



Treasury Select Committee inquiry: Economic impact of coronavirus

Written evidence from Citizens Advice

Introduction

Financial support for people during the covid-19 pandemic: remaining gaps

At Citizens Advice, we are experiencing a huge increase in numbers of people coming to our website for support and guidance. Our website had 2.2 million pageviews in the 7 days to March 21, up 50% compared to the same time last year. People are, understandably, extremely concerned about their financial security.

In the past fortnight, the Government has announced unprecedented interventions to address these concerns and shore up people's incomes during the covid-19 pandemic, ensuring that most households in this country will be able to maintain a level of income during this crisis that will allow them to avoid entering unmanageable debt. They also announced significant increases in Universal Credit & Tax Credits and a temporary suspension of the Minimum Income Floor.

The Coronavirus Job Retention Scheme & the Self-Employed Income Support Scheme will guarantee eligible people 80% of their wages or profits, respectively, up to a cap of £2,500 per month. This level of support provides people in receipt of it with the necessary cushion they need to follow public health advice and keep themselves and others safe during the pandemic.

This submission summarises what our data is telling us about the economic impact on workers, highlights how the government's plans will help address these impacts and makes recommendations about the further clarifications we think are needed to ensure people don't fall through the cracks. It is structured as follows:

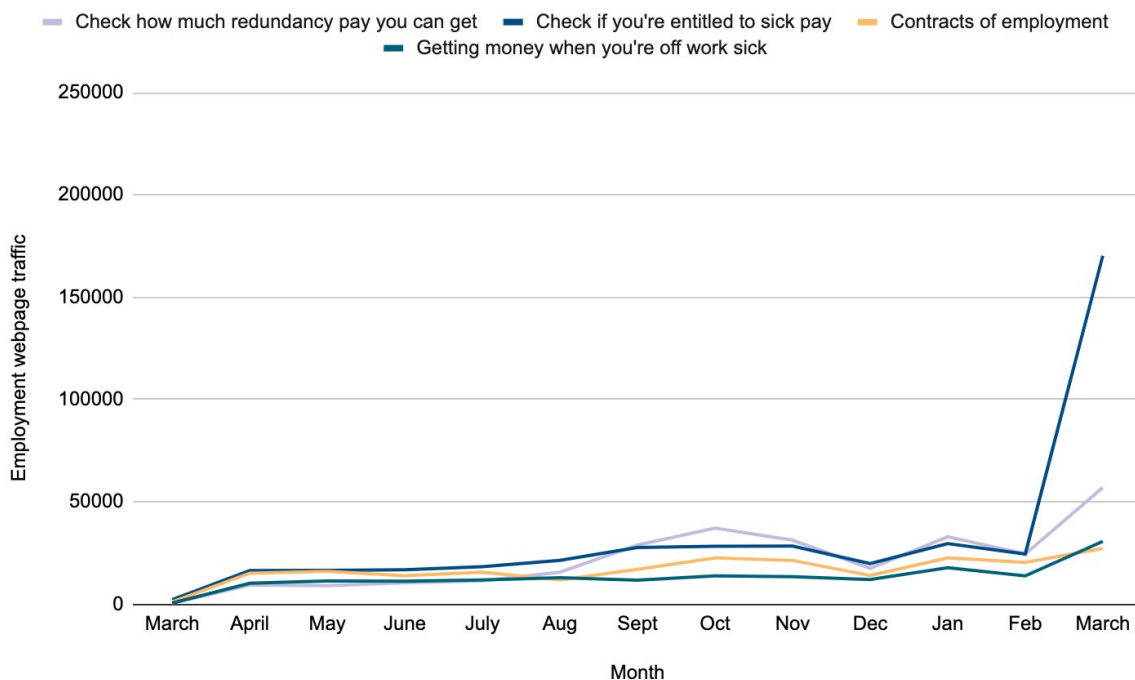
- **Evidence: What our data is telling us about employment problems caused by the covid-19 pandemic**
- **Recommendations:**
 - Protection for people at increased risk of coronavirus
 - People who could fall through the gaps because of their employment status
 - Further changes to welfare support

Evidence: what our data is telling us about employment problems caused by the covid-19 pandemic

Our website has experienced an unprecedented, record surge in demand, as people try and find clarity about what support they will be entitled to and navigate problems following the coronavirus pandemic. Even as our service has been navigating the temporary transition to phone and web-only during the lockdown period, and with data measured before the end of March, demand for advice on employment issues has also surged. This section summarises some of the key employment issues that people are coming to us about, across our advice channels.

