



Covid-19: Fairer, Cleaner and More Sustainable Economy Debate on 11 June 2020

On 11 June 2020, the House of Lords is due to debate a motion moved by Baroness Hayman (Crossbench) that “this House takes note of the case for post-Covid recovery strategies that will contribute to a fairer, cleaner, and more sustainable economy”.

It has already been reported that the restrictions the Government imposed in response to the coronavirus pandemic have resulted in lower global carbon emissions over recent months. Commentators, such as the Oxford Smith School of Enterprise and the Environment, believe the current situation presents an opportunity to rebuild the economy with lower carbon goals in mind. Proposed policies to achieve this have included calls for financial support packages to require companies to set out how they will achieve lower carbon emissions and for increased investment in digital infrastructure rather than transport infrastructure.

Other commentators have noted the additional pressures caused by the coronavirus pandemic on lower income sections of society. For some there is an opportunity to rebuild the economy in a way that reduces inequality and better protects these individuals. For example, the Trades Union Congress has published a report urging increases in the minimum wage and a ban of zero-hour contracts.

The Government has stressed that it is committed to improving living standards and reducing inequalities. It has highlighted policies introduced during the pandemic to protect jobs, help individuals meet mortgage payments and increase benefit payments. It has also reiterated its commitment to reducing carbon emissions, with the goal of making the UK a net-zero nation by 2050. It recently stated it was investing £2 billion in cleaner transport, including cycling and walking.

This briefing focuses on material proposing policies for a “fairer” or “cleaner” economy post-Covid. This includes brief summaries of resources and lists of further reading. Information on the estimated economic consequences of Covid-19 generally and information on income inequality can be found in the following Lords Library briefings:

- [Coronavirus and the Economy](#), 28 May 2020
- [Covid-19: Improving Income Equality and Sustainability](#), 30 April 2020

Russell Taylor | 4 June 2020

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I. Impact of coronavirus

Economic impact

The Office for Budget Responsibility (OBR) and the Bank of England have analysed possible economic scenarios taking into account the impact of coronavirus (Covid-19). Both showed falls in the size of the economy.

For example, the OBR's analysis suggested that:¹

- Real gross domestic product (GDP) would fall by 35% in the second quarter (Q2) of 2020, then increase by 27% in Q3. For 2020 as a whole, the OBR scenario showed a fall in GDP of 12.8%.
- Unemployment would rise to 10% in Q2, before falling to around 7.3% by the end of 2020. The rate was 3.8% at the end of 2019.²
- Public sector borrowing would rise to £298 billion in 2020/21, an increase of £244 billion over the OBR forecast at the time of the March budget.³ The OBR said that the 2020/21 deficit would be the largest since the second world war.
- Public sector net debt would rise to 96% of GDP 2020/21 and could end the year at 95% of GDP; this compared to a pre-virus forecast of 77%.⁴

The Government has implemented a range of support measures and has published a recovery plan.⁵ However, the Chancellor, Rishi Sunak, has warned of a future recession and has said that a key issue would be how much long-term productive capacity would be lost from the economy ("scarring").

Societal impact

The Covid-19 pandemic has impacted individuals and sectors of the economy in different ways. For example, the hospitality, tourism, and entertainment industry will be more affected than others due to the virus. This is due to the way many businesses in these sectors operate and their reliance of physical footfall. Indeed, many of these businesses, including pubs and restaurants, have remained closed since the early stages of the pandemic.

It has been estimated the pandemic is having a greater impact on poorer sections of society. The IFS has argued that the virus will exacerbate inequalities in the UK.⁶ For example, it said that younger people and low earners will be disadvantaged because they are more likely to work in sectors that have closed and are less likely to be able to work from home. The IFS suggested that women may be

¹ Office for Budget Responsibility, '[Coronavirus analysis](#)', 14 May 2020.

² Office for Budget Responsibility, '[Economic and Fiscal Outlook](#)', March 2020, CP 230, p 45.

³ *ibid*, p 12.

⁴ *ibid*.

