Guaranteeing a rapid recovery

BRIEFING PAPER

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This briefing paper explores how innovative solutions can help to secure a rapid economic recovery from the COVID-19 pandemic, regarding both jobs and financial resilience. It examines the groups that should be the focus of rapid recovery interventions, the evidence on "what works" for supporting these groups, and the role of policy, regulation, partnerships and data in encouraging innovation and enabling effective solutions to scale. Learnings from this report could also be applied in a post-COVID-19 environment. The paper draws on findings emerging from the Rapid Recovery Challenge[2], a £3 million challenge prize that set out to find innovative tools and services that could support people with jobs and money in response to the COVID-19 crisis.

BACKGROUND

- **The impact of COVID-19 on jobs has been borne unevenly.** Unemployment rates have increased – particularly among young adults (aged 18-24), older adults (aged 50-64), those living with disabilities, minority ethnic groups and those from certain regions – such as London, Wales and the East Midlands.
- **With the Government's Job Retention Scheme winding down, there is a real risk that a proportion of furloughed workers will transition into unemployment**. A recent study estimated that one million workers are still employed by businesses at risk of closure over the next three months.[3]
- **While household saving rates have increased in aggregate, this masks significant differences across income groups, with some becoming more financially fragile.** According to Bank of England analysis of 2020, the reported income of households that had increased their savings was 25% higher on average than households that had decreased their savings.[4]

KEY LEARNINGS

- **To improve employment prospects and financial resilience, individuals need access to solutions that are both personalised and rapidly available.** Evidence suggests that tailored, swift support leads to improved outcomes and is often cost-effective, reducing the economic scarring associated with long-term unemployment and reducing the risk of individuals falling into further financial distress.

- **Digital solutions should be used to improve jobs and financial support.** Some innovations cited in this briefing note (drawn from the Rapid Recovery Challenge) include:
  - Digital "nudges" to help individuals reach their financial goals.
  - Online job boards targeting groups poorly served by more generic websites, such as those with disabilities and those seeking a first job.
  - Online crowdfunding to help homeless individuals gain skills and employment.
  - Support delivered through online messenger services.
  - Utilising open banking to improve take-up rates for grants and speed up application times.
- **Digital solutions need to be blended with face-to-face and over-the-phone support in order to have impact at scale**. This is particularly important when engaging with vulnerable groups, such as the digitally excluded and the homeless.
- **To achieve scale, solutions providers need to form effective referral partnerships, for example with central and local government, and businesses operating in sectors such as energy and banking.** These organisations have regular contact with individuals facing unemployment and financial fragility, and are well-placed to steer people towards support.

RECOMMENDATIONS

- **Government needs to act as a "systems operator" in the support landscape, creating a platform for services to develop, integrate and feed into each other.** Currently, there is a lack of "joined up thinking" when it comes to bolstering financial resilience and improving access to the jobs market. Often, it is difficult for people to navigate a landscape with numerous service providers, and excessive duplication can undermine attempts to scale up.
- **Regulators need to enshrine "consumer duties" in markets such as energy and telecoms, building on the approach recently proposed by the Financial Conduct Authority (FCA). A Consumer Duty for public services should also be considered, similar to that recently introduced in Scotland.** The FCA's proposed Consumer Duty would require organisations to "enable customers to pursue their financial objectives", compelling firms to do more to support the financial resilience of customers. This could include through partnerships between organisations providing employment and financial support.
- **The Office for National Statistics should develop improved, regular measures of household finances, to support innovators developing solutions to improve financial resilience.** These metrics should be developed in partnership with the Financial Conduct Authority and Money and Pensions Service. We would expect these statistics to be reported on at least a quarterly basis, including data such as household saving rates, trends in income and measures of financial distress such as falling into arrears and utilising high-cost short-term credit.

FOREWORD

The COVID-19 recovery is likely to be a long and bumpy journey but it should also be viewed as an opportunity for social innovation and a chance to reshape the UK's economy. With this in mind, I'd like to applaud the Social Market Foundation (SMF) on this insightful report.

The pandemic has had a disproportionate impact on those in underserved communities, those on lower-incomes, younger workers and those working within the gig economy. For example, ONS stats show that the unemployment rate for people aged between 18-24 still sits at 11%, compared to an average of just 4.7% across the entire workforce (aged 16+).

Nesta Challenges' recent research revealed that an average of 30% of UK workers suffered a financial hit as a result of the pandemic and the resulting lockdown, with the figure spiking amongst groups such as freelancers and gig workers (35%).

63% of those currently on furlough feel their job is less secure than before the pandemic and just 35% of vulnerable workers are confident that they would be able to find a new job within three months of redundancy. This is compared to almost half of workers in stable jobs.

