



## DEBATE PACK

Number CDP 2020/0078, 3 July 2020

# HMRC spending on job retention scheme and support for the self-employed'

## Summary

An [Estimates Day debate](#) on 'HMRC spending on the job retention scheme and support for the self-employed' has been scheduled for 7 July 2020. The subject for this debate was selected by the Backbench Business Committee following the publication of the Central Government Supply Estimates 2020-21 on 4 May 2020.

This debate comes at a time when the Government is responding to the Covid-19 pandemic, and a series of additional funding announcements have been made by Central Government relating to HMRC, although not all have been included in the Main Supply Estimates due to timing.

The House of Commons Library prepares a briefing in hard copy and/or online for most non-legislative debates in the Chamber and Westminster Hall other than half-hour debates. Debate Packs are produced quickly after the announcement of parliamentary business. They are intended to provide a summary or overview of the issue being debated and identify relevant briefings and useful documents, including press and parliamentary material. More detailed briefing can be prepared for Members on request to the Library.

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# 1. The Estimates process

The scrutiny of the Main Estimates, or Supply Estimates, is one of parliament's longest serving functions through which Parliament considered the proposed spending plans for the Government.

## Box 1: Types of spending

Departmental Expenditure Limit (DEL) cover net spending, which is subject to limits set in Spending Reviews, and based on the assumption that the expenditure is within the department's control:

- **Resource DEL** (day-to-day spending) covers the costs of running and purchasing goods and services; staff costs; current grants; rent; and maintenance costs. This budget also includes profit or loss on sale of assets, depreciation and some impairments.
- **Capital DEL** (investment spending) cover costs associated with the purchase, disposal and major improvement of assets, alongside capital grants and loans.

**Annually Managed Expenditure** (AME) (demand-led day-to-day spending) where the expenditure is difficult to control and forecast. For HMRC this includes expenditure items like tax credits, benefits and levies. In 2020-21, it also includes the Coronavirus Job Retention Scheme and the Self-Employed Income Support Scheme.

## 1.1 Authorisation of the 2020-21 Main Estimates by Parliament

Estimate day debates take place on the main floor of the House of Commons before the latest Main Supply Estimates can be approved. One of the debates has been set aside to discuss the Spending of HM Revenue and Customs on Covid-19, in particular the Job Retention Scheme and the Self-Employed Income Support Scheme.

Following the debates, the House will be invited to agree a motion on HMRC's Main Estimate. Members may agree or reject this motion, or suggest amendment reducing expenditure. Under the 'Crown prerogative' only Government can propose spending, so amendments to increase spending are not permitted. There are further motions for other Estimates selected for debate, and a final 'roll-up motion' covering the remaining Estimates, which members may accept or reject.

To ensure that all government departments continue to have access to funds until this process is completed, they have been advanced monthly through a 'Vote on Account' which was approved by Parliament in March 2020. The departments also have access to further funds if needed from the government's Contingency Fund, with the expectation being that any monies borrowed from the Contingencies Fund is adjusted for in the Supplementary Estimates and repaid in the same financial year as it is borrowed.

Once motions have been authorised, a Supply and Appropriation bill is presented. Unlike most bills, there is no committee stage, and as with other financial legislation, the House of Lords' role is purely formal. On receiving Royal Assent, departments can draw upon the agreed funds set out in the Act for the purposes Parliament has authorised.

## 2. Overview of HMRC's 2020-21 spending

HM Revenue and Customs (HMRC) proposed a Resource DEL budget of £4.3 billion, a Capital DEL budget of £0.4 billion, and a Resource AME budget of £108.8 billion.

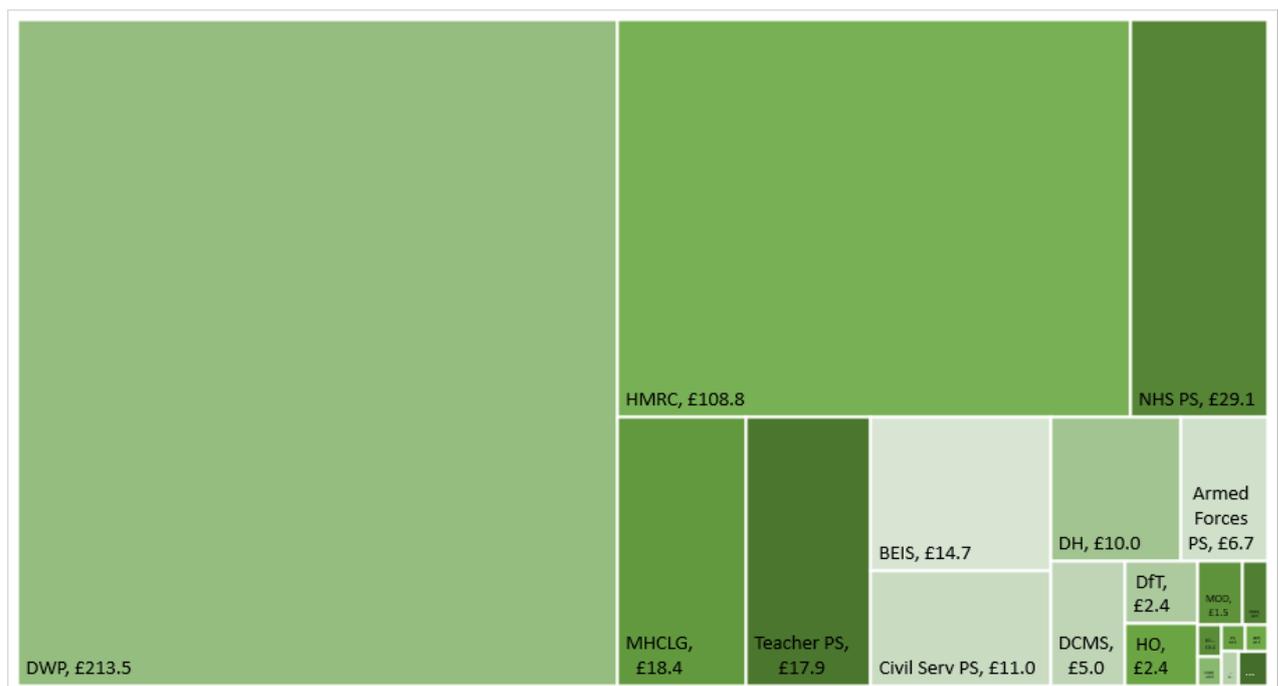
HMRC's Resource AME budget covers demand led expenditure which includes tax credits, childcare and child benefit. In 2020-21, the Resource AME budget is significantly greater than normal due to several additional schemes being included as a result of the government's response to Covid-19.

