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Online

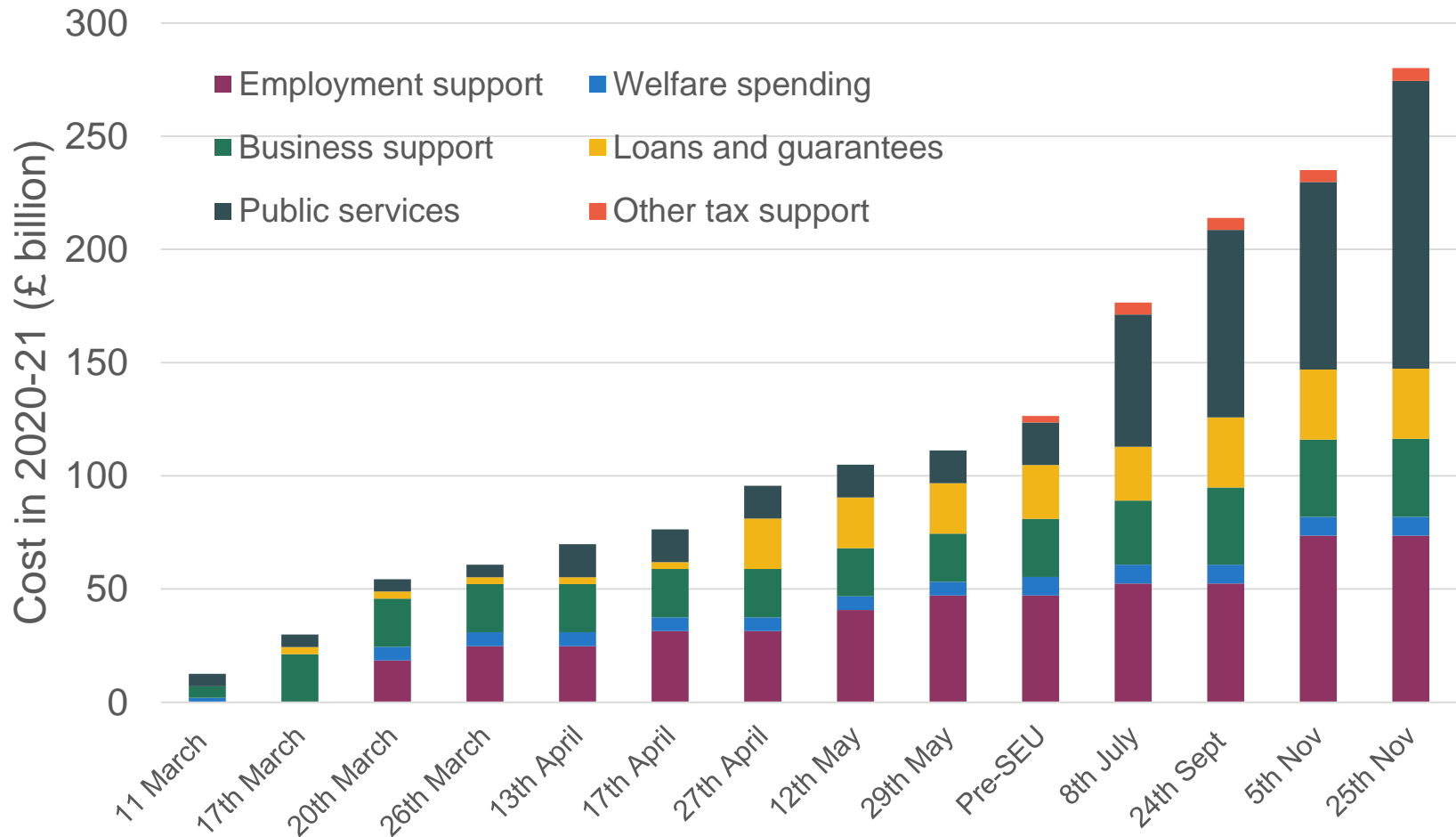
@TheIFS

The future of pandemic support for households