Unfortunately, there is a real risk that the situation will get worse before it gets better. The furlough scheme is ending this month and there is concern that the 1.6m people already struggling with unemployment will only increase - the current level is a fifth higher than in 2019, despite dropping from its peak last winter.

To ensure a rapid recovery from the pandemic, the recommendations of this report are absolutely vital.

We partnered with the SMF in order to tease out learnings from the Rapid Recovery Challenge prize, combining these with wider wisdoms and input. It is our hope that the report's recommendations will be useful to policymakers and innovators alike (in government or elsewhere) and have a positive impact on the individuals and communities we've looked to serve over the course of the Challenge.

Alongside this report, the Rapid Recovery Challenge (run by Nesta Challenges) offered a £3m prize to develop and scale innovations targeted at those who need the most support in accessing jobs and money after an extraordinarily tough 18 months.

Over the past year, we've enjoyed taking 14 high calibre and innovative solutions through the challenge prize process. We received 150 quality entries from across the UK and over the course of the past 12 months have supported 14 semi-finalist organisations to fine tune, develop and promote their solutions through funding as well as through non-financial support. We've worked closely with 6 finalists to scale their solutions to 10,000 users each in the past 5 months by offering access to networks, partnerships and training.

These organisations and the tools they've developed as part of the challenge will play an important role in enhancing access to both finance and jobs in a post pandemic environment in the coming years.

This report provides clear and achievable recommendations which will help to put innovation at the heart of the UK's recovery.

This report and the necessary changes called for are a vital step in the creation of a fairer, more supportive, effective and innovative approach to unemployment and personal finance pressures which should transform the UK's economy through COVID-19 recovery and beyond.

Tris Dyson
Managing Director, Nesta Challenges

INTRODUCTION

In addition to a significant loss of lives, the COVID-19 pandemic has shocked the UK economy. Even with the gradual easing of restrictions and slow return to normality – or some kind of "new normal" – the economic environment remains challenging for many households.

Unemployment stands higher than prior to the pandemic and, as of the end of July 2021, some 1.6 million employees across the country were still on furlough. With the government's Job Retention Scheme winding down, there is a real risk that a proportion of these furloughed workers will transition into unemployment, particularly if business conditions remain subdued in some industries or certain parts of the country such as commuter-dependent city centres. A recent study estimated that one million workers are still employed by businesses at risk of closure over the next three months.[5]

Unemployment rates have increased particularly strongly among young adults (aged 18-24), older adults (aged 50-64), those living with disabilities, minority ethnic groups and those from certain parts of the UK – such as London, Wales and the East Midlands.[6] Many of these groups had higher-than-average unemployment rates even before the pandemic – with COVID-19 exacerbating inequalities that were already present.

Households have also been impacted financially by the pandemic – both for better and for worse – widening already significant disparities in financial security. While the headline household savings rate, published by the Office for National Statistics, shows that saving has increased significantly during the pandemic[7], this aggregate picture masks important differences across income groups, with those on lower incomes more likely to have run-down rather than built-up savings during the pandemic. According to Bank of England analysis of 2020, the reported income of households that had increased their savings was 25% higher on average than households that had decreased their savings.[8]

In this paper, we explore the best means of guaranteeing a rapid economic recovery from the pandemic, with respect to both job creation and household financial resilience. We examine what effective solutions are being developed by innovators and how these solutions can be scaled to reach a large number of individuals. We also explore the role of government, regulators and data in supporting further innovation to help those out of work or grappling with financial insecurity.

The paper draws on findings emerging from the Rapid Recovery Challenge[9], a £3 million challenge prize funded by Nesta, in partnership with J.P. Morgan and the Money and Pensions Service. The Challenge had two streams:

- **Job Recovery Stream** - which supported innovator solutions that connect younger workers or those in (or who have recently lost) low-paid or insecure work into open jobs that match their skill sets.
- **Financial Recovery Stream** – which supported innovator solutions that help younger workers or those in (or who have recently lost) low-paid or insecure

work access financial assistance more easily, manage their cash flow or, where necessary, access affordable, responsible credit.

The six innovator finalists for the Rapid Recovery Challenge were:

- **Beam** – which crowdfunds support for homeless people. They have developed a digital hub to support training and education to improve employment prospects for those who are homeless or at risk of being so.
- **Evenbreak** – a job board and "Career Hive" with access to resources and one-to-one guidance, targeted at disabled people who are looking for new or better work.
- **Hastee** – a holistic financial health platform that also allows workers access to a portion of their pay as soon as they have earned it.
- **IncomeMax** – which helps individuals identify sources of income available to them through unclaimed benefits, grants and other financial support such as help for utility bills.
- **Turn2us** - a digital grants delivery platform that enables users to receive quick financial support by improving the grant process and reducing waiting times for financially vulnerable applicants.
- **Udrafter** - an online platform where businesses can access student and graduate talent on-demand and students are paid to complete degree-relevant micro-internships which provide them with crucial work experience.