### 2.1 HMRC's Main Estimate

#### HMRC's Annually Managed Expenditure (AME) budget

The biggest adjustment in the Main Estimates for HMRC is in the Resource AME budget, for which it proposed an increase of £62,730.7 million (+136.1%), to £108,831.4 million. HMRC's spend on Resource AME is already one of the biggest AME budget in government, second only to the Department for Works and Pensions (DWP). Overall, benefits, state pensions and Coronavirus support from DWP and HMRC accounts for nearly three-quarters of planned Resource AME in 2020-21.

**Figure 1: Whole of Government's 2020-21 Resource AME budget in £ billion**



Notes:

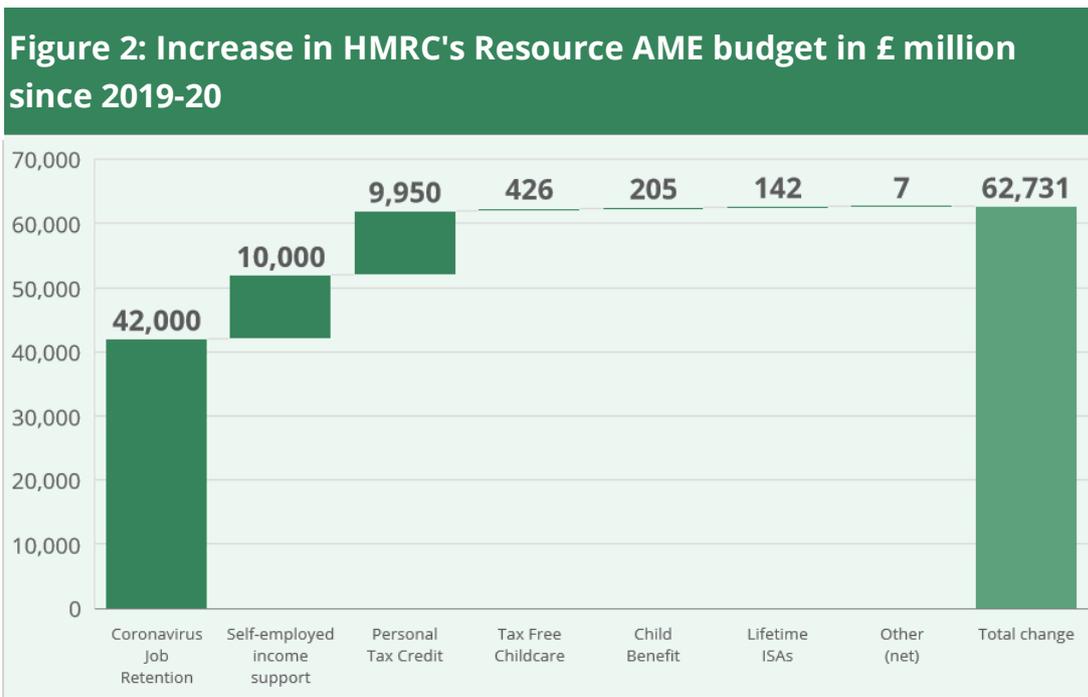
1. Area indicates spending by departmental group and devolved authorities as proportion of voted and non-voted Investment spending following Main Estimate 2020-21.

2. 'PS' represent government pension schemes, showing the annual increase in pension liabilities less employer and employee contributions; these are included in AME as drivers of the change in liability (e.g. demographics, salaries) are not within the control of the scheme administrators.

Source: Scrutiny Unit, House of Commons

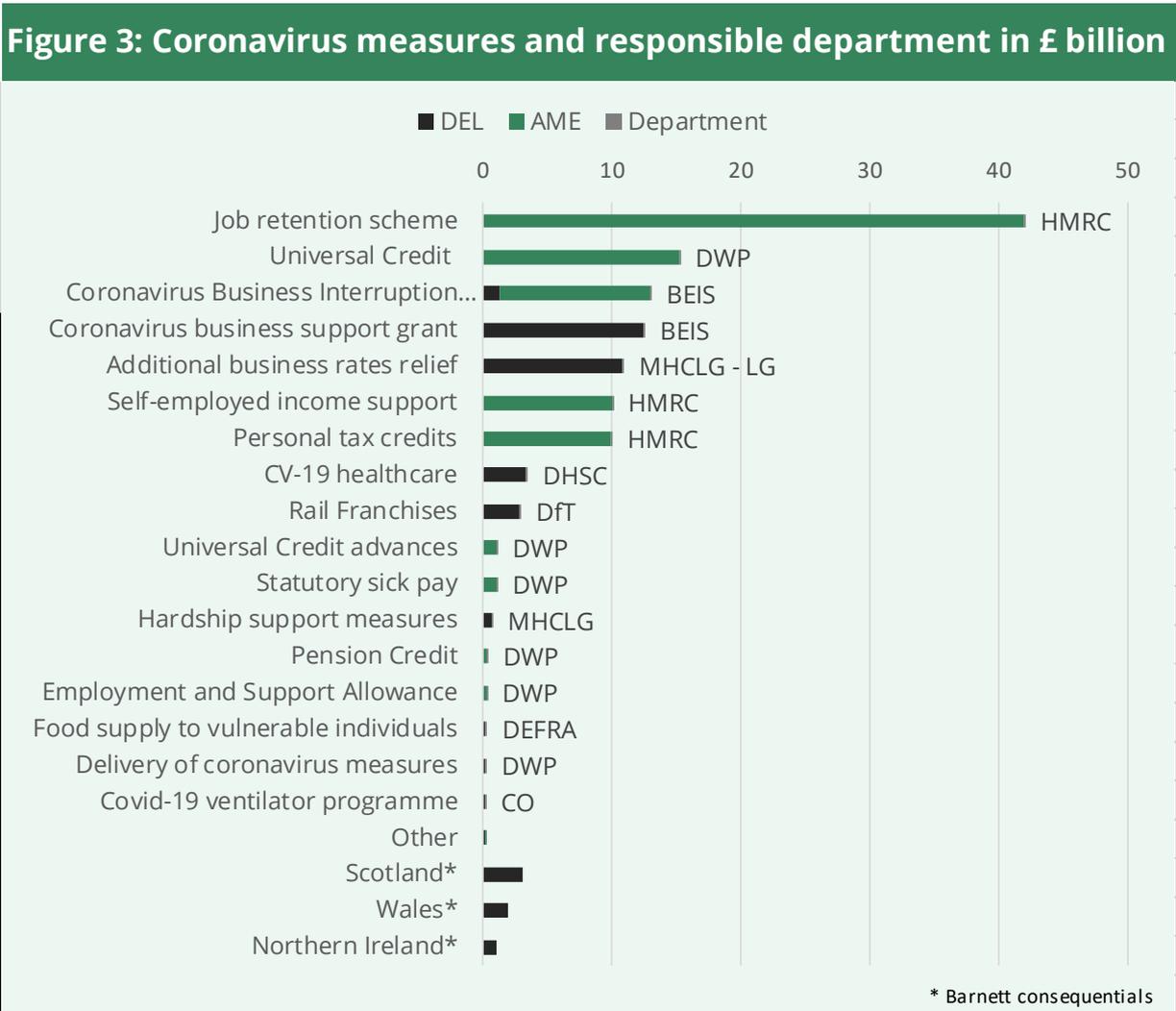
HMRC's proposed increase in Resource AME is predominately driven by the following schemes introduced as part of the Government's response to Covid-19:

- £42,000.0 million for Coronavirus Job Retention Schemes (also known as the Furlough Scheme);
- £10,000.0 million for Self-Employment Incomes Support Scheme; and
- £9,950.0 million for Personal Tax Credits (also known as Working Tax Credits).



