

Message

From: Leunig, Tim - HMT [/O=EXCHANGELABS/OU=EXCHANGE ADMINISTRATIVE GROUP (FYDIBOHF23SPDLT)/CN=RECIPIENTS/CN=2F970ACA0EF44F558376F609F08873D1-LEUNIG, TIM]
Sent: 08/01/2021 18:10:19
To: Whyte, Lindsey - HMT [lindsey.whyte@hmtreasury.gov.uk]; Hemingway, Tom - HMT [tom.hemingway@hmtreasury.gov.uk]
Subject: RE: Future of CJRS

All that is fair. But I am not sure that a more complex scheme is easier to land in reality...

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From: Whyte, Lindsey - HMT <Lindsey.Whyte@hmtreasury.gov.uk>
Sent: 08 January 2021 18:09
To: Leunig, Tim - HMT <Tim.Leunig@hmtreasury.gov.uk>; Hemingway, Tom - HMT <Tom.Hemingway@hmtreasury.gov.uk>
Subject: RE: Future of CJRS

Hi Tim

It does make sense and I basically agree with you. My concern is that, if we know that some sectors or parts of the country are going to be on totally different tracks (eg if we have the tiering system out of this lockdown for several months) then I don't know if it is landable to withdraw it at the same pace for everyone. Or perhaps more whether Ministers will be prepared to say x, y, z people sorry you do just have to move on – which is what it means in practice as you say.

I think we have, unfortunately made that harder because we previously announced a targeted scheme so the outside world knows its possible.

Lindsey

From: Leunig, Tim - HMT <Tim.Leunig@hmtreasury.gov.uk>
Sent: 08 January 2021 17:34
To: Whyte, Lindsey - HMT <Lindsey.Whyte@hmtreasury.gov.uk>; Hemingway, Tom - HMT <Tom.Hemingway@hmtreasury.gov.uk>
Subject: Future of CJRS

I worry here. The Chancellor quite likes complex clever clever schemes. But the scheme that has worked so far is simple furlough with taper. Firms accepted it. It cut numbers on furlough without leading to a tidal wave of redundancies. Commentators did not perceive it as unfair. There were no new hard edges for which we could be blamed (lots of hard edges at firm level, as firms take different decisions, of course).

Mainly, however, people returned to work in summer and autumn because firms can't make money from an employee without them being at work.

If we can vaccinate 2m a week, we will reach herd immunity in early May, even with the new variant. (See annex)

Between now and then we will gradually be able to lift the NPIs, and we should expect the bulk of firms to unfurlough staff – more this time than last, because the vaccine makes it more likely that this reopening will stick. And they will unfurlough those they have been allowing to shield. After all, they have been vaccinated.

If we really are 5 weeks from the end, surely it is better to just have a taper, and then a hard end in mid-summer?

It is too early to make a decision, but I can imagine:

April 10%

May 20%

June 30%

July 40%

August 50%

September – end.

That allows seasonal folk to get to the summer

If in contrast the vaccines don't work, or new variants keep emerging that the vaccine does not hit, then I think we need to ask a much bigger question, which would be along the lines of "Will we ever licence nightclubs and the like ever again?". There comes a point where you have to say to workers "you need to move on". So even if we have not reopened nightclubs, I don't think furloughing their workers for even longer is a good idea, even in the unlikely event that their employ would meet a 30%+ contribution.

We know that a FIT is a bit weird, in being backward looking etc. And has problems for small firms – and remember, the hard core of furlough is disproportionately in small firms. We know that the NPI and sector approaches are really hard – the data are poor, the garden centre café, the supply chains.

Does this make sense?

Best wishes,

Tim

Annex:

Assume that without restrictions new variant R is 3.2. Assume 5% have antibodies on Jan 1, having had it recently. Assume we vaccinate 2m a week (13.5% per month) and that 2% of people catch it. R is therefore:

Jan 1: 3.04

Feb 1: 2.54

Mar 1: 2.05

Apr 1: 1.55

May 1: 1.06 – in reality a bit of continued caution or a few NPIs (no singing indoors in public) means it will be below 1 by then.

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