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Economic impact of coronavirus – feedback from Blue and Green Badge Tourist Guides

This evidence is provided on behalf of

- Institute of Tourist Guiding <https://www.itg.org.uk/>
- British Guild of Tourist Guides <https://britainsbestguides.org/>
- Association of Professional Tourist Guides <https://www.guidelondon.org.uk/>
- Driver Guides Association <https://www.driver-guides.org.uk/>

Who Tourist Guides are (to provide context)

- There are approx 1,800 professional Blue and Green Badge Tourist Guides in England. There are hundreds of others in Scotland, Wales and N. Ireland.
- They are highly skilled and have taken up to 18 months of training to get their Tourist Guiding qualifications (their Badge)
- The vast majority of them are self-employed, hardly any are salaried
- They typically make 70-80% of their annual earnings during Mar-Sep (obviously that won't be happening this year)
- In terms of annual income, the most common salary range from our recent members survey was £ 12,500 – 25,000
- They do this as a career choice, it is a full-time occupation, albeit with seasonal peaks and troughs
- They are portfolio workers and are working for many different channel partners
- They typically get most of their work from inbound tour operators and, increasingly over the last few years, direct from Free Independent Travellers (FIT)

N.B. The Tourism sector is the UK's 5th largest export industry and 3rd largest employer

Executive Summary

- In terms of occupation (self-employed rather than salaried) and in terms of income distribution (vast majority below £ 50,000 per year) Tourist Guides are exactly the kind of people that the Govt employment and income support schemes should be covering
- Our research showed that more than 30% of Tourist Guides will not be covered at all
- We also show that the Govt's claim to support 95% of self-employed is somewhat misleading as it is underpinned by arbitrary assumptions and large-scale arbitrary exclusions
- Solutions for those people not covered so far have been proposed by many, many industry groups and associations. The lack of willingness from the Treasury has been the roadblock

1. What was the initial feedback to job protection scheme (CJRS) and self-employment income support scheme (SEISS) ?

It was initially very positive. The Treasury and HMRC did react quickly and roll out extensive support. This should be acknowledged up front and they deserve thanks for that. It was very impressive.

There were gaps in the scheme initially and people assumed they would be sorted out as we went along i.e. no problem to roll out widest coverage in shortest period of time as long as the anomalies are sorted out at some stage.

2. Are CJRS and SEISS providing enough coverage ?

CJRS - hardly any Tourist Guides are salaried so **CJRS** is mostly irrelevant

- It's a good scheme, it just doesn't apply to many of us

SEISS - this is a good scheme and is helping some Tourist Guides

- The ones who are receiving support are very grateful for that
- The online portal to check eligibility has generally worked quite well for those who are computer literate and have both their NI and UTR numbers.

The problem is that **many** are also being left behind i.e. not being covered at all

- Govt (Treasury) claim they are helping 95% of self-employed with SEISS
- Our survey of 330 Blue and Green Badge tourist guides, carried out after we had conducted an in-depth seminar to explain the various schemes, shows only 53% of respondents think they will receive financial help i.e. **up 47% may not be covered**
- This is broken down as 32% who believe they are not covered and 15% who are not sure
- We have shared these findings via written submissions to DCMS inquiry, to Tourism Minister, to spokespeople from all main political parties, Chairs of DCMS committee, BEIS committee etc. etc.

3. How accurate is the 95% coverage figure that HMRC & the Treasury are so fond of quoting ?

First of all, we need to look at the total labour market and then later we will apply it back to Tourist Guides.

These figures can get a bit confusing because some of the categories and definitions overlap. One thing is clear though, the **ONLY** reason the Treasury can claim to cover 95% of self-employed is because they have **arbitrarily excluded large swathes of the total self-employed population**

Paul Lewis (financial journalist) has done a good breakdown of the various categories on his blog <http://paullewismoney.blogspot.com/> To try and summarise

- 5.75 million - Total population of self-employed (according to HMRC)
- **BUT** then HMRC decided to deliberately exclude 2 groups from SEISS
- 1.75 million – less than half of their total income comes from self-employment
- 0.23 million – their trading profits are above £ 50,000

For these 2 exclusions above, it is completely unnecessary to have a hard cliff edge type approach

- If someone makes 49% of their total income via self-employment, they get nothing
- If someone makes 51% of their total income via self-employment, they get full support
- **This is just plain wrong, they should use a sliding scale**
- Exactly the same logic applies to trading profits
- If someone has trading profits of £ 51,000, they get nothing
- If someone has trading profits of £ 49,000, they get full support
- **Again, just apply a sliding scale – that's common sense**

So, by applying the 2 huge and arbitrary exclusions noted above the Treasury have now managed to reduce the total down to 3.8 million

- HMRC have apparently now decided it is about 3.4 million so let's just assume it is around 3.5 million

However, there's more (much of this is taken directly from the Paul Lewis blog)

Government figures fail to count four other excluded groups.

