

‘OVER TO YOU’

CHANCELLOR URGES BUSINESSES TO INVEST IN WORKERS AS HE UNVEILS BIG HIRING AND TRAINING INCENTIVES

Only a week after the Prime Minister pledged to “build, build, build”, the Government yesterday turned its focus to jobs as the Chancellor unveiled plans to help fight off growing unemployment caused by the Covid-19 economic collapse. More downbeat in tone than the March Budget – **with the Government pledging to “do all we can” rather than “whatever it takes”** – Rishi Sunak confirmed that the much-heralded furlough scheme will be phased out in October and unveiled a series of new measures to boost employment.

Politically, **yesterday’s statement was an important component of No 10’s short-term plan to reset the agenda and reassert its authority.** Like most governments across the world, questions have been raised about the UK’s response to Covid-19 – but more worryingly for the Conservatives, this has been exacerbated by a series of communication blunders and unforced errors, like the recent U-turn on the provision of free school meals.

Last week’s announcement of £5bn in spending on infrastructure projects and a clear promise from the PM that there would be no return to austerity was the first step of the rebrand. Yesterday’s significant jobs package signals the strong aspiration of Government to shift its focus away from health towards economic recovery. Whilst some of yesterday’s measures echoed Gordon Brown’s 2009 response to the economic crash, **the pandemic is forcing the Treasury machine to shed some of its more unattractive traits:** control freakery, suspicious of change and stubborn predictability. As **No 11 has shown with yesterday’s package, it can be far more creative, nimble and open to emotional arguments.**

The Chancellor also said that **investment in infrastructure “in every region and nation of the UK” will help the Government fulfil its overarching goal of ‘levelling up’ the country** – of which we will hear more in the coming months. But the elephant in the room at the moment is the fact that No 10 wants to spend money, but does not want to raise revenue – which everyone knows cannot last much longer. The almost £30bn earmarked yesterday, combined with the £160bn already committed so far as part of the recovery, is close to 10% of GDP. Therefore, the stiffer test for the Government, as it knows only too well, will be at the Autumn Budget and Spending Review when it will have to outline how, and who, will pay for the recovery. As the Chancellor himself conceded, yesterday was only the start.

WHAT IT MEANS FOR BUSINESSES

Rishi Sunak claimed that the Government entered the crisis “unencumbered by dogma”, and that he would “never accept” unemployment as its inevitable outcome. This break with recent Conservative economic orthodoxy is exemplified by the new measures to keep people in their current jobs and to create new jobs where they may otherwise not be economically viable.

This overriding focus on jobs provides an opportunity for businesses to partner with the Government in delivering its ‘levelling up’ agenda of regional development. Much of this is to do with investment in new infrastructure, but just as important is the human element of upskilling and retraining the workforce. The Government will be particularly keen to demonstrate the success of its £2bn ‘Kickstart scheme’ for 16-24 year olds at risk of unemployment. Businesses that are in a position to adopt this scheme and create new jobs will find their efforts acknowledged by Government.

The interventions announced yesterday to support specific sectors including hospitality and tourism, demonstrate the value of targeted engagement with Government. With the whole economy suffering, it is vital that industry groups and business shine a spotlight on the risks their sectors are facing. This will be critical in the weeks and months ahead as the Chancellor makes additional decisions about how to support the recovery.

KEY ANNOUNCEMENTS



Job Retention Bonus – employers who bring back furloughed staff and retain them until at least 31 January will be offered a £1,000 bonus.



Funding for new jobs and apprenticeships – a new six-month Kickstart scheme will cover the wages of new jobs for 16-24 year-olds at risk of unemployment. During this period, businesses will be also given £2,000 for each new apprentice they hire under the age of 25 (£1,500 for those over 25).



Green Homes Grant Scheme – a new £2bn scheme will provide homeowners and landlords with vouchers worth up to £5,000 per household (up to £10,000 for low-income households) to make homes more energy efficient.



Stamp Duty – the threshold at which Stamp Duty applies will be temporarily raised from £125,000 to £500,000 until 31 March 2021.



VAT – the rate of VAT applied on most tourism and hospitality-related activities will be cut from 20% to 5% from 15 July 2020 until 12 January 2021.



Eating out – a 50% reduction in the cost of sit-down meals at cafés, restaurants and pubs across the UK from Monday to Wednesday every week during August 2020, up to a maximum of £10 per head.

ANALYSIS — RISHI SUNAK:

THE REAL POWER BEHIND JOHNSON'S THRONE

To understand what Boris Johnson stands for, who he is and where he is going, look no further than Rishi Sunak.

Johnson had always dreamt his time in Downing Street - when eventually it came - would be all sunny uplands and smiles. The referendum changed all that. The hatred directed at him, the establishment shunning of him, left its mark. Having paid a heavy personal price for supporting 'Leave', Johnson simply doubled down.

On entering No 10 he surrounded himself with Brexiteers, stuffed the building full of Vote Leave staffers and clung to Dominic Cummings, even after his eye-test in Barnard Castle. Sunak, a fully paid up member of this club from the very beginning, has been the biggest beneficiary. Today he finds himself Johnson's most powerful minister. His rise may appear meteoric, but it shouldn't appear surprising.