Source: Scrutiny Unit, House of Commons

The Covid-19 support measures included in the Main Estimates 2020-21 do not represent all of the support measures that have been announced. The reason for this is that the Main Estimates were published on 4 May 2020, with Departments including as many announcements as they were able to. As such, it is expected that there will be further Covid-19 related adjustments that will come through the Spring Supplementary Estimates in 2021. The Covid-19 support measures that were included in the Main Estimates are shown in the following graph.



Source: Scrutiny Unit, House of Commons

### HMRC’s Departmental Expenditure Limit (DEL) budgets

HMRC has proposed a decrease in its 2020-21 Resource DEL budget by £39.3 million (-0.9%) reducing it to £4,331.1 million. With its Capital DEL budget, HMRC proposes a small increase of £2.0 million (+0.6%) increasing the budget to £365.5 million.

Between 2010-11 and 2020-21, HMRC’s Resource DEL (day-to-day spending) decreased in real terms by 5% as a result of efficiency savings delivered as part of the 2015 Spending Review. These efficiencies were achieved through investment in digitisation and reducing the size of HMRC’s workforce. Since the 2015 Spending Review, additional resources have been provided to cover unforeseen costs which included additional employer pension costs and EU Exit related costs.

**Figure 4: Percentage change in HMRC's resource DEL (day-to-day spending) compared to 2010**



Source: Scrutiny Unit, House of Commons

## 3. CJRS & SEISS

### 3.1 Coronavirus Job Retention Scheme

The Coronavirus Job Retention Scheme (CJRS) went live on 20 April 2020. The CJRS is a mechanism through which HMRC provides grants to employers to help them cover the wages of ‘furloughed employees’. The stated aim of the CJRS was to ensure that employers could retain staff even if they were unable to pay their wages.

A detailed overview can be found in the Commons Library Briefing, [FAQs: Coronavirus Job Retention Scheme \(CBP-8880\)](#).

#### Rules of the CJRS

The CJRS is established under [section 76 of the Coronavirus Act 2020](#). The formal rules of the Scheme are set out in [Treasury Directions](#). The Government has also published a range of [guidance](#) and, at times, there has been concern among commentators that the guidance was inconsistent with the Treasury Directions, the formal legislative rules.

The original CJRS covered a period from 1 March to 30 June 2020. The rules were set out in the [Treasury Direction](#) published on 15 April and updated on 22 May.

On 29 May the Chancellor announced details of a ‘[flexible furlough scheme](#)’ to come into effect from 1 July. The [Treasury Direction](#) for the flexible CJRS was published on 26 June. The flexible CJRS is set to run until 31 October 2020, when the Scheme is set to end.

#### How the CJRS works

The Treasury Directions for the CJRS set out the circumstances in which an employer can claim a grant from HMRC. An employer’s obligation to pay employees continues to be governed by the employment contract and relevant employment legislation. Most employees have a right to be paid if they are ready, able and willing to work, even if their employer has no work to offer them.<sup>1</sup>

Under the original CJRS, employers could claim a grant for an employee if they instructed the employee to cease working for at least 21 days for a reason connected to Covid-19. To do this, the employer and employee needed to enter into a furlough agreement setting out the main terms and conditions and incorporate it into the employment contract.<sup>2</sup>

Under the flexible CJRS, an employer can ask furloughed workers to work any pattern and claim under the Scheme for any ‘usual hours’ not worked. Again, employers and employees must enter into a flexible furlough agreement and incorporate it into the employment contract.<sup>3</sup>

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<sup>1</sup> [Beveridge v KLM UK Ltd \[2000\] IRLR 765](#).

<sup>2</sup> [The Coronavirus Act 2020 Functions of Her Majesty’s Revenue and Customs \(Coronavirus Job Retention Scheme\) Direction](#), 22 May 2020 (‘second Treasury Direction’), paras. 6.3 and 6.7.

<sup>3</sup> [The Coronavirus Act 2020 Functions of Her Majesty’s Revenue and Customs \(Coronavirus Job Retention Scheme\) Direction](#), 26 June 2020 (‘third Treasury Direction’), para. 10.1.

## Eligible employees

Only certain employees are eligible to be furloughed under the CJRS.

If an employee is not furloughed, either because their employer chooses not to or because they are not eligible, it does not necessarily mean that they do not have a right to be paid. As mentioned above, whether an employee has a right to be paid depends on their contract, not on their eligibility for being furloughed.

However, the fact that an employee cannot be furloughed could have negative consequences. For example, a worker on a zero-hours contract only has a right to be paid for hours worked and has no guarantee of minimum hours. If they are not furloughed, their employer could simply reduce their hours to zero. Even if an employee had a right to be paid under their contract, if an employer has cashflow problems and cannot furlough them it could lead to dismissal for redundancy.

Under the original CJRS, eligibility criteria was based solely on PAYE. Any employee was eligible if they were on a PAYE scheme notified to HMRC on or before 19 March 2020. The term 'employee' was broad and potentially captured a range of workers, including traditional employees, [limb \(b\) workers](#), zero-hours workers and agency workers.

However, there were a number of groups excluded by these criteria:

- Those not on PAYE (e.g. many gig workers and limb (b) workers);<sup>4</sup>
- New starters hired in February or March who were not entered onto the payroll until the end of March.<sup>5</sup>

New starters could be re-employed by a former employer provided they were on a notified payroll on or before 28 February or 19 March. However, there was no obligation for a former employer to re-hire.

