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Assembly

## Research and Information Service Briefing Paper

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# An overview of COVID-19 funding in NI and the economic implications

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This briefing paper provides an overview of the key economic implications of COVID-19 Government funding made available in Northern Ireland – at central and devolved levels. It also provides contextual information on the Northern Ireland economy prior to, and during the pandemic, before looking at future challenges faced by businesses and citizens, which the Executive and the Assembly will need to address.

## Key Points

- The outbreak of COVID-19 has caused massive economic disruption to the Northern Ireland (NI) economy. Public health measures introduced in March 2020 kept large numbers of people at home, and many businesses closed.
- In March, published data showed the extent of this shock on the economy. Between February and April 2020, the United Kingdom (UK) economy had contracted by more than 20%, which was the biggest decline in economic activity in the UK since records began. The economy has started to show some limited growth in recent months, but there is a long road to recovery ahead.
- In the three months to June 2020, the NI economy experienced its largest fall in output since comparable records started in 2006. It will take some time to fully assess the impact of COVID-19 on the NI economy; but the evidence currently available shows that already, the economic downturn has been more severe than the recession following the 2009 global financial crisis.
- To mitigate those impacts, and to minimise economic and financial disruption, the UK Government and the NI Executive have implemented a range of support measures.
- These aimed to bridge gaps in cash flow in the short term, seeking to help businesses both to avoid having to make staff redundant and to remain in a position enabling them to resume trading normally following the pandemic.
- They also have aimed to support employees and the self-employed facing unemployment and reduced income; thereby potentially helping to maintain consumer spending levels in the economy.
- The most recently published statistics on the Coronavirus Job Retention Scheme (“Furlough Scheme”) indicate that in NI, 32% of eligible employments were furloughed—equivalent to 249,600 employees.
- By the end of July 2020, under its first round, 78,000 claims had been made in NI to the Self-Employed Income Support Scheme, with a value of £223 million. By the end of August, a further 56,000 claims had been made under the second round, totalling £140 million.
- Some sectors have been more vulnerable to the economic impacts of COVID-19 than others. The accommodation and food sector (comprised mainly of hotels, restaurants and cafes) in particular, saw more than 80% of employees furloughed. The hospitality and entertainment sectors face continued headwinds; as further restrictions have been announced in recent weeks.
- Uptake of financial support schemes for businesses across all sectors of the economy also has been very high. Many have been faced with closure, significant losses in revenue and disruptions to their cash flow.

- To date, more than £57 billion has been claimed from the three largest schemes, with NI businesses accounting for around 2.5% of this.
- In NI, the Executive introduced its own range of measures, aimed specifically at supporting NI businesses. These include the Microbusiness Hardship Fund, and two schemes for grants of £10,000 and £25,000, respectively.
- As of 6 July, 23,909 claims had been awarded under the £10,000 grant scheme, at a total value of £239.1 million. As of 10 July, 2,946 claims had been awarded under the £25,000 grant scheme, at a total value of £72.4 million.
- As the economy begins the long road to recovery, funding may evolve and be required in new areas. For example – the introduction of government schemes shifting towards supporting new businesses starting up in the challenging landscape of the post-pandemic recovery period. More funding also may be necessary to upskill and help people who have lost their jobs to transition into new roles that are anticipated to be less vulnerable to future downturns.
- It is becoming clear that social distancing measures and changes to how people socialise may be necessary until well into 2021. This will have an impact on many sectors; and will limit the capacity of public places such as shops, bars, restaurants, cafes, leisure facilities and public transport.
- It appears that there also will be changes to the way people work. A key theme of the response to the pandemic has been the increase in the number of people working from home.
- Throughout the pandemic, preparations for the UK leaving the EU have continued in anticipation of the transition period ending on 31 December 2020. Whatever the outcome of the negotiations and the Bill – deal or no deal; the changed context will have implications for NI, which also will be shaped – at least in part – by the adverse consequences of COVID-19.<sup>1</sup> The combination of these factors may present further challenges for businesses and the citizens of NI, in turn placing pressure on the Executive and the Assembly to find solutions.
- Other factors also are likely to emerge in the coming months as the NI navigates its way through this period of unprecedented economic uncertainty.

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<sup>1</sup> See recent paper by the [Social Market Foundation: Assessing the economic implications of coronavirus and Brexit](#). 31 May 2020.

## Introduction

COVID-19 has had a substantial impact on societies throughout the world. It has become the biggest public health crisis in a generation, creating unprecedented challenges for national and devolved Governments across the United Kingdom (UK), causing them to react quickly, to limit negative economic impacts, amongst other things. This briefing paper examines key support measures announced by the UK Chancellor and the Northern Ireland (NI) Executive, seeking to counter those challenges and decrease their economic implications. The paper draws on a wide range of publicly available sources, including the Office for National Statistics (NISRA), the NI Statistics and Research Agency (NISRA), Her Majesty's (HM) Treasury, HM Revenue and Collection (HMRC), the Department for the Economy (DfE) and the Institute for Public Policy Research (IPPR).

**Section 1** provides contextual information on the UK and NI economies before and during the pandemic, evidencing key economic effects arising from coronavirus to date. Against this background, **Section 2** presents an overview of key economic implications of COVID-19 Government funding made available in NI—at central and devolved levels—as of 28 September 2020.