This paper also draws on desk research carried out by the SMF, two roundtable discussions with expert stakeholders (one on financial resilience, one on jobs) and additional expert interviews.

WHAT WORKS FOR A RAPID RECOVERY?

What can we say about "what works" for getting people back into employment and assisting those that are struggling with financial resilience? Our research, discussions with stakeholders and takeaways from Nesta's Rapid Recovery Challenge point to a range of conclusions.

The importance of rapid and personalised support for those hit hard by the pandemic

To best help those struggling with unemployment and financial fragility, innovation needs to focus on offering tailored support specific to the circumstances of the individual. This includes personal coaching, over-the-phone advice and websites and smartphone apps that offer a bespoke experience based on data about the individual and their circumstances.

While a generic intervention – such as the creation of a website offering general advice on jobs, reskilling or budgeting – may appear a cost-effective and scalable solution at a glance, limited impact on outcomes means that this is unlikely to be the case in practice. Innovators, including government, should avoid falling into the trap of assuming generic advice is necessarily a "quick win". Often, it can prove an ineffective use of resources.

The literature on financial education is particularly telling here. One meta-analysis of more than 200 studies found that interventions to improve financial literacy explain only 0.1% of the variance in financial behaviours studied, with weaker effects in low-income samples.[10] The authors of the meta-analysis argue for a reduced role for financial education that is not elaborated or acted upon soon afterward. Instead, they argue that there should be a more focused approach which homes in on "just-in-time" financial education tied to specific behaviours it intends to help – that is to say, more tailored support.[11]

Regarding jobs it has been argued that, to be effective, career websites need to be integrated into wider careers education provision, including tutorial support and personal guidance.[12]

In addition to ***personalised*** advice, ***speed of support*** is also crucial. The literature on employment support highlights the importance of rapid assistance once an individual has lost their job, to ensure individuals can maintain contact with the labour market and reduce the scarring associated with long-term unemployment.[13] According to the Institute for Employment Studies:

> *"The wealth of evidence from previous recessions emphasises the importance of providing rapid and high-quality support for those who find themselves unemployed so that they can maintain contact with the labour market and move back into work as quickly as possible.*
>
> *Systematic reviews, as well as evaluations of specific interventions in Europe and the United States, show that one-to-one advisory support increases employment entry and is inexpensive and cost-effective – especially during the early phases of unemployment and when targeted at those who are more job-ready.*
>
> *When job search support was largely stopped in the 1980s recession, this led to lasting negative impacts on people and communities. Providing support and focusing it on finding work must therefore be an urgent priority."* [14]

The scarring effect of long-term unemployment can be particularly severe for young adults, having a long-lasting impact on an individual's income over the course of their life. Further, unemployment can impact health as well as wealth, reducing wellbeing and increasing stress and mental health conditions. Worsening physical and mental health outcomes can in turn make it even more difficult to return to employment.[15]

There are also specific concerns about unemployment among older individuals, particularly if they were working in industries and occupations in structural decline – such as "high street" retail. Such individuals face the prospect of struggling to return to work without access to retraining opportunities. Without rapid access to support, they also risk becoming discouraged in their job search, dropping out of the labour market altogether.[16]

Speed of support is also important for those grappling with financial fragility. For example, timely support for someone struggling to pay a bill can prevent such an individual from spiralling into ever-worse financial circumstances – for example utilising high-cost credit or falling further into arrears.

Technology – blended with over-the-phone and face-to-face support - is paving the way for more effective interventions

The rise of the internet and digital solutions is paving the way for new approaches to bolstering financial resilience and improving employability through skills advice, online education and improved matching between job vacancies and potential workers.

Digital channels can improve outcomes through personalised, data-driven solutions and ease of scaling up to reach more individuals. Having said that, a clear finding from both our research and discussions with stakeholders is the importance of blending digital solutions with in-person and over-the-phone service provision. This is particularly crucial when engaging with vulnerable groups, such as the digitally excluded and the homeless, who may be hard to reach through online tools.

A blended approach is also crucial when engaging with young people, despite their reputation for being “tech savvy”. The Money and Pensions Service has argued that, while online information and financial advice appeals to young people and has many advantages, it can also be overwhelming and confusing. Locating reliable, trustworthy advice online is often a major challenge.[17]

Drawing on innovations in the Nesta Rapid Recovery Challenge, below we discuss some of the digital solutions emerging to improve financial resilience and employability – including how they are often blended with more “traditional” delivery mechanisms.

