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Furloughing and COVID-19: assessing regulatory reform of the state

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This article assesses regulatory reform of the state in the context of the move to furloughing in the UK. It establishes that furloughing was a successful response to the COVID-19 crisis, partly because it challenged the traditional UK crisis response of non-state intervention in the labour market. Furloughing prevented higher unemployment and enabled a swifter recovery. The article also identifies the limits of furloughing (not least its temporary nature) but argues that key lessons from furloughing (including the direct support for job retention) should be used to devise new state policies aimed at promoting a more sustainable and equal economy.

Keywords: furlough, labour market policy, job retention, COVID-19

JEL Classifications: J68, J80, J88

Introduction

The COVID-19 pandemic has caused major upheaval in society. At a human level, it has led to many millions of deaths. Its effects have been felt unequally across populations, with low-income groups facing the highest death tolls (Patel et al., 2020). At an economic level, it has been associated with a significant fall in productive activity. Many people suffered falls in their incomes and long periods without paid work during the crisis, as large parts of the economy were locked down. The rollout of vaccines and the subsequent reopening of the economy have allowed for some recovery in output and stabilisation in employment. But this recovery has brought new challenges, not least the prospect of higher inflation coupled with stagnant growth rates. It also threatens to embed social, economic and geographic inequalities that predate COVID-19 (Rose-Redwood et al., 2020).

The crisis has also witnessed important shifts in policy and more generally in the role of the state. Prior to the pandemic, public spending had been squeezed as a result of years of austerity and a broader ideological commitment to state retrenchment (Lobao et al., 2018; Seccareccia, 2012). The severity and depth of the COVID-19 crisis, however, has required a much more active role for the state. Public spending has increased, while the state has assumed wider responsibilities in supporting employment. In the UK, to take one notable example, the state intervened directly to underwrite jobs. The creation of a new furlough scheme involved the state subsidising the wages of over 9 million workers across nearly 12 million jobs, at a cost of £70 billion (Francis-Devine et al., 2021)—a magnitude of spending that would have been thought unimaginable before the crisis. While furloughing has now ended, its implementation has shown how government policy can be changed quickly and re-oriented to different goals—ones seemingly at odds with previously established ideologies.

This article takes a critical look at the evolution of the state during—and potentially beyond—the COVID-19 crisis. The analytical focus is at the level of national domestic policy: in particular, it considers the example of furloughing in the UK. Furloughing was initially presented as a new form of partnership between the state, capital and labour and entailed the government underwriting

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the jobs of many millions of workers. The article examines the rationales, successes and legacies of furloughing. It argues that furloughing was an emergency reaction to crisis—in essence, it represented an attempt to shore-up the UK economy in its pre-crisis form. Furloughing, while protecting jobs, was still employer led and temporary. The scheme was also not coupled with protection from redundancy nor a wider extension of workers' rights. The UK government has indicated that recovery will likely mean the restriction of public spending, with the result that the UK may end up 'making the same mistakes' as it has in the aftermath of previous crises (King et al., 2012). In this scenario, the positive lessons of furloughing—that higher public spending can alleviate unemployment and employers can benefit from retaining labour—look likely to be lost, as the earlier and more typical growth model, based on light employment protection, and a low-wage, low-productivity economy, is restored. When judged on its own terms, furloughing may be seen as a success, yet its operation and termination reveal the limits to greater state intervention in the UK labour market.

The article discusses ways in which the state might build on the furlough scheme put in place during the COVID-19 crisis and look to implement reforms aimed at securing a more equal and just recovery, in a post-crisis economy. We argue that the focus on job retention should be preserved but policy should be strengthened in key areas in order to emulate the success of short-time working schemes in EU countries where workers are offered the flexibility to adjust work hours through negotiation with employers. This would need to be combined with a new social contract—one that gives workers stronger rights at work and incentivises employers to increase investment in a way that has not been seen under the neoliberal approaches of Conservative and coalition governments, nor the 'liberal collectivist' approach of New Labour (Grimshaw and Rubery, 2012). Inequalities in opportunities and outcomes in the UK labour market are deeply entrenched and shaped by a broader set of structures and institutional constraints that have locked the UK into a low-road approach to competitiveness and economic growth (Lobao et al., 2018; Martin, 2001). Radical reform to state intervention in the labour market will be needed to achieve real and lasting change. Talk of 'building back better' in the present is long on rhetoric but short on the policies required to achieve significant change. This article outlines broad and specific reforms that could help to bring about change. In this way, it reimagines the role of the state beyond the limits of the present.

