

**Written evidence submitted by Ms K McGhee (MD at emBold Ltd)**

**Response from emBold Ltd, a family-owned small limited company, based in South London with two owner directors, excluded from financial support.**

Job Protection Scheme and Self-employment Income Support Scheme

- **What problems (if any) are individuals facing in claiming support from the Job Protection Scheme and the Self-employment Income Support Scheme?\***

Ineligibility for support

My business is a limited company and is exempt from all of the major relief schemes. I run a limited company from a shared office space and my home office.

I am not required to pay business rates, this is included in my monthly rent, therefore the only local authority grant open to me is a small discretionary grant.

I have had limited company status for the last 8 years to assist on liability issues and because this is what the majority of my clients demand when they buy services through my company: they wish to deal with a business, not an individual, in terms of procurement. This means I am not eligible for SEISS.

My business is small / scaleable and makes use of self-employed freelance contractors or other third-party suppliers to scale-up, when required. I work on complex branding projects, often involving international teams. The impact of the reduction of business in my company has affected other businesses and suppliers in my ecosystem.

I cannot furlough, as I would not be able to take the necessary steps to stay in touch with clients and continue with existing work to assure the survival of my business.

- **How effective have these schemes been in maintaining employment and reducing job losses?\***
- **Where has Government support been too generous and where has it not been generous enough?\***

My sense is in the short-term, these measures prevented immediate job losses and closures in some sectors which were simply not able to function during lockdown.

However, this been extremely generous towards large businesses that may have had reserves, cashflow and revenue capacity to support their workforces and continue with their business activities, but it has neglected and ignored smaller enterprises without these advantages i.e. small limited companies and starved b2b organisations of active clients with budgets.

- **Is the Government doing enough to ensure that businesses and individuals are claiming appropriately and that fraudulent claims are detected? \***

In reality, I have no idea. I assume that businesses and individuals that are fraudulently claiming CJRS will be detected, if they are continuing to work whilst receiving furlough

payments. I hope that HMRC has processes in place to unpick situations where furloughed staff have taken on additional work with other organisations, to supplement their incomes.

I have followed the rules to the letter. I have not taken furlough payments because despite a significant reduction in business activity, I felt it would be undermining and negligent to compromise my future revenue prospects and financial security by abandoning my business that I have built over the last 10 years.

• **How successful has the Government been in plugging the gaps in the schemes?\***

My verdict is unsuccessful. Initially, this looked promising with the rapid creation of CJRS and SEISS.

However, the government's unwillingness to acknowledge the sectors which have fallen through the cracks has been negligent and discriminatory. This is in spite of repeated appeals from individuals and a variety of grassroots campaigning groups from each excluded sector who have been raising awareness on these issues for the last three months (e.g. Forgotten Ltd, Excluded UK) with constant appeals to Rishi Sunak and the Treasury to reconsider their position. One has to question why these segments of the economy have been singled-out for such unfair and discriminatory treatment.

Women business owners and single parents in particular are suffering, as they are facing the added burden of managing childcare and home-education and other caring responsibilities during the crisis. This makes it challenging to do business professionally or make the fundamental changes that may be required to recover livelihoods (i.e. transforming businesses or seeking alternative employment). I am not aware of any attempt by the government to look at these groups; there is certainly no provision in the grant and funding schemes made available.

• **What gaps in coverage still remain and are changes required to increase their effectiveness?\***

- Limited company directors unable to furlough while safeguarding their business, despite significantly reduced income.
- Those in receipt of annual PAYE processed after the cut-off date (which is many given timing of fiscal year)
- Freelancers with portfolio careers on PAYE with multiple employers
- Those on a cliff edge with £50K+ profits, but whose income has fallen dramatically
- New starters unable to access furlough via new or previous employers
- Newer businesses and start-ups with insufficient back-data on their revenue and profits for required time period
- Self-employed affected by a gap in income due to ill-health or maternity leave

These groups have been sacrificed at the expense of shoring-up jobs in larger and arguably more resilient businesses and industries, which has in turn stifled the b2b supply chain due to economic inactivity. There are viable businesses and freelance individuals, capable of independent revenue generation, that have been brought to a standstill by government sanctioned economic inactivity and have faced life-changing losses as a result.

