

Message

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Sent: 15/09/2020 23:10:22
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Subject: RE: Draft for comment: Extending Self Employed Support Advice

NR Suzy –

I have struggled with this one intellectually from the beginning. The aims of furlough were:

- 1) to avoid breaking the link between the employee and employer,
 - a. and thus losing firm specific skills,
 - b. and losing a more general connection to the labour market
 - c. and ensuring that people went back to work as soon as their employer wanted them to
- 2) To be fair, and to be seen to be fair. Employees took a bit of hit, but not too much (unless high paid).

Not one of these was achieved by SEISS.

- a. Is not needed – a self-employed worker always has the right to go back to their old job (if it exists), whereas an employed worker made redundant has not right to return if their job is recreated – their employer can hire who they like, and they may not even see that their old employer is hiring again. They can't lose firm specific skills.
 - b. SEISS did nothing to preserve the connection with the labour market. You just cashed the cheque
 - c. SEISS does not compel you to return to work. CJRS doesn't either, but if you don't you pretty much have to resign. Whereas if you are SE you can start and stop whenever you like.
- 2 SEISS was not fair. Some people got far more than their losses – the man who repaired my patio was gobsmacked. He was off for 9 working days, and got “so much money, I thought I must have filled in the forms wrong, and that I might be guilty of fraud, and go to prison or something, especially as I have loads of savings, and you get a bit of downtime most years”. (He put the money we gave him towards a deposit on his first flat, but that wasn't really the point of the scheme). Those who earned £50k got nothing. And quite a lot of people got nothing because the records were so much worse than for PAYE people. And COMs...

So SEISS was really, as Suzy says, an generous income support scheme for a politically vocal group. We would have done COMs as well, but we could not find a way to do it. There was upset at the time that we didn't do it, but it died down.

FWIW I think we should say to the Chancellor – sure, some self-employed people will be doing less than they would like. But this isn't the same as last year. Our recommendation is to do nothing. You got away with that when we did the returners bonus, so try again. That makes sense fiscally, but also we think that the SE were more likely to have been winners last year, and taken in the round we think that it makes no sense to extend SEISS. And sure, doing nothing for COMs wasn't fun, but it didn't destroy your reputation as a Chancellor, or the government's reputation. The opinion polls still say you walk on water. So I would be a bit less neutral than “Are you open to extending SEISS?” We should tell him that SEISS3 is the only option, however.

If we have to do SEISS again, the amounts should be much smaller. For employed people, we will typically be paying 1/6th of their pay, so SEISS2 should be pitched at that level.

Note too it will be worse this time because someone whose business collapsed, but then got another job, will be able to tick to say that their business was affected...