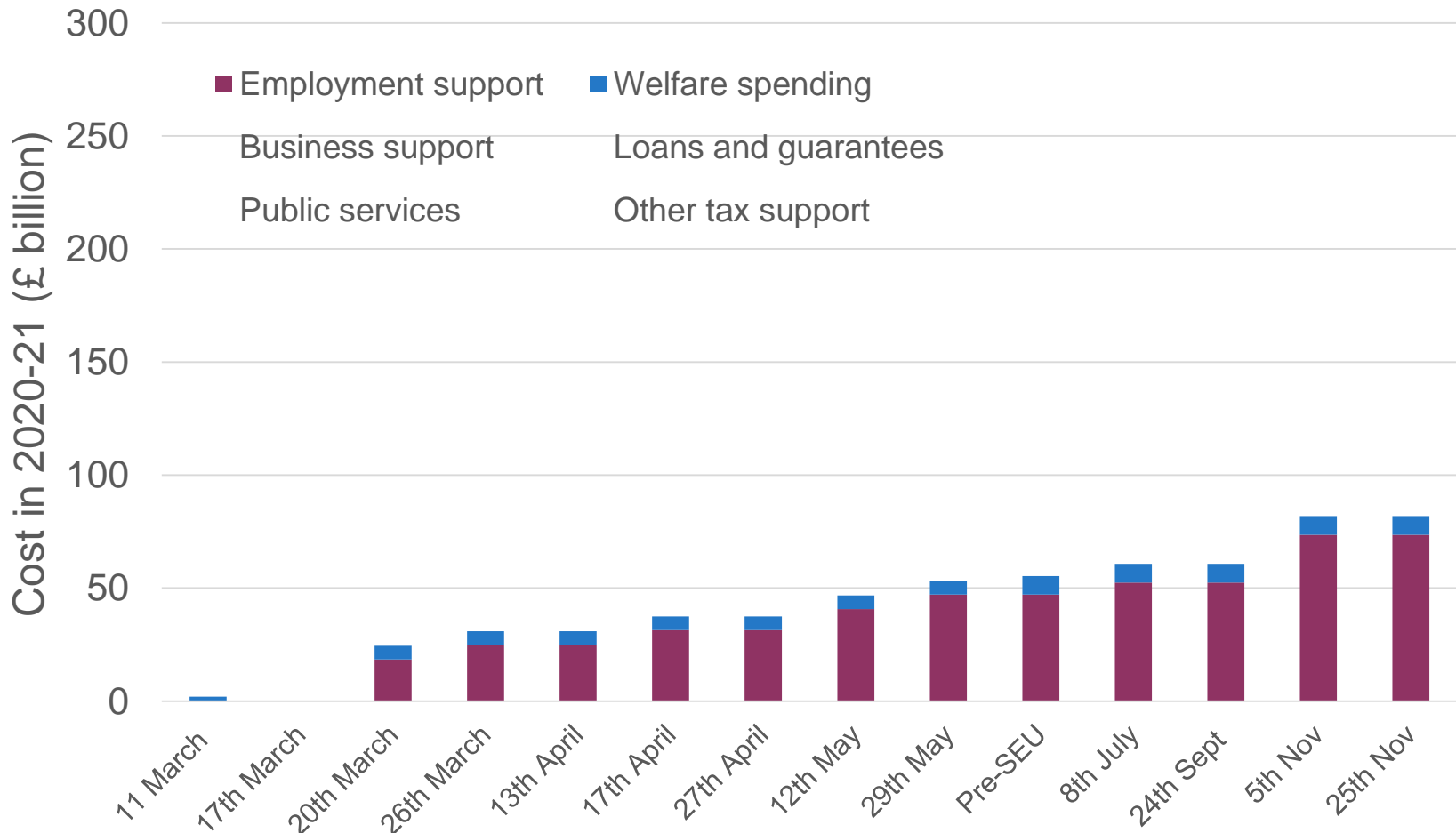
Economic
and Social
Research Council

Coronavirus policy response



Source: OBR Economic and Fiscal Outlook November 2020 Chart 1.7