- People who began their self-employment in the tax year 2019/20. New figures from the Office for National Statistics show there were 150,000 in the first nine months of 2019/20 which would gross up to around 200,000 in the whole year. **Let's assume 200k**
- People who began their self-employment in 2018/19 but did not register because the business was too small or they forgot. A new self-employment should be registered by 5 October in the tax year after it begins. We do not know how many register each year because HMRC does not produce the statistics. **Let's assume zero (we just can't measure it)**
- People who consider themselves self-employed but trade through a limited company of which they are a director. The Institute for Directors estimates there are 800,000 limited companies with between 0 and 9 staff. Another estimate is that half a million people trade through a personal service company. These new ONS figures show that of those saying they are self-employed 715,000 are a sole director of a limited business and 935,000 say they are running a business. The two groups overlap so should not be added together. **Let's assume 800k, seems a rough approximation of the various different measures**
- Those who earn very little and did not register – though they should have done if their turnover exceeded the level of the trading allowance which is £1000 **Let's assume zero (we just can't measure it)**

Conservatively we could say then that **there are an extra 1 million people who haven't been covered** by SEISS

So, if you actually took at the total numbers of people who might consider themselves self-employed, **HMRC are nowhere near covering 95% of them**

- They are just massaging the statistics to make it look like they are
- In fact, a more objective way of expressing this is provided by Small Business magazine <https://smallbusiness.co.uk/self-employed-income-support-scheme-what-it-means-for-you-2549988/>
 - *"The Treasury estimates **that just over half** of the roughly 6m self-employed will benefit from the Self-Employed Income Support Scheme, which it estimates will cost £9bn in its first three months"*

The Treasury could argue that some of the Ltd company directors can claim via CJRS but only those that pay partially via PAYE and have made a payroll submission before 19th Mar.

- Even then, they only qualify for the minimum amount i.e. £ 585 per month (nowhere near the £ 2,500 per month that others are receiving)

Now back to Tourist Guides specifically

4. Why are so many Tourist Guides falling between the cracks ?

There are actually a number of different reasons so many Tourist Guides are NOT eligible for SEISS.

1. Less than half their income comes from self-employed Tourist Guiding
2. They are slightly above the £ 50,000 trading profits cut off point
3. Operating as a Ltd company, they have paid themselves via dividends not salary
4. Operating as a Ltd company, they have paid themselves via PAYE but annually not monthly thereby missing the arbitrary 19th March cut-off point

5. They have been training for past 2 years so do not yet have a trading record as a self-employed person i.e. they are new starters

5. Are there solutions available ?

Absolutely, there are solutions available.

Industry groups and trade associations have all been inundated with examples of people falling between the cracks and have outlined solutions:

- Federation of Small Business (FSB) <https://www.fsb.org.uk/resources-page/fsb-highlights-gaps-in-support-for-self-employed-and-owner-directors.html>
- Institute of Directors (IOD) <https://www.iod.com/news-campaigns/news/articles/Owner-Directors-should-be-treated-as-Self-Employed-by-the-Coronavirus-Business-Support-Programmes>
- Association of Independent Professionals and the Self Employed (IPSE) <https://www.ipse.co.uk/coronavirus-hub/coronavirus-report.html>

There are plenty of examples like this in the Press where industry experts are outlining clear, pragmatic solutions http://www.irishnews.com/business/2020/04/28/news/owner-directors-should-be-treated-as-self-employed-by-business-support-programmes-1914993/?fbclid=IwAR2cLJSphVa_Rgg6o8Ba9Mlp7njjU4JurCTznA84u8Q9wbyXfD2zPFchT6U

The accountancy profession knows this, the Treasury knows this, everyone knows this.

Dozens of backbench MP's, from across all political parties, have written to the Treasury expressing their concerns and asking them to do something.