Online job boards and career support targeted at specific audiences

Evidence from a number of countries shows that online job boards can have a powerful effect on employment. A US study from 2011 found that using the internet to look for a job reduces the time spent unemployed by an average of 25%.[18] Similarly, a 2018 study in Germany found that the introduction of high-speed internet in an area had positive effects on reemployment probabilities, with the internet improving the prospects of finding a job, especially for males after the first four months in unemployment.[19]

There are likely to be benefits from the creation of online job boards which are focused on certain groups of jobhunters, such as those living with disabilities. More generic online job boards may poorly serve such groups, with it being difficult to identify inclusive employers and suitable jobs. Evidence suggests that discrimination on online job boards can be pervasive: one study for example found that recruiters using an online recruitment platform were up to 19% less likely to follow up with job seekers from immigrant and ethnic minority backgrounds than with equally qualified job seekers from the majority population.[20]

One Nesta Rapid Recovery Challenge innovator in the online job board space, aiming to remove disabling barriers in the workplace so all talent can thrive, is Evenbreak, a social enterprise run by and for disabled people.[21] Evenbreak is a specialist job board helping to match disabled candidates with inclusive employers. In addition to the job board, Evenbreak’s Career Hive provides “relevant and accessible careers support for disabled candidates looking for new or better work, delivered by careers professionals with lived experience of disability".[22] Acknowledging the benefits of an accessible approach to service delivery, individuals can contact the Evenbreak team for career support, with a choice of being contacted by phone, WhatsApp or email.

Another Challenge innovator operating in the jobs space is Udrafter, which has created a "freelance marketplace for hiring interns and supporting early talent."[23] As with those living with certain disabilities, young adults are often poorly served by more generic online job boards, especially given the "chicken and egg" situation around experience. Those starting out in a career want a job to gain experience, but many job vacancies demand an individual already have experience.

Possibilities arising from open banking

In the financial resilience arena, open banking is making it easier to provide tailored and rapid personal advice in a cost-effective way. Open banking connects banks, third parties and technical providers – enabling them to exchange data simply and securely. It can be used by innovators to better and more quickly understand an individual's financial situation, reducing the need for paperwork and enabling tailored support to be provided rapidly.

With this in mind, Turn2Us, a Nesta Rapid Recovery Challenge participant that "helps people in financial hardship to gain access to welfare benefits, charitable grants and support services"[24], partnered with Lightning Social Ventures as part of the Challenge to develop an end-to-end digital grant-giving journey, which will help deliver financial grants quickly and at scale.[25]

Lightning uses open banking to build an accurate and real-time picture of a person's financial situation to confirm whether they need support, reducing paperwork and administration – for example by cutting out the need for support services to review paper bank statements.[26]

Turn2Us and Lightning are founding partners of the Social Innovation Council – a group of organisations that provide support for individuals facing financial hardship. They are "working collaboratively to co-design, prototype and test a new shared digital grants platform which enables individuals to more easily access support, while also offering a step-change improvement to organisations providing them".[27]

Complementary support via online messenger services

In many instances, choice of support medium (face-to-face, over-the-phone, online etc.) will be key and the challenge for innovators is to develop solutions on jobs and financial resilience which offer an optimal blend of online, over-the-phone and face-to-face services, allowing service providers to reach all target groups.

IncomeMax – a Rapid Recovery Challenge finalist that helps individuals maximise their income, for example by claiming all benefits to which they are entitled - is currently developing an online digital and messenger platform as an alternative to its over-the-phone support.[28]

Their new platform is enabling people that need money advice to have digital conversations with the IncomeMax team of experts at a time and place that is convenient, widening access to money at a time when it is really needed.

Their digital solution is already having an impact, and many people are now kickstarting their income maximisation journey online. It is helping the IncomeMax team find new income and services for people in exactly the same way as their telephone service does, providing life-changing support for vulnerable and low-income individuals and families.

Creating additional communication channels can enable service providers to scale by reaching and supporting a wider audience, including hard-to-reach groups. For example, individuals with social anxiety may struggle with over-the-phone communication and prefer to seek advice via an online messaging platform. Those living with hearing and speech conditions may also prefer such an approach.

Research by the Money and Mental Health Policy Institute has found that over half of people with mental health problems (54%) have serious difficulties using the phone to carry out essential admin (compared to 32% of people without mental health problems).[29] Their research suggests that those with mental health problems are more likely to find it easier to engage with mobile apps and website-based solutions rather than telephone calls or in-person exchanges – highlighting the ability of online messenger services to reach a wider group of people.

Digital nudges

Another example of digital innovation from the Rapid Recovery Challenge is Hastee, whose core offer is a service enabling employees to access a portion of their earned pay immediately as they earn it rather than waiting until the end of the month.[30] This approach gives people greater financial control and can build financial resilience by reducing the need for individuals to turn to, for example, high-cost credit to see them through until payday.

