

Leeds University Business School - Research and Innovation Podcast

Episode 38: Furlough and the Coronavirus Job Retention Scheme
Speakers: Professor Chris Forde and Professor Mark Stuart

[00:00:00] **Chris:** Hello, and welcome to the Research and Innovation podcast. I'm Chris Forde and I'm Professor of Employment Studies in the Centre for Employment Relations, Innovation and Change at Leeds University Business School. And I'd like to welcome also, Professor Mark Stuart.

[00:00:18] **Mark:** Hi. Yes, I'm Mark Stuart and I'm the Montague Burton professor of human resource management and employment relations, also at Leeds University Business School.

[00:00:28] **Chris:** And today we're going to be discussing furloughing and the Coronavirus Job Retention Scheme in the UK - an important labour Market policy and intervention over the last 18 months during the pandemic. And we're going to be talking about a report, co-authored by Mark, myself, David Spencer, and Chris McLachlan, which surveyed managers about their experiences of furloughing in the Coronavirus Job Retention Scheme, and also looking into the future.

So, Mark, just give us a bit more context about the furloughing in the Coronavirus Job Retention Scheme in terms of when it came in and what it was trying to achieve.

[00:01:12] **Mark:** Okay. Thanks, Chris. Yes. The Coronavirus Job Retention Scheme was launched in March last year, March 2020. And it ran in the end until the end of September. So it's only just closed down. And the furlough scheme, as it's more commonly called, offered wage support to employers to furlough workers rather than to make them redundant.

And the scheme paid 80% of an employee's wages up to a maximum of 2,500 pounds a month. And it included an element where you could put a worker on furlough for a hundred percent of their time or for a part of their time. So, you could basically use a reduced hours working for employees, which would be covered by the state.

The scheme was a novel intervention in the UK. We've not done this in previous crises, so we didn't do this in the financial crisis, from 2008, but it is something that has existed in other countries and has been shown to be successful. It was the largest package of state support to help the economy through the crisis. The government invested 70 billion pounds in total in the Job Retention Scheme. And it was, it was seen as an essential intervention. So if you think back to when the country basically shut down and businesses were closed and everyone was, was put, told to stay indoors during lockdown, there was a real concern that unemployment would just increase to catastrophic levels. And so the furlough scheme was seen as a way to help the economy, help businesses and help workers through that period. The numbers are vast, as I've already said. 70 billion was invested, over the course of the scheme. Cumulatively 11.7 million jobs were supported by the furlough scheme, used by 1.4 million employers.

And even as late as August, this year, 1.3 million workers were still on furlough with 23% of employers still having some employees on a furlough. So the scheme ended at the end of the

September. We don't know exactly how many workers were still on furlough at the time, but it could be as many as 1 million workers.

So as you can see quite significant intervention and a very important one.

[00:03:55] **Chris:** Thanks, Mark. Yeah. The scale of this is, is huge. As you say, at its peak, we're talking about over a third of the workforce being on furlough, in May, June time of 2020. And even as you say, at the end of this period, when the furloughing schemes, the CJR schemes being wound down, we've still got significant numbers of people who are still not in work and who are benefiting from the furlough.

So unprecedented is a term that's been used a lot during the pandemic, but I think we're talking about it, an unprecedented intervention of this kind in the Labour Market, something we've just not seen in the UK before in terms of a response to the crisis.

[00:04:41] **Mark:** Yeah, I think that's right. So I think at the peak in May of 2020, there was around about a little under 9 million workers were on furlough. Like you said, Chris, a third, a third of the workforce. The scheme was originally only intended to run for a number of months, but because the pandemic has lasted for so long, the scheme has been extended a number of times. And what we've seen is that there's been sort of fluctuating levels in terms of the number of workers on the field.

[00:05:12] **Chris:** So given this background, Mark, what were the main motivations for the survey? What was the survey trying to achieve?

[00:05:20] **Mark:** I mean, given that the scale of the furlough scheme, we felt it was important to understand how the scheme was working in practice. And there was some quite prominent research undertaken looking at workers' experiences of furlough. So the individual experiences of those who'd actually been furloughed.