Thereafter, **Section 3** considers the following within the context of the noted funding:

- How will the NI economy function in the short to medium terms, due to COVID-19 impacts?
- Will COVID-19 related funding needs throughout society and business change as NI continues to address pandemic challenges for the foreseeable future, when there is no current indication of the pandemic abating?
- How does the UK's exit from the European Union (EU) and its potential impact on the NI economy, especially post-transition, feature in the above considerations?

In closing, **Section 4** offers concluding remarks, drawing on key findings presented in earlier sections of the paper.

Key issues are highlighted in blue text boxes throughout sections 1-4. They aim to facilitate Assembly Members' consideration and deliberations on the economy, in their plenary, committee and constituency capacities.

**When relying on the paper, it is important to note that the detail on labour market and economic impacts of the pandemic in the UK as whole and NI in particular is just starting to emerge. The latest data is still only an initial indication of what lies ahead. Going forward, the full extent of the economic downturn and, in turn, the recovery outlook remain to be seen; and therefore are likely to be revised at regular intervals in future.**

# 1 Background

This section provides background information on the pandemic, summarising key economic impacts so far in the UK as a whole and in NI in particular. In March 2020, when announcing business support measures, the NI Economy Minister emphasised the scale of the challenges facing the NI economy:<sup>2</sup>

*The past few weeks have been some of the most difficult in living memory. We are in the midst of a global health and economic crisis, the scale of which seemed unimaginable only a few months ago. The magnitude of the challenge presented by Covid-19 is all too clear.*

*Whilst this is primarily a health crisis, its impact on global markets has been devastating. In Northern Ireland, our tourism industry collapsed overnight, our hospitality sector is under unprecedented pressure and businesses are facing crippling uncertainty. No one has escaped the economic shock. Workers face losing their jobs, business owners face the collapse of companies they have built up over a lifetime, and otherwise extremely successful firms are losing their order books and facing hundreds of lay-offs.*

This section focusses on data that are relevant to identifying and understanding those challenges. It examines a range of high level economic indicators - in particular: Gross Domestic Product (GDP – the most common measure of the size and health of a country's economy); the NI Composite Economic Index (broadly comparable to GDP); the claimant count (a measure of the number of people claiming unemployment-related benefits); and, various indices showing impact on output in the production and service sectors. Together, these indicators give a broad overview to date of the severity of the impact on economic growth and the labour market during the early stages of the pandemic. To give that data some context, this section first looks at the indicators pre-COVID-19, before moving onto since COVID.

## 1.1 Pre COVID-19 Economic Data

At the beginning of 2020, economies across the UK, including NI's, were characterised by modest economic growth, high employment rates, and historically low unemployment rates. GDP (Gross Domestic Product—a comprehensive measure of the size of the economy) in the UK had grown by 1.5%<sup>3</sup> in 2019, and the average forecast was for 1.1% growth in 2020, followed by 1.4% in 2021<sup>4</sup>. The NI Composite

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<sup>2</sup> Department for the Economy, [Extraordinary times require an extraordinary response – Dodds](#), 23 March 2020.

<sup>3</sup> Office for National Statistics (ONS), [GDP, year-on-year growth](#). Accessed 16<sup>th</sup> September 2020.

<sup>4</sup> HM Treasury, [Forecasts for the UK economy: a comparison of independent forecasts](#), 19 February 2020.

Economic Index (a measure of economic output somewhat comparable to UK GDP), grew by 0.7%<sup>5</sup>; and the unemployment rate was at a near-record low of 2.5%<sup>6</sup>.

## 1.2 Since COVID-19

The outbreak of COVID-19 has caused massive economic disruption in NI, along with the rest of the UK and the world at large. As part of a range of public health measures, the UK Government took the unprecedented step of introducing a UK-wide lockdown.<sup>7</sup> That was followed by the NI Executive introducing new powers to prevent the spread of the virus at the end of March<sup>8</sup>. These Government announcements kept large numbers of people at home, with some sectors stopping work almost entirely. Construction sites were shut down, non-essential shops closed, and production lines stopped.

The combination of these circumstances meant that the UK economy, including NI's, was severely limited in terms of what it could produce. Consumers reigned in their spending: partly because there were less opportunities to spend money; but also because of the prevailing uncertainty about the economic environment and their job security. Businesses were confronted with cash-flow problems as they saw their revenue decline, but with no reduction in costs like rent and wages.

The following subsections examine economic growth in the UK, looking at measures of economic output in NI, and how the NI labour market has reacted to the pandemic:

- 1.2.1 UK GDP – highlighting the largest drops in economic output on record;
- 1.2.2 NI economic growth – showing the largest quarterly declines on record via economic output measures; and,
- 1.2.3 NI labour market – presenting the increases in unemployment and benefit claimants.

### 1.2.1 UK GDP

In March, monthly estimates of the Office for National Statistics (ONS) gave the first indication of the impact that these new unprecedented government policies were having on the economy throughout the UK. As Figure 1 (below) shows, between February and March 2020, UK GDP had fallen by 6.9%, and in April it fell by a further 20% as the country spent its first full month in lockdown. **This was by far, the biggest monthly decline in GDP since the series began in 1997.**

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<sup>5</sup> NI Statistics and Research Agency (NISRA), [NI Composite Economic Index, Q1 2020](#), Accessed 16<sup>th</sup> September 2020.