The UK economy has benefited enormously from a highly flexible and adaptable and low-paid freelance and contract workforce over the last decade, which has kept its employment

figures low and allowed for frictionless trade of services and has kept jobs in this country rather than being off-shored. Yet, now this workforce has been effectively paralysed by lockdown, there is no safety-net, despite high levels of tax and NI paid by these contributors. A social contract has been broken.

- **How viable is it for the Job Protection Scheme and the Self-employment Income Support Scheme to be open for longer?**

It may be necessary to safeguard certain sectors for the future in the long-term with significant overheads longer term, but limited chance of recovery e.g. performing arts/theatres, events. Otherwise, removal of support is likely to be death knell for these industries.

- **How should the Government prioritise which continuing sectors and groups to support as time goes on and ongoing support is needed?**

Please look at those viable businesses and individuals who have received no help at all and are falling through the cracks. The Local Authority discretionary grant funds are too small to be helpful and transformative, they cover overheads at best, no income support for owner-managers and fail to include those who work flexibly from home offices or a variety of different locations. Even MPs were given a 10K allowance to allow them to flex their operations to home-working. The excluded businesses have not received this kind of support.

Look at HMRC data. Encourage earlier submissions of FY2019/2020 tax returns to begin to get a more up-to-date picture and understanding of the data. Make mechanisms available to allow voluntary reporting for SMEs and individuals that are facing a severe income drop in 2020, with tax claw-back as appropriate once sector recovery is assured. While deferrals are welcome, it feels like they are pushing back an inevitable payment problem.

- **What actions does the Government need to undertake to pursue to support a successful exit strategy?\***

Taper back support with appropriate notice period, make grants available for businesses, new social enterprises and organisations that are in a strong position to support recovery at a local level - e.g. via training, digital transformation and improved marketing communications and reach. Increase the knowledge and capacity of local authorities and councillors to identify suitable and trustworthy candidates for funding in their communities. Identify marginalised and excluded groups and develop strategies to support these groups.

## **Support to businesses and Financial services**

- **What gaps are there for businesses within the schemes?\***

Recognise that the loan route is not an option for smaller and more precarious businesses, whose futures are less than certain for the coming months. While this may feel like a free-market Darwinian solution, I would remind the government that it was the botched handling of the medical crisis at the outset which has caused the high death-rate and need for a longer period of lockdown, which has created an unsustainable business interruption for

many otherwise healthy and vibrant small enterprises.

### **Other government intervention**

- **Should the Government intervene more actively in redeploying staff and resources to certain sectors of the economy (health/food delivery)?**
- **Should the Government intervene more actively in terms of state aid, bail-outs and its industrial strategy?\***

I think this will be a requirement. If certain sectors and skills valuable to the UK economy are to be moth-balled, then the state needs to provide subsidies to protect the assets of these industries and stimulus to allow for effective temporary redeployment and retraining to allow individuals to upgrade their skills.

Clearly, digital transformation at all levels of the economy is important. Put in place the adult education and training necessary to complete this transformation and access this training and resources such as broadband access, web-hosting at a fair and subsidised cost.

To thrive in today's economy, people need to be able to build websites, platforms, leverage online payment systems and shoot video content, in the same way that people in business need to use email, spreadsheets and word-processors.

### **Economy, public finances and monetary policy**

- **What will be the economic impacts of the coronavirus outbreak and the social distancing measures in terms of sectors and regions and how temporary/permanent will they be?\***
- **What will be the impact on inequalities within society and how should the Government address inequalities that may have been exacerbated by the crisis?\***

It has surfaced and increased inequality, and created inequalities where they did not even exist before by dividing small businesses and self-employed individuals into artificial HAVES and HAVE NOTS

- **What are the lessons that society can learn for the future e.g. reducing carbon emissions, increased home working, business resilience?\***

Small businesses need help to acquired the skills to unlock digital transformation of their businesses, otherwise they will not be able to function.

We have too many left-behinds from a digital and economic perspective. Given the impending threat to jobs and under-utilisation of a skilled workforce, there is a unique opportunity to skill share in our communities.

Feel strongly that as a progressive economy, we should be backing 'one laptop per

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child', universal broadband access and appropriate support so that adults without basic digital skills can participate and support their families. The pandemic has demonstrated that we are in an extremely precarious and unequal position in regards to digital skills and education.

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