The legacies of state retreat

The need to reduce the scale and scope of the state has been a key demand of advocates of neoliberalism (Hayek, 1944). As critics have noted, however, the move to implement neoliberal policies has entailed an important role for the state (Lobao et al., 2009; Seccareccia, 2012). The state, for example, has used its powers to enforce stricter welfare schemes that have required people to find work. More widely, opponents of neoliberalism have longed argued that markets are socially embedded and that they can only function effectively with a large public sector, extensive state investment in economic activities and strong labour regulations (Polanyi, 1944).

Yet, at an empirical level, it is evident that modern Western economies have witnessed decline in public sector shares in GDP, and a scaling back of state intervention and regulation in arenas such as the labour market. Alongside this, the private sector has increasingly taken on activities historically provided by the state, facilitated through privatisation and marketisation agendas (Whiteside, 2018). This shrinking of the state has tended to intensify during crisis periods, a consequence of fiscal restraint, public sector budgetary control and austerity measures. Yet, some suggest that it is more accurate to characterise the state as being in a process of adaptation rather than inevitable decline. For example, a 'rescaling' of the state may see the role of the national state decline, but may transform the spatial levels (regions, localities) that the state has power and influence in (Brenner, 2009; Gray and Barford, 2018). Particular events (such as a crisis) may also provide the opportunity for significantly increased intervention by the state through specific policies and responses. For Lobao et al. (2018), the narrative of state decline is one that can be challenged, both ideologically, and by reference to concrete empirical examples demonstrating the resilience of the state in some areas.

The UK, during the last 40 years, and amidst the COVID-19 crisis, provides an interesting case study. A reshaping of the state has been observed since the 1970s, extending back to the ideology of the Thatcher era. This era saw major industries privatised, new legislation to curb the power of unions, the abandonment of full employment as a policy goal and the move to widen the influence of financial interests in the economy. The result was higher unemployment and higher inequality alongside a persistent productivity problem that meant lagging living standards (Albertson and Stepney, 2020). The 'hollowing out' of the state in the UK also created a more regionally divided economy (Martin, 2001). The state responded to crises in the early 1980s and early 1990s less by intervening to support the economy than by allowing market forces to adjust. A legacy of recessions, then, was a more divided and unequal economy (King et al., 2012). Ironically, state retreat served to demonstrate the vulnerability of capitalist economies like the UK to persistent and deep crises.

The election of New Labour in 1997 brought about some important reforms, not least the implementation of a national minimum wage. But it also provided many continuities with the past. New Labour adopted similar policy goals as previous governments, 'grafting' elements of social support onto the free market policies of the Conservatives (Grimshaw and Rubery, 2012). Public spending was limited under a rule-based fiscal policy. Monetary policy was accorded a role in achieving low inflation and its separation from fiscal policy became a hallmark of macroeconomic policy (Kitson and Wilkinson, 2007). The Global Financial Crisis (GFC) of 2007–2008 led to some policy shifts and greater state intervention, but then only in a temporary and contingent way. Public spending grew, but as a result of the need to bail-out the financial system (Callinicos, 2012). No great fiscal stimulus was implemented in the UK. Monetary policy embraced unconventional measures (such as 'quantitative easing' (QE)) but this shift in policy did not entail reform in the relationship between the state and the Bank of England (BoE). Generally, as argued by Hodson and Mabbett (2009), the GFC did not lead to any fundamental change in the direction of economic policy or the ideology underpinning it. To the contrary, it showed how state policy can be resilient to change and how the same basic economic ideas can continue to influence policy, even in periods of crisis.

The aftermath of the GFC saw the election of a coalition government in the UK in 2010. This resulted in the implementation of an austerity programme—one that drew support from previous ideologies focussed on cutting public expenditure and reducing the size of the state. In practice, austerity produced a lost decade of gains in living standards (Bourquin et al., 2020) and increases in inequality across groups in the labour market and between regions in the economy (Donald et al., 2014). Low investment by industry continued to underpin a low-wage, low-productivity economy (Stockhammer, 2015), while cuts in public spending created a state that was bereft of the social services required to support the health and well-being of its citizens (Gray and Barford, 2018).

This long-term retrenchment of state activities and functions meant that, once COVID-19 struck, the UK was more vulnerable to its negative health impacts and less prepared to deal with its ongoing and likely lasting consequences across the economy and society (Jones and Hameiri, 2021). The sheer rapidity and scale of the pandemic warranted an immediate shift in state policy. The UK government, like some other governments around the world, chose to close down large parts of the economy. This decision was based on the need to protect lives as it became unsafe for most people to work in workplaces. It entailed the state intervening to put the economy on life support via huge cash injections.

