Policy & Resources
Committee

Response to a Question Pursuant to Rule 14
of The Rules of Procedure of the States of Deliberation and their Committees

Subject: COVID-19 Payroll Co-Funding Scheme

States' Member: Deputy Chris Green

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Question 1
Why was the benchmark of the Guernsey statutory minimum wage chosen as the relevant mechanism for the Guernsey Coronavirus Payroll Co-funding scheme? What exactly was the rationale for this approach?

Response
As is the case for all jurisdictions, but particularly for smaller ones such as ours, there is a need to strike a balance between the level of financial support provided to businesses and individuals, against the financial burden on the taxpayer.
The original Payroll Co-funding scheme (funding 80% of the minimum wage for all employees in impacted sectors, whether working or not) was launched on 24th March and unlike some other jurisdictions, was backdated to 16th March in recognition the impact on businesses had occurred earlier. The minimum wage rate was selected, as it was deemed to strike the right balance between affordability, ensuring employees received the basic legal requirement, and maintaining a level playing field across all employees. Employers had, and continue to have, the option to top up this rate for their employees. Some businesses have opted not to apply for support but instead used reserves to cover the salary costs and others have indeed topped up salaries to reduce or close the gap to the normal pay level for their staff.

This was an initial response to the crisis at a time when there was significant uncertainty as to its extent and duration. The decision on putting in place this scheme was made on 24th March, ahead of the enforced lock-down. The stated intention from the outset has been to continually monitor the situation and be ready to respond with additional measures as and when deemed appropriate.

As a result of the increased impact on businesses as a result of the lock-down the decision was made to enhance the scheme and an announcement was released on 1st May that the scheme was being extended to 100% coverage from 4th May for those businesses who qualified for this enhanced support.

The scheme has been developed to allow businesses to resume trading but still receive support thereby improving their ability to 'top up' their employees' wages as well as cover other commitments. To qualify for 100% Payroll support, they are allowed to generate up to at least 40% of normal turnover with the possibility of up to 50%. In addition, 80% Payroll qualification continues up to 70% of normal turnover with the possibility of up to 80%. While acknowledging this support level is linked to minimum wage, it still amounts to an onerous burden for the taxpayer and it should be noted that the general response from businesses as on the whole has been very positive.

It is also worth emphasising that the Payroll scheme is only one measure of the overall support package that includes the payment of a Grant for £3,000, Business Disruption Lending Guarantee Scheme (BDLGS), deferment of employer contributions, TRP and States commercial rents as well as a Hardship Fund for individuals.

Taking a measured stance on the extent of the Payroll support creates favourable conditions from which to both consider further enhancements, as and when justified, as well as extended the period of support should that be necessary.

Question 2
Why is the Guernsey Coronavirus Payroll Co-funding scheme materially less generous than the equivalent UK and Jersey schemes?

Response
The schemes in the UK and Jersey may appear more generous than the Guernsey measures when considering the headline rate. However, it is difficult to make direct comparisons as all of the schemes are somewhat different.
Comparisons to the UK in general are difficult given the difference in size and the range of options available to a larger jurisdictions to fund such measures, including taking on of significant debt. The UK scheme is also a Furlough scheme and only available to those who have been temporarily laid off. This is fundamentally different from the Guernsey scheme.

The Jersey scheme is more similar to the Guernsey scheme. The headline rate in Jersey appears more generous that the Guernsey version. However, although a standard working week is typically classed as 35 hours, there are many situations where more hours are regularly worked and the Guernsey scheme pays to a maximum of 42 hours per week (which also covers self-employed/business owners who will typically work long hours). The maximum pay-out under our 100% scheme for these 42 hours is therefore £1,551 per month which is very similar to the cap in place for Jersey of £1,600. Additionally, the access rules around attaining the maximum level of support under the Jersey scheme are more restrictive. Finally, Jersey does not have the equivalent of the £3,000 grant measure which is available to small businesses with up to 20 employees and at the time of writing has been enjoyed by over 2,100 individual businesses at a cost of £6.2m.

Question 3
What are the most up-to-date figures on how many businesses and individuals have been assisted under this particular scheme? What is the total quantum of public monies paid out so far under this scheme?

Response
The key statistics as at 2nd June were:-

- Over 2,400 unique entities have been supported by Payroll and/or Grant
- Over 1,750 entities have received access to the Payroll scheme which is expected to grow slightly from the final batch of outstanding claims that require more information
- Around 7,000 employees and self-employed have benefited which equates to 22% of the workforce
- Total Payroll cost to date is £16.2m plus £6.2m of grants making a total of £22.4m
- The estimated cost of the payroll scheme only to end June is £30m - £40m dependent on how many businesses continue to be eligible for support up to that date. However, this cost will grow in accordance with agreed support measures beyond June.

Question 4
When is it anticipated that the Guernsey Coronavirus Payroll Co-funding scheme will be brought to an end by the States? How will that decision be taken?

Response
The payroll co-funding scheme was originally designed to be in place until the end of June. However, some businesses/sectors will continue to be impacted by restrictions beyond this point and consideration is currently being given to extending the scheme.
The rules are clear as to when businesses stop being eligible for support – that is at 70% or in in some cases, 80% of normal turnover. However, Payroll support remains payable for a further 2 weeks after attaining this level to provide the business with breathing space as it aims to get back to near normal trading.

Work is underway to determine how best to support businesses in need beyond June for those businesses still impacted under Phases 4 and 5, largely those heavily reliant on tourist trade such as hospitality and hotels. As the number of businesses justifying support narrows, it also allows consideration to a more tailored package which can only realistically be handled with small volumes.

It is therefore very likely the Payroll scheme will continue in some form after June and a decision on this will be taken by the Policy & Resources Committee within the next two weeks.

Deputy G A St Pier
President
Policy & Resources Committee