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Llywodraeth Cymru
Welsh Government

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Eich cyf/Your ref
Ein cyf/Our ref RE/197/20

Chancellor of the Exchequer
Rt Hon Rishi Sunak MP
H M Treasury
action.chancellors@hmtreasury.gov.uk

11 May 2020

Dear Chancellor,

Job Retention Scheme

We wanted to write in advance of what we understand will be consultations between Ministers in the devolved Governments and the Chief Secretary over the coming days about the future of the Job Retention Scheme (JRS).

We wish to start by re-iterating our strong appreciation of the timely decision you made to launch this Scheme which has proven absolutely essential to enable large parts of the economy in Wales and across the UK to 'hibernate' through the last six weeks of lockdown.

The measures we have taken as a government – including a loan facility through the Development Bank of Wales and the £400 million Economic Resilience Fund which is providing discretionary grant support to Welsh businesses which received 9,000 applications in the first week – have been an important complement, but would be wholly inadequate in the absence of the JRS. Indeed, it would be impossible for any one of the devolved governments to provide the intensity of very necessary support that the JRS has been providing on a UK-wide basis.

In this context, we believe it is essential that the JRS is not withdrawn or scaled back too quickly and before businesses have been able properly to restart their operations.

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Rydym yn croesawu derbyn gohebiaeth yn Gymraeg. Byddwn yn ateb gohebiaeth a dderbynnir yn Gymraeg yn Gymraeg ac ni fydd gohebu yn Gymraeg yn arwain at oedi.

We welcome receiving correspondence in Welsh. Any correspondence received in Welsh will be answered in Welsh and corresponding in Welsh will not lead to a delay in responding.

With this in mind we would stress the following:

- There should be **no reduction of support in respect of businesses which cannot legally open**. The JRS should continue to operate at the same intensity and level of support for those sectors and businesses which are closed as a result of legislation and regulation for as long as those restrictions remain in place. This may apply to non-food retail businesses and personal service providers if it is the intention to retain any legal restrictions on them after 30 June as the current end date of the JRS. It will certainly apply to businesses such as pubs, restaurants and cafes as well as theatres, cinemas and sports organisations which could remain closed for much of the rest of the year.
- Similarly, **the Scheme should continue to offer broadly the same intensity and level of support to tourist businesses**. Accommodation providers, visitor attractions, event organisers and other elements of the tourism economy in practice are unlikely to be able to operate at anything like normal capacity for as long as the associated food service businesses are closed. In practice tourism providers in Wales face ‘three winters’ in a row, with very little prospect of business getting back to anything like normal levels this calendar year.
- **The JRS should be made more flexible where businesses are legally able to operate**, as recommended by the TUC. Businesses in sectors such as manufacturing and construction will clearly not be able to operate at the same levels of employment and production as before the crisis for some time to come. This in turn will mean that many will be operating at lower levels of sales to fixed costs and hence profitability. One solution would be to allow employers to furlough staff for only a proportion of their working hours, to enable them to distribute the available work as fairly as possible.
- **Reducing the volume of an employer’s workforce that can be furloughed would be preferable to a general tapering the intensity of support** e.g. to only 60% of the wages of each worker. Alongside the potential to support part-time working, another solution would be for employers to continue to furlough part of their staff – with a potential for HMRC to limit the proportion of an employer’s workforce which can be furloughed.
- **Any action must not push employers to jeopardise safe working because of financial pressure**. This should be obvious, but while the needs of the economy undoubtedly require an increase in economic activity, it would be tragic if the withdrawal or reduction of support places pressure on employers to choose between operating unsafely or closing down. In particular, it is essential that employers continue to have the opportunity to support employees who have to self-isolate and that employees can be supported if they do not feel it is safe for them to return to the workplace. Here in Wales, we have given statutory force to the requirement on businesses to make reasonable adjustments to respect the ‘two metre rule’ and this must not be undermined by fiscal measures.

- Finally, as we have already suggested to the Secretary of State for Business, Energy and Industrial Strategy, **there should be scope for greater support for businesses to make physical adaptations.** One way to increase the level of employment in sectors where businesses should be open but are not would be to facilitate physical changes which would make it safer to operate. We would encourage the UK Government to put in place a grant scheme to facilitate this and to provide consequential which would allow us to do likewise.

Although we have concentrated here on the JRS, we have similar concerns and views in respect of the Self-Employment Income Support Scheme (SEISS).

We are copying this letter to the Chief Secretary to the Treasury, Secretary of State for Business, Energy and Industrial Strategy, Kate Forbes MSP - Cabinet Secretary for Finance, Conor Murphy MLA - Minister for Finance, Fiona Hyslop MSP - Cabinet Secretary for Economy, Fair Work and Culture and Diane Dodds MLA - Minister for the Economy.

Yours sincerely,



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