

## **Summer Economic Statement**

**9 July 2020**



Yesterday, Chancellor Rishi Sunak made a statement to the House of Commons outlining the next steps the government is taking to support the economy as the UK continues to come out of lockdown. His Statement focussed largely on preventing massive job losses following the flexing and, thereafter, end of furloughing as we head towards October.

He said that, “the people need to know that the government will do all we can to give everybody good and secure work. No one, he said, would be left without hope and that the government was driven by the simple desire to do what is right”. He also said, “Where problems emerge, we will confront them. Where support is justified, we will provide it. Where challenges arise, we will overcome them”.

The Chancellor talked about the government’s plans to support, protect and create jobs and confirmed that a full Autumn Budget would follow to deal with other matters as we look to rebuild.

### **Nature of the challenge**

The Chancellor summarised the government’s plan in responding to the Covid-19 challenge in three phases:

#### **Phase One**

Phase One began in March with social distancing measures and businesses being ordered to close to halt the spread of the disease. Measures taken during this phase to protect people, jobs and income have cost some £160bn. This included providing 11m workers with protection under the Coronavirus Job Retention Scheme (CJRS), providing grants to the self-employed, tax deferrals, access to loans, local council based grants and rates relief, plus £49bn to support public services.

#### **Phase Two**

Phase Two, the current phase, will focus on economic support as we start to come out of lockdown in an economic environment, which has seen the UK economy shrink by 25%, the same amount it grew in the previous 18 years, and, in the midst of what the IMF has said is the deepest global recession since records began.

Amongst economic fears are concerns of significant job losses as the CJRS is flexibly reduced and then stops in October.

Where the first phase was protection, the second phase would all be about jobs, with the Summer Statement focusing on this stage.

#### **Phase Three**

This phase will concentrate on rebuilding the economy and will no doubt focus heavily in the measures to be announced in the Autumn Budget & Spending Review. We will, of course, be covering the Autumn Budget in due course.

### **PLAN FOR JOBS**

The Chancellor confirmed that the plan for jobs would not be the last action that the government would take, but merely the next step to take in rebuilding the UK economy after Coronavirus. The CJRS could not go on forever, he said. Therefore, Mr Sunak outlined plans to get as many workers as possible currently in furlough back to their jobs and reduce the number of redundancies.

His plans included a number of measures:

## **New Job Retention Scheme Bonus**

Employers will receive a one-off £1000 bonus for every employee they bring back from furlough. The Chancellor stated that the bonus, will only be given where the job is still viable.

To be eligible, employees will need to:

- earn at least £520 per month (above the Lower Earnings Limit) on average for November, December and January
- have been furloughed at any point and legitimately claimed for under CJRS
- have been continuously employed up until at least 31 January 2021.

Employers can only claim the bonus from February 2021, and once their RTI data to 31 January has been submitted.

More information about this scheme will be available by 31 July and full guidance will be published in the autumn.

With a total of 9m workers currently on furlough, this will potentially cost the government up to £9bn.

## **Supporting Jobs**

The Chancellor acknowledged that younger people are least likely to withstand the worst of unemployment, what with 700,000 students leaving education this year and with many more young adults just starting out in their careers. The under 25's, in particular, he said, were 2.5 times more likely to work in one of the most hardest hit sectors such as tourism and hospitality.

## **Kick-Start Scheme**

To overcome this disparity in employment Mr Sunak introduced a new £2bn **Kick-Start Scheme**. The Chancellor stated that the Kick-Start Scheme would help prevent an entire generation being "left behind" and will help to subsidise 6-month work placements for 16-24 year olds on Universal Credit and at risk of long-term unemployment. There will be no cap on the number of places available.

The scheme has been designed to create new jobs and for everyone taken on under the Kick-Start Scheme the government will cover the cost of 25 hours' work a week at the National Minimum Wage. Employers can top up payment to their Kick-Start workers, if they so wish.

The government said it would allow young people "the opportunity to build their skills in the workplace, and to gain experience that will improve their chances of going on to find long-term sustainable work".