<sup>6</sup> NISRA, [Labour Market Report April 2020](#), Accessed 16<sup>th</sup> September 2020.

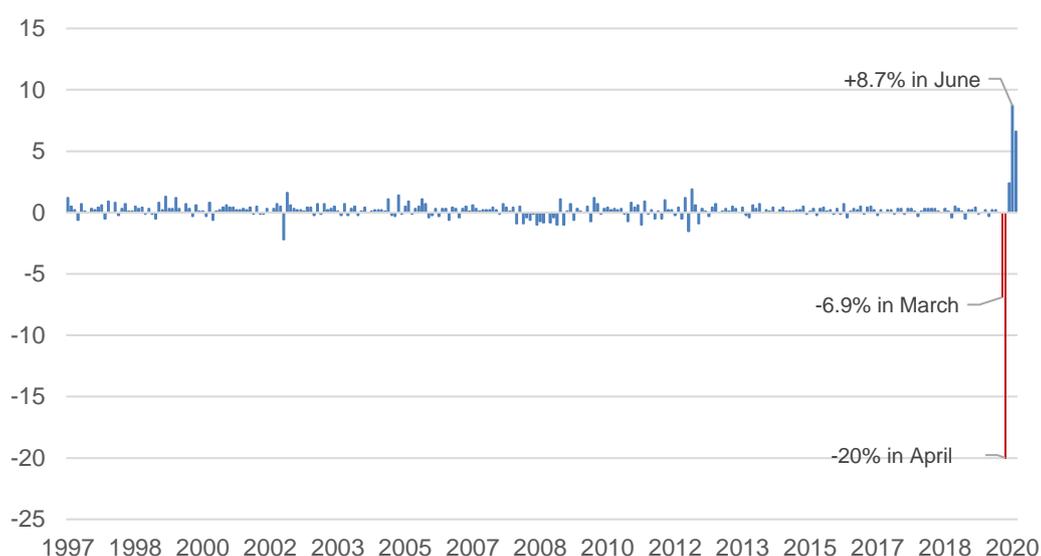
<sup>7</sup> HM Government, [Prime Minister's statement on coronavirus](#), 23<sup>rd</sup> March 2020.

<sup>8</sup> NI Executive, [Executive approves new powers to protect the public](#), 28 March 2020.

Moreover, between March and April, the number of claimants<sup>9</sup> of Jobseeker's Allowance throughout the UK more than doubled—an increase of more than 1.4 million people. This suggests that many employers had to react quickly to lay off staff or significantly reduce working hours to cope with their reduction in revenue, which has largely dictated the scale of the employment support measures introduced by the Government.

As lockdown restrictions lifted in the summer 2020, UK GDP growth has started to recover—albeit from a low base. This suggests the UK economy faces a long road to recovery from the steep contractions of March and April.

**Figure 1: Monthly % change in real GDP, UK, Feb 1997 – Aug 2020**



Source: ONS, September 2020.

### 1.2.2 Economic growth in NI

Although GDP data at the NI level is unavailable.<sup>10</sup> The NI Statistic and Research Agency (NISRA), however, produce a broadly equivalent measure—the NI Composite Economic Index<sup>11</sup> (NICEI). This index helps in two ways: (i) gives an indication of how the NI economy has performed each quarter; and, (ii) allows broad comparisons with the UK as whole, and other countries. **The three months to June 2020 represent the largest fall in in the index since the record began in 2006.** Economic output in NI

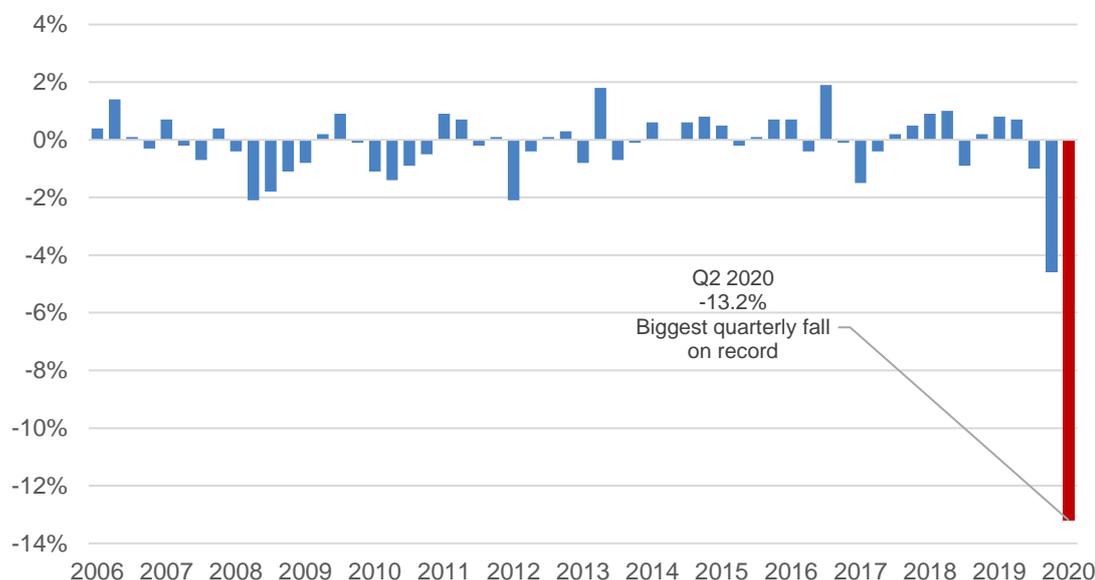
<sup>9</sup> ONS, [Seasonally adjusted claimant count](#). Accessed 17<sup>th</sup> September 2020.