⁵ Cabinet Office, '[Our plan to rebuild: The UK Government's COVID-19 recovery strategy](#)', updated 26 May 2020.

⁶ Paul Johnson, '[We may be in this together, but that doesn't mean we are in this equally](#)', Institute for Fiscal Studies, 27 April 2020.

more affected than men, and that children in state schools may be more affected than those in private schools. It has called for a reassessment of “the value of mutual insurance, an effective welfare system and collective economic security”.

The Trades Union Congress (TUC) has argued that the virus has exposed the “discrimination and insecurity” in British working conditions.⁷ It said that women, disabled people and black, Asian and minority ethnic (BAME) workers were more likely to be economically affected by the virus, “because they are disproportionately stuck in insecure jobs on low pay”.

Speaking on 19 May 2020, the Chancellor, Rishi Sunak, acknowledged that it was “critical” to get younger and lower-paid workers back to work.⁸

Climate change

It has been reported that the lockdown and social distancing measures imposed because of the pandemic have caused reductions in the levels of air pollution. For example, some UK cities’ nitrogen dioxide (NO₂) levels have fallen by up to 60% on the same period last year.⁹

However, there are fears that emissions will simply rebound as lockdown conditions are eased, particularly if more people use cars to avoid travelling on public transport.

A paper by the Oxford Smith School of Enterprise and the Environment (co-authored by Crossbench peer Lord Stern of Brentford) called for action to be taken to ensure levels remained low and did not rebound, stressing the need for lower emissions to be recorded year on year:

This year, global greenhouse gas emissions will fall by more than in any other year on record. The percentage declines likely in 2020, however, would need to be repeated, year after year, to reach net-zero emissions by 2050. Instead, emissions will rebound once mobility restrictions are lifted and economies recover, unless governments intervene.¹⁰

The paper also expressed concerns about the pandemic’s possible effect on national and international efforts to combat climate change, fearing it may have stalled recent progress and momentum:

Public support for action on climate change increased to a peak prior to the pandemic; government and corporate action was also gathering momentum. Covid-19 has clearly slowed this momentum, not least in delaying the international conference on climate from 2020 to 2021.¹¹

⁷ Janet Williamson, ‘[A better recovery—learning the lessons of coronavirus to create a stronger, fairer economy](#)’, Trades Union Congress, 20 May 2020.

⁸ House of Lords Economic Affairs Committee, [Uncorrected Oral Evidence: Chancellor of the Exchequer](#), 19 May 2020, Q5.

⁹ BBC News, ‘[Coronavirus lockdown sees air pollution plummet across UK](#)’, 8 April 2020.

¹⁰ Cameron Hepburn et al, [Will Covid-19 Fiscal Recovery Packages Accelerate or Retard Progress on Climate Change?](#), Smith School of Enterprise and the Environment, University of Oxford, 4 May 2020, p 3.

¹¹ *ibid.*

Despite this, the authors believed new impetus may be found due to people's experiences of the pandemic, both through changes to their ways of life and through their own experiences of lower air pollution.¹² They suggested that the “shape of Covid-19 fiscal recovery packages put in place in the coming months, once lockdowns are eased, will have a significant impact on whether globally agreed climate goals are met”.

2. Proposed policies for a “fairer, cleaner and more sustainable economy”

This section summarises recent suggestions for what a government recovery plan might include to develop a “fairer, cleaner and more sustainable economy”. These ideas are drawn from three sources. Additional further reading is listed in section 4 of this briefing.

Letter from business leaders

On 1 June 2020, a letter was sent by around 200 business leaders to Prime Minister Boris Johnson calling for the Government's economic recovery plans to align with the UK's “wider goals and to deliver a clean, just recovery, that creates quality employment and builds a more sustainable, inclusive and resilient UK economy for the future”.¹³ The letter was organised by the Prince of Wales's Corporate Leaders Group, and included representatives from organisations such as Heathrow, BT and Lloyds Banking Group.