In the UK, state interventions during the COVID-19 crisis took several different forms. They included unconventional monetary policy—QE was again used not just to support the financial system but also to fund higher government spending. The Bank of England, in effect, became a prime lender to the Treasury, supporting its fiscal programmes (Sokol and Pataccini, 2022). These included new loan schemes for private firms together with a new furlough scheme, as discussed below.

It is important to understand the underlying rationales for policy intervention. In essence, the UK government was seeking to maintain the system, not reform it. Higher public spending was viewed as a vital response to an emergency caused by COVID-19. There remained the expectation that, in a post-COVID world, the state would return its spending to 'normal' (lower) levels and restore the same economy that existed before the crisis.

That said, COVID-19 did see some novel policy interventions in the UK—ones with perhaps more long-lasting effects and legacies. Most notably, it saw the creation of a furlough scheme, with a level of state intervention in the labour market, and subsidisation of employment that had never been seen before. This scheme—widely heralded as a success—has brought into sharp relief the possibilities for a different type of policy, namely one where the state supports workers in jobs, rather than manages the effects of redundancies. The following section uses the example of furloughing to illustrate how state policy evolved in the face of the crisis induced by COVID-19.

The move to state-supported employment in the UK: the example of furloughing

The Coronavirus Job Retention Scheme (CJRS)—also known as the furlough scheme—was a key part of the UK government's policy response to COVID-19. Previously, as mentioned above, UK governments allowed unemployment to rise in recessions—unlike other countries that operated short-time work schemes, there was no attempt to support jobs directly. With the onset of COVID-19, however, the UK government shifted position, creating—at speed—the CJRS. The latter meant that the state became an underwriter of jobs, offering public funding for the furloughing of workers by firms to limit the number of redundancies and prevent higher unemployment.

The CJRS was implemented in April 2020 (with claims backdated to 1 March), following dialogue between the government, business interests and trade unions. It took some inspiration from similar short-time working schemes that exist in other European countries. By May 2020, as many as 50 million jobs globally were supported by job retention schemes, a 10-fold increase compared to the GFC of 2007–2008 (Scarpetta et al., 2020). While countries such as Germany and France were able to amend and extend the coverage of pre-existing schemes, in the UK, the CJRS represented a wholly new initiative (Stuart et al., 2021a).

Originally designed to last for three months, the scheme was soon extended in June 2020, and in response to the prolonged severity of the pandemic, a further five times until the end of September 2021. Under the scheme, employers were able to draw on state funding to furlough workers, with the CJRS covering up to 80% of a furloughed employee's wages, together with National Insurance and pension contributions, up to a maximum of £2500 per month. The terms of the scheme were also revised a number of times. In the first phase of the CJRS, workers were precluded from undertaking any form of productive work, but this was soon amended, in line with practice in other countries, to allow firms to reduce working hours and receive a subsidy for hours not worked—this provision, of so-called 'flexible furlough', enabled some work to be performed by workers. Technically, therefore, the CJRS should be considered a short-time working scheme rather than a furlough scheme (see Drahokoupil and Muller, 2021 for the distinction). Tapered employer contributions were also introduced, from August to October 2020 and from July 2021, to cover 10–20% employer support for furloughing.

The CJRS constituted the largest single financial intervention by the UK government in response to the COVID-19 pandemic (Pope and Shearer, 2021). Data from Her Majesty's Revenue and Customs (HMRC) show that by 14 October 2021, 11.7 million jobs had cumulatively been supported by the CJRS, involving 1.3 million employers at a cost to the exchequer of £70 billion (HMRC, 2021; Francis-Devine et al., 2021).

Figure 1 summarises HMRC data on furloughing, along with ONS data (taken from the Labour Force Survey) on unemployment and redundancies throughout the pandemic. The number of jobs supported by furlough peaked in May 2020 at 8.9 million. This figure dropped to 2.4 million by October 2020 as the UK came out of the first national lockdown, but then increased again during the autumn/winter of 2020/2021 as the country again entered a second lockdown, rising to just over 5 million jobs furloughed in January 2021. As COVID-19 restrictions once more started to ease from April 2021, the number of jobs covered by the CJRS declined quite rapidly. However, by the time the CJRS scheme closed at the end of September 2021, 1.16 million jobs were still being supported by furlough (HRMC, 2021), with 500,000 of these being under the flexible furlough scheme, where workers were undertaking some hours of work. Looking at workers rather than jobs (not shown in Figure 1), 10.8 million individual workers (more than 30% of the UK workforce) were supported by the CJRS at some point during the pandemic. There were 329,000 jobs that were supported via furlough throughout the entire lifetime of the CJRS (HRMC, 2021).