In addition to this core offer, Hastee has rolled out other tools for improving financial health – it delivers a suite of financial education and management tools, including savings, to help people make better financial decisions. Via its first-of-it's-kind Visa debit card that gives employees dynamic access to their pay as they earn, Hastee provides perks and cashback to help make people's money go further. Further, Hastee recently partnered with global financial wellbeing platform "Nudge"[31] to provide users with bespoke financial education content, using nudge theory to prompt people to take positive actions around their money and enhance people's overall financial knowledge so they can "take control of their finances and their life".[32]

Evidence suggests it is possible to use nudges to encourage people to make better financial decisions, such as saving more. [33] This includes through:

- **Commitment saving devices** – voluntary, binding arrangements that people make to reach financial goals. "Hard" commitments feature financial penalties for failure, whereas with "soft" commitments, the penalty is primarily psychological, such as in "letting yourself down."

- **Defaults** – changing the norms in a way that improves financial outcomes e.g. pension auto-enrolment.
- **Reminders** - reminders that bring savings goals to the “top of mind” are a low-cost way to help individuals reach their savings goals.

Crowdfunding support for the homeless

Digital finance has seen growth in crowdfunding, the practice of obtaining needed funds by soliciting contributions from a large number of people.[34] There is scope to use crowdfunding to raise capital for initiatives aimed at improving employability and financial resilience.

One Rapid Recovery Challenge innovator that is doing exactly this is Beam, which uses crowdfunding to provide support for homeless individuals to gain skills, purchase items needed for a job (e.g. clothes and computer equipment) and help finding somewhere to live.[35] Members of the public can view campaigns on Beam’s website and choose who to financially support, or let Beam spread the donation between all live campaigns. So far, 100% of campaigns have reached their target within an average of 17 days.

Individuals supported by Beam gain access to the Beam Hub, which offers employability tools with careers guidance to help them feel prepared and confident. They also receive one-to-one support, the opportunity to learn from their peers and taster days with employers to help them find a long-term career option – that is to say, the support on offer is blended and delivered through several channels.[36]

HOW TO SCALE WHAT WORKS

One of the issues we have explored within our research is the extent to which there exists a trade-off between solution effectiveness and personalisation, and scalability. Personalised coaching on jobs and finances may, for example, be effective, but the cost of delivery (e.g. staffing costs) may inhibit the ability of a service provider to scale up.

There are steps that innovators can take to reduce – and indeed avoid – such a trade-off occurring.

Using technology to drive scale

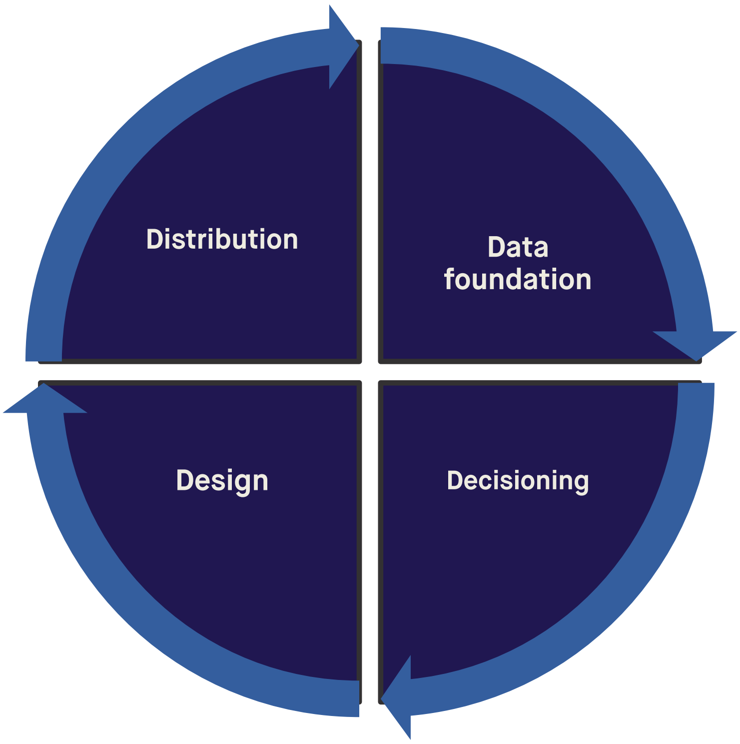
Digital solutions/channels can often reduce trade-offs between personalisation and scale. The rise of AI, algorithms and innovations such as open banking provides opportunities to “automate personalisation” and thus scale without costs growing too much, and without having to resort to a more generic offer. We noted earlier, for example, that Turn2Us and Lightning were using open banking to reduce paperwork and time spent on grant applications for individuals.

Technology can also help place people into “buckets” and ensure that the most effective and most costly solutions are well-targeted at those that would benefit the greatest from such an approach. It is possible to use website questionnaires and open banking to segment those that need intensive face-to-face or over-the-phone support from those that could be helped through more generic advice delivered through a website.