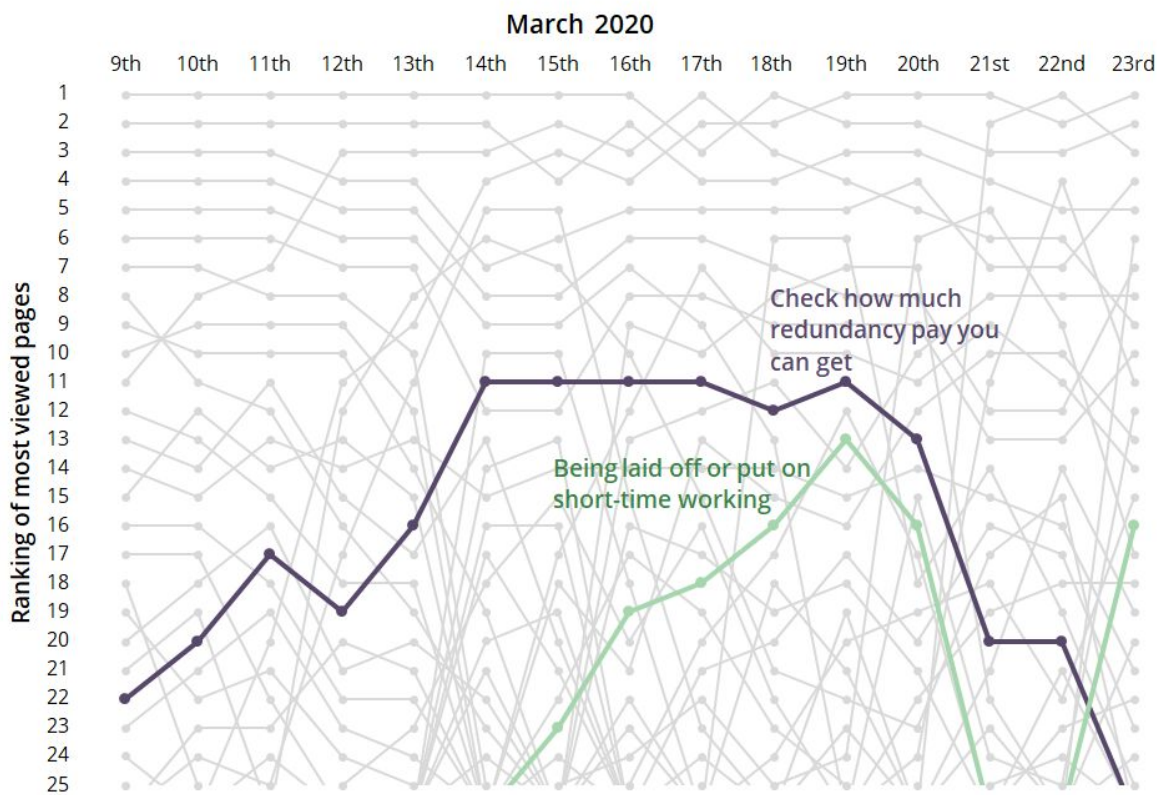
The increase in demand for our website advice pages is stark, as Figure 1 shows. Our web page on Statutory Sick Pay in particular has, at certain points in the last month, been the most visited page across our website.