Coronavirus policy response



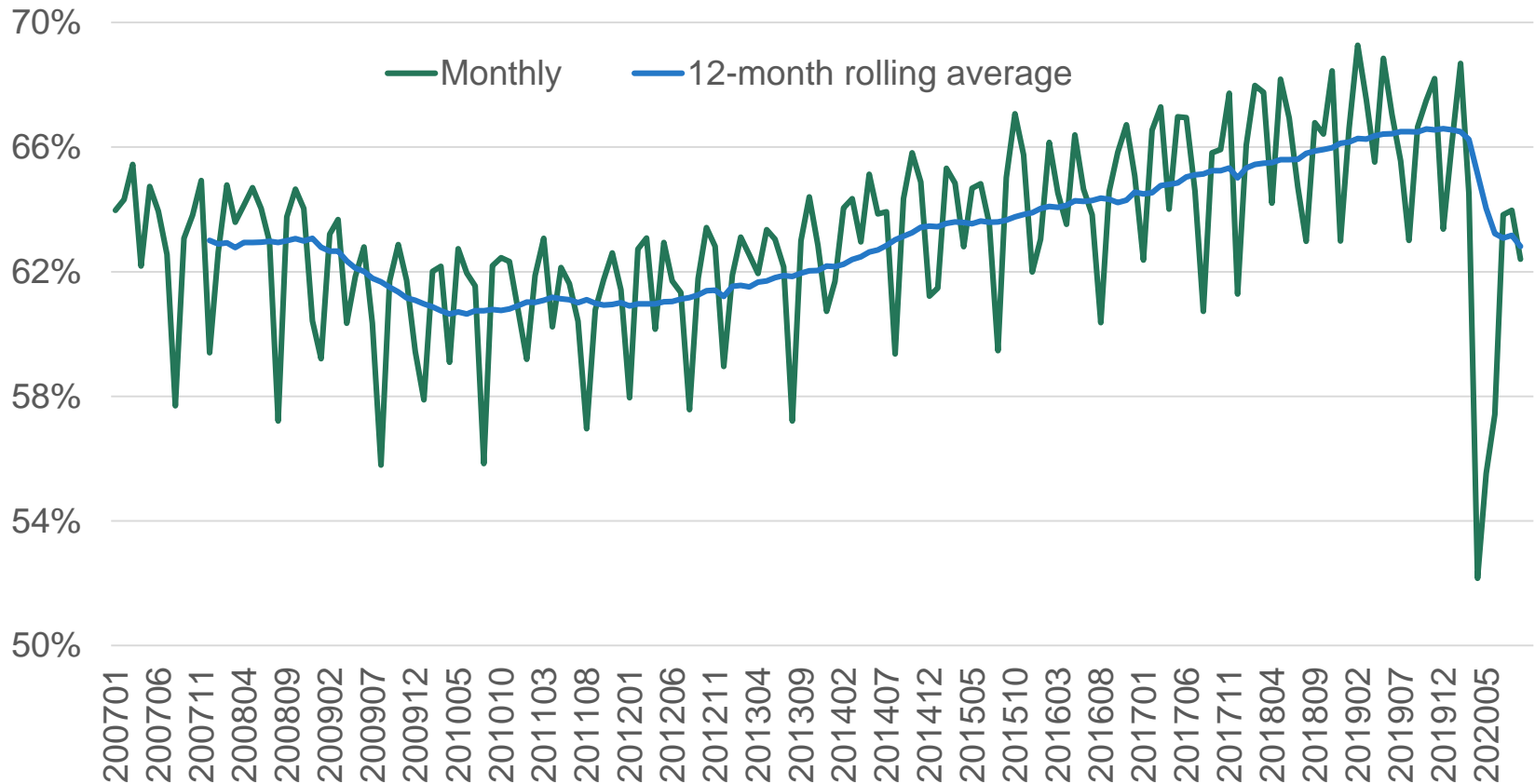
Source: OBR Economic and Fiscal Outlook November 2020 Chart 1.7