In the context of marketing, McKinsey & Company has set out "4Ds" that drive personalisation at scale" – data, decisioning, design and distribution.[37] These principles can be applied to innovations aimed at improving financial resilience and job prospects:

- **Data** - create a user data platform to provide a 360-degree user view. To facilitate this, users must trust service providers to protect their data and use it ethically. Furthermore, data requests should be well-managed and not excessively cumbersome – individuals should not be asked repeatedly for the same data.
- **Decisioning** - use analytics, algorithms and machine learning to establish user circumstances and need.
- **Design** - design effective interventions, informed by the data. This includes co-designing solutions wherever possible with intended target groups or with practitioners in intermediary organisations that support them.
- **Distribution** - deliver interventions across channels (online, phone, face-to-face etc.) and feed data on outcomes to the user data platform – helping to refine the service offer, approach to marketing and referrals. Distribution should be embedded and integrated at key trigger points to stand a greater chance of reaching and engaging people when they access services at a local, community or national level.

Figure 1: The "4Ds" that drive personalisation at scale



Source: McKinsey & Company

Creating adaptable services

For product design, innovators and service providers need to incorporate the ability to easily add in new service features and improve existing ones, reflecting the latest data and insights on "what works". To scale, innovators need to be responsive and adaptable.

To achieve this, one Rapid Recovery Challenge innovator that we spoke to as part of this research talked about their organisation's digital service shifting from a *monolithic architecture* to a *microservices architecture*. Monolithic applications are built as single units, which can make it difficult to adapt them as needs change or as data emerges on how people are utilising and benefitting from a service. When a monolithic application scales up, it becomes too complicated to understand as the coding becomes longer. Any code change affects the whole system, so it must be thoroughly coordinated.

While a monolithic application is a single unified unit, a microservices architecture breaks it down into a collection of smaller independent units. These units carry out every application process as a separate service. An advantage of the microservices approach is that each element can be scaled independently. Thus, the entire process is more cost- and time-effective than with monoliths.

Building effective referral partnerships

One of the biggest challenges to scaling up an effective solution is getting people to use a service. Even with a great product, vulnerable people can be particularly hard to reach through conventional marketing channels, making it difficult to raise awareness among this audience.

Forming partnerships with organisations that can relatively easily identify those that would benefit from help, can be a powerful way of enabling innovators to scale. Innovators in the Nesta Rapid Recovery Challenge, for example, have formed effective partnerships with organisations such as energy companies and charities. Energy companies, with their vast numbers of customers, are regularly in contact with those that are likely to be in financial distress – for example, those that are in arrears on their gas and electricity bills. As such, they are well-placed to direct individuals to services offering financial support such as advice or help accessing benefits and grants.

As part of the Nesta Rapid Recovery Challenge, to help innovators scale, a Rapid Recovery Network was formed. The aim of the Network was to bring together a wide range of frontline organisations – such as banks, utility providers, supermarkets, local government and not-for-profit organisations – to "connect individuals and communities most affected by the economic impact of COVID-19, with innovative tools and services that help with personal finance and job recovery".[38]

Such partnerships can often be mutually beneficial and this is where efforts should be focused. Not only can partnerships help social innovators to scale services aimed at helping people, but the referral partner can also benefit. For example, steering struggling customers towards support on financial resilience can increase the likelihood that they pay off their arrears. From the perspective of government, steering people towards jobs support can result in financial savings through reduced spending on unemployment benefits.

WHERE NEXT FOR POLICY?

We have argued in this briefing note that, to ensure a rapid recovery from the pandemic with respect to jobs and financial resilience, support needs to be both personalised and available rapidly, avoiding ineffective generic advice. While digital is paving the way for online solutions that can be personalised at scale, this needs to be blended with face-to-face and over-the-phone support – particularly for hard-to-reach and vulnerable groups.

We have provided examples of organisations that are rolling out innovative solutions to bolster financial resilience and increase employability, applying many of these points in practice.

In this section, we set out the role of policy in enabling innovation and supporting innovators to scale as we emerge from the pandemic.

Government as an innovation "systems operator"

A common theme that emerged in the two roundtables convened as part of this research was the lack of "joined-up thinking" when it comes to bolstering financial resilience and improving access to the jobs market. This lack of coordination brings with it a range of challenges to effective innovation and the ability to scale:

- The landscape of solutions is difficult for users to navigate, and it might be hard to identify the solution that best meets their needs.
- There is no “one-stop-shop” for finding solutions.
- Lack of coordination can lead to duplication of efforts, making it harder for innovators to scale up. While competition can be a good thing, encouraging further innovation, it may also make it hard for any organisation to reach the “critical mass” needed to be truly successful. People might also be overwhelmed with too much choice. As such, a balance needs to be struck between “healthy and productive competition which spurs innovation” and “a simple, easy to navigate system of solutions from the perspective of users”.