It is now a question of intent i.e. are the Treasury **willing** to implement solutions ?

Back to the 5 different use cases for Tourist Guides who are not receiving support. This time adding some text in bold type to denote what possible solutions could look like

1. Less than half their income comes from self-employed Tourist Guiding – **as pointed out earlier the fair solution would be to apply a sliding scale and avoid a cliff edge**
2. They are slightly above the £ 50,000 trading profits cut off point - **as pointed out earlier the fair solution would be to apply a sliding scale and avoid a cliff edge**
3. Operating as a Ltd company, they have paid themselves via dividends not salary – **Directors declare any dividends on their personal tax returns. Most directors only receive dividends from their business (not from passive investment) so it would be relatively straightforward to get this signed off by their accountant (in the same way, their annual returns are done)**
4. Operating as a Ltd company, they have paid themselves via PAYE but annually not monthly thereby missing the arbitrary 19th March cut-off point – **the Treasury can simply extend the cut-off point to 5th April and this will be sorted**
5. They have been training for past 2 years so do not yet have a trading record as a self-employed person i.e. they are new starters – **they can get a grant for now and use their 2019/2020 tax return as the basis for any clawback**

6. What about other schemes to provide help ?

The Treasury narrative over the last 2 weeks has been to emphasise Bounce Back Loans (BBL's). Taken in isolation, BBL's are a very good product and again the Treasury should be commended.

Simple application process (varies by bank but most have been good), low interest rate, no need to repay for 12 months etc. etc.

If your business has no demand though, and faces the real prospect of no demand for the next few months (Tourism, Hospitality, Events etc.) just loading up with more debt is not a great solution.

The self-employed people who have been left out of support so far deserve the same support as others **i.e. grants not loans**.

There are a variety of other schemes available for businesses via Local Government; Small Business Grant Fund (SBGF), Retail, Hospitality and Leisure Grant (RHLG) etc. etc. These don't help Tourist Guides though who don't have physical premises and don't pay business rates.

Basically, there are all kinds of schemes but SEISS is the one that should be helping Tourist Guides and it's not working well enough.

7. How should the Govt support schemes evolve ?

Everyone understands that the current level of support is unsustainable. It seems that the Furlough scheme may be extended but changed to 60% rather than 80%

There are a few simple things we would ask for:

1. **Cover the gaps / cracks of those who have not been supported so far** i.e. make support on the basis of 'what is fair' rather than 'what is easiest to implement' which it has been so far
2. **Extend SEISS for the same period as CJRS** (no reason not to)
3. **Start looking at sector specific help**, rather than across all sectors (it's clear that some sectors will already be going back to work but some will take much longer to start up)

8. Future consequences

So many people have been excluded from support so far that it is inevitably leading to rising levels of anger, frustration, depression etc.

- just look on social media at the traction that these grass roots pressure groups are getting:
- #ForgottenLtd #newlyselfemployed #newstarterjustice

The challenge for the Govt is that there will be negative consequences from their lack of support:

- **Economic consequences** – Ltd company directors will not be able to operate without support; many will go out of business and unemployment will increase dramatically. Most of the economic growth of the past 10 years has come from SME's so to cut this off is counter intuitive (that's the politest way of saying it). Where will future growth come from ?
- **Trust consequences** – every Western democracy is built on a balance of trust between it's Government and the people. The people have to believe that its elected representatives are doing the best 'for the country'. That's why we get slogans like 'in it together' at the moment. The problem for the Government is that if enough people stop believing this is happening, they are less likely to follow instructions which is dangerous in the Covid-19 crisis we are in.
- **Political consequences** – when Boris Johnson was elected at the last GE, his big priority was 'levelling up' i.e. providing the same opportunities for poorer and neglected communities than some of the wealthier ones in the South East. With small businesses folding, their owners, families and ex-employees all telling their children, friends and associates that they were abandoned, how will this Government be taken seriously again? The Conservatives are supposed to be about aspiration, drive, hard work, entrepreneurship etc. yet the very same people who exude those characteristics are being excluded and alienated.

To conclude, a rather telling Tweet from the financial journalist Paul Lewis On Sun May 10th

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- *“There are not cracks in these schemes but yawning chasms down which millions are falling. But the realpolitik is that he (the Chancellor) only needs ignore you for a couple of months and it will be history.”*

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