Main household support schemes



- **Coronavirus Job Retention scheme** (furlough scheme)
- **Self Employment Income Support Scheme (SEISS)**
- **Universal Credit** “uplift” of £20 per week
- **Suspension of “Minimum Income Floor” in UC** for self-employed
- **All due to end between end of March and end of April**

% of 16-64 year olds doing paid work IFS

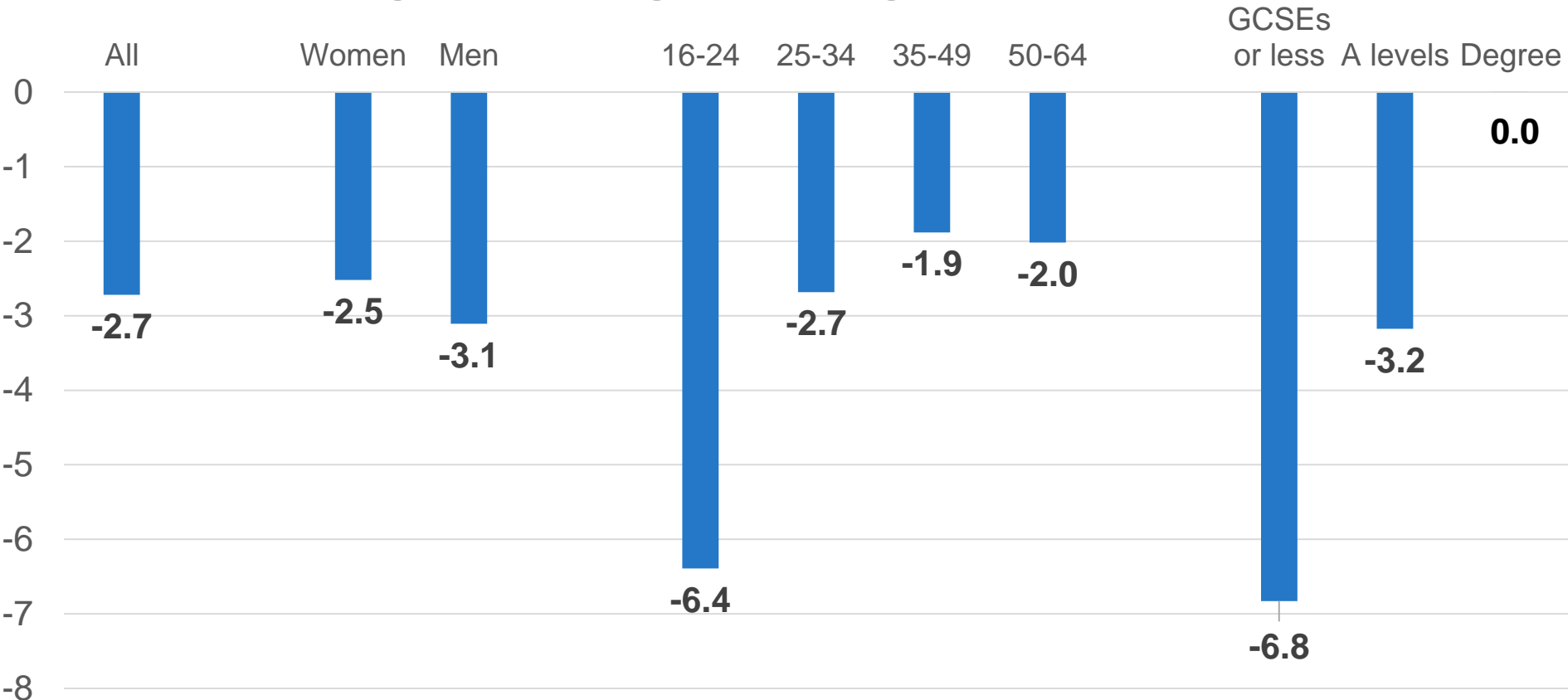


Note: "Doing paid work" defined as working at least 1 hour in the last week.