Given this, there is a clear case for government leading the charge, acting as a coordinator of innovation on jobs and financial resilience – a “systems operator”. In practice this means government adopting a range of responsibilities, including:

- Development of a network of government bodies, social enterprises, charities and businesses to share and distribute innovations that are most effective among likely users.
- Engaging in conversations with prospective innovators and supporting a small number (to avoid excessive duplication) to develop effective and scalable solutions. This could take the form of financial support, advice and providing access to data which may help with the development of well-targeted innovations.
- Providing signposting to solutions through government channels – e.g. on websites, social media and at Job Centres.
- Referring individuals to effective solutions. Central government and local authorities have a direct relationship with many vulnerable households and as such could be effective referral partners.
- Referrals could be in the form of “social prescribing” – something that was discussed at one of the roundtables. Social prescribing enables GPs, nurses and other primary care professionals to refer people to a range of local, non-clinical services to support their health and wellbeing.[39] Given the links between employment, financial resilience and health & wellbeing, developing links between social prescribers and DWP and NHS-funded employment support workers on the one hand and primary care providers on the other will create effective customer journeys requiring minimal/proportionate levels of time commitment by GPs etc.
- Allowing innovators – such as those providing employment support – to co-locate within government-owned sites/property such as at Job Centres or local government offices.

Enshrining “Consumer Duties” into markets

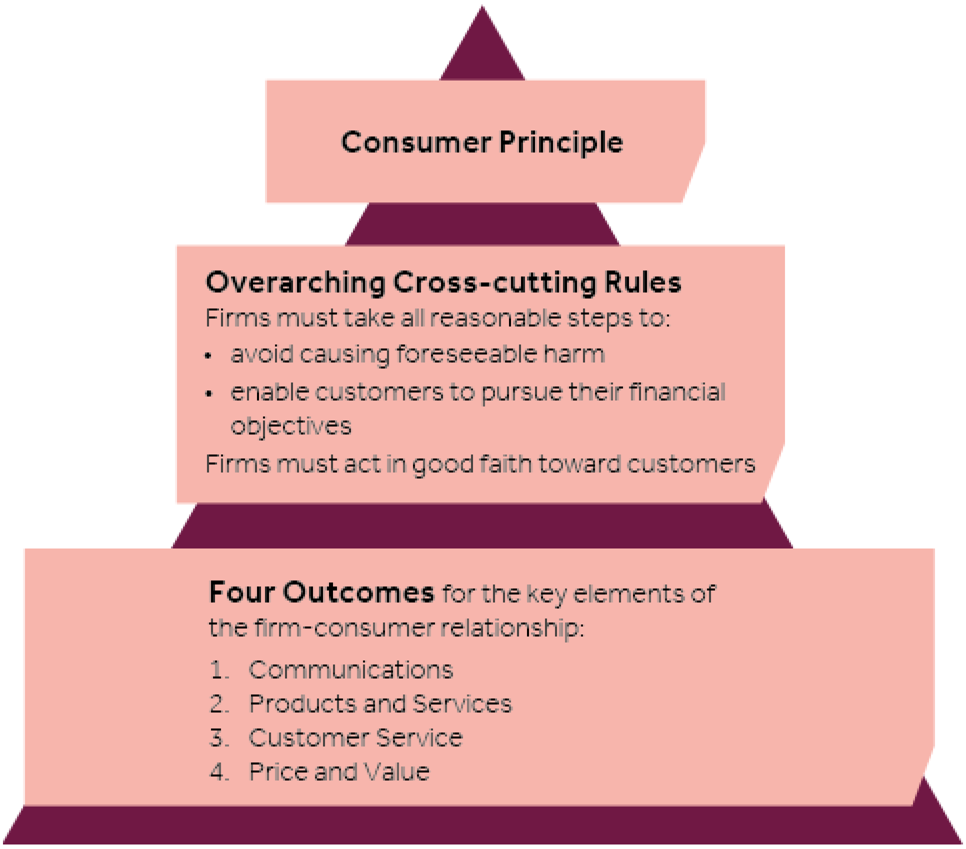
At the financial resilience roundtable, “duties of care” and “consumer duties” were discussed as a way of ensuring businesses were supporting better outcomes for customers – e.g. in terms of their financial and jobs situation.

The Financial Conduct Authority (FCA) is currently consulting on a Consumer Duty that would "set clearer and higher expectations for firms' standards of care towards consumers."[40] The Consumer Duty would require firms to:

- Ask themselves what outcomes consumers should be able to expect from their products and services.
- Act to enable rather than hinder these outcomes.
- Assess the effectiveness of their actions.