But we knew virtually nothing about managers' perspectives on furlough. So what were the motivations for why companies were taking furlough? How did they organize and manage furlough? Were they positive about it? Were they negative about it? What they were actually doing, during a big crisis in terms of wider issues in relation to the organization of work investment in new technology and how it may be the, the furlough scheme supported or didn't support this.

So we felt it was really important to try to get some data within firms, because that was something of a black box and to try to get in particular managers' experiences. So what we did was we commissioned Opinion, a well-respected and national survey house, to conduct an online survey for us. So we sent online a questionnaire to managers and we elicited 2000 responses from managers across a whole range of sectors, across small and large firms. So really good portrait if you like, a representative portrait, authoritative portrait of what managers, their experiences and their perspectives on furloughing. And we published this in May this year in a report entitled "Furlough and the Coronavirus Job Retention Scheme in the UK: Managers experiences and perspectives."

And the report was split into a number of key sections. So we asked some background context about the business context of firms, what sort of responses they'd put in place in relation to COVID, for

example, had they made more workers redundant? Had they reduced wages? We naturally asked about the uptake of the Coronavirus Job Retention Scheme, the general use of furloughing, and managers' perspectives on the CJRS and or furlough.

But we also asked some questions around investment in new technology and also what managers were anticipating would happen as business came out of the pandemic and the economy started to improve. So we asked some questions about, if you like, longer term perspectives about how they thought business would be affected.

And I think we've found some quite notable findings. So, Chris, I mean what do you see as the, maybe some of the headline findings from our study?

[00:08:26] **Chris:** Thanks Mark. I think the key findings around the use of furloughing perceptions around it, as you said, and also longer-term strategies. So taking each of those in turn, in terms of the use, it was very substantial. So two-thirds of the managers we talked to in the survey - over two thirds had put some staff on furlough and actually in the majority of cases where they had furloughed, they'd furloughed more than half their staff.

The majority of firms that have furloughed had used the Coronavirus Job Retention Scheme, that's perhaps not surprising - four in five had used the Coronavirus Job Retention Scheme. It does mean that one in five firms were furloughing without accessing the CJRS and the funds available through that. And we'll say something more about that in a moment.

It was more common in amongst private sector firms and public sector firms. And the highest use of the CJRS was recorded in areas like hospitality and leisure, manufacturing and utilities.

In terms of perceptions towards the CJRS - managers that we surveyed were generally very positive about it. Three-quarters of them agreed that this support was really essential to keep their organizations viable during the pandemic. There'd been some concerns early on that it was going to be a very administratively burdensome scheme, but managers didn't really agree with that. They hadn't found it administratively burdensome at all.

And when they talked about the CJRS and about furloughing, there were generally positive views about it as a mechanism to help retain workforce skills. being an alternative to making staff redundant, as well as simply being an essential means of remaining operational during the pandemic.

And actually, just over half of managers reported that even with the Coronavirus Job Retention Scheme, they were still considering redundancies and were likely to implement redundancies and layoffs once the CJRS support continues.

And the final thing to flag up in terms of the use of the CJRS and perceptions around it is that it's, you know, one fifth of cases have furloughed without the Coronavirus Job Retention Scheme. I think this is interesting to explore why that might be the case. Why not access the funds that were available through the CJRS? Managers who had gone down the route of self-funding furlough

schemes was that they already have these in place prior to the pandemic, or they felt that the CJRS criteria simply didn't apply to their specific business case and requirements.

The final thing just on the strategies, and other actions that have occurred as a result of and alongside the Coronavirus Job Retention Scheme, many first did point to accelerated investments in digitalization. They talked about how technologies have been introduced during the furloughing period to improve employee interactions, to include HR processes, and to improve the digitalization of supply chains.

[00:13:48] **Mark:** Thanks, Chris. I think that's a really nice summary of some of our headline findings and I think it was, I think you're right to note the extensive use of, of furlough and the CJRS and also the generally positive view of managers. I think something that also struck me was the extent to which managers reported that they were willing to top up the wages of those on furlough.

So seven out of 10 employers said that they topped up wages, although this was perhaps variable. So there was perhaps more of a tendency to top up the wages of managers than the frontline staff. Although we also found that where employees were represented by unions, they were more likely to have their wages topped up, which I think is an important finding, certainly for the trade union movement.

