

Getting out of the furlough

The government yesterday confirmed there would be no abrupt end to the furlough scheme to help pay to keep workforces together and ready to return to work. The Chancellor also accepted the advice of many of us that it needs to be more flexible, allowing part time work for the employer by some of those in furlough with appropriate reductions in financial support.

We await the details of the extended scheme, which could last until October. It is important to help businesses keep a workforce together who are banned from working by law. Such a business needs a grant, not a loan, as it cannot help itself by earning revenue. This money can be borrowed by the state, with the burden spread over many years ahead. Clearly there are limits to how long this can go on, as the state cannot borrow for a long period to keep a workforce together that is not allowed to earn its own income. It is now equally important that there is a path back to work for these enterprises.

There will be hard cases. Where businesses that were viable in areas like hospitality face delay before they can resume working, the risks of eventual redundancies are higher. Where this is compounded by those businesses expecting to have to operate at much reduced levels of sales owing to the social distancing rules, they may end up with a business which cannot pay its way let alone make a profit. It is difficult to know how many cafes, restaurants, hotels, pubs and clubs will re open with a way of doing business that can pay all the bills. Clearly keeping a 2 metre distance between customers and staff is going to prove very difficult in many of the properties and locations previously used for such activities.

I am glad that some of these businesses have already shown great enterprise and flexibility turning to take away meals, looking at how they can use gardens and other under used spaces to spread customers out and introducing screens or other barriers to allow closer spacing.

None of this is good for the recovery of the High Street. Rents and business rates remain high, when we need adjustments to the new reality of reduced earning power in many places.