<sup>10</sup> While GDP is not regularly published at the NI level ONS released experimental estimates of [Gross Value Added \(GVA\) and GDP](#) for the countries and regions of the UK on 19th December 2019.

<sup>11</sup> The NI Composite Economic Index ([NICEI](#)) is broadly equivalent to the GDP series produced by the ONS and is used to measure the performance of the NI economy.

fell by 13.6% in the quarter to June, and was 17.8% lower than at the same time last year.

**Figure 2: NI Composite Economic Index, quarterly % change, Q1 2006 – Q2 2020**



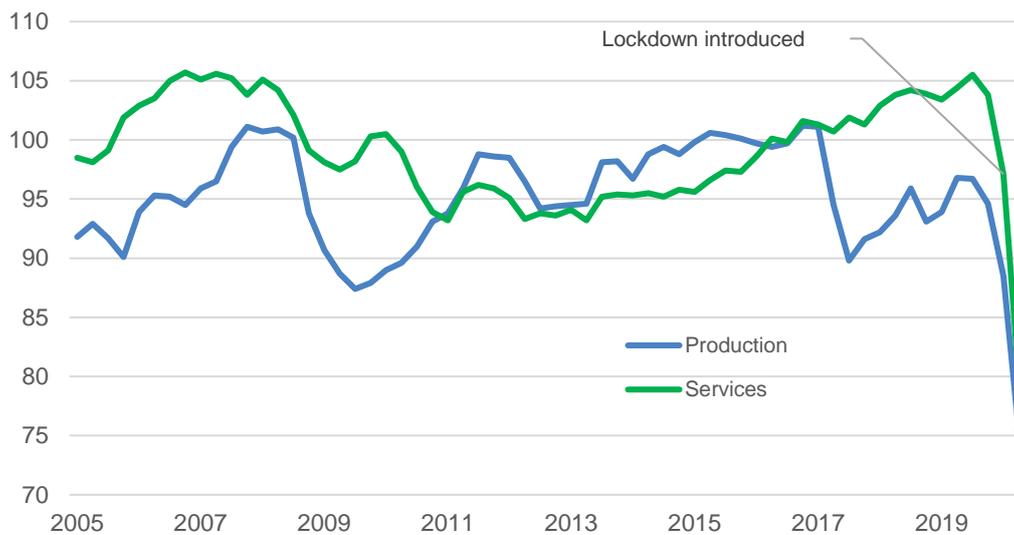
Source: NISRA, October 2020.

Two other data series produced by NISRA highlight the severity of the impact of COVID-19 on the NI economy: the Index of Production<sup>12</sup>; and, the Index of Services.<sup>13</sup> Both are indicators of how production (manufacturing, utilities, mining) and service (retail, hospitality, business services, ICT) are performing. They were updated in September 2020 to include Q2 2020, and therefore capture the effects of the pandemic and the lockdown measures introduced on 23 March 2020. This is helpful because it covers the same period as the most recent NICEI data and allows for an up to date measure of the economy's performance across a range of indicators.

In the period April to June 2020, the **Index of Production fell by almost 15%, and by 22% over the year. Put in context, this represents the largest quarterly decrease since the Index began in 2005.** Significantly, it is 13.8% below the previous low point in 2009, following the global financial crisis. Similarly, the Index of Services shows a comparable trend. **Output fell by almost 18% in April to June, and by 23.5% over the year. Like the Index of Production, it is significantly lower than at any point since the series began.**

<sup>12</sup> NISRA, [Index of Production, Q2 2020](#). Accessed 17<sup>th</sup> September 2020. Provides information on the output of production industries (manufacturing, utilities, mining).

<sup>13</sup> NISRA, [Index of Services, Q2 2020](#). Accessed 17<sup>th</sup> September 2020. Provides information on the output of services industries (retail, hospitality, business services, ICT).

**Figure 3: Index of Production/Services (2016=100) Q1 2005 – Q2 2020**

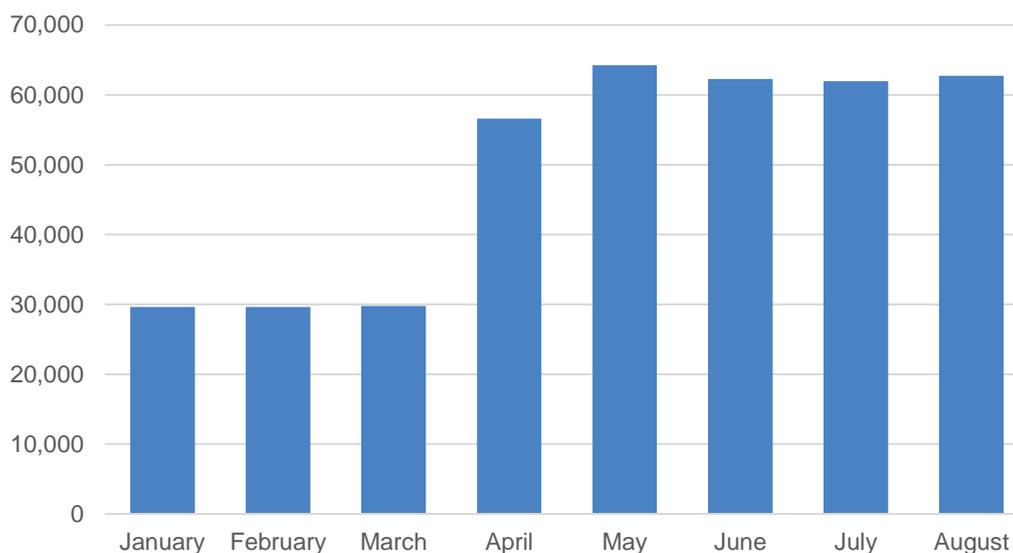
Source: NISRA, September 2020.