The letter argued that measures to tackle climate change would support the country's future economic and employment prospects. It also suggested that the current crisis provided a good opportunity to move away from “business-as-usual”:

A wide range of input, from academic experts to city leaders to official advice, has shown measures that cut greenhouse gas emissions and stimulate the economy have the potential to be more effective in supporting jobs and economic growth whilst also supporting our long term climate goals and delivering better outcomes in other key areas of public interest, such as public health and wellbeing. In addition, investments in industries and projects such as building renovation, offshore wind, electric vehicles, environmental improvements, and low carbon industrial clusters have the potential to bring investment and job creation across multiple regions of the UK.

As businesses and business groups operating in the UK, we reaffirm our commitment to action on climate change and our determination to create a cleaner, competitive, and inclusive UK economy. The current crisis, in moving us all away from business-as-usual, has already created shifts in how we operate, and we believe we must use the recovery to accelerate the transition to net zero. Efforts to rescue and repair the economy in response to the current crisis can and should be aligned with the UK's legislated target of net zero emissions by 2050 at the latest.¹⁴

¹² Cameron Hepburn et al, [Will Covid-19 Fiscal Recovery Packages Accelerate or Retard Progress on Climate Change?](#), Smith School of Enterprise and the Environment, University of Oxford, 4 May 2020, p 3.

¹³ Prince of Wales's Corporate Leaders Group, [Letter from business leaders to Prime Minister Boris Johnson](#), 1 June 2020.

¹⁴ *ibid*, p 1.

The letter called for recovery efforts to:¹⁵

- **Drive investment in low carbon innovation, infrastructure and industries**, as well as improved resilience to future environmental risks;
- **Focus support on sectors and activities that can best support sustainable growth**, increased job creation and which can accelerate the recovery and the decarbonisation of the economy; and
- **Ensure businesses receiving financial support are well-managed** and that their strategies are science-based and aligned with national climate goals.

Committee on Climate Change letter

On 6 May 2020, the Committee on Climate Change also sent a letter to Boris Johnson, setting out six principles for rebuilding the nation whilst delivering a “stronger, cleaner and more resilient economy”.¹⁶ The committee argued that:

Reducing greenhouse gas emissions and adapting to climate change should be integral to any recovery package. These remain scientific, economic and social imperatives and will only be delivered if ambitious steps are taken during this Parliament.¹⁷

Its six key principles covered:¹⁸

- **Use climate investments to support the economic recovery and jobs:** For example, bringing forward investment targeted at reducing emissions and managing the social, environmental and economic costs of climate change.
- **Lead a shift towards positive long-term behaviours:** The committee suggested the pandemic could be an opportunity to embed new social norms, particularly in relation to travel. It recommended the Government should continue to promote home-working and invest in broadband and cycling infrastructure over road transport.
- **Tackle the wider ‘resilience deficit’ on climate change:** It called for stronger policies and plans across government and business to tackle climate change and achieve a net-zero economy and society. It said that these should be implemented alongside the medium-term response to Covid-19.
- **Embed fairness as a core principle:** Noting that the pandemic may exacerbate inequalities across society, the committee stressed the importance of ensuring that the benefits and challenges of tackling climate change are shared equally, and that jobs are created in the new economy to replace those now at risk.
- **Ensure the recovery does not ‘lock-in’ greenhouse gas emissions or increased climate risk:** For example, the committee recommended that support for “carbon-

¹⁵ Prince of Wales’s Corporate Leaders Group, [Letter from business leaders to Prime Minister Boris Johnson](#), 1 June 2020, p 1.

¹⁶ Committee on Climate Change, [‘Take urgent action on six key principles for a resilient recovery’](#), 6 May 2020.

¹⁷ Committee on Climate Change, [Letter to Boris Johnson about ‘Building a resilient recovery from the Covid-19 crisis’](#), 6 May 2020.

¹⁸ *ibid*, pp 1–2.

intensive” sectors during the pandemic should be contingent on them taking real and long-lasting action on climate change.

- **Strengthen incentives to reduce emissions when considering fiscal changes:** Arguing that changes in tax policy could aid the transition to net-zero emissions, the committee suggested that revenue could be raised by setting or raising carbon prices for sectors that emit more greenhouse gases. It also believed the current low global oil prices could provide an opportunity to “offset changes in relative prices without hurting consumers”.