Take-up of the CJRS varied significantly by sector. The CJRS was heavily concentrated in the five sectors most directly affected by lockdown restrictions: accommodation and food; arts and entertainment; aviation; administrative and support services; and wholesale and retail (Pope and Shearer, 2021). These sectors accounted for 60% of all furloughed jobs at the height of COVID-19 restrictions. Levels of furlough in these sectors remained above the national average as the economy started to reopen, with the exception of wholesale and retail which saw a noticeable

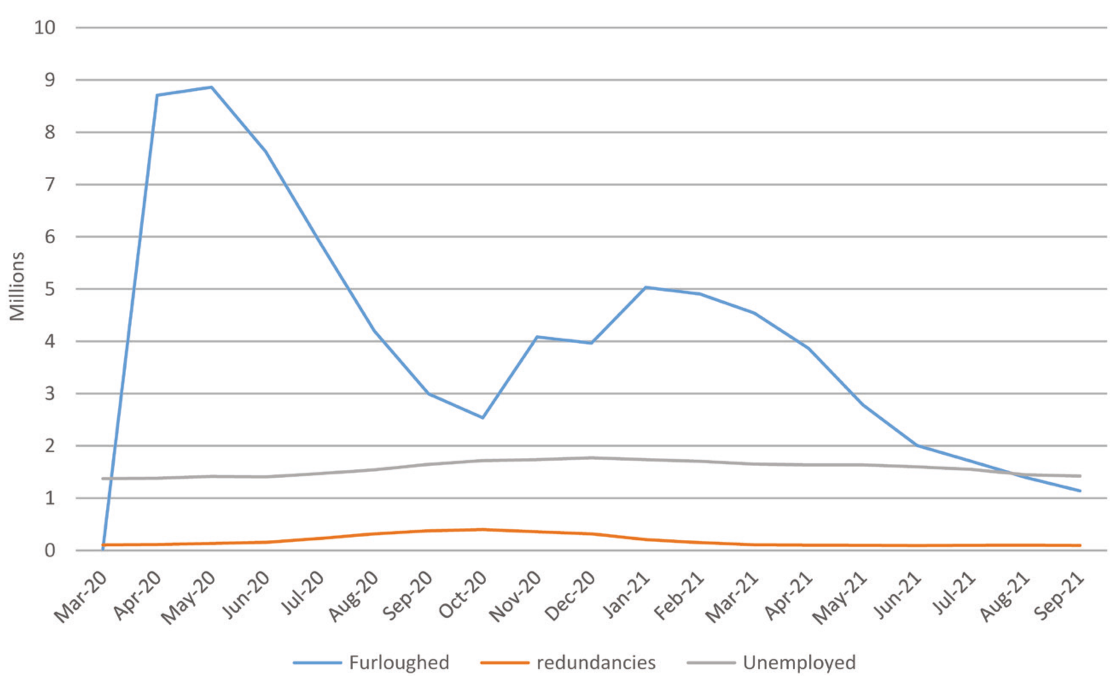

Figure 1. Furlough employments, redundancies and unemployed (millions, March 2020–September 2021).Sources: HRMC (2021); ONS (2022).

decline in the number of furloughed workers. By the time the scheme ended on 30th September 2021, the sectors with the highest proportions of eligible jobs on furlough were: other services (11% of jobs still furloughed); accommodation and food services (9%); and arts, entertainment and recreation (9%). In total, just over one-fifth (21%) of all firms had at least some workers remaining on furlough at the end of the scheme (HRMC, 2021). Latest evidence suggests that the majority of those who remained on furlough at the end of the CJRS have returned to work (HRMC, 2021).

There was little geographical variation in the take-up of furlough. While the CJRS take-up rate, as a proportion of eligible employment, was higher in London towards the latter phases of the CJRS, rates were broadly similar across regions during the early and peak phases of the scheme. For example, at the close of the scheme, in September 2021, the take-up rate was 6% in London compared to a national average of 4%, largely continuing a trend that had emerged in December 2020, when the take-up rate in London was 15.8% compared to rates across other regions of between 10 and 12% (HRMC, 2021). This variation was accounted for by differences in sectoral composition and the fact the London economy was slower to open up. However, at the peak of CJRS take-up, during the first phase of the scheme up to the end of July 2020, there was notable similarity in take-up rates across regions, at around 32%.

