

# EXCLUDED

## ExcludedUK Briefing Paper – 5 December 2020

This paper has been prepared by ExcludedUK ahead of the **Westminster Hall Debate secured by Munira Wilson MP which will take place on Wednesday 9 December** (4.30pm-5.30pm). Despite ongoing and growing calls for the Chancellor to address the exclusions in the government Covid-19 support schemes from MPs across the House, alongside the voices of numerous campaign groups, unions, industry bodies and other organisations, in his Spending Review announcement on 25 November, the Chancellor failed to address the issue yet again, while putting forward some assertions which are wholly inaccurate.

These notes will set out the background and the current issues at stake in light of recent responses from the Chancellor and the urgent need to reach a solution for the 3 million people excluded from government Covid-19 support.

### The Problem

- **CJRS and SEISS schemes fell far short of providing adequate financial support** for all who were in need, excluding an estimated 3 million UK taxpayers
- while some exclusions may have been an oversight on the Treasury's part, others were **clear policy decisions, yet without rationale behind them, with arbitrary hard edges to eligibility criteria**, leaving so many shut out of support through no fault of their own
- the end result has been **poorly targeted schemes creating huge disparities** as identified in the Resolution Foundation's report "Jobs, jobs, jobs" ([www.resolutionfoundation.org/publications/jobs-jobs-jobs/](http://www.resolutionfoundation.org/publications/jobs-jobs-jobs/)), stating that this crisis is far from over
- **welfare has not provided a safety net**. Even for those who can access Universal Credit, this is *not* meaningful support
- with the extension to CJRS and SEISS upto March 2021, unless any changes are made, this will represent **1 year of little to no support for 3 million UK taxpayers**
- not helping those excluded is **completely at odds with economic recovery** - these exclusions are unfair, unjust and discriminatory

- over 8 months have now passed since the schemes were announced – there has been ample time to address this situation, and there is still time to rectify the situation
- the Spending Review was an ideal opportunity to address these issues and support those who need it now more than ever
- all people are asking for is **parity of support** for the full period of support provided by the CJRS and SEISS schemes. However, there are many calls from various organisations for a **range of potential solutions**, and perhaps the simplest most immediate thing that can be done is a **hardship/crisis fund** for those who have been left without meaningful support

### Who is affected

- the figure of **3 million, equating to 10% of the UK workforce**, has been reached on the basis of readily available statistics from HMRC, ONS, BEIS Business Population Estimates as well as some further data from IFS and IPSE, cross-referenced against the Treasury Committee report of 15 June 2020
- the **National Audit Office report of 23 October 2020**, found that **2.9 million were not eligible** for the government Covid-19 financial support schemes, highlighting the fact that many who have lost income have not been able to access support, thus contradicting the Government's repeated assertions that everyone has been helped in some way
- 3 million people from **all walks of life, from diverse socio-economic backgrounds - across all employment statuses and industries** are affected: beauticians, hairdressers, builders, plumbers, electricians, driving instructors, music and drama teachers, nurses, charity workers, creative professionals, lawyers, dentists, vets... the list goes on – people serving their communities, people with entrepreneurial spirit, people who took a risk to strive for their dreams, people with ambition and drive, all contributing significantly to the UK economy
- this figure has also been backed up by Standard Life Foundation, Martin Lewis (Money Saving Expert) and used widely by other organisations, commentators and in press/media

These are people who were furthering their careers by starting a new job, to those in between jobs, those who took the plunge to set up a new business, those with entrepreneurial spirit serving their communities and beyond, freelancers, those combining PAYE and self-employment, those whose maternity or parental leave fell at a certain time, people excluded due to pensions, bereavement payments, carer's allowance, redundancy, shielding and more.

