

COVID-19 and job security: How to prevent a 'pandemic of unemployment'



Ewan McGaughey writes that job security, workplace democracy, and labour law are the best defence against the impending depression. Yet these are also areas in which the UK and US are lacking. He offers some suggestions on how to prevent mass unemployment resulting from the coronavirus lockdowns.

After the coronavirus pandemic, the world will face a ghastly depression. In the United States, 26.5 million people have been fired, meaning [over 20% unemployment](#). Over [1.8 million people](#) are reported to have claimed Universal Credit in the United Kingdom, and [12,000 British Airways staff](#) have been threatened with redundancy. This will probably take us over 10% unemployment. It's now obvious that the UK government's 'Coronavirus Job Retention Scheme', which subsidises 80% of people's wages, but didn't [ensure job security](#), is failing in the one thing it's meant to do: retain jobs.

The unemployment rate had been under 4% in the US and UK, and already people were struggling, because of soaring underemployment, and non-enforcement or evasion of labour rights. But the loss of jobs is now worse than the global financial crisis from 2007. It could be worse than the Great Depression from 1929. If there's mass unemployment, people will not automatically be rehired when (or if) the virus is contained. If people are unemployed, they will have less income. They will spend less on business. Business will go bust, or may fire more people: a sinking spiral of dole queues and shuttered shops. This is why on the current policy, the most likely outcome is a new economic depression.

This will be the first "You're Fired" depression. The coronavirus won't be responsible for a depression, because we know that mass unemployment is avoidable. It's time to think hard about job security rights: to reasonable notice, a fair dismissal, severance pay on redundancy, and the crucial right to votes at work.

Why the United States is the most vulnerable

In the countries hit hardest by coronavirus, unemployment in the US is easily the worst. The US has no self-standing job security rights, except for a duty on employers to give 60 days warning before making mass layoffs. This is the "Donald Trump" system of job security. An arbitrary, incompetent or venal boss can say "you're fired" for a good reason, a bad reason, or no reason at all.

The only state with a law stopping wrongful discharge is [Montana](#), population one million. Many have proposed a ['just cause'](#) discharge system. All states could enact one. But as it stands, the US depression will probably be the worst, because the US has the [worst job security in the world](#).

Why Britain is really in trouble

Though matters are not as bad, the UK is hit severely. UK job security laws require that an employer gives reasonable [notice](#) of at least one to twelve weeks before dismissal. An employer cannot, at any time, dismiss an employee in a way that breaches the basic ['duty of mutual respect'](#), and after two years' work, an employer can only dismiss for a [fair reason](#) as assessed by an Employment Tribunal. Also, after two years' work, employers must give a [redundancy payment](#).

These constraints are nevertheless minimal, because workers do not also have voice or a veto over the employer's dismissal decision unless they have a very strong union. Also, most UK workers (outside universities like [Cambridge](#) or [Edinburgh](#)) do not have the right to elect the directors of their workplace. The UK government did announce major subsidies, to pay 80% of wages to any employee who is suspended (or 'furloughed') during the pandemic, and then extended this to the self-employed. But it did not impose job security conditions, or require worker votes for directors, [as labour law experts called for](#). So, employers have fired staff despite subsidies. Massive subsidies have failed to achieve the goal of stopping mass unemployment. Again, despite its [£30-40 billion expected cost](#), the Coronavirus Job Retention Scheme has left out conditions for job security and workplace democracy.

The rights to workplace democracy and job security

Many countries have seen unemployment rise, but nowhere near as bad as the US or UK. In Denmark, which has seen a rise to just [4.2% unemployment](#), workers have the right to organise work councils that can participate in decisions about dismissals. In companies with over 35 staff, there is also a right to [elect up to one third of the board of directors](#). In Germany, with a rate of [5.8% unemployment](#) in April, workers in firms with over 20 staff can elect [a work council that can veto dismissal decisions](#), or defer economic dismissals pending arbitration. In large firms with over 2000 workers, staff can elect half the supervisory board of directors. Work councils enable workers to have binding rights over certain management decisions (e.g. working time, social funds, and hiring and firing policy), while elected representation in management ensures long-term thinking.

Both Denmark and Germany also have far stronger notice, dismissal, and redundancy laws. Unemployment may worsen, and their laws need to strengthen in many ways, but the problem is a fraction of that in the UK or US. Experience now, and all credible empirical evidence, shows that job security, like workplace democracy, improves [innovation, employment, and productivity](#).

What needs to be done

Job security, workplace democracy, and labour law matter: they are the best defence against depression, and of prosperity. To stop a depression, first we need to change what got us here: boost job security. The best way to do this is to create a right to elect work councils, whenever unions collectively bargain for them or more than five staff request them. The UK can do this through amendments to the [ACAS code](#), while every state in the US can legislate for worker voice over layoffs. These proposals would bring the UK and US up to the standards of wealthier, and more equal democracies. They have been proposed by Harvard's [Clean Slate Project](#) in the US, and by members of the [Institute for Employment Rights](#) in the UK. To ensure that irrational layoff decisions are not made to begin with, there also needs to be a right of workers to vote for who is on their boards of directors, like at [Oxford University](#), [BMW](#) or [H&M](#).

Second, and because so many have already lost their jobs, we need fresh action. We can introduce an immediate freeze on dismissals, and cancel the dismissals that took place since 1 March. The crisis of confidence afflicting business, forcing them to plan for a future of mass unemployment, comes from their fear of collapsing demand. That fear exists if government fails to lay out the principles for a credible recovery plan.

Third, and ultimately, government has to provide everyone with a job guarantee and universal income by filling the gaps of our social security system. This is what the [Universal Declaration of Human Rights](#) requires. From 1944 the UK government, with agreement among Conservatives, Labour, and Liberals, maintained full employment for three decades post-war. If we want, and we act, we can make the pandemic of unemployment history, and come out of the crisis stronger.

About the Author



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