Source: IFS analysis of the Labour Force Survey. 2020Q4 excludes December.

Change in work patterns for different groups

Percentage point change in % doing paid work 2019Q4 to 2020Q4



Note: "Doing paid work" defined as working at least 1 hour in the last week.

Source: IFS analysis of the Labour Force Survey. 2020Q4 excludes December.

Furlough scheme



- **Initially planned to last 3 months but there have been successive extensions**
 - OBR Nov forecast (pre Lockdown 3) : gross cost £66bn in 20-21
 - 3.8 million furloughed at end of December (average monthly cost of £1,250 per person furloughed)

Furlough scheme

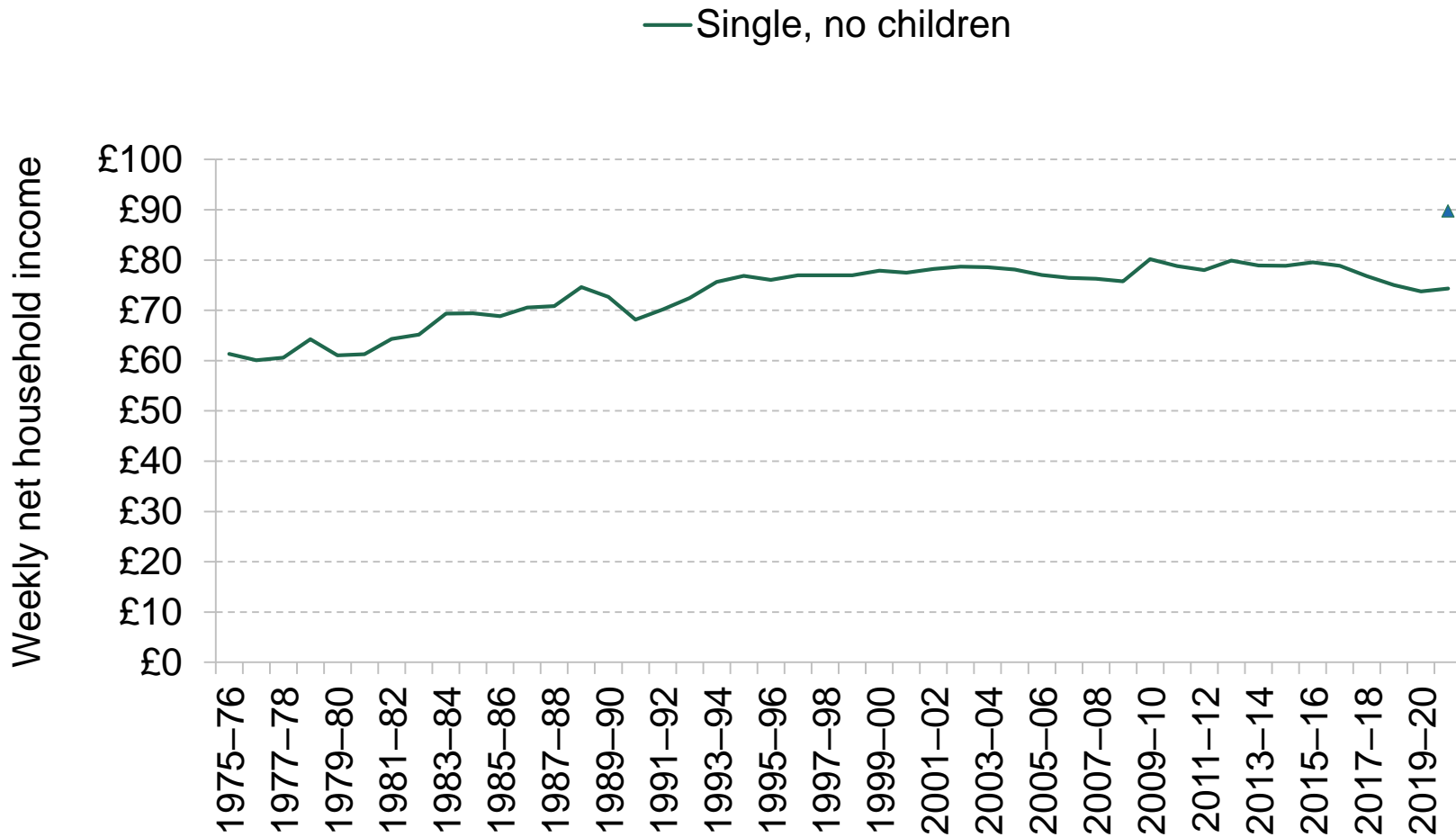
- **Initially planned to last 3 months but there have been successive extensions**
 - OBR Nov forecast (pre Lockdown 3) : gross cost £66bn in 20-21
 - 3.8 million furloughed at end of December (average monthly cost of £1,250 per person furloughed)
- **Should be extended, but then tapered away**
 - It will partially wind down naturally as demand for labour rises
 - Needs to be removed to allow the economy to adjust and recover
- **Govt should consider targeted support to industries with restrictions that continue longer through 2021 (e.g. airlines)**