Figure 1: Increases in employment advice web pages



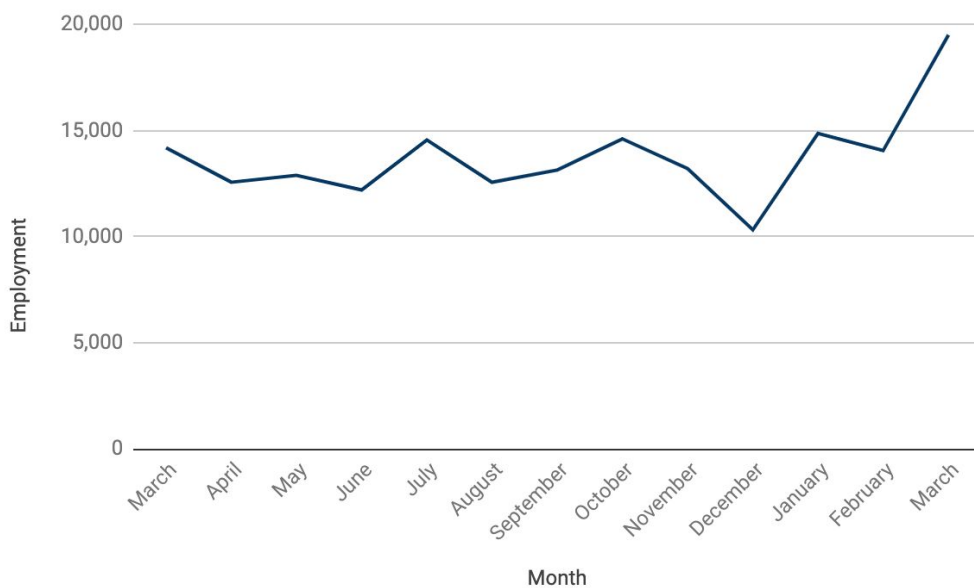
Interest in redundancy advice has also increased significantly. Across pages that give advice on redundancy, there were 106,000 views compared to 36,000 the week before and 22,000 during the same week in 2019.

Figure 2: The popularity of our pages on redundancy



Alongside the increase in people accessing our web pages, there has also been a significant increase in our employment advice (currently, principally being delivered via phone and webchat). We have seen a year-on-year increase of 38% in the number of clients we are advising about employment issues in March, before the month has even finished (19,498 vs 14,180). Employment issues have increased by 55% on February as a proportion of the advice we give.

Figure 3: Increase in employment advice



This increase in demand is driven by specific advice areas. We have experienced the biggest year-on-year percentage increase on issues regarding self-employment (130% increase; from 794 to 1,829), redundancy (69% increase, from 1,850 to 3,130) and pay and entitlements (60% increase, from 5,873 to 9,371). Advice on sick pay has increased 182% (from 1,086 to 3,062).

In the last three weeks, our advisers have also highlighted a number of key areas they believe to be of significant concern. Our advisers raised:

- **Major increases in the number of people being laid off, made redundant or having their working hours reduced.** Much of our data precedes the announcement of the details of the Coronavirus Job Retention Scheme, and therefore underlines how crucial this support from government is in reducing unnecessary redundancies. It is particularly welcome that employees who have been made redundant recently will be eligible for the scheme if they are taken back on. It is important the government monitors the extent to which this reverses the trend in redundancies we have observed in our data.
- **Significant challenges with the clarity and interpretation of government guidance.** This included:
 - a) Lack of clarity over how to access the Coronavirus Job Retention Scheme, as well as employers choosing not to use it because they cannot afford to pay staff in the interim, even though they would be able to claim the money back. One client we advised was pressured into taking a 50% pay cut as their employer did not want to use the retention scheme because they were not confident they would get paid through it.
 - b) Cases of employers asking employees to work as normal when employees felt they should be staying at home in order to follow public health advice, with particular safety concerns for vulnerable people, people who live with vulnerable people, and people with care and childcare responsibilities. While government schemes partially address this challenge, there are still outstanding areas of concern.
- Prior to the announcement of the government's self employment support package, an increase in the number of self-employed clients unable to work or reporting substantial losses of earnings.
- **Cases where employers are refusing to pay statutory sick pay for workers who are eligible for it.** Our advisers have seen cases where an employer refused to pay SSP, claiming that the client is not eligible or that their employer is not required to pay it.