In terms of age, younger workers in the under 18 and 18–24 age categories recorded the highest aggregate number of furloughed jobs and were disproportionately more likely to have been furloughed, with the exception of those aged over 65 which were broadly commensurate with those aged 18–24. In part, the high levels of young workers furloughed reflected their concentration in jobs in hospitality, the sector most affected by lockdown. Differences across age categories started to level out as the economy reopened from April 2021 and by the close of the CJRS had almost disappeared: indeed, by 30 September 2021, a slightly smaller proportion of those aged 18–34 (4%) were furloughed, compared to those aged 35–64 (5%) and those aged 65 and over (6%) (HMRC, 2021). In all age categories, take-up rates of furlough were higher for men than women, with the biggest differences found in those aged 60 and over (HMRC, 2021).

Early analysis by the Resolution Foundation found that employees in low-paid, insecure work were more likely to have been furloughed (Cominetti et al., 2021), a finding subsequently supported by official data. At the close of the scheme, the CJRS take-up rate of those earning between £5000 and £15,000 per annum ranged from 6 to 8%, compared to rates of up to 3% among those earnings above this level (HRMC, 2021).

The CJRS can be seen as a landmark intervention by the UK government in response to crisis. It was widely supported by business and labour interest groups and was generally viewed as a success (TUC, 2021). As Figure 1 shows, it was successful in meeting its main objective and no doubt prevented a major increase in unemployment. The Office for Budget Responsibility (OBR) (2020) predicted in the early stages of the pandemic that unemployment would increase to 11.9% by the end of 2020. Yet, this did not materialise and the OBR subsequently revised down their forecasts, predicting a peak unemployment rate following the pandemic of 5.25% (OBR, 2021).

Figure 1 shows that unemployment did rise slightly during the pandemic peaking in December 2020, with 1.77 million unemployed, around 5.1% of the workforce, compared to 1.374 million at the start of the COVID-19 crisis. Unemployment subsequently fell throughout 2021, including the final months of the CJRS, reaching a level broadly similar to before the crisis, by August 2021, at 4.3% of the workforce (Powell and Devine, 2021). The closure of the CJRS has also not led to any hike in unemployment, with the current unemployment rate at the time of writing (February 2022) at 4.1% (ONS, 2022). It is important to note, however, that these data are taken from the Labour Force Survey (LFS), which uses an ILO measure that may underestimate the true level of unemployment (for example, those that have stopped looking for work are not included). While unemployment did not rise significantly based on the LFS rate, or to levels initially anticipated, it is notable that the claimant count measure doubled during the early months of the pandemic, to 2.68 million in August 2020. This measure has since declined, but as of January 2022, was still 0.6 million claimants higher than pre-pandemic (Powell et al., 2022). In summary, then, while there is evidence to suggest that the CJRS brought stability to the labour market, it was not able to prevent some increased levels of unemployment.

Figure 1 also shows relatively stable levels of reported redundancies for most of the period of CJRS support. The exception was a notable surge in reported redundancies during August to November 2020, with the number of redundancies reaching a peak of over 400,000 in October 2020 and a rate per 1000 workers of 14.4, higher than during the peak of the GFC (12.20). This upsurge can largely be attributed to business uncertainty during the summer of 2020 about whether the CJRS was to be extended. Once the continuation of the CJRS was confirmed, redundancies dropped, and by August 2021, had fallen back to around 100,000, a rate of 3.58 redundancies per 1000 workers, broadly commensurate with pre-pandemic levels. By the end of the December 2021, three months post-CJRS, the rate had fallen further to 2.6 redundancies per 1000 workers (ONS, 2022).

Prima facie, government action through the CJRS appears to have been effective. The CJRS has helped to protect workers from potential 'scarring' effects that would have come from higher unemployment—it has meant that workers have not faced the economic losses and psychological distresses of life without paid work. Some evidence, indeed, suggests that furloughing helped to protect workers from the negative mental health effects of unemployment (Burchell et al., 2020). However, the deeper legacy of the CJRS and furlough is harder to evaluate. Questions remain about whether the move to furloughing during the pandemic prompted changes in the labour management practices of UK firms and the wider approach of the state to labour market policy.