In addition, the rules of the CJRS caused problems for other workers even if they could legally be furloughed:

- Those working through owner-managed companies who could only claim their salary, not dividends they pay themselves;<sup>6</sup>
- Zero-hours workers and agency workers could have their hours reduced to zero instead of being furloughed;<sup>7</sup>
- Those working in the public sector (Government guidance says public sector employers are expected not to use the CJRS);<sup>8</sup> and
- Those who were shielding or on long-term sick leave (Government guidance says they can be furloughed but Treasury Directions appeared to say they could not be if they were eligible for SSP).<sup>9</sup>

<sup>4</sup> See Commons Library Briefing Paper, [FAQs: Coronavirus Job Retention Scheme](#), CBP-8880, 16 June 2020, ('Commons Library FAQ Paper'), Q10.

<sup>5</sup> Commons Library FAQ Paper, Q14.

<sup>6</sup> Commons Library FAQ Paper, Q12.

<sup>7</sup> Commons Library FAQ Paper, Q27.

<sup>8</sup> Commons Library FAQ Paper, Q6.

<sup>9</sup> Commons Library FAQ Paper, Q18.

The flexible CJRS uses the same eligibility criteria as the original CJRS. However, only employees who were furloughed at least once for a full three weeks prior to 1 July are eligible (with an exception from parents returning from family leave and army reservists).<sup>10</sup>

### **Expanding eligibility**

There have been a number of calls for the CJRS to be extended to those who are not currently covered or whose main sources of income cannot be claimed. There have been campaigns on social media including from the group [Excluded UK](#) and the financial commentator [Martin Lewis](#).

On 10 June the Treasury Committee published a [report](#) highlighting five groups of workers who were excluded from the CJRS or the Self-Employment Income Support Scheme (SEISS).

To date, the Government has not given an indication that eligibility criteria will be amended.

On 8 April Jim Harra, the Chief Executive of HMRC, explained the rationale for the cut-off was largely to prevent fraud and to allow the CJRS to be set up at pace:

I appreciate there is a cut-off for this scheme and therefore some people will fall on the wrong side of that cut-off. I do empathise with those people. However, this is only one of a range of measures that the Government have put in place to help people, including increasing tax credits and universal credit and making that more accessible to people.

If someone who was on the payroll on 28 February left their employment after that date, we have opened up the scheme where the employer can, if they wish, take those employees back on to the payroll and then furlough them, but if you genuinely just started with a new employer after 28 February, that is the cut-off date in this scheme. As I said, it is an important protection for us, but it is a real balance in the design of a scheme like this to get that right.<sup>11</sup>

On 15 May, Treasury Minister Jesse Norman said in response to a Written Question that the CJRS will not be extended to new starters:

The Coronavirus Job Retention Scheme is open to any individual who was on an employer's PAYE payroll on or before 19 March 2020 and for whom HMRC received an RTI submission notifying payment in respect of that employee on or before the 19 March 2020. Processing claims for the Coronavirus Job Retention Scheme where HMRC did not have RTI data by 19 March would significantly slow down the system while risking substantial levels of fraud. It would also require greater resource for HMRC when they are already under significant pressure to deliver the system designed. Those not eligible for the scheme may have access to other support which the Government is providing, including a package of temporary welfare measures and up to three months' mortgage payment holidays for those who may be in difficulty with mortgage payments.<sup>12</sup>

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<sup>10</sup> [Third Treasury Direction](#), paras. 10.1 to 10.3.

<sup>11</sup> Treasury Committee, [Oral evidence: Economic impact of coronavirus](#), HC 271, 8 April 2020, Q71.

<sup>12</sup> [PQ4387 \[on Coronavirus Job Retention Scheme\]](#), 15 May 2020

On 9 June, Jesse Norman said in response to a Written Question:

The Chancellor of the Exchequer has said there will be no further extension or changes to the SEISS or CJRS. However, other support is available. The CJRS and SEISS continue to be just two elements of a comprehensive package of support for individuals and businesses. This package includes Bounce Back loans, tax deferrals, rental support, increased levels of Universal Credit, mortgage holidays, and other business support grants.<sup>13</sup>

### **Costs that can be claimed under the CJRS**

The Government has published [detailed guidance](#) and [examples](#) of the costs that employers can claim under the CJRS.

Under the original CJRS, employers could claim 80% of the 'reference salary' of a furloughed employee, up to £2,500pm. How reference salary is determined varies depending on whether an employee is fixed rate (i.e. salaried) or variable rate. Certain discretionary payments, such as bonuses or tips, cannot be claimed under the CJRS.

Under the flexible furlough scheme, the basic rules are the same, but the calculation process is more complicated as employers are now able to ask furloughed employees to work any number of hours. As such, employers must calculate 'usual hours' and 'furloughed hours' that fall within the claim period and only claim in respect of furloughed hours.<sup>14</sup>

From 1 August employers must cover employer national insurance contributions (NICs) and pension contributions.

From 1 September the CJRS grant will only cover 70% of wages for furloughed hours and employers must top up to 80%.

From 1 October the CJRS grant will only cover 60% of wages for furloughed hours and employers must top up to 80%.

### **Sectoral approach to the CJRS?**

As different sectors of the economy have been re-opened at different rates, there have been calls for a sectoral approach to the CJRS.

Commenting on the introduction of employer contributions under the flexible CJRS, Daniel Tomlinson of the Resolution Foundation wrote:

A one-size-fits-all approach will mean trading-off between a cost sharing contribution that's high enough to incentivise most businesses to return staff to work, but low enough not to cause excess redundancies from the hardest-hit sectors (hospitality and leisure). It's not at all clear what this figure is, or if it even exists. [...]

A better approach would be to treat the hardest-hit sectors of the economy differently from the rest. While economic activity in the bulk of the economy should be well on its way towards normal in August, hospitality and leisure activity is still likely to be heavily restricted. Social distancing will have more of an effect on supply and demand in these sectors than elsewhere, not least because these sectors will only be allowed to open up (according to the Government's current plan) from July, later than the rest of the

<sup>13</sup> [PQ55002 \[on Directors: Coronavirus\]](#), 9 June 2020.

<sup>14</sup> See Commons Library FAQ Paper Q45.

economy. For these reasons, it seems sensible to delay the point at which firms in these hardest-hit sectors need to start cost sharing. This will give businesses more time to adapt to the new reality – and hopefully give demand more time to return too.<sup>15</sup>

To date, the Government has not given any indication that the CJRS will be changed to a sectoral model. At present, the Government guidance on making CJRS claims says:

When the scheme closes on October 31, you must decide to either:

1. bring your employees back to work on their normal hours
2. reduce your employees' hours
3. terminate their employment ([normal redundancy rules apply to furloughed employees](#))

Further information on the different rates of business re-openings across the UK and on potential local lockdowns can be found in the Commons Library Briefing, [Coronavirus: Business re-opening \(CBP-8945\)](#).