In an annex to the letter, the committee set out specific short-term opportunities in the context of social distancing and the pandemic.¹⁹ These included:

- reskilling and retraining programmes;
- targeted science funding;
- strengthening energy system networks;
- tree planting and green infrastructure; and
- making it easier for people to walk, cycle or work remotely.

The committee stated that it would expand on the advice in its annual progress report to Parliament in June, alongside its statutory assessment of the UK’s progress in reducing emissions.²⁰

TUC: A Better Recovery

The TUC set out six overarching recommendations for rebuilding the economy in its report: *A Better Recovery*.²¹ The TUC warned against the use of austerity measures to deal with any future recessions brought about by the pandemic, believing these do not achieve proper economic growth and weaken the country’s “economic and social fabric”.²² Instead, it called for measures creating a “fairer society”, which it believed would build a stronger and more secure economy:

By creating a fairer society, we will build a stronger economy, in which decent wages create both security for workers and their families, and demand for the products and services of our businesses. The way to do this is through everyone having a decent job, on better pay and working conditions, alongside revitalised public services and a stronger safety net. We must invest in this fairer future; we cannot afford not to.²³

Its recommendations covered:

- **“Decent” work and “a new way” of doing business:** This included proposals to raise the minimum wage to £10 an hour, to ban zero-hour contracts, new business models

¹⁹ Committee on Climate Change, [Letter to Boris Johnson about ‘Building a resilient recovery from the Covid-19 crisis’](#), 6 May 2020, pp 5–6.

²⁰ *ibid*, p 2.

²¹ Trades Union Congress, [A Better Recovery](#), 20 May 2020.

²² *ibid*, p 3.

²³ *ibid*.

to give workers more say in corporate governance and for government financial support for businesses to be contingent on the implementation of “fair pay and employment plans”.²⁴

- **Equality at work:** The TUC called for more protection for women, disabled people and BAME workers. This included strengthened maternity provisions, regular reports to Parliament on addressing discrimination and disadvantage and the Government “prioritising compliance with the public sector equality duty”.²⁵
- **A “real” safety net:** This included proposals to reform universal credit, remove benefit caps and conditionality and to establish a “jobs guarantee scheme”.²⁶
- **Rebuilding public services:** The TUC stressed the importance of better pay and workforce conditions for public sector workers, particularly rewarding those that have been vital caring for the population during the pandemic. It also called for the end of outsourcing of public services and a new funding settlement for the NHS, the education sector and other services.²⁷
- **Sustainable industry:** TUC proposals focused on incentivising investment in jobs and training. It also recommended a “just transition commission” to deliver a recovery programme that guaranteed “thousands of jobs” alongside a reduced carbon economy.²⁸
- **International solidarity:** The TUC expressed concern about the impact of global policies on workers in poorer countries. It recommended establishing a global fund to support health care and income support for certain countries and ensuring trade policies “promote development, gender equality, decent jobs and universal quality public services”.²⁹

3. Government plans

Helping people and businesses

The Government set out its plans for rebuilding the economy and supporting individuals as the country recovers from the pandemic in its recovery strategy.³⁰ This includes ongoing measures such as:

- The coronavirus job retention scheme and support for self-employed workers;
- A hardship fund, increases in universal credit payments, mortgage holidays and support for rough sleepers; and
- Funding and schemes to help businesses, including grants for small businesses, VAT deferrals and business rate holidays.

²⁴ Trades Union Congress, [A Better Recovery](#), 20 May 2020, p 4. For details on the public sector equality duty, see: Equality and Human Rights Commission, [‘Public sector equality duty’](#), accessed 2 June 2020.

²⁵ *ibid*, p 4.

²⁶ *ibid*.

²⁷ *ibid*, pp 4–5.

²⁸ *ibid*, p 5.

²⁹ *ibid*.

³⁰ Cabinet Office, [‘Our plan to rebuild: The UK Government’s COVID-19 recovery strategy’](#), updated 26 May 2020.