### 1.2.3 Labour market in NI

NI also faces unprecedented labour market impacts. Figure 4 shows that in February 2020, there were 29,642<sup>14</sup> people claiming<sup>15</sup> unemployment-related benefits. By May, this had increased by more than 34,000 people; equivalent to a rise of 217%. **And August was the fourth consecutive month where the number of claimants topped 60,000—a level not seen since 2013.**

<sup>14</sup> ONS, Nomis. [Seasonally adjusted claimant count](#). Accessed 21<sup>st</sup> September 2020.

<sup>15</sup> The Claimant Count measures the number of people claiming benefit principally for the reason of being unemployed. It includes all Universal Credit claimants who are required to seek work and be available for work, as well as all JSA claimants.

**Figure 4: NI claimant count, Jan 2020 – Aug 2020**

Source: ONS, September 2020.

The effects on the NI labour market can be seen in other indicators too. NI's unemployment rate<sup>16</sup> rose to 2.9%<sup>17</sup> between May and July 2020, which is the first significant increase in the unemployment rate since 2012. In the same period, confirmed redundancies in NI were more than double their level from the same time last year. At 28.1 hours, the average number of hours worked across the NI economy was 16% lower than the same time last year—one of the lowest weekly averages on record.

**It will take some time to fully assess the impact that COVID-19 has had on the NI economy, but the currently available evidence shows that already the downturn has been more severe than the recession that followed the global financial crisis in 2009.**

Government in NI has had to react quickly to COVID's immediate impacts; implementing a wide range of support measures – funded at central and devolved levels – for households and businesses adversely affected by the pandemic. The next section of this paper provides an overview of some of those support measures, focussing on those with the largest uptake across the UK and NI. Such data will help to understand the scale of the demand for these measures.

<sup>16</sup> The unemployment rate is different to the claimant count. Generally—the unemployment rate is the official unemployment measure for the UK and NI, and is based on a sample of around 4,000 households each quarter. The claimant count is a measure of the number of people claiming unemployment-related benefits principally for the reason of being unemployed, and is an administrative data source from Jobs and Benefits Office systems. More detail is provided on the [NISRA](#) website.

<sup>17</sup> NISRA, [Labour Market Report – September 2020](#).

## 2 Key economic implications of select COVID-19 funding thus far

Both the UK Government and the NI Executive implemented a range of measures aimed to help mitigate the adverse impacts of COVID-19. Included amongst them were those seeking to protect public health and those aiming to minimise economic and financial uncertainty in NI. Inevitably, the nature of the public health measures introduced at central and devolved levels, primarily those during the nationwide lockdown;<sup>18</sup> they led many businesses to experience a severe fall in their revenue and related cash flow problems, both of which continue, to a lesser or greater effect. Subsequent support measures aimed to bridge gaps in cash flow in the short term, seek to help businesses both to avoid having to make staff redundant and to remain in a position that enables them to resume trading normally following the pandemic.

Ultimately, these support measures collectively aim to lessen the adverse economic impact of COVID-19. They seek to support employees and the self-employed facing unemployment and reduced income; thereby potentially helping to maintain consumer spending levels in the economy. However, these support measures, combined with others—such as tax relief measures—inescapably result in fallen tax revenues, significantly impacting on UK public finances, including NI's, with implications going forward. That matter is discussed in section 3 of this paper.

This section provides a select overview of the support measures, along with key economic implications arising from that selection, at the time of compiling research for this paper. The selected measures were chosen given their widespread uptake across all parts of the UK. A complete list of business support measures was published by the House of Commons Library in early October<sup>19</sup> (1 of this paper.) The following subsections highlight:

**2.1 UK-wide support measures – introduced and administered by central Government for all parts of the UK.**

**2.2 NI-only measures – introduced and administered by the NI Executive, and aimed specifically at NI businesses.**

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<sup>18</sup> It is worth noting that although public health measures such as national or localised lockdowns are intended to slow the spread of the virus, they will, by design, worsen its economic impact. The eBook, [Mitigating the COVID Economic Crisis: Act Fast and Do Whatever It Takes](#), CEPR and Vox EU, 18<sup>th</sup> March 2020—makes the case for 'decisive and coordinated fiscal stimulus...overwhelming'.

<sup>19</sup> House of Commons Library, [Coronavirus: Support for businesses](#), 5 October 2020.