## 3.2 Self-Employment Income Support Scheme

To support the self-employed through the coronavirus outbreak the Government has introduced the [Self-Employment Income Support Scheme \(SEISS\)](#). The Scheme pays taxable grants worth 80% of someone's average monthly trading profit, up to £2,500 per month over a three-month period starting from March 2020.

On 30 April, the Government published the [Treasury Direction to HMRC](#), the formal legislative guidelines for the SEISS, and the Scheme was opened for applications [on 13 May](#). On 29 May, the Government [announced the Scheme would be extended](#), with those eligible able to claim a second and final grant capped at £6,570.

The Chancellor Rishi Sunak announced the SEISS on 26 March, and in his speech the Chancellor stated that its design reflected the need to ensure that this support package was "deliverable and fair":

Providing such unprecedented support for self-employed people has been difficult to do in practice. And the self-employed are a diverse population, with some people earning significant profits. So, I've taken steps to make this scheme deliverable, and fair:

1. to make sure that the scheme provides targeted support for those most in need, it will be open to anyone with income up to £50,000.
2. to make sure only the genuinely self-employed benefit, it will be available to people who make the majority of their income from self-employment
3. and to minimise fraud, only those who are already in self-employment, who have a tax return for 2019, will be able to apply

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<sup>15</sup> Daniel Tomlinson, [Three big decisions for the Chancellor on the future of the Job Retention Scheme](#), Resolution Foundation, 28 May 2020.

95% of people who are majority self-employed will benefit from this scheme.<sup>16</sup>

HMRC's detailed guidance on the scope of the SEISS summarises the eligibility criteria as follows:

You can claim if you're a self-employed individual or a member of a partnership and all of the following apply:

1. you traded in the tax year 2018 to 2019 and submitted your Self-Assessment tax return on or before 23 April 2020 for that year
2. you traded in the tax year 2019 to 2020
3. you intend to continue to trade in the tax year 2020 to 2021
4. you carry on a trade which has been adversely affected by coronavirus.

... You should not claim the grant if you're a limited company or operating a trade through a trust.

To work out your eligibility we will first look at your 2018 to 2019 Self-Assessment tax return. Your trading profits must be no more than £50,000 and at least equal to your non-trading income.

If you're not eligible based on the 2018 to 2019 Self-Assessment tax return, we will then look at the tax years 2016 to 2017, 2017 to 2018, and 2018 to 2019.<sup>17</sup>

The SEISS appears to have been widely welcomed when it was first announced,<sup>18</sup> although there were some concerns about the numbers of people excluded.<sup>19</sup> Other commentators suggested the SEISS could have been more targeted.<sup>20</sup> In its analysis of the Government's Covid-19 income support schemes, the Institute for Fiscal Studies noted both the SEISS and the Coronavirus Job Retention Scheme (CJRS) were "not as well targeted as we would expect in normal times":

On average these are very generous schemes, replacing more than 80% of net family income for both employees and the self-employed, but there is a lot of variation. Many of the self-employed will be left financially better off as a result of this crisis, while some will get no support at all.<sup>21</sup>

The report also looked at the numbers of people who would not be entitled to claim support under the SEISS because they did not meet one or more of the eligibility criteria:

There were 5.1 million people who reported positive self-employment income in 2016–17, the most recent year for

<sup>16</sup> HM Treasury, [Chancellor's statement on coronavirus \(COVID-19\)](#), 26 March 2020. See also, HM Treasury, [Chancellor gives support to millions of self-employed individuals](#), 26 March 2020

<sup>17</sup> HMRC, [Check if you can claim a grant through the SEISS](#), 2 July 2020. This is supplemented by [guidance](#) on how different circumstances may affect eligibility, and [how HMRC determines](#) trading profits and non-trading income for these purposes.

<sup>18</sup> See, for example, "Sunak reveals coronavirus bailout for self-employed, but they must wait until June", *Times*, 27 March 2020

<sup>19</sup> See, for example, FSB press notice, [FSB highlights gaps in coronavirus income support measures for self-employed](#), 1 April 2020

<sup>20</sup> See, for example, Torsten Bell & others, [Resolution Foundation blog](#), 27 March 2020

<sup>21</sup> IFS press notice, [Fast choices by government provide generous income support to most workers, but leave some with nothing and others with too much](#), 2 April 2020

which detailed data are available. We estimate that the eligibility criteria for the SEISS mean that:

1. About a quarter of people with some self-employment income (1.3 million people) will be ineligible because they received less than half of their income from self-employment.

For 39% of this group, income from employment (as opposed to self-employment) was their main source of income for the year. This will include people who are employed and self-employed at the same time, as well as some who switched to self-employment part way through the tax year. For another 19% of those who receive less than half of their income from self-employment, pension income is their main source of income.

2. Approximately 225,000 (4%) will be ineligible because their self-employment profits were more than £50,000 a year.
3. Roughly 650,000 (13%) will be ineligible because they entered self-employment in the past year (i.e. since April 2019).

These three groups overlap, so our rough estimate is that in total around 2 million people with some self-employment income (38% of them) will not have it covered by the SEISS. Those with employment income have access to the JRS. Among the 3.8 million people who receive more than half of their income from self-employment, we estimate that roughly 675,000 (18%) will be ineligible for the SEISS.

### **Company owner-managers**

There are around 2 million company owner-managers – i.e. people running their own company (as opposed to an incorporated business, i.e. self-employment).

Company owner-managers are not eligible for the SEISS. They are eligible for the JRS in relation to their salary if they stop working. However, the HMRC tax records show that many owner-managers pay themselves a very small salary (often set at the National Insurance earnings threshold, which is currently £166 per week) and take the rest of their income in dividends. This is the tax-efficient choice. However, since the JRS covers only salary, not dividends, it means that the JRS will cover only a small part of their actual income.<sup>22</sup>

As noted, a second grant is to be made through the SEISS in August. When he announced this, the Chancellor underlined that “the value of the final grant will be 70%, up to a total £6,570. Otherwise, there will be no changes and no further extensions.”<sup>23</sup>

Since the launch of the SEISS the variety of taxpayers excluded from the Scheme has often been raised in the House, but Ministers have consistently opposed extending it to:

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<sup>22</sup> Stuart Adam, Helen Miller, Tom Waters, [Income protection for the self-employed and employees during the coronavirus crisis](#), IFS April 2020 pp4-5. A point also made by the Treasury Committee: [Economic impact of coronavirus: Gaps in support](#), HC 454, 15 June 2020 para 38

<sup>23</sup> HM Treasury, [Chancellor's statement on coronavirus \(COVID-19\): 29 May 2020](#), 29 May 2020

