

High-level summary of further evidence provided by organisations to Treasury Committee “Economic impact of Coronavirus” inquiry

The main information source for the summary of below is representations received from organisations, trade unions and business representation groups across a range of sectors (but predominantly the TV and film industry) in response to the Committee’s second call for evidence, which followed on from the Chancellor’s announcement on support for the self-employed. The Committee would like to thank those who provided evidence.

Note that the summary relates to evidence submissions made between 27 March and 2 April.

Summary
Eligibility gaps: Submissions highlighted that many people are not covered by the support measures for the self-employed introduced by the Chancellor. These include:
• People who work via Personal Service Companies (PSCs) These people draw down some of their income in dividends. They may balance freelance work with PAYE employment and currently have no support under either scheme. They make up a large portion of the creative workforce because employers have often insisted that workers are set up in this manner, normally to avoid workers accruing employment rights and to simplify payments. Calls for combined salary and dividends to be counted as income for the purpose of calculating entitlement.
• Many people fall the wrong side of the £50,000 threshold in the Self-employment Income Support Scheme (SEISS). These people should not suffer such a huge economic hit. Their savings are their pensions.
• People who are newly self-employed are not eligible for support. Widen eligibility by allowing a tax return for year-end 2020 to be filed and included in the calculations of income.
• Graduates: Without a tax return graduates are not covered -they need temporary income protection in the same way as established freelancers in anticipation of future earnings.
• People who started work, or were due to start work, after the 28th February cut-off date. Business and employees are left in a position where these staff will receive no funds and we believe there should be some flexibility here.
• Workers who have taken time off for maternity/paternity or due to sickness in the last three years are adversely affected as they will have lower average incomes. Asks that workers are allowed to choose the highest of the last three years rather than the average over three years.
Entitlement to Universal Credit (UC):
• Telling self-employed people to access UC is not enough – especially given the issues with the five-week wait. Many people – self-employed or not – are having issues with claiming UC and contacting the DWP. • UC penalises people for having larger savings. Many self-employed people will have savings because these are effectively their pensions or because they have put money aside for the tax deadline. It is perverse to punish these workers for saving for these reasons or expect them to use up these savings and incur financial problems in the future.
Impact of payments delay: Significant concerns about how self-employed people are expected to cope until June when the scheme is expected to come into place. People are worried now about how they will pay their mortgage, rent or other essential bills. Any action that could be taken to enable an earlier payment would be beneficial. For example, some form of interim payment or temporary income protection for self-employed people.
Support with ongoing costs: Support measures do not take into account any fixed or variable cost but are calculated purely on profits. The self-employed often have significant overheads. The SEISS scheme should be based on sole trader turnover rather than net profit.

Coronavirus Business Interruption Loan Scheme (CBILS) funding is not yet reaching small businesses.

The 10x increase in volume of applications appears to be overwhelming the reduced operational capacity of banks that have closed branches and have much reduced call centre capacity. As a result, a blockage is building up: small businesses are not able to submit applications as call centres are swamped, those that have submitted funding requests are unable to get a credit decision.

Need for clarification of entitlement: the range of measures potentially available is so complex and requires clarification. Asks that the Treasury work closely with the DCMS and BEIS to provide industry specific guidance to the schemes.