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PPE at Oxford, a scholar at Stanford, business spurs at Goldman Sachs, and shaped politically at that bastion of Tory thinking, Policy Exchange, Sunak was expected to embrace the Conservatism of Cameron and Osborne. Yet two years after entering Parliament, and just like Johnson, he chose Brexit instead. It got him noticed. Ever since, if not ever present, he's been firmly on the inside. Central to preparing his boss for the Tory leadership in 2019, he was 'rewarded' with a seat at the Cabinet table and the number two gig at the Treasury - Chief Secretary. He was there of course to keep an eye on then Chancellor Sajid Javid. When Javid's commitment to the project wavered, and he couldn't be course corrected, Sunak was the only possible replacement. In an operation where ideological belief is the best measure of loyalty, he is trusted implicitly. That gives him both the licence to disagree and the space to think for himself. Not commodities available to many in government these days.

Ridiculously clever, stupidly young, and a surprisingly effective communicator, Sunak is also that rarity in today's world of political discord - a bloke who is both decent and popular. And, in a Government that increasingly sees everything as us and them, Sunak has already proved himself remarkably adept at staying above the fray. He's worked seamlessly with his boss to centralise power between No 10 and No 11. Thanks largely to his job-supporting furlough scheme he's proved himself the shining light in the Covid-19 gloom. And in four short months he's gone from unknown to stratospherically popular.

The hard part starts now. With the economy haemorrhaging jobs, a trade deal with the EU in the balance, and uncharted waters ahead, he knows his luck and his popularity is on the turn. Sunak has the opportunity to rewrite Tory fiscal policy in the years ahead. In doing so he will likely junk past orthodoxy with unparalleled housebuilding and massive investment in infrastructure, paid for not through austerity but through unprecedented borrowing. He will likely alienate many Conservatives of a certain age and disposition in the process.

Just six years after entering Parliament Sunak finds himself in the job he was made for, with a blank canvas of possibility and opportunity in front of him, and risk at every turn. Some baptism.

LABOUR'S TAKE

Shadow Chancellor Anneliese Dodds MP had the tough job of responding first to Sunak's statement. She argued this "should have been the day when we got the UK economy firing again", claiming that the summer statement put off many of the necessary big decisions until later. She was keen to point the finger at the Government's Covid-19 response, and argued that the Chancellor must "prevent additional economic damage due to the slow public health response of his government." She criticised the Government for failing to create a fully functioning 'test, track and isolate' system and claimed the absence of this system had "damaged public confidence and in turn harmed consumer demand".

Dodds restated Labour's promise to be a constructive opposition, welcoming some of the Chancellor's announcements, including the VAT cuts for hospitality and tourism and the eating out discounts. Whilst she supported the infrastructure investment set out by the Prime Minister last week, she also argued that "much of it was already committed to by the Government". Likewise, as she agreed with the Government's support package for the arts, she questioned how the Chancellor was going to help other sectors decimated by the pandemic. She reiterated Labour's call for the Government to abandon its plans for a "one-size-fits-all" withdrawal of support schemes and she demanded action to back SMEs and manufacturing.

Concluding, Dodds attacked the Conservative Government's record since 2010 on inequality, cuts to local authority budgets and funding for the NHS and called for "an end to poverty pay for our social care workers and those who clean our hospitals and deliver our groceries". Overall, it was an assured performance from the new Shadow Chancellor, setting the scene for many months of debate to come.

REACTION



Paul Johnson
@PJTheEconomist

Given uncertainty about development of economy, jobs, virus etc feels right to me that Chancellor is clear he'll be back to do more, not trying to do everything at once. Be under no illusion - this was a big package on top of enormous interventions so far

1:42 PM · Jul 8, 2020



Matthew Goodwin
@GoodwinMJ

Rishi Sunak is becoming what David Lloyd George talked of more than a century ago: the People's Chancellor. The Eat Out to Help Out scheme, creation of a Kickstarter generation & commitment to level-up the regions underline why he is one of the most popular politicians right now

1:31 PM · Jul 8, 2020



Angela Rayner
@AngelaRayner

I see the chancellor is now saying "we will do what is right" and has dropped the mantra "we will do whatever it takes"

12:42 PM · Jul 8, 2020



George Eaton
@georgeeaton

Helpful for Sunak that OBR forecasts won't be published today - harder for the opposition and media to judge whether policies meet the economic challenge.

12:41 PM · Jul 8, 2020



Anna Mikhailova
@AVMikhailova

'Brand Rishi' on the march: Treasury's official website has put up a news release headlined "Rishi's Plan For Jobs" on its mini-Budget page. Don't recall Treasury ever putting out a 'George's Budget' or 'Phil's Statement' in its official docs

3:14 PM · Jul 8, 2020



Frances O'Grady
@FrancesOGrady

There are 3.7m key workers on less than £10 an hour. They kept us going in this crisis. The chancellor should have given them a payrise, not a dining out discount for the well-off.

1:51 PM · Jul 8, 2020

ADVOCACY AND PUBLIC AFFAIRS

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