- Those who became self-employed after April 2019.<sup>24</sup>
- Those whose annual trading profit from their self-employment exceeds £50,000.<sup>25</sup>
- Those whose trading profit from their self-employment constitutes less than 50% of their total annual income.<sup>26</sup>
- Those who are not self-employed but provide their services through their own personal service company (PSC). In this case there have been calls for the eligibility criteria for the CJRS and/or the SEISS to be extended to cover dividend income<sup>27</sup>

Following the 2020 Budget, the Treasury Select Committee launched [an inquiry](#) on the economic impact of Covid-19. The inquiry is ongoing although on 15 June the Committee published an interim report highlighting those groups of people who have been unable to benefit from either the SEISS or the CJRS.<sup>28</sup> The Committee noted that “the Chancellor has often cited the administrative difficulties in addressing issues given the speed with which he has to act”, but argued “he has now extended the schemes and therefore has more time to tackle these complexities”:

The Government must adapt its existing schemes or develop new support mechanisms to help these people if it is to completely fulfil its promise of doing whatever it takes to protect people and businesses from the impact of the pandemic. The Chancellor has indicated that he may, in future, reform the tax arrangements for self-employed people, in part justifying this on the basis of the Government’s fair treatment now of those self-employed people affected by the crisis. Any lack of fairness in these support schemes may undermine this.<sup>29</sup>

To date the Government has not published a response to the report.

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<sup>24</sup> See, for example, [PO43971](#), 15 May 2020; [PO52498](#), 9 June 2020; [PO52597](#), 9 June 2020

<sup>25</sup> See, for example, [HL PQ3990](#), 20 May 2020; [PQ53286](#), 8 June 2020; and, comments by Treasury Minister Steve Barclay to the Treasury Committee: [Oral evidence: Economic impact of coronavirus](#), HC 271, 29 April 2020 Qs 322-3.

<sup>26</sup> [PQ48534](#), 22 May 2020. See also, [PQ57245](#), 15 June 2020

<sup>27</sup> For the Government’s case against doing this, see, for example, [PQ38471](#), 1 May 2020; [PO HL3951](#), 20 May 2020; [PO55002](#), 9 June 2020

<sup>28</sup> Treasury Select Committee press notice, [Government must act over gaps in support during lockdown](#), 15 June 2020

<sup>29</sup> Treasury Committee, [Economic impact of coronavirus: Gaps in support](#), HC 454, 15 June 2020 para 65-6

## 4. Scheme statistics

By midnight on 28 June, 9.3 million jobs had been furloughed through the Government's **Coronavirus Job Retention Scheme**.<sup>30</sup>

<b>Coronavirus Job Retention Scheme (CJRS)</b>	
By midnight on 28 June 2020	
Number of jobs furloughed	9.3 million
Number of employers furloughing	1.1 million
Total claimed (£)	£25.5 billion
<b>Notes</b>	
Jobs furloughed' is calculated as the sum of the maximum number of employees furloughed by any PAYE scheme across all claims by that scheme	
Employers furloughing is calculated by counting the number of CJRS claims from distinct PAYE schemes on employer reference (where the PAYE scheme reference is a proxy for a single employer)	

**Source** Gov.uk, [HMRC coronavirus \(COVID-19\) statistics](#)

The ONS Business Impact survey collects data on the proportion of employees who are furloughed in fortnightly periods. This found that, for the period between 1 and 14 June 2020, 34% of employees of responding businesses were furloughed.<sup>31</sup>

Around three quarters of employees were furloughed in the Accommodation and Food Services sector and two thirds were furloughed in the Arts, Entertainment and Recreation sector.

By midnight on 28 June 2020, 2.6 million claims had been made under the **Self-employed Income Support Scheme**.<sup>32</sup>

<b>Self-Employment Income Support Scheme (SEISS)</b>	
The scheme opened on the 13 May 2020	
By midnight on 28 June	
Total number of claims	2.6 million
Total amount claimed (£)	£7.7 billion

**Source** Gov.uk, [HMRC coronavirus \(COVID-19\) statistics](#)

### 4.1 Furloughed jobs by sector and region

HMRC have published figures providing a breakdown of furloughed jobs by sector and region. These figures show the number of jobs that had been furloughed up to the 31 May 2020.<sup>33</sup>

<sup>30</sup> Gov.uk, [HMRC coronavirus \(COVID-19\) statistics](#), 2 June 2020,

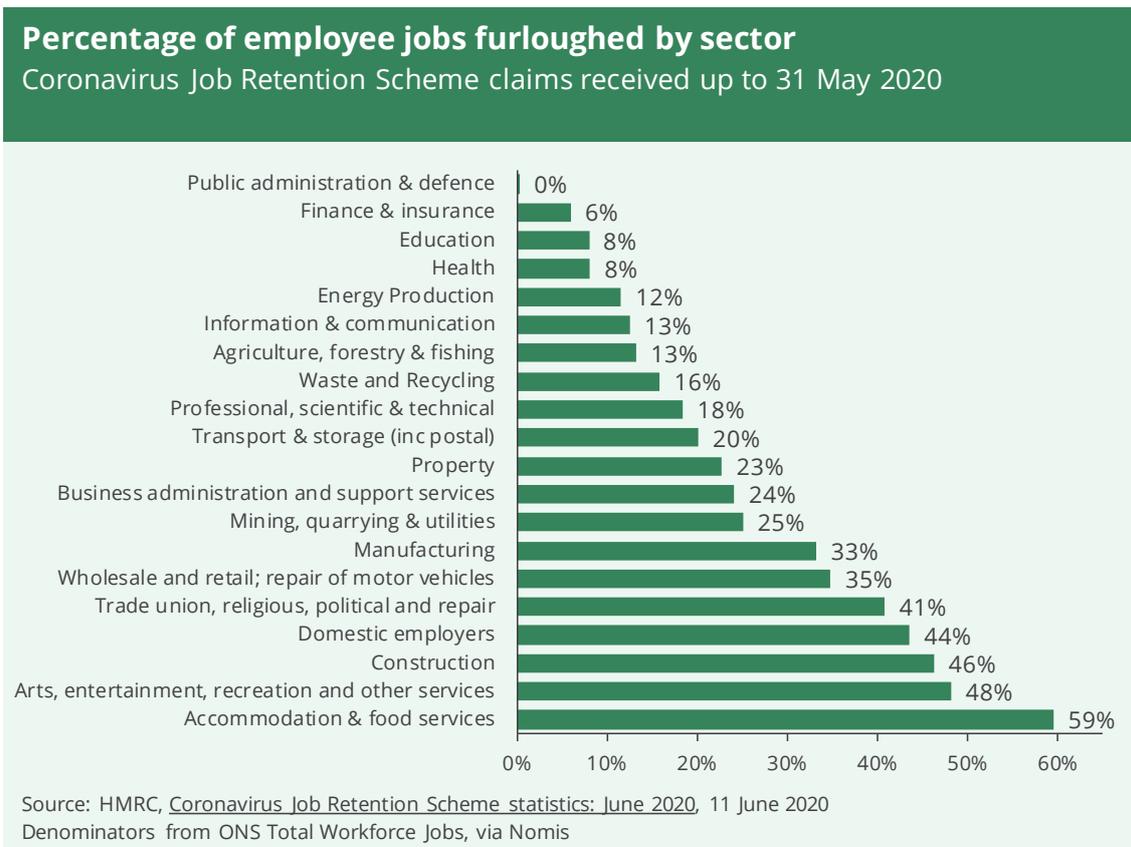
<sup>31</sup> ONS, [Coronavirus, and the economic impacts on the UK](#), 2 July 2020.