The scheme will open for applications in August, with the first jobs expected to start in the autumn, and run until December 2021 and will be available to businesses in England, Scotland and Wales. The Kick-Start Scheme may be extended further. Employers will also need to provide training and support for individuals to qualify.

## **Traineeship Provider Scheme**

The Chancellor promised an injection of £11m to the Traineeship Provider Scheme including help for employers in England to take on new trainees. Employers will receive £1000 for every 18-19 year old they take on but must provide careers advice, training and support. This additional spend will support 250,000 more young people.

## **Sector-based Academies**

The number of places available within sector-based academies to be tripled.

## Apprenticeships

For the next 6 months, the government will pay employers £2k per young apprentice they take on. To encourage employers to employ older apprentices they will also pay £1.5k for those in the 25-year plus age range.

## Job Centres

Job Centres will see a doubling of work coaches as the government recognised the longer a person was out of work the harder it was for them to return. To assist the longer-term unemployed the government is developing a new scheme and will be providing the Department for Work & Pensions (DWP) with an additional £1 bn.

## Support Job Creation

The Chancellor stressed that job creation starts with investment in infrastructure. During the Spring Budget, the Chancellor promised £88bn of capital investment to support infrastructure. Spend will now be doubled in a bid to build better roads, schools, hospitals and high streets and create more green jobs.

## Green Homes Scheme

From September, homeowners and landlords can apply for vouchers, which will make up at least 2/3rds of costs of energy efficient initiatives, up to £5k per household and £10k for those in lower income households. Vouchers will be issued to help pay towards the costs of energy efficient measures in a bid to reduce carbon in houses, making them more energy efficient and assist in reducing householder energy usage and therefore reduce energy costs.

This initiative will help to support 140,000 jobs in housing and construction industries and form part of an additional £3bn green jobs plan.

## Housing

The Chancellor outlined the contribution of the construction industry to the UK economy, which brings in £39bn a year. However, with May property transactions dropping by 50% and the average cost per house fallen to its worst price in eight years, this industry also needs to be stimulated in a bid to improve the overall economy. To combat this, the government will introduce a £2bn Green Homes Scheme to boost confidence including cutting Stamp Duty.

## Stamp Duty

From today, until 31 March 2021, buyers will pay no Stamp Duty on properties under £500,000, saving the average house buyer £4,500 in Stamp Duty, and with many buyers paying no Stamp Duty at all. For properties over £500,000, the first £500,000 will be exempt from Stamp Duty.

## Protecting Jobs in the Tourism and Hospitality Industries

The tourism and hospitality sectors, he said, represent amongst the biggest employers and hardest hit sectors of lockdown, with 1.4m of the total number of furloughed workers coming from these sectors, which is amongst the highest proportion of furloughed workers from any sector. In a bid to get these industries of the economy stimulated, the Chancellor today announced two new measures to assist businesses in these sectors.

- 1) **From Wednesday 15 July, VAT**, currently charged at 20% in this sector, will be **cut to 5%** for 6 months for services relating to food, accommodation and attractions.
- 2) In addition, and to encourage customers to return to pubs and restaurants, the government has announced a new, **"Everyone Eat Out to Help Out"** campaign. This will provide discounts for all customers, both adults and children, from Monday to Wednesday of 50% off meals and soft drinks to a maximum discount of £10 per head. From next week, businesses will be able to

register on a website for this scheme and make weekly claims. The Chancellor promised that claims will be paid out within 5 working days.

These initiatives are designed to help protect the jobs of the 1.8m people who work in this sector.

### **Ian's thoughts**

Our senior partner, Ian Pascall, says:

*"I really thought that the Chancellor would extend the furlough scheme for the specific sectors of industry that have been worst affected, namely, travel, leisure and hospitality. Instead, he has put in place a series of measures which add complexity to an already complex and challenging environment. That said, the government has a very difficult job as they have one eye on the difficulties ahead and the other eye on how they will pay for their support. Only time will tell if they've got it right."*