At the level of the individual firm, furloughing could be seen as potentially beneficial, as employers were able to 'hoard' valuable firm-specific skills, protecting their productive capacities for the post-pandemic economic context (Stuart et al., 2021a). Indeed, survey evidence suggests a degree of support amongst employers for furloughing and the CJRS. A survey of 2000 managers in March 2021 by Stuart et al (2021b) found that three quarters (75%) saw furlough as an essential means to remain operational during the pandemic, with broadly similar proportions regarding furlough as a valuable approach to retain workforce skills (78%) and allowing for a quicker recovery (73%) as the economy moves out of the pandemic. There was also strong support amongst managers (with 73% in favour) for a longer-term version of the CJRS to help businesses manage ongoing labour strategies more effectively. Nonetheless, despite a generally optimistic view amongst managers of the post-COVID-19 business context, there was also a degree of caution. A little over a third of managers (35%) were expecting to have to make some redundancies in the post-pandemic period and a slightly higher proportion were anticipating shortages of skilled staff (38%). This concern about the lack of available labour has been confirmed to some extent as the economy has reopened, although the key problem in many sectors has been a high turnover rate (linked to a greater number of job-to-job moves) rather than skill shortages *per se*.

Reflecting on the legacy of the CJRS, it is important to recognise that the goal of the CJRS was to protect the labour market rather than to reform it. Thus, while in the UK context it represented a marked departure from the traditional market-led response to crisis, the intervention itself was only temporary and was largely disconnected from wider labour market policy. The celebrated flexibility of the British labour market (Taylor et al., 2017) was not, in essence, challenged while the pandemic was occurring.

Comparison with similar short-time work schemes in other countries is instructive. The CJRS in the UK, as mentioned above, was in no way unique comparatively. Rather, all countries in the EU implemented some form of job retention scheme (short-time working, furlough or wage subsidy) in response to the COVID-19 crisis. At the peak of the first wave of the pandemic, 38.6 million workers were supported by job retention schemes across the EU, Switzerland, Norway and the UK (Drahokoupil and Muller, 2021).

Table 1 summaries the key characteristics of short-time working schemes in selected economies. In many cases, governments were able to respond to the COVID-19 crisis through the adaption and extension of pre-existing job retention schemes, including Denmark, France, Germany, Italy, Portugal, Spain and Sweden. The level of wage replacement afforded by the CJRS was broadly similar to schemes in other countries, although the £2500 monthly cap ranked lower in relation to wage supports offered in countries such as Germany and Sweden. The extent to which employers were expected to contribute to job retention schemes varied by country and it was fairly common for there to be some employer-matched subsidy.

The main points of difference between the UK and other comparative cases relate to wider labour market regulation and can be understood in relation to existing schema that categorise state response to crisis by market, coordinated or interventionist approaches. Notably, while the British trade union movement has sought to claim credit for encouraging the design and introduction of the CJRS, unlike countries like Denmark, France, Germany and Sweden, there was no requirement for union involvement or employee representation in the implementation of job retention support. In EU countries, unions sought to embed the terms of job retention support within collective agreements and actively negotiated enhanced levels of wage replacement and other support for furloughed workers. For example, in Germany and Sweden, additional subsidies and incentives were offered to facilitate the provision of vocational education and training for furloughed workers (Eichhorst and MarxRinne, 2020). In the UK, workers were able to undertake training during furlough, but this was not incentivised in any way, nor were firms encouraged or exhorted to train workers as in France. The CJRS entailed a passive response to crisis, based on firms parking workers on furlough, until social distancing and other limits were eased.

Finally, in a number EU countries, the receipt of state funding for short-time working came with additional constraints on firms in terms of the prohibition of employee dismissal and limits on the distribution of profits through dividends by firms or the payment of management bonuses. For example, in the French case, if a firm that received job retention support from the state made workers redundant while on furlough, they were expected to reimburse the funds to the state. Dismissal protection was also a condition of state support in countries such as Denmark, Austria and Spain. In the Spanish case, not only were there limits on dismissal for an extended period, but firms had to commit to retaining a certain proportion of their workforce. In a small number of countries, such as Sweden and Denmark, there were also constraints on profit sharing by firms.

In summary, the CJRS represented a novel policy intervention for the UK state. It stood in contrast to the

Table 1. Cross national comparison of selected short-time working schemes

	Permanent scheme	Generosity	Employer contribution	Union or employee representation in implementation	Dismissal protection and restriction on employer profit sharing	Training support
Denmark	No—though permanent part-time furlough scheme	100% of gross wage 84% cap as percentage of average wage	10–25%	Yes—formal requirement to negotiate agreement about implementation	Dismissal protection; ban on profit sharing via dividends and management bonuses	Training allowed
France	Yes	60–87% net wage; 89% cap	None for standard scheme	Yes—as above	Reimbursement of monies if dismissals for economic reasons	Companies encouraged to provide training
Germany	Yes	70% gross wage; 159% cap	None	Yes—as above	No restrictions	Training subsidies and incentives
Sweden	Yes	88–96% of gross wage; 114% cap	Yes—depends on level of working time reduction	Yes—as above	No protection for dismissal; ban on profit sharing via dividends	Training subsidy
UK	No	80% of gross wage; 74% cap	Tapered in final months of scheme (anticipated and actual)	No	No restrictions	Training allowed

