

Rt Hon Rishi Sunak MP  
Chancellor of the Exchequer  
HM Treasury  
The Correspondence and Enquiry Unit  
1 Horse Guards Road  
London  
SW1A 2HQ

5 January 2021

Dear Chancellor,

### **Phase 2 in a Plan for Jobs - a collaborative effort between business and government**

I am writing to you as a matter of urgency, as the country enters a new national lockdown, to offer our support and insight on taking the Plan for Jobs to the next level.

The recruitment industry has been the engine of high UK employment over the past decade, finding over a million people new permanent jobs every year and placing a million temps into work every day. It is a sector where Britain leads the way, contributing over £42 billion to the economy and employing just under 120,000 people. Our industry has been instrumental in helping meet the spikes in demand for healthcare professionals, retailers, warehouse workers and getting businesses back on their feet quickly after the last lockdown. Without more targeted support now, there's a huge risk the country will lose the critical economic capacity to find work and grow careers after lockdown.

The speed at which you have sought to put in place measures to keep the economy going during the pandemic has been much appreciated - but now we need a step up if we are to keep our world-beating jobs market in prime position.

There are three areas where we suggest immediate, targeted action. In usual times, it would be prudent to wait for the Spring Budget to announce such measures but the severity of the current situation means we believe action is required more immediately - and we stand by ready to help you deliver such a programme of support.

#### **1. Short-term support to high cashflow businesses**

Cashflow is deeply concerning for many good quality businesses right now. The lockdown has ripple effects beyond those businesses that are closed - it impacts their whole supply chain. The Government response needs to reflect this. From the outset of the pandemic, the REC received thousands of inquiries from recruiters with cashflow concerns. Businesses are struggling to pay their overheads and furlough staff whilst receiving lower income, as hiring has slowed for many industries in lockdown. For the benefit of safeguarding jobs during this period, the REC is urging Treasury to cover the national insurance contributions and pension costs for employees on furlough. Furloughing temporary workers comes at a direct cost - administrative, the apprenticeship levy contribution and the cost of operating payroll - all at a time with reduced income. Without support to cover these costs,

the country risks losing the thousands of jobs it previously helped retain. We also need to avoid a cliff-edge by ending the Job Retention Scheme before the end of this crisis and pushing back the beginning of repayments of deferred 2020 VAT. If lockdown continues into March as some experts predict, the only way of protecting jobs will be to continue to furlough eligible staff beyond April.

Ensuring businesses have quicker access to the financial support they need to furlough staff, also means providing access to short-term financial support. The Government's Coronavirus Business Interruption Loan Scheme (CBILS) and Local Restrictions Support Grants are not currently a solution to the cashflow needs of recruitment agencies. When local grants were first introduced, recruitment was on the list of eligible businesses, however, during the winter lockdown recruitment agencies were not listed as eligible for Local Restrictions Support Grants. This oversight has increased the cashflow burdens on thousands of agencies. Moreover, while the CBILS has improved, it remains the case that only a small proportion of REC members have received funding so far - often due to a lack of understanding of the credit structure used by staffing firms. The slow pace of delivery of funds has done little to alleviate immediate cashflow problems. Unlocking the mechanism to receive these much-needed cash lifelines should be a priority of government.

As well as emergency measures to carry us through this (hopefully final) phase of the pandemic, we need a deeper and more meaningful contribution from Government that secures the recovery. As previous recessions show, economic recovery is fuelled by a jobs market recovery. To incentivise businesses to retain staff and to hire as soon as they are able, a cut in the employer's National Insurance contributions would send a clear signal to businesses. We estimate that the impact of such a measure would have the same uplift impact as the stamp duty holiday has had on the housing market - but with far more widespread societal benefits. At the end of last year, one third of employers (32%) told us that they have no spare workforce capacity and would have to take on new staff if they were to grow when the market returns (see [REC's JobsOutlook report](#), Dec 2020). A cut in NICs would give employers the confidence to hire sooner rather than later - at a time when much needed talent will be in greater supply and this, in turn, would have a positive impact on national employment figures.

## 2. IR35

The REC applauded your decision to delay the extension of the off-payroll rules in light of the Coronavirus outbreak last year and use the additional time to commission further external research into the long-term effects of the reforms in the public sector. These are welcomed steps and something that the REC had been calling on government to do. However, considering the fragility of the labour market, we are urging you to consider another delay. Introducing major tax reform amid economic uncertainty, is a gamble the labour market and wider economy cannot afford to take. The UK labour market has withstood tough times but its resilience should not be taken for granted. Delaying the amendment would grant Government sufficient time to start regulating umbrella companies and allow time for the economy to recover post Covid-19.

## 3. Support for self-employed workers and small business owners

Although the package of support for the self-employed was generous, there are still 5% of self-employed workers who lack any form of support. Company directors of limited companies are ineligible for the Self-Employed Income Support Scheme (SEISS) on offer, and therefore, they and their businesses are at risk, despite the important role they will play in any recovery. With companies reducing their use of self-employed contractors due to the impending off-payroll working rules in the

private sector, urgent support is needed for the self-employed. The REC would urge that limited company directors and the self-employed are not left behind when considering the support packages required in light of the new national lockdown.

As I'm sure you will agree, a crisis of this scale requires a joint effort. As experts in workforce planning and labour supply chains, the REC is keen to work with Government to help develop solutions for the problems highlighted. As part of our Memorandum of Understanding with DWP, we have sought to support the Plan for Jobs - and we have several recruitment agencies ready to work with public employment services to help those facing unemployment, just as we did after the financial crash in 2008/9. We are ready to discuss any of these points with your team.

Yours sincerely,



Neil Carberry  
CEO