business to strategically lead and work together in developing the range of support measures needed and the detail of those measures.
- Government policy interventions to support our economy, businesses, households and local communities must recognise that as a country we do not start from a position of strength in terms of the overall economic situation and its ability to withstand shocks and the low financial resilience of households, (paragraphs 5 – 12).
- Unite believe the measures announced so far by Government are welcome and has demonstrated the vital importance of trade unions being fully involved to bring the breadth and depth of experiences of millions of working people to Government. This approach must continue to be built on and there is an urgent need to continue to build on the measures announced so far such as increasing the level of Statutory Sick Pay and widening access to it, and increasing benefit levels as part of ensuring people receive an income they can live on and to ensure the lowest paid and self-employed are properly protected. There is also a need to lower the costs faced by households, and protect them from damaging debts, (paragraphs 13 – 24).
- The Coronavirus Job Retention Scheme is a breakthrough and very welcome step. Unite believe it must continue to be built on; as with all forms of business support it must come with job guarantees for people and ensure it works to the maximum possible benefit. All mechanisms must be simple, straightforward and fast, (paragraphs 25 – 26).

- Unite is working with sectors who are facing differential impacts to develop sector specific responses and solutions. These will continue to evolve over the coming weeks and months, (paragraphs 27 – 36).

## Introduction

1. Unite members have deep concerns about their health, the health of their families and friends, and concerns about the future and what it holds for them, their jobs, their families and communities. We must not allow a public health crisis to become an economic crisis. It is clear that the measures necessary for protecting people's health are already severely impacting upon the economy. Unite welcome the Prime Minister and Chancellor's commitment to doing 'whatever it takes' to see the country through this crisis. As a union we wish to work constructively with the Government in achieving this. People need their government now more than ever to take action in securing their jobs and incomes and to reduce the uncertainty and insecurity ahead, wherever it can do so.
2. Unite believe there will be a continuing and evolving need to put in place a comprehensive package of financial measures **that enable people to follow government advice and protects households financially, limits the damage to our economy and therefore minimises damaging repercussions for our fragile economy** in what is already an extremely worrying situation for people and businesses and **equips our public services to meet the crisis when they are already overstretched**. These are likely to have to take different forms of direct and indirect payments and transfers.
3. In a fast moving and evolving situation measures highlighted in this response at this current time are not exhaustive of the measures that will need to be taken. This response is also focused on the financial package of measures as outlined by the Government so far, in line with the parameters of this call for evidence – it does not touch on non-financial measures apart from where they are directly linked. Unite is also engaged directly with thousands of employers at this time and directly with industry level bodies to negotiate packages of support for workforces and changes in work patterns that achieve the goal of protecting people, households, jobs and our industries for the future.
4. Unite supports the call of the TUC for the Government to convene a taskforce of trade unions and business to strategically lead and work together in developing the range of support measures needed and the detail of those measures. The Government should give a lead to employers at this difficult time– instructing them to work with trade unions and in conjunction with their workforces to find solutions.

## The fragility of our starting position

5. In finding the appropriate solutions and policy interventions at this time and over the coming weeks, months and possibly years in terms of the economic repercussions there needs to be a proper acknowledgement of the problem – as a country we do not start from a position of strength in terms of the overall economic situation and its ability to withstand shocks and the low financial resilience of households.
6. Prior to the impact of Coronavirus, GDP in the last quarter of 2019 was flat (0%, October to December 2019) and last year overall was one of the slowest rates of growth since the financial crash in 2008. Under this headline figure, manufacturing is in recession having had three consecutive quarters of contraction and worryingly service industries recorded a growth rate of just 0.1%, the weakest since mid-2016<sup>1</sup>.
7. It is important to translate these headline growth figures for the country into the economic situation faced by households and local communities before the Coronavirus outbreak, in what we know is a deeply unequal country. There are currently 8 million people living in poverty despite being part of a working household, with 70 per cent of children living in poverty are in households where at least one adult works, and child poverty stands at 4.1 million<sup>2</sup>.
8. Unsecured debt is any debt that isn't backed by property. This includes credit cards, purchase hire agreements and student loans, and excludes mortgages. Analysis by the Resolution Foundation in January 2020 found that there has been a “spread of consumer debt, and specifically the extent to which low-to-middle income households are increasingly exposed. Over the past ten years there has been a 10 percentage point rise in the proportion of lower-income households using some form of consumer credit (excluding student loans)... Despite a decade of low interest rates, the burden of debt remains substantially higher for those households at the bottom of the income distribution”<sup>3</sup>.
9. This has been driven by the sluggish recovery in wages and incomes since the financial crash – with pre-crash levels in wages only being reached in February 2020. It has also left households with low levels of savings; 60% of low to middle income households report having no savings at all. This is higher than in 2007 when the figure was 40%<sup>4</sup>.
10. TUC analysis, again done prior to the Coronavirus outbreak, found that “[there were] 31,000 individual insolvencies in the third quarter of 2019 alone. Across the first three quarters of 2019, there were over 93,000 insolvencies in total - the highest level at this point of the year since 2010. The insolvency rate (the number of insolvencies per 10,000 adults) has been

