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Uncertain futures

Professor Frank Peck, research director of the Centre for Regional Economic Development (CRED) at the University of Cumbria's Institute of Business, Industry & Leadership discusses how employment in Cumbria will be impacted by the end of the Government's furlough scheme

'As we approach the end of October, much speculation now surrounds how employers will respond to the cessation of the furlough scheme'



Chancellor Rishi Sunak announced the furlough scheme reform during lockdown

There now seems little doubt that the introduction of the UK's Coronavirus Job Retention Scheme (CJRS) announced on March 20 has protected the jobs and livelihoods of thousands of UK workers and provided vital stability for businesses over the past months. The furlough scheme closed to new claims on June 30 and by the end of July over 1.16m employers had submitted claims affecting 9.6m 'employments'.

On March 26 support was extended to the self-employed through the introduction of the Self-Employment Income Support Scheme (SEISS). Eligible individuals could receive cash grants worth 80 per cent of their average monthly trading profit over the previous three years up to a maximum of £2,500 per month.

It was recognised from the start that this level of state support for the economy could not be sustained indefinitely. The critical point now is at the end of October when the CJRS is scheduled to end.

In Cumbria, by July 31 there were over 78,000 'employments' on CJRS, 34 per cent of the total jobs in the county. This was just above the North West average (32 per cent). What is perhaps more notable is the variation within Cumbria. The county has four areas in the top six in the North-West with particularly high take-up rate in South Lakeland (42 per cent) and Eden District (41 per cent), whereas rates in Copeland (25 per cent) and Barrow (24 per cent) were the two lowest in the region.

These spatial variations in levels of take-up have

many causes, but a key factor relates to industry variations. Take-up nationally has been highest for workers in accommodation and food services (affecting 77 per cent of 'employments'), arts and entertainment (70 per cent of 'employments') and construction (60 per cent of 'employments'). These structural differences go some way towards an explanation of the geographical variations that are quite significant within Cumbria. As we approach the end of October, much speculation now surrounds how employers will respond to the cessation of the furlough scheme. Outcomes may vary, for instance, depending on age.

Younger age groups have clearly been at greater risk of being furloughed in the first instance. Nationally, of the eligible employments occupied by workers aged 16 to 24, 47 per cent were furloughed by the end of July compared with an average for all workers of 32 per cent. Research on previous recessions tends to show that young people are far more affected by employment crises than workers in general. Younger workers are often disadvantaged if employers adopt redundancy strategies that prioritise key workers with vital skills and experience. In this regard, the recent announcement of the Kickstart Scheme that provides support from Government for six-month placements for 16 to 24-year-olds is highly relevant. Employers need to offer at least 30 places in order to apply, so smaller businesses will need to find ways to partner in order to access the support. Nevertheless, even before the end of the furlough scheme, there were 5,873 Universal Credit claimants aged 16 to 24 in Cumbria who would be eligible for Kickstart. With effective partnership in the county, this could give some encouragement to many young workers facing uncertain futures.