Self employment support (SEISS)



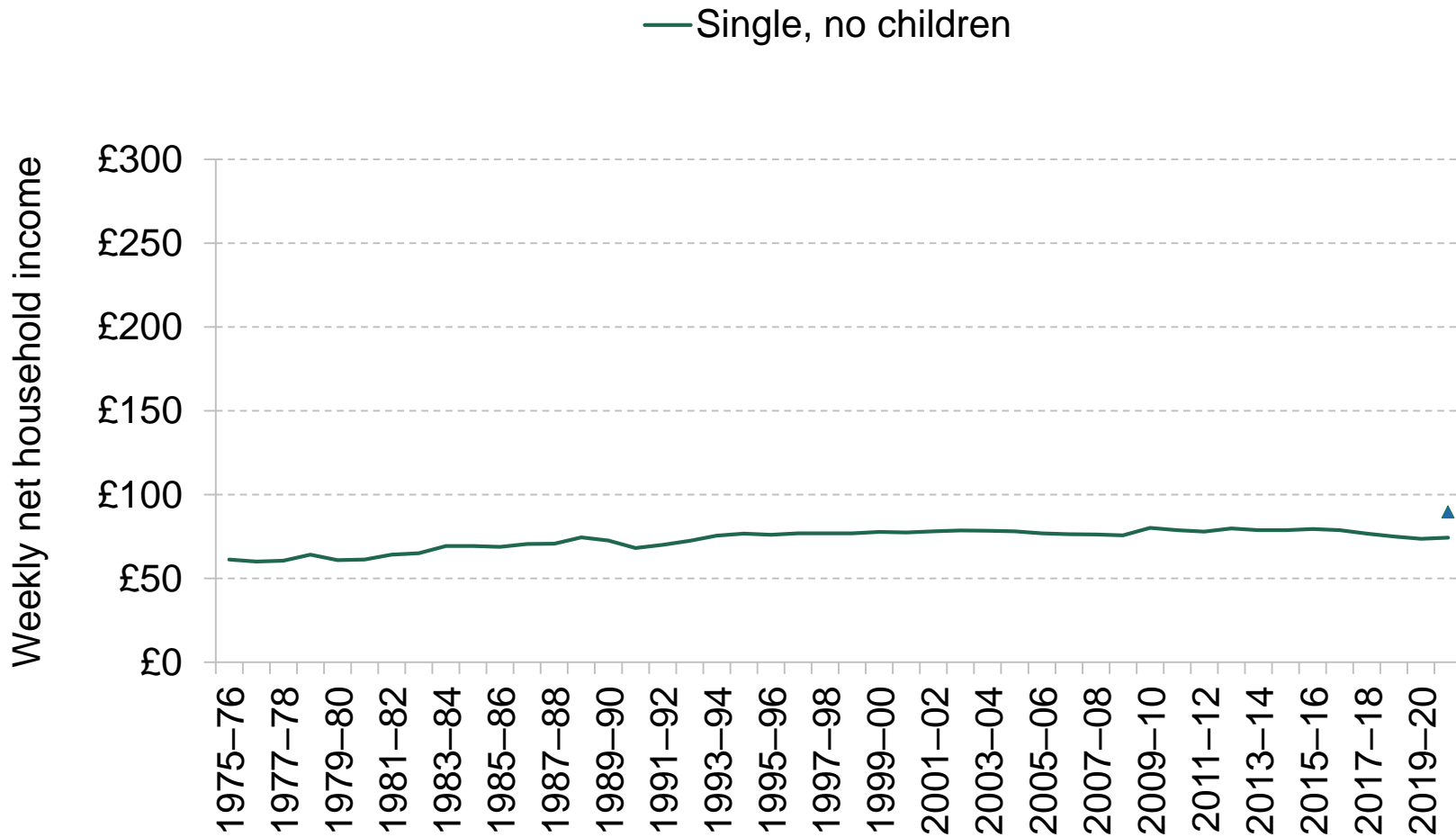
- **Costs £28bn over the year, with 2.6million receiving payments**
 - V. generous to those who receive it: up to 80% of pre-crisis profits
 - Average cost around £10,800 per recipient over the year
 - 77% of those potentially eligible for it take it up
 - But millions of self-employed are excluded
- **Should be extended beyond end of April and then withdrawn**
- **Should include many of those ineligible for original scheme**
 - 200k “newly self-employed” (who have now submitted tax return)
 - At least some of 1.5 million with profits £50k+ or <50% of income from self-employment