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<sup>1</sup> ONS, GDP first quarterly estimate: October to December 2019, release, 11<sup>th</sup> February 2020

<sup>2</sup> TUC, 28<sup>th</sup> March 2019, blog: Our Broken Economy has Locked Millions of Workers into Poverty. It can be accessed online at: <https://www.tuc.org.uk/blogs/our-broken-economy-has-locked-millions-workers-poverty-heres-how-fix-it>

<sup>3</sup> Resolution Foundation, January 2020, An Outstanding Balance. It can be accessed online at <https://www.resolutionfoundation.org/publications/an-outstanding-balance/>

<sup>4</sup> Resolution Foundation, August 2019, A Problem Shared? It can be accessed online at: <https://www.resolutionfoundation.org/publications/a-problem-shared/>

consistently growing since 2015. It currently stands at 27.5, a rate we haven't seen since the lead up to the financial crisis"<sup>5</sup>.

11. Putting these pieces together gives us a picture of a country where very many more households are closer to the financial edge now than when we experienced the impact of the financial crash and the foundations of our economy are even more fragile now compared to then. This makes the case for an ongoing and significant stimulus package for the economy as a whole, for specific industries that are coming under particular pressures and crucially for interventions to support households themselves.
12. We are of course also entering this crisis at a time when our public services, our NHS, local authorities, social care and others have been savaged for a decade with deep cuts in funding. This has weakened the ability of our public services to respond to crises; public service workers were already dealing with extremely high workloads. Unite believe that as part of developing solutions at this time there must be a focus on solutions that strengthen the resilience of the foundations of our economy and of households now and going into the future – addressing the insecurity that many face in their jobs, earnings, and protecting the industries and sectors we need now and into the future.

## **Protecting households from hardship**

13. Unite believe there is an urgent need to ensure that people receive an income they can live on, lower their potential costs and prevent damaging debts. As part of this Unite support the calls of the TUC in their report 'Protecting workers jobs and livelihoods', namely to ensure that business support measures are conditional on support for jobs; to fix the sick pay system to provide better sick pay for all; the introduction of targeted support for parents who need to take time out of work to care for children; greater provision of help to households and as highlighted above, to bring together a taskforce of unions and employers to help co-ordinate the national effort.

*Ensuring people receive an income they can live on*

14. Unite believe there is a need to ensure people receive an income they can live on. We note the analysis by the Resolution Foundation, supported by the experience of Unite across different industrial sectors, that *"across the distribution of weekly pay, or through the lens of occupation and sector, being able to work from home is very much a higher-paid phenomenon. The implication is that as with the sectors most at risk from immediately reduced demand, broader reductions in the ability to be physically present at work put the hours and jobs of lower earners at threat the most"*<sup>6</sup>. As highlighted in paragraphs 7 – 9 above, these workers are also

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<sup>5</sup> TUC, 10<sup>th</sup> January 2020, blog: Our Government must address burgeoning household debt. It can be accessed online at: <https://www.tuc.org.uk/blogs/our-new-government-must-address-burgeoning-household-debt-crisis>

<sup>6</sup> Resolution Foundation, March 2020, Doing What it Takes. It can be accessed online at: <https://www.resolutionfoundation.org/app/uploads/2020/03/Doing-what-it-takes.pdf>

the most likely to have unsecured debt and little to no savings. There continues to be an urgent need for a strengthening in the support going directly to households.