But like you said, there's quite a lot of, not necessarily contradictions, but there are some tensions in terms, in terms of the findings. I just wondered if you had any thoughts about, you know, looking to the future. What can we draw out any longer term implications of this scheme and the use of furlough in terms of maybe what managers think is going to happen, but also perhaps some early evidence that we've got now the scheme has come to an end.

[00:15:16] **Chris:** Thanks. This is a really interesting question. And I think, yeah, I echo your point about tensions and contradictions in here. And I think that's worth focusing on when we think about the future here. We've got to understand that this was an unusual, unprecedented scheme in the UK context. This type of intervention from the state is highly unusual in the UK.

You have seen some active support like this in other countries in response to crises. For example, in the financial crisis of 2008, 2009 in some European economies, but much less so in the UK. So I think answering your question, I think it really, maybe think about what this, what are the prospects for the future.

Furlough perhaps encouraged the focus on job retention and getting managers and employers to think about job retention and long-term job retention strategies, more so than they had in the past. But employers aren't operating in a vacuum. We've got to think about the context of the UK Labour Market and the institutional supports or lack of supports in place, which might help and encourage employers to take this longer-term perspective on job retention and think about retaining labour and workers rather than layoffs. Furloughing has provided a state funding mechanism through which that can occur and many employers and HR managers have taken advantage of this.

Another thing you mentioned in your response to that, Mark, was around the role of trade unions organized labour, and also the nature of dialogue around these sort of issues in the UK. Now there

was some early discussions involving the trade union movements with employers and the government about what the CJRS might look like. But really to encourage this focus on job retention in the longer term we might want to see something which embeds that more systematically in the UK so that there will be a more systematic process for engagement and dialogue between unions, employers, and the state around issues such as training, long-term labour investment, and job retention.

[00:19:20] **Mark:** I think you set out quite well that Chris, some of the recommendations also that we made in the report around the use of furlough in the future and also wider issues around the economic recovery and a potential jobs plan.

I think one of the tensions that did run through our report was the extent to which there was a strong use and support for the furlough scheme. And managers were very positive about it, but at the same time, there was this underlying concerns that redundancies would have to be made and redundancies would have to be made in the future. And certainly if you look at the national Labour Market data we do know that a million workers were made redundant between April 2020 and June, 2021, which is roughly double the usual number. The number of workers are always been made redundant in the Labour Market, but it was roughly double the number than usual.

And there were, there've been consistent concerns, I guess, throughout the period that when the furlough scheme came to an end, redundancies would mushroom and there'd be a large increase in unemployment. I think our survey potentially hinted at that, but also timing is very important here. Our report was published in April of this year. And I think what we've seen over the last few months as the economy started to open up that this might not actually be the case. The economy currently looks to be improving quite rapidly. And indeed there seems to be an actual shortage of skilled labour. So there's a massive increase in the number of job vacancies and the Labour Market appears to be very tight.

So I just wondered if you had maybe any concluding thoughts on, you know, the long-term success of the scheme and the extent to which we are likely to see a large increase in redundancy. Or potentially even unemployment in the months or maybe next 12 months to come.

[00:21:25] **Chris:** I think you're right, Mark. I think the Labour Market is tight at the moment. Many are saying it's the tightest Labour Market for many years. I think there, if we, if we look at the responses to our survey, I think we would expect some organizations to implement layoffs as everyone returns to work. I think we would expect to see a degree of that. I think it will vary from sector to sector. We're seeing quite a profound labour shortages in some sectors, which we should have made the headlines over recent weeks. Some pay rises with being seen in, within those sectors as well. So I think it's less likely probably to occur in some sectors, but it's quite a mixed picture.

I think what we can say for certain is that the Coronavirus Job Retention Scheme certainly did provide some necessary support during the biggest part of lockdown and the crisis over the last 18 months. But I think responses from firms will vary and will partly depend upon their existing strategies around job retention that were occurring prior to the pandemic.

Well, thanks for listening to today's show. Thanks very much to Mark for joining me today. We included a link to the report discussed in this episode, in the show notes and our contact details are there too. Thanks very much.

[00:23:01] **Mark:** Thank you. Bye.