### The Impacts

- the impacts extend beyond the 3 million with **knock-on effects on children, education, families, households, single parents, those shielding, the disabled, the elderly, and for small business owners their employees, freelancers and sub-contractors**: if they cannot save their businesses they cannot save their employees,

they cannot give work to their freelancers, supply chains are disrupted affecting more businesses

- **increasing financial hardship** - the impacts are only set to become more acute, amid considerable uncertainty with current lockdown and a long recovery process ahead
- mounting personal and business debt
- an increasingly severe **mental health crisis**
- **people are relying on savings and pensions**, decimating their future financial security
- **people are relying on family**
- people are resorting to use **food banks**
- people are **losing their homes**: forced to sell, move in with parents (even people in their 40s and 50s), and forced to **sell belongings**
- **unemployment and failed businesses** while many remain on the brink
- **potential future tax rises** and what this mean for those excluded
- some sadly have taken their own lives
- people's **careers are being destroyed** – those who have invested so much in their education, those who've worked hard for many years paying into the system and but the support was not there when they needed it, young workers left with no opportunities in their chosen careers, struggling to get onto the career ladder, older workers who are disadvantaged by age in looking for new work and can't just retrain, people forced to move into other industries leaving a potential skills shortage in those industries ahead

In the latest survey conducted by Excluded at the end of October (with 3,076 responses):

- **57% stated were on less than 20% of their pre-Covid income**
- **47% anticipate their income over the next 6 months to be 20% or less than their pre-Covid income**
- **69% have received no government financial support at all (excluding loans and deferrals)**
- **72% could not access Universal Credit**
- **70% of respondents feel they have been emotionally impacted as a result of being excluded**
- **47% have been forced to look for other work**
- **15% have been forced to change industry**
- **71% have been forced to live off personal savings**
- **29% have been forced to sell personal belongings**

*(Full survey report available on request.)*

### **Potential to reallocate funds: unclaimed support, underspend, suspected fraud**

There have been calls this week for the reallocation of support that has been returned by some large companies and we welcome this. There are a number of areas we have identified where funds can be reallocated to help those who need it now more than ever:

- **underspend from local authorities** regarding discretionary grants, reported to be £1.6 billion

- **1 million self-employed who were eligible for support but did not claim**, for whatever reasons
- **furlough payments returned** by businesses due to miscalculations or not requiring those funds
- we urge suggested **fraudulent claims** for CJRS to be investigated: it was reported in early September that there were suggestions of £3.5 billion potentially having been fraudulently claimed

### Government's Responses

On the many occasions the Chancellor and other Government ministers have been questioned on the 3 million who have been excluded from meaningful support we have heard time and again the same repeated assertions:

- the schemes were implemented at speed
- complexity in adapting the schemes/extending eligibility criteria
- the need to combat fraud
- the schemes were targeted at those who needed it most
- people may not "have been helped in the way they will have liked"

**The Prime Minister, the Chancellor and other Government ministers are always quick to reassert the help that *has* been given, while repeatedly failing to acknowledge those who have been left behind.** The fact is, this issue is not going away and the scale of the issue is vast.

Therein lies one simple question— what does the Government expect people to do when they have been left with little to no support for over 8 months, as they face increasing hardship month by month with no help on the horizon? These people are not fraudsters – HMRC records can verify this, and it is abundantly clear that people left with little to no income need support when others have received support (when not necessarily having been impacted, as has been reported)

- **the answer is not Universal Credit** - many cannot access it, and this is not in itself meaningful support
- driving the virus down (Boris Johnson's response to Keir Starmer's question at PMQs on 11 Nov) *alone* is not enough - **parity of financial support in tandem is vital.** People cannot recover and rebuild their businesses and livelihoods without the support to do so

The Government simply cannot continue to ignore the extreme hardship that those excluded have been forced into as a result of its policies, for many the first time in their lives, and for many the first time they have ever had to apply for welfare (many not even being eligible). When faced with pressing questions concerning those excluded from meaningful support over recent months, this has repeatedly been met with the same baseless responses and intransigence on the part of the Chancellor and this simply cannot continue. The issue is not going away, the impacts on people's lives, livelihoods and the economy are only being compounded month by month as people continue to try to survive on little to no support, and unless the Government listens, these questions will continue to be asked and these responses will not be accepted.

The Government has made many U-turns this year. **Now is the time to make a U-turn on this ever-urgent matter and help the 3 million who have been excluded and need urgent help.**

**As Christmas approaches**, what is for many businesses the most significant period of the year, coupled with the impact on families and those already in need, it is imperative that the Government recognises its failings thus far in “putting its arms around the nation” and provides urgent support, not least to aid future economic recovery.