15. Unite support calls from the TUC and others that there must be an urgent increase in the level of Statutory Sick Pay (SSP). For a two week period of self-isolation on SSP in the UK at the current rate you will receive £188.50. The average weekly wage is £471<sup>7</sup>, meaning that SSP is on average 20% of a person's wage. Over two weeks this is potentially an average loss of £753.50. Further, the TUC have suggested that figures show that 7.2 million employees (26%) are only entitled to SSP<sup>8</sup>. Many households will not be able to cope with such a drop in income. Unite support the call of the TUC to raising the level of SSP to the level of the real living wage and call on the Government to build on the measures it has announced so far in this way.
16. As well as an increase in the level of SSP there has to be a widening of access to SSP so that it covers those with very low earnings, approximately 2 million people. This can be achieved by abolishing the lower earnings threshold for Statutory Sick Pay.
17. There are 5 million self-employed people are currently being pushed towards the benefit system as they do not qualify for SSP. The increase of benefit levels to being equivalent to SSP is welcome as a step forward, however this is still for households a large drop in income to current SSP levels and now equivalent benefit levels. There should urgently be a further increase in benefit levels, both ESA and UC standard allowance, alongside an increase to SSP, and related child and housing elements as well as other adjustments within the benefit system that can act to increase income received from benefits. This includes ending the two-child limit and the five week wait for Universal Credit, ending the Bedroom Tax and Benefit Cap. Additionally, while the removal of the minimum income floor for self-employed people to Universal Credit is welcome step in the right direction there should also be a removal of the means testing and savings threshold to ensure people qualify.
18. There is a need for greater information on how the Hardship Funds will work, what they will cover and how they are allocated.
19. As part of ensuring people's livelihoods and future incomes we need to prevent job losses – this is of huge concern to Unite members. Unite initial comments on the Coronavirus Job Retention Scheme are included below, paragraphs 25 - 26.

#### *Lower potential costs*

20. Unite urges the consideration of payments in kind that can lower the potential costs that households face. Unite welcome that electricity and gas suppliers have agreed to a package of measures to prevent the most vulnerable households on pre-payment meters being cut off but

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<sup>7</sup> ONS, 17<sup>th</sup> March 2020, Average Weekly Earnings in Great Britain March 2020

<sup>8</sup> TUC analysis using DWP figures

believe there is a need for a broader look at how households may cope with higher utility bills created by home working and action that can be taken to address this and to limit the bills people face.

21. Further, Unite has welcomed its discussions with the Government and the actions of some authorities such as Greater Manchester in relaxing rules on bus passes to enable older people to travel free at different points in the day to enable them to better access the specific hours supermarkets are making available for older people. Unite have also called for taxis to be used to enable older people to travel while social distancing – this should be done without the cost being borne by individual households. Co-ordinating responses to such needs may be an evolving role for the Community Hubs announced by the Government. The ending of free TV licences for 75 year olds and over should be suspended permanently. There are likely to be other solutions and ideas to emerge over the coming days, weeks and months; Unite would suggest in such an unprecedented situation we should continue to think creatively about how we utilise the many resources we have as a society for the collective benefit and protection of people.
22. An area in which there needs to be further exploration of and creative thinking in such an unprecedented situation is how we can control the cost of essential food and household supplies and medicines to ensure that people do not face spiralling costs. Unite have long supported food security being recognised as fundamental to people's well-being and welcome this being more broadly acknowledged.

#### *Prevent damaging debts*

23. Unite believe there needs to be a strengthening in the mechanisms being put in place to protect people from entering into, or slipping further into, damaging debt. The adjustments to the Local Housing Allowance will relieve the pressure on some households in areas where rents have grown rapidly in recent years. However, Unite notes there are a number of areas that will not see any increase. Unite believe that alongside those with mortgages there needs to be greater steps to help all renters by addressing the housing costs they face, and support the calls for an end to evictions during this time.
24. Unite additionally support calls from the TUC and others on freezing Council Tax bills and debts, and for councils to not take action against those with council tax arrears. Unite believe the government should bring forward secondary legislation on protecting people from action on debts – its own 'breathing space' policy is allowed for in primary legislation and just needs secondary legislation to be enacted and would protect people from action being taken against debts - and should suspend overdraft costs.