Looking ahead, the Government warned that the global economy may change significantly due to the pandemic. It said that the UK will need to be “agile in adapting to and shaping this new world if the Government is to improve living standards across the nation as it recovers from Covid-19”.³¹

Speaking in the House of Lords debate on income inequality and the Covid-19 pandemic, the Minister of State at the Cabinet Office and HM Treasury, Lord Agnew of Oulton, provided further details on how the Government was trying to assist people during the pandemic and beyond.³² He also stressed that the Government took income inequality and improving living standards very seriously.

Regarding increases in the national living wage, Lord Agnew said it remained the Government’s intention to raise it to two-thirds of median earnings by 2024, if economic conditions allowed. He also highlighted the recent increase that took effect in April 2020.³³

On calls for key worker benefits to increase, Lord Agnew said that:

Last July the Government delivered a second year of above-inflation pay rises for almost 1 million public sector workers, in addition to the previously agreed multiyear pay deal for NHS non-medical staff, including nurses. More than 1 million NHS workers continue to benefit from the three-year ‘Agenda for change’ pay deal. The reforms will see the starting salary for a newly qualified nurse rise to £24,900 in 2020/21, 12.5% higher than in 2017/18. The Government has also agreed temporary pay and pension packages for a number of public sector workforces, including the NHS, to increase system capacity and recognise their work tackling the Covid-19 outbreak.³⁴

He also mentioned the Government’s review of social care funding, and the emergency funding which had been provided to the sector to help local authorities meet costs. He stressed that the Government is “determined to do everything we can to ensure that our social care workforce is safe, supported and truly valued”.³⁵

Environmental commitments

On 11 May 2020, Boris Johnson spoke about how the crisis could provide an opportunity to make moves towards cleaner transport, particularly highlighting the Government’s commitment to cycling and walking:

Out of this tragedy and this disaster, we hope that some changes and some opportunities will come. I certainly see a huge opportunity for cleaner, greener transport. The UK will continue its mission to be a net-zero nation by 2050—we know that we can do it. As the House will know, we have committed £2 billion to investing in cleaner transport, including walking and cycling.³⁶

³¹ Cabinet Office, [‘Our plan to rebuild: The UK Government’s COVID-19 recovery strategy’](#), updated 26 May 2020.

³² [HL Hansard, 6 May 2020, cols 518–24.](#)

³³ *ibid*, col 521.

³⁴ *ibid*, col 522.

³⁵ *ibid*, cols 521–22.

³⁶ [HC Hansard, 11 May 2020, col 34.](#)

In answer to a written question about the Government's plans for a green recovery more generally, Lord Callanan, the Minister for Climate Change and Corporate Responsibility, stressed the Government's continued commitment to cutting emissions and building a more environmentally sustainable economy:

The UK has shown that growing our economy and cutting emissions can be achieved at the same time. We have grown our economy by 75% while cutting emissions by 43% over the past three decades. The UK has over 460,000 jobs in low carbon businesses and their supply chains and many of the actions we need to take to reach our target of net zero emissions by 2050 will support the future growth of our economy.

As we recover from COVID-19, the Government intends to deliver a UK economy which is stronger, cleaner, more sustainable and more resilient.³⁷

The UK is due to host the next UN Climate Change Conference. The conference has been postponed until November 2021 due to the pandemic.

4. Read more

- Cameron Hepburn et al, [Will Covid-19 Fiscal Recovery Packages Accelerate or Retard Progress on Climate Change?](#), Smith School of Enterprise and the Environment, University of Oxford, 4 May 2020
- COP26 Universities Network, [A Net-zero Emissions Economic Recovery from Covid-19](#), May 2020
- Kristin van Barneveld et al, '[Covid-19 pandemic: Lessons on building more equal and sustainable societies](#)', Economic and Labour Relations Review', 25 May 2020
- World Economic Forum, [Covid-19 webpage](#), accessed 3 June 2020

³⁷ House of Lords, '[Written question: climate change](#)', 27 May 2020, HL4276.