<sup>32</sup> Gov.uk, [HMRC coronavirus \(COVID-19\) statistics](#), 2 June 2020, new data is posted weekly with up-to-date statistics.

<sup>33</sup> Gov.uk, [Coronavirus Job Retention Scheme statistics: June 2020](#), 11 June 2020

The Wholesale and retail sector had the highest number of jobs furloughed with over 1.6 million furloughed up to the end of May. 1.4 million jobs were furloughed in the Accommodation and food services sector, suggesting around 59% of employees had been furloughed in this sector.

The chart below shows the estimated proportion of employees in each sector who had been furloughed up to the end of May. The sector with the highest proportion of employees who had furloughed was the Accommodation and food services sector, while 48% of employees in the Arts, entertainment and recreation sector, and 46% of employees in the Construction sector were furloughed.<sup>34</sup>



The table below shows the number of jobs furloughed in each region and estimates the proportion of employees and residents aged 16-64 in each region who had been furloughed.

The West Midlands, South West, and Northern Ireland all saw 30% of their employees furloughed. The South West also had the highest percentage of its working-age population furloughed, at 20%.

<sup>34</sup> HMRC, [Coronavirus Job Retention Scheme statistics: June 2020](#), 11 June 2020

Furloughed employee jobs by country and region			
Coronavirus Job Retention Scheme claims received up to 31 May 2020			
	No. employee jobs furloughed	% employee jobs furloughed	% working-age residents furloughed
North East	282,500	28%	17%
North West	828,900	29%	18%
Yorkshire And The Humber	603,600	28%	18%
East Midlands	559,100	28%	19%
West Midlands	697,100	30%	19%
East	709,600	28%	19%
London	1,074,900	29%	18%
South East	1,035,400	28%	19%
South West	654,800	30%	20%
Wales	316,500	26%	17%
Scotland	628,200	28%	18%
Northern Ireland	211,700	30%	18%
Unknown	1,093,700		

Source: HMRC, [Coronavirus Job Retention Scheme statistics: June 2020](#), 11 June 2020

Denominators from ONS Annual population survey, 2019 via [Nomis](#). Library calculations

## 5. Labour market impacts

Furloughed workers are included in labour market statistics as being in employment, and therefore the scheme has restricted the number of job losses to date. Despite this, there are many indicators suggesting the coronavirus pandemic will have a huge impact on the labour market:

- Single month estimates of employment suggests that levels of employment fell by around 430,000 from March to April 2020.
- The number of vacancies in May 2020 fell to its lowest ever recorded level.
- Between March and May 2020, the number of people claiming unemployment related benefits increased by 1.6 million.

A summary of the impact of the pandemic on the economy is available in the July [Economic Update Insight](#), and further analysis of the impact of the pandemic on the labour market is available in the Library briefing [Coronavirus: Impact on the labour market](#).

### 5.1 Labour market statistics

The latest employment and unemployment statistics are for February-April 2020, so reflect some of the effect of the coronavirus pandemic. Around half of the data was collected after lockdown.

The ONS publishes [single month estimates](#) for labour market statistics, which capture the effect of lockdown in April on the labour market. These are less reliable than the three-month figures.

The three-month and single month estimates do not show the increase in unemployment that one might expect given the lockdown. This may partly be due to the Coronavirus Job Retention scheme as furloughed workers are classed as employed.

#### Employment

The **employment rate** was 76.4% in February-April 2020, a small fall from 76.5% a quarter previously.

The less reliable single month estimates suggest that the employment rate fell from 76.7% in March to 75.9% in April, with the number of people in employment falling by around 430,000.

#### Unemployment

The **unemployment rate** was 3.9% (the percentage of the economically active population who are unemployed), which was unchanged from the previous quarter. The rate reached a post-recession high of 8.5% in late 2011.

Single month estimates show that in April 2020 the unemployment rate was 3.9%, up from 3.8% in March.

The unemployment rate is expected to double by the end of the year. Forecasts received in the period 1-15 June show an average forecast of 7.9% for Quarter 4 2020 and 6.6% for Quarter 4 2021.<sup>35</sup>

More information on labour market statistics can be found in the Library briefing, [People claiming unemployment benefits by constituency](#).

## 5.2 People claiming unemployment benefits

On 16 June, the ONS published May 2020 figures for the number of people claiming unemployment related benefits. This is a useful data source for tracking changes in the labour market.<sup>36</sup>

These figures include those who had their claim processed by the Department for Work and Pensions by the 14 May, almost two months after the Government's instruction to stay at home.

**In May 2020, 2.8 million people claimed unemployment related benefits. Between March and May, there has been an increase of 1.6 million claimants.**

As part of the government's response to the coronavirus (COVID-19), a number of enhancements were introduced to Universal Credit. These may have increased the number of employed people eligible for Universal Credit through their earnings falling below income thresholds.

Consequently, while some of the increase in the Claimant Count will be due to people who have become unemployed, some will also be due to employed people who have become eligible for Universal Credit as part of the government response.

### The claimant count more than doubled between March and May 2020



Constituency level claimant count figures are published in the library briefing [People claiming unemployment benefits by constituency](#).

The claimant count includes those people who were claiming Jobseeker's Allowance (JSA) or were claiming Universal Credit and are required to seek work.

<sup>35</sup> HM Treasury, [Forecasts for the UK economy](#), 17 June 2020.

<sup>36</sup> ONS, [CLA01: Claimant Count](#), 16 June 2020

### 5.3 Vacancies

There were 476,000 job vacancies in March-May 2020, 342,000 less than the previous quarter and down 365,000 from the year before. This is the largest quarterly decrease to the vacancies total since the current time series started in 2001. This is the lowest level of vacancies since early 2014.<sup>37</sup>

The ONS have also published a single month estimate for the number of vacancies in May. These estimate that the number of vacancies fell to 318,000 in May 2020, the lowest level since records began in 2001. Single month estimates are less reliable than the three-month averages.