Out of work benefit incomes



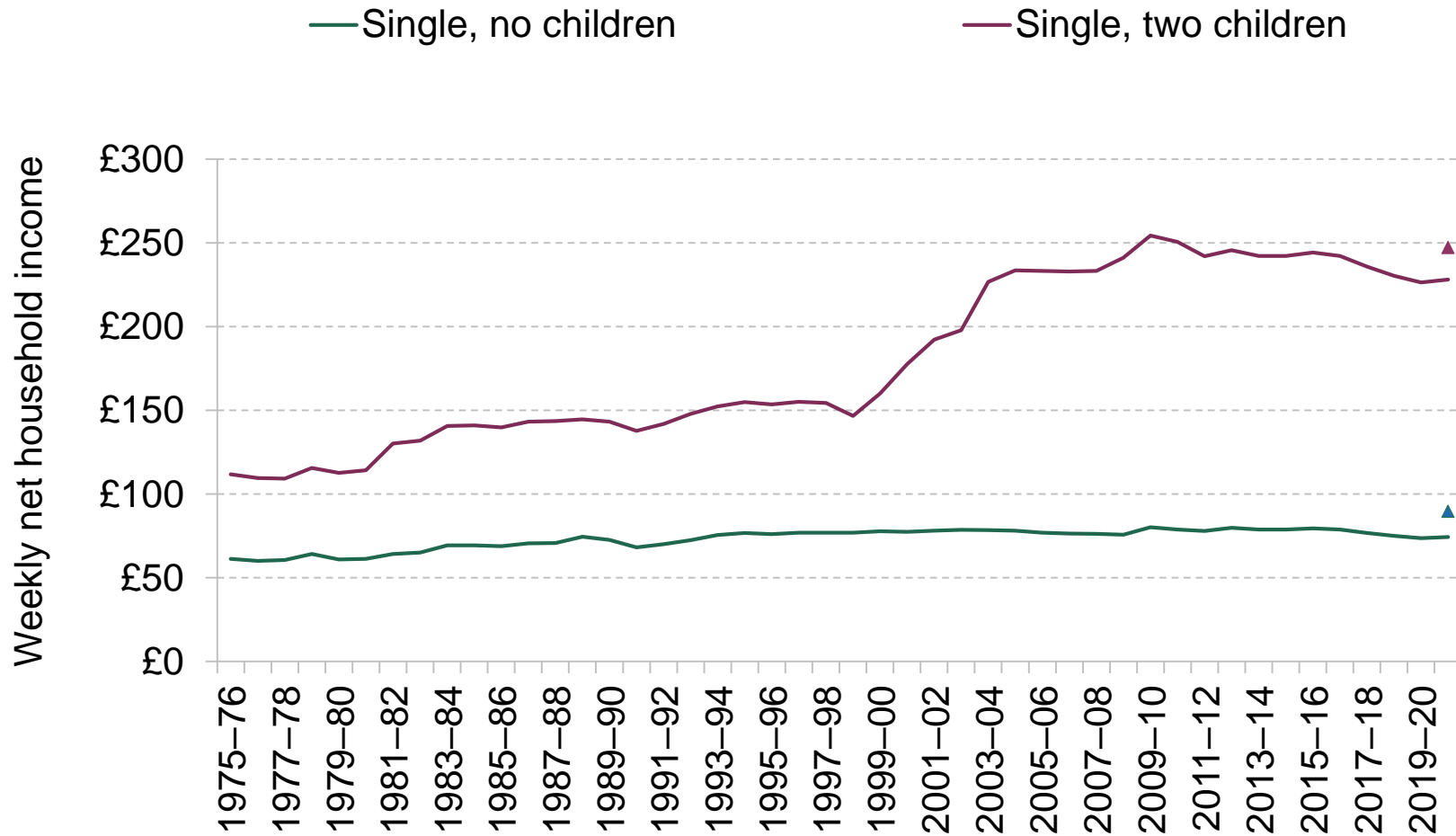
Source: Figure 1.2 in Bourquin and Waters (2020)

Out of work benefit incomes



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Out of work benefit incomes



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Universal Credit uplift



- **Letting UC uplift expire at end of March would lead to:**
 - Monthly income fall by £80 for 6 million low-income families
 - Up to 21% fall in income for low-income single childless adults
- **Extending UC costs around £6½ bn per year. It should be extended in some from beyond March**
- **Whether uplift stays in long run is ultimately a choice about appropriate levels of benefits for different groups**
 - If removed, govt should give clear timetable for gradual removal with lots of notice and communication to recipients

Minimum Income Floor in UC



- **For most self-employed UC claimants, MIF limits support by assuming their earnings are at least equal to 35 hours a week at the minimum wage**
 - Saves govt £1.4bn per year; currently suspended until 30th April
- **Suspension of MIF should be extended beyond April**
- **Something like the MIF should be gradually re-introduced because it:**
 - Reduces the subsidy for low productivity self-employment
 - Reduces incentive to under-report self employment incomes

Summary



- **Employment support should be extended beyond April**
 - Given continuing restrictions on economic activity
- **Furlough and SEISS then need to be tapered and removed**
 - In order to allow economy to adjust and recover
 - Government cannot save every firm and every job
 - Support should be offered to industries where restrictions remain
- **Welfare support should also be extended beyond April**
 - Something like the MIF should then be gradually re-introduced
 - If UC uplift is removed, should be done gradually with lots of notice and clear communication to UC recipients