

## Coronavirus Job Retention Scheme

- In any recession, maintaining employment contracts between employers and employees is the most important factor in ensuring any labour market recovery.
- Employees facing substantial or total wage loss during this crisis need support and the evidence is clear that when such support is provided through their employer, these employees experience significantly improved employment outcomes post-crisis and beyond.
- Without support, employees face the prospect of unemployment and will require the support of the state benefits system. Similarly, employers will face labour and skills delays and shortages as they attempt to readjust post-crisis.
- The Coronavirus Job Retention Scheme is welcome in this regard and represents a significant investment by the state not only in preventing hardship in the short to medium term but also in ensuring a swift labour market recovery in the long term.

## Outstanding Issues

### Social Dialogue

- While the Coronavirus Job Retention Scheme is welcome, there will always be many gaps in any scheme of this scale and scope. It is important that the practical impacts and outcomes of this scheme are closely monitored from both sides of the labour market.
- This is in the interests of employers, employees and the state in order to protect firms, workers and the public finances. Where a forum for social dialogue is already established, such matters can be routinely evaluated and rectified.
- In the absence of a system of social dialogue, the sweeping nature of this intervention should mandate the establishment of working group involving key employer representatives, NIC-ICTU and government officials, in order to provide feedback, advice and probity.
- The establishment of this working group should be an immediate priority for the Northern Ireland Executive and it should aim for to meet at least twice a week.

### Short-time work

- One of the most significant issues with regard to the Job Retention Scheme is that **it does not allow for the compensation of workers for whom hours of work have been reduced**. Many companies have faced reduced output over this crisis period. Instead of laying off workers they may have reduced hours.
- At present the Job Retention Scheme instead incentivises those employers to lay off a fraction of the workforce and keep the remainder on full salary in order to take up the scheme.
- However, such a strategy will not be possible for all firms. Manufacturers in particular who require a full set of workers with differing skills and competencies to carry out production processes will not be able to simply lay off a portion of the workforce.
- In this scenario, such firm will ultimately have to lay off all workers and shut down production in order to be able to maintain salary costs.

- This could be avoided if the scheme was altered to allow the wage replacement to apply to a portion of any worker's income. For example, if a worker is put on half time, the state should only pay half of the employee's wage at replacement at a rate of 80%.
- Ultimately this would see the state pay only 40% of all workers' wages at the firm. In the present scenario, the state will end up paying double that amount.

#### Employer Contribution

- Wage replacement policies such as the Coronavirus Job Retention Scheme have been introduced across Europe in recent weeks. Particularly in countries which engage in social dialogue, such schemes have emphasised an employer contribution to make up the remainder of the employees lost income.
- This is an important aspect of any wage replacement scheme and while it is acknowledged that this may not be possible for all firms, it should be a requirement for those firms that can afford it.

#### Self-employed

- At present, the Coronavirus Job Retention Scheme does not provide any further support to workers who are self-employed. As a self-employed worker's income is dependent on contracts, it is by its nature unpredictable.
- The Job Retention Scheme seeks to compensate workers for lost income over the crisis. If self-employed income cannot be reasonably estimated, it is unclear what the level of replacement the state could offer.
- Unlike employees, self-employed worker in some circumstances may be able to make up lost income once the initial phase of the crisis has abated. For other workers, lost income may never be regained.
- In Norway, the government have decided to extend wage replacement to the self-employed and have calculated the level of support based on what the average annual income of the self-employed worker has been over the last 3 years.
- This scheme is welcome but it poses problems for self-employed workers who have been self-employed for less than three years. However, it does provide a fair and balanced way to recognize the loss of income that will be experienced.
- The scheme is capped and the cap should be set at the same level as the employee scheme.
- Furthermore, if self-employed income does recover in the second half of the year and a self-employed worker's income exceeds their average income by more than the support offered, then the level of support provided should be recouped through the tax system.

#### Agency workers

- It is estimated that there are between 8,500 and 9,000 agency workers in Northern Ireland. These are workers who are contracted like the self-employed, but who are still employees of the agency they work for.

- It is unclear whether these workers will qualify for Coronavirus Job Retention Scheme as in many cases they do not have a predictable income that can be compensated.
- These workers should be accommodated in the Coronavirus Job Retention Scheme on the basis of their existing contracts, as they would have applied over the next 12 weeks.
- In the absence of such contracts, replacement should be based on average monthly income in the previous 12 months, similar to the Norwegian scheme for the self-employed.

### Conclusion

- The Coronavirus Job Retention Scheme is a welcome policy announcement as it provides certainty and security for employers and employees.
- The scheme must be amended to allow for the compensation of workers on reduced hours.
- There must be equivalent state support provided to both agency workers and the self-employed, whether through an expansion of this scheme or the formation of a separate scheme.
- The NI Executive must convene a working group with both employers' groups and NIC-ICTU as a matter of urgency. The sooner that on-the-ground information can be relayed to this group, the more effective this scheme will be.