

Written evidence submitted by Dr Fiona Whitehurst

I am a Senior Lecturer at Newcastle University Business School, Newcastle University, UK. For the past five years I have led a programme designed to support micro-business owners. This programme was originally funded through the United Kingdom Commission for Employment & Skills' *Productivity Challenge 5: Developing leadership and entrepreneurship skills in small firms* and is called 'Captured'. Since 2016, Captured has worked with over 125 micro-businesses (defined as those employing between 0 and 9) in the North East of England.

Between May 9 and May 29 2020 I interviewed 20 of the previous participants of Captured to see how they were navigating the situation caused by the pandemic and they have been providing weekly reflective video 'diaries' since then. This has provided a nuanced version of the wide range of challenges and potential opportunities they are facing and their experiences provide valuable evidence pertinent to this inquiry.

Job Protection Scheme and Self-employment Income Support Scheme

1. Most of those who were self-employed had been able to access the Self-Employment Income Support Scheme (SEISS) as they had traded for long enough and met the other criteria. They found it straight forward to apply for and were impressed with how quickly the payments were processed. They also were reassured when it was announced that there would be a second payment.
2. However, there were some respondents who were not eligible for the SEISS because either they had not been trading long enough or had been employed as a freelancer on short PAYE contracts. It is good to note that these gaps have been acknowledged in this Committee's report "Are there gaps in the Government's response to Coronavirus?"¹ published on 15 June 2020 and recommendations made.
3. It is in the Coronavirus Job Retention Scheme where I observe that there are unacknowledged gaps in provision. The gap acknowledged in this Committee's report is in respect of directors who take a large part of their income in dividends and are only entitled to claim support under the CJRS on the typically small PAYE component of their income and the IPSE solution seems both rigorous and fair. However for micro-businesses who want to continue to trade even while they are impacted by coronavirus, the CJRS puts impossible restrictions on their ability to continue to run their business. Unlike the beneficiaries of the SEISS who can continue to work, directors who furlough themselves cannot work.
4. Office of National Statistics figures² show that 76% of businesses did not employ anyone aside from the owner(s). Many of my respondents who were directors of limited

¹ <https://houseofcommons.shorthandstories.com/coronavirus-economic-impact-gaps-in-support-report/index.html#group-Gaps-in-support-DtBrugTWKD>

² <https://www.gov.uk/government/publications/business-population-estimates-2019/business-population-estimates-for-the-uk-and-regions-2019-statistical-release-html>

companies could not furlough themselves because their businesses would not survive the pandemic if they did not keep the business running despite being severely impacted by coronavirus. This is a very different scenario to that offered by the SEISS scheme and does not take account of the fact that many small limited companies have the owner as the sole employee and seems to be a gap that will not be addressed by the IPSE proposal around dividends. Only three of the 12 micro-business owners I interviewed had furloughed themselves. The other nine had made the decision not to furlough themselves as they needed to keep working to keep their business operational.

5. Those who did have employees had taken advantage of the CJRS to furlough those employees, but that had left them to do absolutely everything in their business and many also had caring responsibilities for primary school aged children.
6. The inability for directors of very small limited companies to access the CJRS for themselves and still work seems to be a huge gap in the CJRS and to leave them in a very disadvantageous position compared with their self-employed counterparts. The Government should address this discrepancy as well as addressing the dividends issue.

Support to businesses and Financial services

7. Those who had accessed the Bounce Back Loan Scheme (BBLs) were very positive about the initiative, complimenting the ease of the process. However many business owners, including those who had accessed the scheme, were concerned about how easy it was to obtain and whether that would lead to high levels of non-repayment and cost to the public purse.
8. Two of the businesses commented that they had been previously refused finance to invest in their businesses, but had been able to access the BBLs. Following up with the micro-businesses who have accessed the BBLs and go on to grow significantly will provide an interesting insight into whether banks are too cautious in their approach to lending to micro-businesses.

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

9. I have always been impressed by the resilience, stamina and ingenuity of the micro-businesses I have had the privilege to work with. Following these twenty business owners as they steer their businesses through these unprecedented times, often having substantial caring issues too, has been nothing short of inspirational.
10. Micro-businesses should be recognised as an incredibly important part of our economy. I have seen micro-business owners go to exceptional lengths to support their customers, staff, supply chain and wider community during these times. I recommend that these smallest of businesses should be celebrated and supported more as we emerge from this pandemic.