## 2.1 UK-wide Government measures

The first Government funded support measures were announced with the UK Budget on 11 March 2020<sup>20</sup>, when the Chancellor announced a £12 billion package of temporary measures to support businesses and households through the initial disruption caused by the lockdown. On 17 March 2020, he announced a much larger support package worth £330 billion, saying he would do “whatever it takes to support our economy through this crisis”.<sup>21</sup>

The most significant of those support measures, and their implications, are outlined in the following subsections, with particular focus on:

### 2.1.1 Employment support measures, including:

- Support to enable businesses to retain employees and continue to pay them despite significant falls in revenue; and,
- Support for the self-employed who have seen a fall in their income.

### 2.1.2 Business support measures, including:

- Government-backed financial loans for different sizes of businesses; and,
- Eat Out to Help Out Scheme – intended to protect jobs in the hospitality sector by incentivising people to return to eating out.

All were available to eligible people in NI.

### 2.1.1 Employment support measures

Employment support measures outlined in this section include:

- Coronavirus Job Retention Scheme (CJRS);
- Self-Employment Income Support Scheme (SEISS); and,
- Jobs Support Scheme.

#### **Coronavirus Job Retention Scheme (CJRS)**

One of the most significant UK-wide support measures, in terms of cost and uptake, has been the Coronavirus Job Retention Scheme<sup>22</sup>—commonly referred to as the “Furlough Scheme”. The Scheme’s aim is to keep employees in their jobs, with the UK Government paying 80% of their wages, up to a maximum of £2,500 per month. The

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<sup>20</sup> HM Treasury, [Budget 2020](#). 11 March 2020.

<sup>21</sup> HM Treasury, [Chancellor of the Exchequer, Rishi Sunak on COVID19 response](#), 17 March 2020.

<sup>22</sup> HMRC, [Coronavirus Job Retention Scheme](#). 15 May 2020.

Government also pays employer National Insurance and Minimum Auto-enrolment Pension contributions.

Under the Scheme, the scale of the UK Government's contribution reduced gradually after the first two months of the Scheme's operation. From 1 July 2020, employers were able to bring furloughed employees back on reduced hours, with the Government covering the cost of the remaining furloughed hours, and from 1 August, employers were required to meet the cost of National Insurance and pension costs themselves.

The most recently published statistics on the CJRS uptake indicate that in NI, **32% of eligible employments were furloughed—equivalent to 249,600 employees**<sup>23</sup>.

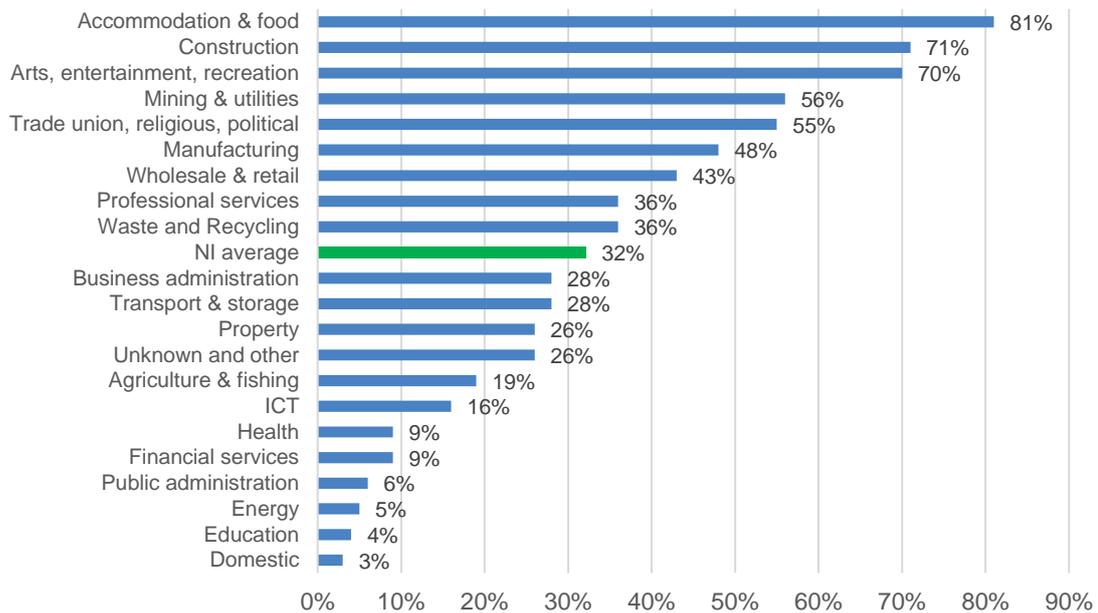
Unsurprisingly, sectors where employees must be in close proximity to colleagues or the public have been most vulnerable to the economic impacts of coronavirus. They therefore have seen the highest CJRS uptake. **The accommodation and food sector (comprised mainly of hotels, restaurants and cafes) has the highest rate—with more than 80% of eligible employments furloughed.** Construction (71%) and the arts entertainment sector (70%) also have seen significant uptake of the Scheme.

Financial services, energy, and public services, such as education and health, have seen relatively low uptake in comparison—all with less than 10% of eligible employments in NI furloughed.

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<sup>23</sup> Some individuals may be included more than once if they have been furloughed from more than one job or their employer has made multiple claims covering differing pay periods.