## **Supporting sectors and industries to limit the economic crisis**

25. Unite welcomed the announcement on the Coronavirus Job Retention Scheme on Friday 20<sup>th</sup> March as “historic, bold and very much necessary”. It has been an important breakthrough and Unite want to work with the Government to continue to build on this measure. Unite believe that as part of this scheme, and other measures of business support available, there must be attached conditions on people being kept in employment. The Coronavirus Job Retention Scheme should also be extended to the self-employed, including the million bogus self-employed in the construction industry. There must also be exploration of how workers who have to take time off work to care for family members can be included in the scope of the scheme.
26. Unite believe the mechanisms available to support businesses need to be simple, straightforward and fast. There needs to be a large scale public information campaign to ensure that the full range of businesses – not solely large, well-established businesses, are able to take up the schemes and people are aware of the full-range of support available to their business and their household.
27. As well as the above underpinning support for all businesses and industry – and the continuing requirement to develop these measures and build on them there are also additionally requirements for sector specific interventions. Some of these are given below, however these will continue to evolve and develop as the situation unfolds and Unite will continue to work with business, industry bodies and government wherever possible to secure the support industries and our members need.
28. Unite believe there is a not only a need for an overarching body that brings together trade unions and business called by the government there is also a need within specific sectors for such an approach. Retail and hospitality is one such area where there is an urgent and on-going need.
29. As mentioned in paragraph 6, manufacturing was already in recession before the onset of the Coronavirus. As well as the general business support available Unite would suggest that mechanisms such as using public procurement to support supply chains providing jobs in Britain are also utilised as much as possible. This is a call Unite have long made, and suggest that its importance has grown. Further mechanisms to support manufacturing, and particular sub-sectors within manufacturing, will continue to emerge in the coming days, weeks and months. This includes ensuring that mechanisms of support announced so far, and in future, do not have unintended consequences and work in conjunction with any industry or company agreements negotiated with trade unions to protect jobs, such as where appropriate short-time working. This is an issue across several sectors – this is a potentially a particular issue in manufacturing and across transport.

30. As highlighted above, Unite welcome the move to designate transport and food workers as key workers.
31. Unite, alongside sister aviation unions across Europe, have devised a four point plan, which the government should adopt to ensure the whole industry survives:
- The government to make contributions to cover workers' pay to ensure that the UK's aviation infrastructure remains intact.
  - The extension of loans to airlines and airports and other aviation companies to enable them to ease the pressure of the immediate pay back of loans and to assist in the retention of staff and the preservation of routes.
  - A delay in the payment of taxes and duties that airlines are obliged to pay including a temporary suspension or reduction in Air Passenger Duty (APD).
  - Government to support routes through subsidies under public service obligation rules, which are tied to long-term environmental commitments as part of an integrated sustainable transport network.
32. Within civil society, a number of charities, campaigning organisations and NGOs have highlighted the impact upon their work – and for many in particular who are facing sharp drops in donations at a time when they are being called upon to give benefit and financial advice, legal and advocacy support, support to people's mental and physical health. Many of these organisations underpin community networks that will be important in the coming weeks and months. Unite believe additional monies should be allocated to the Big Lottery Fund for distribution.

### ***Equipping our public services***

33. Unite supports the calls made by the TUC and others for the urgent additional funding of local authorities, social care and the JobCentre Plus as well as the NHS to meet the increased demands placed on services at this time and over the coming weeks and months. Local authorities, social care and other areas of public services have all faced deep cuts for a decade – indeed, local authorities have borne the brunt of cuts yet will need to urgently scale up capacity as the body that will have to be the vehicle for delivering much of the help needed by households and local communities. Scaling up and building capacity in these other areas will also be a preventative step on relieving some of the demand on the NHS in future.
34. There is clearly an issue of not just funding, but being able to use the funding to put in place the logistics needed to scale up capacity and to deliver services – for example, the



requirement for urgent provision of Personal Protective Equipment across the NHS, social care and public health workforce.

35. In kind benefits through public services and measures to reduce the costs that households face should also be considered, for example, the ending of NHS car parking costs for staff and others at a time when people are being discouraged from using public transport as much as possible.
36. There should also be additional funding for housing associations to relieve pressure on their finances caused by tenants who are unable to make rent payments at this time. As highlighted above, local councils should also act responsibly and not take action against council tax and rent arrears and debt at this time.

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