**Further to the Chancellor’s Spending Review announcement on 25 November, he disputed the 3 million figure, referring to only 1.5 million** whose self-employment is less than half of their income and could therefore benefit from the furlough scheme. This is a fallacy. Those who are excluded are not just 1.5 million having worked a combination of self-employment and PAYE employment over 3 years, while **one cannot ask a past employer to furlough them**. This 1.5 million self-employed are also the newly self-employed and those earning over £50,000, as well as PAYE freelancers, small, limited company directors, new starters and those denied furlough making up the total 3 million.

The Chancellor also referred to Universal Credit being able to make up the difference. Again, this is simply not true when the amount one can claim is so minimal, and many not being able to access Universal Credit.

**Last week the Chancellor said he had spoken to the ExcludedUK team. No such engagement with any of our team** nor the Gaps in Support All Party Parliamentary Group has ever taken place, despite numerous written and oral requests.

**We urge the Chancellor to meet with us, affected individuals and the APPG and see and hear for himself that we *are* viable, and that urgent redress is vital, not least to aid the country’s economic recovery.**

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*ExcludedUK is a volunteer-run grassroots organisation established in response to the financial challenges faced by individuals and businesses entirely or largely excluded from government Covid-19 financial support. ExcludedUK exists to raise awareness of the many exclusions in these schemes and their impacts – through lobbying, research, press and media, while also offering support, advice and a space for affected individuals to share their concerns.*

## **Background - Who are the 3 million?**

### **Self-employed: 1.6 million**

- the newly self-employed since April 2019 (often going hand in hand with the 50% rule below - people mitigating risk by retaining PAYE self-employment so as to gradually set up in business)
- those with over £50k trading profits
- the self-employed whose non-trading profit is more than 50% of their trading profit. The absurdity of how non-trading profit has been defined has led to so many falling foul of this exclusion:
  - many who start out in self-employment do so gradually and will often continue PAYE work to minimise risk. However, they cannot claim SEISS based on their income from self-employment if this forms less than 50% of their total income
  - many had PAYE employment earlier in the 3 year period taken into account but cannot ask a former employer to furlough them
    - > many have savings, often quite typically to cover future tax bills, but often for other major life events – getting married, buying a house. No one should be penalised for this
  - those whose maternity/parental/adoption leave fell during the 3-year period affecting their typical income, and those who have been excluded and whose maternity/parental/adoption leave has fallen during the pandemic. Those who have been excluded and their maternity/parental/adoption leave has fallen since the start of the pandemic face a double blow if they can only rely on statutory maternity pay, and many will have no entitlement with little to no work during the pandemic, uncertainty ahead (particularly those in the most adversely affected industries) and little to no support
  - pensions: anyone in receipt of pensions payments while also in self-employment eg. those dipping into their pension early, army pensions, widow's pensions
  - bereavement payments
  - carer's allowance
  - redundancy payments: any such payments received within the applicable 3 year period will be taken into account
  - rental income: (people often taking in lodgers out of financial necessity, holiday lettings)

### **Small, limited company directors: 710,000**

- those paid PAYE annually
- those paid in dividends
- those not in profit (ie. relatively new businesses with high overheads)

*Dividends/PAYE:* the standard setup for limited company directors is to take a small PAYE salary, typically £719/month, and the rest in dividends. The reason for this is due to fluctuations in income from month to month. A director can only take dividend payments when the company is in profit. While limited company directors can claim CJRS, this typically works out at ~£575/month. However, what is even more problematic is the fact that a director cannot continue to work. So directors face the dilemma of trying to claim for the small amount they can and not working, or trying to save their business. This is not in line

with SEISS whereby the self-employed who qualify can continue working

*Companies not in profit:* many companies will have very little profit if any during certain periods, especially in a start-up or growth phase where one be placing one's hard-earned savings into a new venture or to boost a business (the same of course applies to any new business, whether self-employed or limited company). Any payments taken from business revenue generated will be classed as repayments to a director's loan, but this is still income for a limited company director in this position

*Annual PAYE:* those paid annually cannot even furlough

**PAYE employees: 790,000**

- PAYE freelancers
  - those in between jobs: new starters
  - those in between jobs: made redundant
  - those denied furlough; often through issues of shielding and maternity, zero-hour contracts, among other circumstances
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