**Figure 5: Percentage of employee jobs furloughed by sector in NI, as of 31 July 2020**

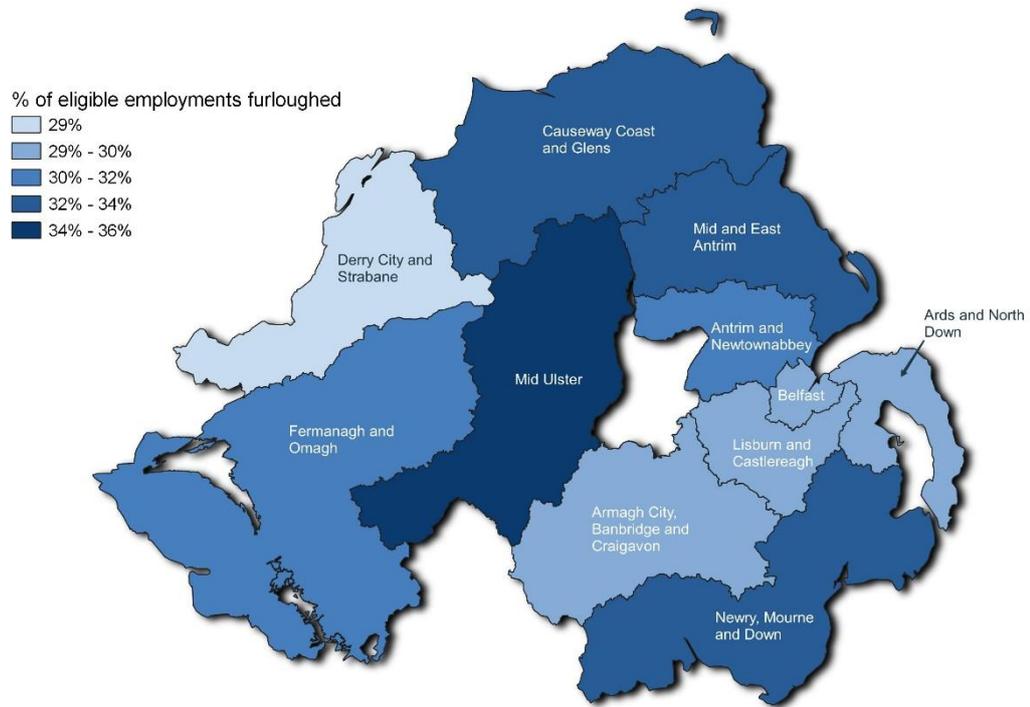


Source: HMRC, August 2020.

The maps below at Figures 6 and 7 show the Scheme's variation in uptake between council areas and constituencies. At the council area level, **Belfast has the highest number of employments furloughed, at 44,100 in absolute terms (representing a take up rate of 30%)**. This is to be expected given Belfast is home to almost a third<sup>24</sup> of NI's employee jobs. However, **Mid Ulster has the highest take up rate, at 36%**.

<sup>24</sup> NISRA, [Business Register and Employment Survey 2019](#). Accessed 23<sup>rd</sup> September 2020.

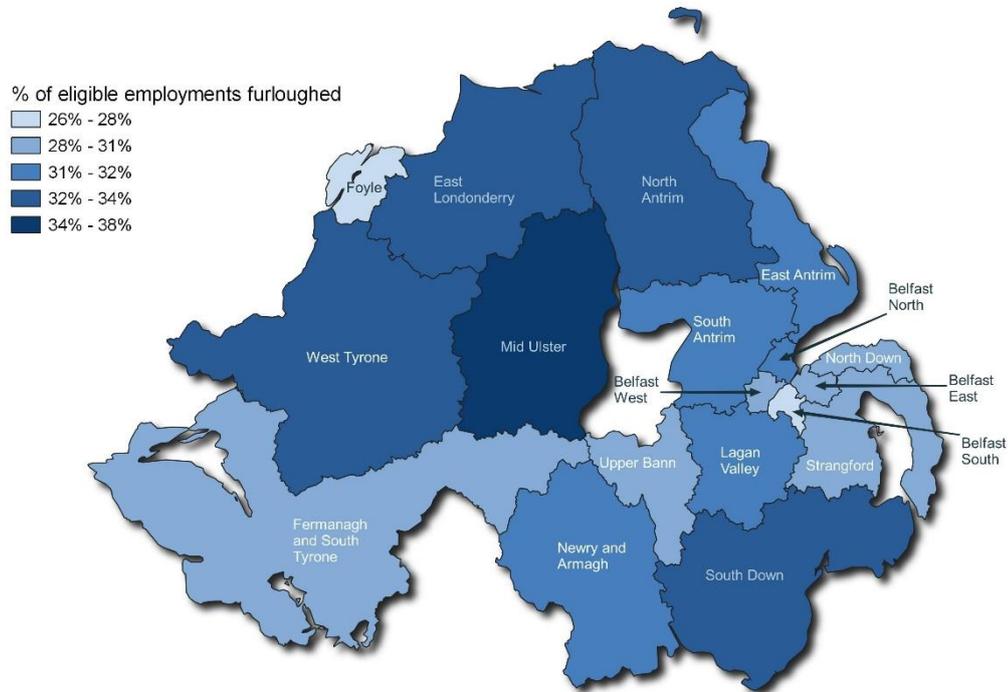
**Figure 6: Percentage of eligible employments furloughed, at NI council area, as of 31 July 2020**



Source: HMRC, August 2020.