"Enabling customers to pursue their financial objectives" has been proposed as one of three cross-cutting rules as part of the Consumer Duty:

Figure 2: Three elements of the FCA's proposed consumer duty



Source: Financial Conduct Authority

Including such a requirement in the Consumer Duty could be a powerful way of improving financial outcomes for UK households. As well as encouraging businesses to change their own service, it could encourage further partnership working between private enterprise and social enterprise, charities and government to ensure the financial objectives of customers are met. For example, a lender might be more inclined to refer a customer in arrears to a service provider offering support with income maximisation or job search. Indeed, the FCA's recently published guidance for firms on the fair treatment of vulnerable customers states that firms should "make consumers aware of support available to them, including relevant options for third party representation and specialist support services."[41]

We think the FCA's Consumer Duty is a step in the right direction, and that there is scope for a similar approach in other consumer markets such as telecoms and energy.

This could also be adopted by central and local government, for example on Council Tax collection. A 2019 SMF report noted that at present, much of the arrears/debt collection legislation that public bodies rely on assumes that people *will* not pay, rather than that they genuinely *cannot* pay. Public bodies are incentivised to use bailiffs as the cost is now passed on to the indebted person.[42] A new Consumer Duty here could ensure that those in arrears are given fair access to support before bailiffs and other debt collection channels are utilised.

A Consumer Duty for public services was recently introduced in Scotland as part of the Consumer Scotland Act 2020.[43] Under the Duty A relevant public authority must, when making decisions of a strategic nature about how to exercise its functions, have regard to 1) the impact of those decisions on consumers in Scotland and 2) the desirability of reducing harm to consumers in Scotland.

Improving official data – particularly on household finances

One barrier to effective innovation is poor quality data. Without knowing *who* is suffering from financial distress or joblessness, it is relatively difficult to identify *where* to target solutions.

Data issues are particularly pertinent for financial resilience. Comprehensive and relatively timely official data on the characteristics of the unemployed are available through the Labour Force Survey and "claimant count" statistics. However, data on savings and other metrics relevant to financial resilience are often patchy, out-of-date and dispersed across a wide range of sources. The Office for National Statistics (ONS), for example, produces quarterly data on the aggregate UK household saving rate, though such statistics tell us nothing about the varied experiences of saving across, for example, socioeconomic groups.[44]

Data sources such as the Wealth and Assets Survey, while containing comprehensive information on the financial position of different types of household, are released with a significant lag; current data available on the ONS website only goes up to March 2020, telling us little about experiences during the COVID-19 pandemic.[45] As such, many of the public observations on financial resilience during the pandemic have drawn on unofficial data produced by primary research companies.

There is a strong case for the production of regularly updated, official statistics on the financial situation of UK households – segmented by characteristics such as income, age, sex and region. On this, the Office for National Statistics should work closely with organisations such as the Financial Conduct Authority (FCA) and the Money and Pensions Service (MaPS). The FCA currently produces an annual "Financial Lives" survey, while MaPS has a three-yearly adult financial wellbeing survey.

We would expect these statistics to be reported on at least a quarterly basis, including data such as household saving rates, trends in income and measures of financial distress such as falling into arrears and utilising high-cost short-term credit.

Another area where data is currently poor is on benefits uptake – which places constraints on the ability to roll out effective, focused tools for income maximization. The Resolution Foundation has argued that it is difficult to gauge what works for boosting take-up of benefits, given that many benefits take-up rates are not known.[46] As such, there is a case for a review of benefit take-up statistics to explore how these could be improved.

CONCLUDING REMARKS

The economic outlook over the next few months remains highly uncertain. While a rapid recovery from the pandemic is well within the realms of possibility, there is a real risk of some groups being left behind. As we have noted in this report, COVID-19 is likely to have widened already significant disparities in financial resilience and employment prospects in the UK.

Given this, it is crucial that policymakers dig beneath the headline economic statistics to identify and monitor those groups that are struggling to recover from the impact of the pandemic – and ensure that such groups have access to effective and timely support.

This includes through effective partnership working between government, regulators and innovators in the private and charity sectors, such as innovators in the Nesta Rapid Recovery Challenge. Done right, there is scope to develop a more responsive, personalised and wider-reaching support network in the UK, reducing the substantial social costs associated with unemployment and financial fragility.

ENDNOTES

[1] While the research has been supported by JPMorgan Chase the content and opinions in this paper do not necessarily reflect the views of the JPMorgan Chase Foundation, JPMorgan Chase & Co., or any of its affiliates.

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[3] https://www.theguardian.com/society/2021/aug/15/a-million-jobs-in-peril-as-one-in-16-firms-say-they-are-at-risk-of-closure

[4] https://www.bankofengland.co.uk/bank-overground/2020/how-has-covid-affected-household-savings

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