Unemployment surges in UK, with millions forced onto punitive welfare system

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Hundreds of thousands of UK workers have been laid off with the onset of the Covid-19 pandemic.

On March 20, Prime Minister Boris Johnson ordered all cafes, pubs, restaurants, nightclubs, theatres, cinemas, gyms and leisure centres to close. Many other firms were already closing due to a collapse in demand as the virus struck.

In a nine-day period to March 24, 470,000 workers applied for financial support through the Universal Credit (UC) system, more than eight times the average. In a normal week, around 50,000 new UC claims are made.

On a single day, March 27, 13,588 daily claims were made—an increase of almost 700 percent.

At the weekend, the Nomura investment bank predicted further surges in the unemployment rate to 8 percent in the April-June quarter, rising to 8.5 percent in the next three months. In January, the official unemployment rate was 3.9 percent. The *Sunday Times* noted that an 8 percent rate would be the equivalent of an additional 1.4 million people unemployed and a total jobless level of 2.75 million.

Since UC was rolled out in 2013, there has been a 21 percent cut in Department for Work and Pensions (DWP) staff who administer the system, due to austerity cuts. The loss of 19,000 DWP jobs led to growing workloads for remaining staff. So many people have now overwhelmed the system that 10,000 civil servants in other DWP departments are being deployed into the UC department.

UC is a punitive, means-tested system that merges six benefits into one payment. The rate for those over 25 is normally just £323.22 per month for a single person and £507.37 for a couple. Under mounting pressure, as millions faced the prospect of unemployment for months on end, the government was forced to increase the rate by a miserable £1,000 per year. This would take the rate for a single person to a pittance of £95.85 a week, in line with Statutory Sick Pay rates.

UC can only be claimed online and the numbers trying to access the UC service quickly crashed the website. The *Guardian* reported a queue of 145,000 people waiting to log onto the UC website, most of whom were new claimants trying to verify their identity. BBC Newsnight reported that one person found themselves 112,000th in the queue for the digidentity.eu website—used as part of the government's ID verification service.

The *Guardian* reported first-time claimants phoning the DWP 80 to 100 times without getting to speak to anyone. Normally, UC applications would begin with a face-to-face appointment with a job centre worker. Because of the Covid-19 pandemic, a free-phone 0800 number was introduced. The vast majority failed to get through because of the sheer numbers trying to call.

Under UC rules, claimants must make an appointment to process the claim. The *Guardian* quoted Anna Stevenson from the Turn2Us welfare advice charity as stating, “Universal credit claimants have to make this appointment within 30 days of them completing their applications, and for the claim to be approved, the interview must happen. People have been contacting us to ask what is going on as they are finding it impossible to get through.”

Many people who lost their jobs overnight are in a desperate position. A further obstacle for the penniless is the five-week wait period once a UC claim has been approved before any payment is made. According to the *Guardian*, 70,000 of the 230,000 new claimants processed earlier this month asked for an advance as they had no money in hand. On top of losing their jobs, thousands have been thrust into immediate debt. The

“Budgeting Advance” loan available is totally inadequate. A single person can claim £348, a couple £464, and £812 if a claimant has children—for five weeks. Anyone with £16,000 savings is ineligible for UC.

On March 26, Chancellor Rishi Sunak announced details of the government’s plan for the self-employed during the crisis. The previous week, Sunak announced a massive bailout for corporations, which will be able to access a £370 billion pot of state credit. The government agreed to pay workers unable to work 80 percent of wages in a job retention scheme—to a maximum of £2,500 a month for an initial period of three months. But no provisions were made initially for the self-employed and gig economy workers, whose numbers have shot up from just over 3 million in 2000 to 5.75 million today—15 percent of the labour market. Many took the self-employed option after being made redundant and unable to find decent paying jobs.

With the population in lockdown and workers not allowed to work if classed as non-essential, many self-employed workers, such as decorators, plumbers and people offering services at home such as hair dressing, find work drying up.

Under Sunak’s self-employed scheme, those earning up to £50,000 a year will be entitled to claim up to 80 percent of their earnings—also up to a maximum of £2,500 a month for a period of three months. To be able to get the help they must be able to show their earnings over the last three years, which many workers will not be able to do. The scheme does not include sick pay or extend to the many workers recently joining the expanding gig economy. It covers no one earning less than 50 percent of their income through gig employment.

Any wage subsidy payments would be back-dated to March, but payments will not be made until June. This is under conditions in which around one in three self-employed people earn less than £10,000 a year. In the meantime, those left in financial straits would have to apply for UC and wait at least five weeks.

According to the *Guardian*, thousands of those classed as a sole-person limited company will not be eligible for Sunak’s scheme, hitting freelance workers in the creative arts sector. A sound engineer who works on TV documentaries explained, “We are just as self-employed as those being helped, but inexplicably find ourselves left out of the scheme. It’s devastating.”

After only one week of the Covid-19 lockdown, millions are struggling to access basic food staples and other essentials. The Food Foundation charity commissioned a YouGov poll to assess the impact of the disease on access to food. It noted:

> More than 1.5 million adults in Britain say they cannot obtain enough food, 53 percent of NHS workers are worried about getting food, and half of parents with children eligible for Free School Meals have not received any substitute meals to keep their children fed, despite government assurances that they would provide food vouchers or parcels. This means that 830,000 children could be going without daily sustenance on which they usually rely.

Six percent of respondents, equivalent to 3 million people, have had to take a loan or borrow money to cope with the financial impact of the crisis.

The government intends that the cost of the bailout for corporations and banks will be paid for by workers when the pandemic is finally over. Faced with an unprecedented economic crisis, what will be imposed is an austerity agenda on steroids. The Nomura bank predicts a collapse in GDP of 13.5 percent in the second quarter—more than six times the biggest quarterly fall during the 2008-09 financial crisis.