Recommendations:

1. More protection for people at increased risk of coronavirus

The Coronavirus Job Retention Scheme currently allows employees to be 'furloughed' (put on temporary leave due to coronavirus) if they are 'shielding' in line with public health guidance.¹

This guidance includes those employees in the 1.5m people who are at very high risk of severe illness from coronavirus and have therefore been advised to stay at home at all times and avoid any face-to-face contact for at least 12 weeks. For many employees in this group, this will mean they are unable to carry out their work duties so it is right to extend eligibility for the Job Retention Scheme to them.

A challenge for all groups is that receiving protection through the scheme is subject to the employer's discretion. It is therefore possible that having strongly advised people in the shielded group to remain at home, an employer could refuse to furlough them and require them to work. The government should think about what further pressure it might exert to ensure businesses do not act this way, if evidence of this problem is forthcoming, especially given the unprecedented (and justified) economic support the taxpayer has extended to businesses.

However, public health advice also identifies a population who are at increased risk of severe illness as a consequence of coronavirus and are therefore advised to be 'particularly stringent in following social distancing', including people who are (for example) over 70 or have a chronic neurological condition. Household members of those in the shielded group are also advised to be stringent in following social distancing. They are both strongly advised to avoid non-essential use of public transport, work from home and avoid large and small gatherings in public spaces.²

To protect employees who are at increased risk, the government should clarify the scheme guidance to include this group. Currently, this group may be eligible for statutory sick pay, but only if they are self-isolating for 7 or 14 days and are able to provide medical evidence to that effect. Anyone earning less than the Lower Earnings Limit of £118pw will not be eligible for sick pay. If changes are not made, then many of these people will not be eligible for any support through their employer and therefore will need to make new Universal Credit claims. Both statutory sick pay or Universal Credit payments may not provide them with the income they need to meet their necessary outgoings. Employees in this group should not be faced with the choice between earning enough money to live and protecting their own health.

¹ [Guidance: Claim for your employee's wages through the Coronavirus Job Retention Scheme](#), HM Revenue & Customs

² [Guidance on social distancing for everyone in the UK](#), Public Health England

If the guidance is not clarified, the government should increase the level of statutory sick pay and remove the Lower Earnings Limit to ensure that people in this group have the income necessary to follow public health advice.

Finally, the government should also consider ensuring that carers and people with childcare responsibilities who are unable to perform their work duties while undertaking their care responsibilities should be made eligible for the scheme.

2. People who could fall through the gaps because of their employment status

All employees, irrespective of contract type, should be eligible for the scheme if the employer decides to furlough them. Both schemes leave certain categories of people out, based on their employment status/length of employment status.

One significant group of workers who may be excluded from the current Job Retention Scheme is certain agency workers. We welcomed the inclusion of employees of employment agencies on 'pay between assignments' contracts within the scheme. The mechanism for averaging wages for employees whose pay varies should ensure for most of these agency workers their wage subsidy under the scheme fairly reflects their normal pay. However, from the new tax year, new regulations will give 'pay between assignment' agency workers the same rights to equal pay as other agency workers, so we expect the number of people on these contracts will have already dwindled.

However, it is not clear if agency workers who are not direct employees of the agency are eligible for the scheme, including those who are currently on assignment. This group should still have their tax obligations administered through Pay As You Earn (PAYE), so it should be logistically possible to include them in the scheme. We recommend that the guidance is clarified to include this group of workers.

The Self-Employed Income Support Scheme excludes people who have not submitted a tax return for the tax year 2018-19. In practice, this will exclude both people who have historically been self-employed but were not in 2018-19 and people who recently became self-employed.

We understand the rationale for this exclusion, both from a fraud prevention and an administrative complexity perspective. It is obviously difficult to form a view, for example, on how people made a majority of their incomes from the tax year 2019-20 when the deadline for self assessment will not fall until January 2021.

These challenges seem sufficient that it will be challenging to include this group of self employed people in the initial payment tranche. However, given self-employed people can submit their tax returns immediately after the end of the tax year, the scheme could consider allowing people who only became self-employed in this financial year to be

eligible for backdated grants upon approved submission of their self assessment for the current tax year.