Source: Adapted from Drahokoupil and Muller (2021).

long-term commitment by the state not to support employment in crises. As already mentioned, the scheme was generally recognised as a successful response to the pandemic. However, the intervention was also short lived and was not supported by wider provisions for employee representation, limits on dismissals or support for training. It did not alter the fundamental model of employment regulation in the UK—instead, it preserved it, by ensuring the conditions for its reproduction. Following the termination of the CJRS, the UK government has sought to shift the focus to a jobs-based recovery, but this needs to be seen within a context of limited support for those made redundant, reductions in Universal Credit for the unemployed, the continued dominance of low-wage work, and seeming support for precarious and insecure forms of work such as zero hours contracts and 'fire and rehire' employment practices (Ewing and Hendy, 2020). This only demonstrates the need for wider reform, including the possible introduction of an expanded and augmented job retention scheme.

Building back better: the case for a permanent job retention scheme

The macroeconomic effects of furloughing in the UK are worth considering. It is important to recognise that furloughing operated to support jobs when the economy was constrained. Workers on furlough were able to keep spending and did not face a dramatic loss of income due to unemployment. But government support for incomes with lower consumption and production meant that, for some at least, savings rose. The running down of these savings with the easing of restrictions on the economy has helped to support a rapid growth in output. It has also led to higher inflation—for example, higher house prices and higher second-hand car prices. More generally, the unwinding of savings accumulated during the pandemic has helped firms to pass on increases in costs as higher prices. Though it is important to say that the ending of furloughing has not led to any significant rise in wage inflation—indeed, higher price inflation coupled with slower growth in nominal wages has resulted in real wage cuts for many workers. In the present, cost-push factors (e.g. linked to higher energy prices), not demand-pull pressures, also look to be the driving force behind inflation in the economy.

It remains the case that, since the ending of furloughing, there has been no shift in macroeconomic policy. Certainly, there has been no new commitment to fiscal stimulus. The UK government, instead, seems committed to raising taxes and limiting public spending. While the state may have turned 'Keynesian' for the duration of the crisis, it looks set to revert to a more conservative position in the future, with actions and policies focussed on supporting and bolstering the dominant institutions (particularly financial) currently in place. If and when crises occur in coming years, there may be more emergency policy action, but against the background of an essentially unreformed model of capitalism (Tooze, 2021).

Looking at labour market interventions, and the furlough scheme in particular, what could be done differently? How might the economy be placed on a more secure economic footing and reformed to serve positive social and economic goals? Here we focus on the idea of the adoption of a permanent job retention scheme in the UK. The TUC (2021) has supported such a scheme, highlighting how it might be used to protect workers' incomes and jobs on an ongoing basis. From our perspective, a permanent job retention scheme would not just offer a way to manage crises more effectively but could be a starting point for more interventionist state-led reform of the labour market that suits the wider interests of workers as well as employers.

A key consideration in any permanent job retention scheme, we would argue, is the provision of support to encourage employers to adopt a focus on long-term investment in labour rather than turnover and redundancy. Where employers are severely affected by economic crisis, for example, the ability to access support through furlough would allow them to retain workers and weather the storm rather than implement redundancies. Layoffs mean that skills acquired by workers are lost, with firms forced to return to the market to recruit new workers and train them up once demand returns. With a permanent job retention scheme in place, labour could be retained and reemployed easily and cost-effectively in recovery phases. The benefits to workers of employment stability would be matched by the advantages of rapid economic adjustment afforded to employers.

A permanent job retention scheme should also include provisions to support workers in the event of long-term restructuring due to, for example, technological advances, the impact of climate/environmental priorities and agendas, or secular decline in industries. Beyond coverage through statutory redundancy and dismissal laws in the UK, there is little state support for employers and workers impacted by long-term restructuring. The UK state has been reluctant to support individual firms or sectors facing decline, even where financial assistance for such support could have been accessed through supranational institutions such as the EU (Stuart et al., 2007; McLachlan, 2022). The UK's market-based approach has focussed on the passive management of restructuring rather than supporting firms to anticipate change. This contrasts with the 'collectively negotiated' approaches to restructuring seen in countries such as France, Germany and Denmark (Bergstrom, 2019), which provide support for workers facing redundancy. Indeed, the development of 'social plans', detailing concrete, tailored assistance for affected employees is mandatory in some European countries and is negotiated during the redundancy consultation period in others. Such approaches encourage (or compel) employers to adopt longer-term strategic workforce planning that can help them to anticipate restructuring, potentially avoiding some layoffs with workers retrained and redeployed into alternative roles. Where layoffs are required, workers are supported with financial assistance, and employers compelled to assist them with job search, facilitating transitions into alternative employment (Gazier and Bruggeman, 2008). Under a permanent job retention scheme, labour market transitions could be managed more successfully and to the advantages of workers and employers.