### 5.4 Working Hours

The total number of weekly hours worked in the three months to April 2020 was 959.9 million, which was a decrease of 91.2 million hours from the previous quarter, and a decrease of 94.2 million hours from the previous year. This was the largest annual fall in the number of weekly hours since records began in 1971.<sup>38</sup>

This means that the average number of hours per worker was 29.1 in February-April 2020, down from 32.2 a year previously. The fall was particularly large in the Accommodation and Food Services sector where average hours fell from 28.1 in February-April 2019 to 21.2 a year later.<sup>39</sup>

### 5.5 Impact on Business Activity

The ONS Business Impact survey has also monitored business trading status, turnover and cash reserves through the lockdown period.

For the period between 1 and 14 June 2020, 86% of responding businesses were continuing to trade and 14% had temporarily closed or paused trading.<sup>40</sup> A small number of businesses (less than 1%) responded that they had permanently ceased trading in the period.

Of the businesses that continued to trade, 64% reported that their turnover had decreased, with 22% reporting that turnover had fallen by more than 50%. The largest falls in turnover were in the accommodation and food services, with 58% of businesses reporting turnover decreasing by more than 50% (see the chart below).

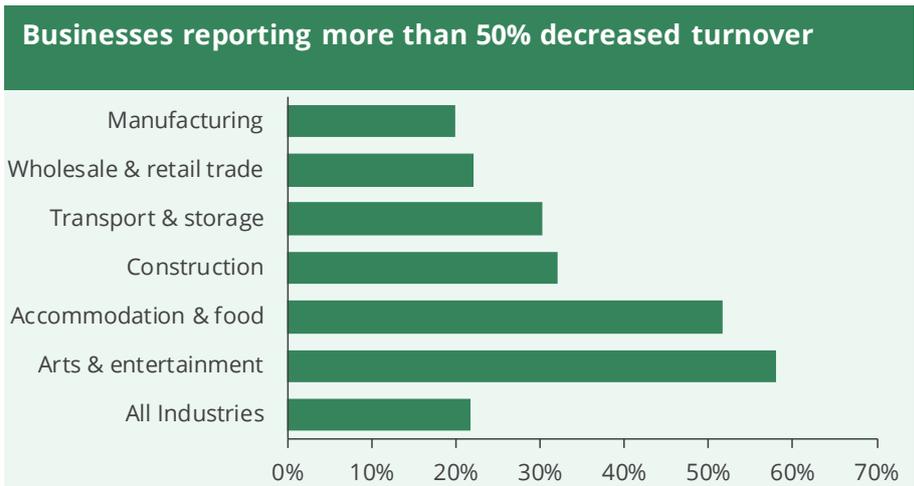
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<sup>37</sup> ONS, [Vacancies and jobs in the UK: May 2020](#).

<sup>38</sup> ONS, [HOUR01 SA: Actual weekly hours worked \(seasonally adjusted\)](#), 16 June 2020

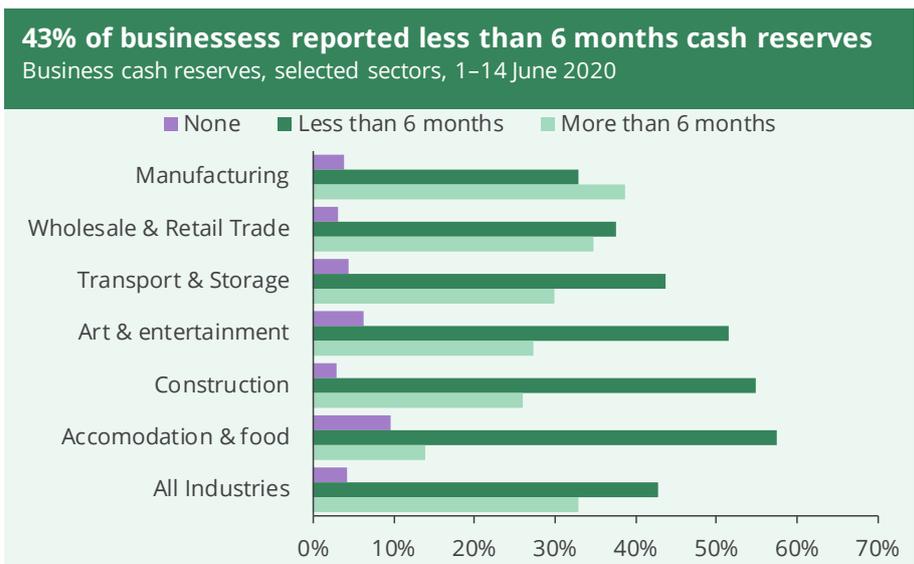
<sup>39</sup> ONS, [HOUR03: Average hours worked by industry](#), 16 June 2020

<sup>40</sup> ONS, [Coronavirus, and the economic impacts on the UK](#), 2 July 2020



Source: ONS, [Business Impact of Coronavirus Survey](#), Wave 4.

Of businesses continuing to trade, 4% said they had no cash reserves and 43% said they had less than 6 months cash reserves. The accommodation and food sector reported the most businesses with no cash reserves (10%).



Source: ONS, [Business Impact of Coronavirus Survey](#), Wave 4.

## 6. Further reading

### 1) Reports/studies

[Changes to the Coronavirus Job Retention Scheme](#), HMRC, 1 July 2020

[The Full Monty: Facing up to the challenge of the coronavirus labour market crisis](#), Resolution Foundation, 29 June 2020

[Coronavirus: Effect on the economy and public finances](#), House of Commons Library, 19 June 2020 [see also [other Library research on Coronavirus](#)]

[Commentary on the public sector finances – May 2020](#), Office for Budget Responsibility, 19 June 2020

[Economic impact of coronavirus: Gaps in support](#), House of Commons Treasury Select Committee, 15 June 2020

[COVID-19: Policy responses across Europe](#), European Foundation for the Improvement of Living and Working Conditions, June 2020

[Self-employment in the Covid-19 crisis](#), LSE Centre for Economic Performance, May 2020

[Coronavirus \(COVID-19\): advice for employers and employees](#), ACAS website

[Tackling coronavirus \(COVID-19\)](#), OECD website [includes [country policy tracker](#)]

### 2) News/Speeches

[Anneliese Dodds' speech on a Back to Work budget](#), Labour Party, 3 July 2020

[Sunak damps hopes of big UK tax cuts](#), Financial Times, 2 July 2020

[Two thirds of furloughed workers to return by September](#), Personnel Today, 2 July 2020

[How is the government's furlough scheme changing on 1 July?](#) The Independent website, 1 July 2020

[One million people locked out of coronavirus income support](#), MPs warn, The Independent website, 15 June 2020

[More than a third of employees furloughed in some UK towns](#), The Guardian, 11 June 2020

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