A final clarification would be helpful for workers who have a visa to work and live here but have no right to access public funds. We have seen some people worried about giving permission to their employer to be furloughed, because if the money from the scheme is designated as 'public funds' it could put their immigration status at risk.

3. Further changes to welfare support still likely needed

Those whose incomes are not supported by the jobs retention scheme will potentially be eligible for financial support through the benefits system.

The Chancellor has announced that the standard allowance within Universal Credit will rise by £1,000 a year from April, which will be mirrored in Working Tax Credits. However, a number of legacy benefits, such as Income Support, haven't been included, as well as contributory Jobseeker's Allowance and Employment and Support Allowance. The government should clarify whether all legacy and contributory benefits will be updated by the same amount to ensure parity of support across the benefits system.

The government should also review the process of natural migration (whereby people move from legacy benefits to Universal Credit when they have a change of circumstances - such as losing a job or moving home). This should be temporarily paused where feasible and in the claimants' best interests, in order to provide stability for people receiving legacy benefits during this period and to reduce the strain on the DWP at a time when applications for Universal Credit have increased dramatically.

Our evidence has shown consistently that the five week wait between people submitting their application and receiving their initial Universal Credit payment causes hardship for many claimants.

In 2018, we found that during the wait for first payment, people we helped with Universal Credit reported³:

- 49% had fallen behind on rent or mortgage costs
- 48% had fallen behind on household bills
- 46% had gone without essentials such as food or heating
- 7% had taken on high-cost credit debt

Advance payments are available to provide income to people during the 5-week wait for an initial payment, which currently they must be repaid within 12 months. Whilst advance payments help, these can present financial difficulties further on in a claim - 7 in 10 (70%) of the people we helped with Universal Credit in 2018 who took out advances also fell into arrears on bills, compared to half of those (53%) who do not take

³ Citizens Advice (2019), [Managing Money on Universal Credit](#)

out an advance.⁴ This indicates that a significant number of the people we help are likely to already be in very difficult financial circumstances when they are making their claim for Universal Credit, and even with advance payments many people will face hardship during the five-week wait and beyond.

Whilst the government has announced that the cap on deductions from a Universal Credit award will be reduced from 30% to 25% of the standard allowance, as well as an increase in the time to pay back advances to 24 months from 2021⁵, there are changes that are needed now to shore up people's incomes during this crisis. One way to do this would be to temporarily turn advance payments into grants, which would reduce the amount of time people wait for their first Universal Credit payment. The government should also temporarily suspend repayment of advance payments for existing claimants, as well as increase flexibility in the medium-term with the payment of all government debts and third-party deductions for people facing hardship.

The government could consider an additional temporary change to support self-employed people who need to make Universal Credit applications in the near future. The maximum amount people can have in savings when applying for Universal Credit is £16,000; otherwise they cannot make an application. This is a form of means testing access and ensures that those with substantial savings are not able to apply for support before they spend down those savings.

However, in the current climate it may be poorly designed for self-employed people. This is because self-employed people have to save up over the year in order to make tax payments when the time comes for self-assessment. It is therefore possible that there will be self-employed people who have capital in excess of £16,000 partly due to the need to pay a future tax liability, while also facing a reduction or cessation of their current business. The government may wish to consider reducing the capital limit in these circumstances.

In the medium-term, the government will need to review the value of Universal Credit - and other legacy and contributory benefits - to ensure people receiving benefits get equivalent support to that provided by the Jobs Retention Scheme and to account for the on-going income shocks many people are likely to face in the coming months.

⁴ Ibid

⁵ HM Treasury (2020), [Budget 2020 - Policy paper](#)

About Citizens Advice

Citizens Advice gives people the knowledge and the confidence they need to find their way forward - whoever they are, and whatever their problem.

Our network of independent charities offers confidential advice online, over the phone, and in person, for free.

Last year we helped 2.6 million people in person, by phone, email or webchat. Our advice website had over 25 million visits, with 34 million pages viewed (based on pageviews of at least 30 seconds).

We provided support in 2,588 locations in England and Wales delivered by over 22,000 volunteers and 7,000 staff.

We use our evidence to show how things can be improved for people.