A feature of the CJRS was that it supported workers in jobs on a temporary basis: the expectation was that workers would return to employment at their existing firms as restrictions on the economy were removed. This was understandable given the nature of the pandemic-induced crisis. However, it is questionable whether the CJRS was an appropriate policy to deal with changes in the structure of the labour market. Indeed, as the pandemic evolved, a criticism of the CJRS was that it was arguably propping up non-viable jobs in 'zombie' firms (Cominetti et al., 2021). As discussed above, in reflecting on ways to create a more effective job retention scheme, it is worth considering how it could be developed to provide the conditions for workers to transition to *different* jobs, and how unemployment could be prevented by appropriate supports for training and skill development.

Important lessons can be drawn from the experience of short-time working schemes that exist in other European countries in terms of supporting firms facing economic downturns, but with a view to utilising such schemes as a mechanism for enabling workers to switch jobs in the face of structural economic change. Short-time working schemes in Germany, for example, have been recognised as providing a valuable temporary cushion for sectors, and workers, during times of crisis (Brenke et al., 2013). But other supporting institutional mechanisms, including help to coordinate the reproduction of skills and training at a sectoral level, are needed to ensure that any more permanent job retention scheme is capable of anticipating and managing long-term structural change in sectors (Lloyd, 1999).

In the UK context, a revised and enlarged job retention scheme would require a wide set of reforms aimed at re-regulating the labour market. There is little compulsion at present for employers to adopt a long-term perspective to labour retention and to go beyond minimal compliance with the law. Coordination of long-term skills and job requirements at a national and sectoral level is patchy at best, with tripartite discussion between the state, unions and employers largely absent. The focus of labour market regulation in the UK has been on maintaining employer prerogative and labour flexibility (Forde and Slater, 2016)—a fact that has contributed to low levels of investment (Spencer and Slater, 2020). The independent Taylor Review of Good Work in 2017 recommended seven areas of labour market reform through which higher quality work could be promoted. No significant reform has occurred in any of these areas. That one of the conclusions in the report is that 'the best way to achieve better work is not through national regulation, but strong corporate governance, good management and strong employment relations within the organisation' (Taylor et al., 2017: 111) demonstrates the challenges faced in undertaking fundamental labour market regulatory reform in the UK.

Finally, a permanent job retention scheme could aid with the promotion of other objectives. By facilitating the adjustment of work hours, for example, it could help to share work and bring about a wider reduction in work time. Its use could help to realise ambitions to reduce, via union support and government policy, work time and move to a four-day working week (Skidelsky, 2019). It would do so, in particular, by creating scope for greater social dialogue and the forging of consensus over the transition to a more just and sustainable economy—one that supports higher living standards with shorter work hours and lower inequality.

Conclusion

This article has used the example of furloughing to show the capacity of the state to respond effectively to crisis. By embracing furloughing as an idea and policy, the UK government demonstrated the limits of its own established policy approach based on flexible labour markets. In the context of the COVID-19 pandemic, furloughing worked—it prevented higher unemployment, benefiting workers directly, but it also helped firms to recover more swiftly and with lower costs. Beyond these benefits, furloughing saved lives by allowing work to be suspended and social distancing to be maintained.

But, as argued in the article, the prospect is that, beyond COVID-19, the same model of capitalism will reassert itself. Rather than aim to protect jobs and incomes, the UK state will return to policies that privilege individual bargaining over collective regulations and that favour cuts in public spending over a stronger welfare state. While the future occurrence of crises may lead to more emergency action (including possibly a return of furloughing), there will not be the deeper-lying reform required to restructure and reimagine the economy. Instead, policy and politics will revert to old practices—ones that left the UK economy vulnerable to crises in the first place and that called for remedial action once the pandemic struck.

In this article, we have suggested that, out of crisis, a new policy approach needs to be developed in the UK. Building on the successes of furloughing, the state must ensure that workers are protected not just in crises but also more generally via strengthened labour regulations. We have argued in support of a permanent job retention scheme. The positive lessons of temporary furloughing in the UK need to be generalised and used to build a new social contract that promotes goals of social justice and economic equality. Achieving real change ultimately means rethinking—and thinking beyond—presently existing forms of capitalism.

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