At a parliamentary constituency level, Mid Ulster has the highest take up rate (38%), and the second highest number of furloughed employments at 16,800. Other constituencies with high take up rates of the Scheme include South Down, North Antrim and East Londonderry (all 34%).

**Figure 7: Percentage of eligible employments furloughed, at NI constituency level, as of 31 July 2020**



Source: HMRC, August 2020.

**Potential Issue for Consideration:**

Despite the support measures introduced by Government at central and devolved levels, there are local economies that will be more vulnerable to job losses because they have high concentrations of jobs and activity in vulnerable sectors. For example—manufacturing accounts for a larger than average share of jobs in Mid Ulster. This is also the case for: business services in Belfast; transport & storage in Antrim & Newtownabbey; and, hospitality in the Causeway Coast & Glens.

Given the above, will some local areas in NI experience more significant downturns than others due to their reliance on more vulnerable sectors?

A watching brief should be maintained to track whether this occurs.

### **Self-Employment Income Support Scheme (SEISS)**

Following the announcement of the Furlough Scheme, there were calls for similar support for the self-employed. The Self-Employment Income Support Scheme (SEISS)<sup>25</sup> is similar to Furlough: eligibility extends to those who make most of their income from self-employment, with profits of £50,000 or less.

Under the first round of this UK-wide Scheme, which closed on 13 July 2020, the SEISS issued a taxable grant worth 80% of average monthly profits over the previous three years, paid in one instalment—up to a maximum of £7,500. On 29 May a second round of the scheme was announced.<sup>26</sup> Applications opened on 17 August, and under this round, those eligible could claim a second and final taxable grant worth 70% of their average monthly trading profits, for a further three months—up to a maximum of £6,750. Applications for this Scheme close on 19 October 2020.

This support measure has been crucial to the large number of self-employed people in NI given the large numbers of self-employed. In 2019,<sup>27</sup> there were **134,000 people; equivalent to more than 15% of the workforce.**

Indeed, Scheme uptake to date has shown how important this support has been. By the end of July, under its first round, **78,000 claims** had been made, with a value of **£223 million**. By the end of August 2020, a further **56,000 claims**, totalling **£140 million** had been made under the second round, as shown in Figure 8 below.

**Figure 8: Self Employment Income Support Scheme (SEISS), NI**

Round 1 (closed 13 July)	
<i>claims as of 31 July</i>	
Total claims	78,000
Total value of claims	£223 million

Round 2 (opened 17 August)	
<i>claims as of 31 August</i>	
Total claims	56,000
Total value of claims	£140 million

Source: HMRC, August 2020.

<sup>25</sup> HMRC, [Support for businesses and self-employed people during coronavirus](#), 26 March 2020.

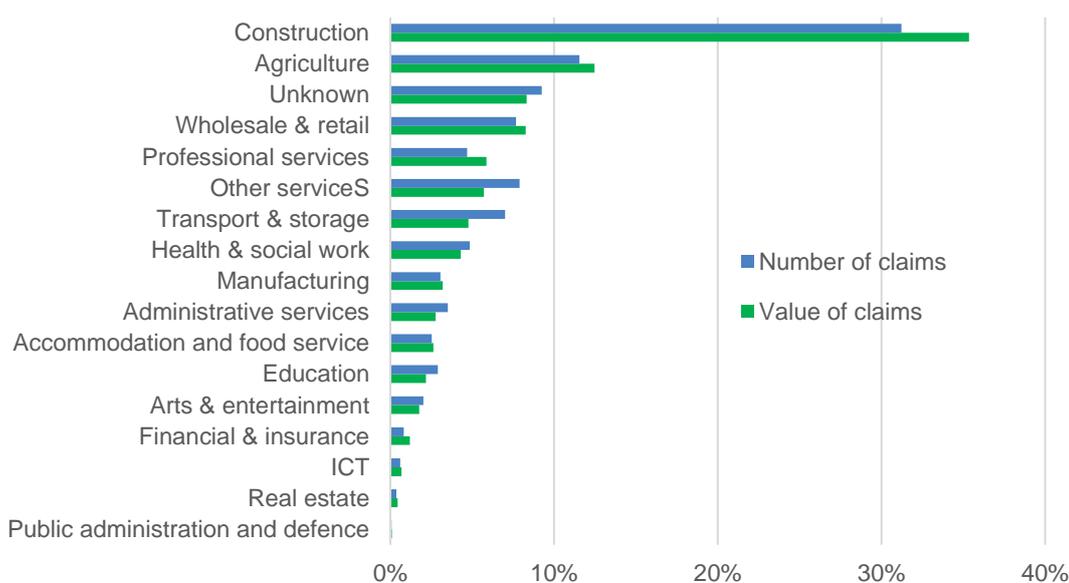
<sup>26</sup> HM Treasury, [Chancellor extends Self-Employment Support Scheme and confirm furlough next steps](#), 29 May 2020.

<sup>27</sup> NISRA, [Self-employment in Northern Ireland 2019](#). Accessed 24 September 2020.

Such high take-up in NI is unsurprising given the large number of self-employed and the sectors in which they work - for example, construction, hospitality, the arts - have been more vulnerable to the impact of coronavirus than others. In those sectors workers have close physical proximity to colleagues or members of the public, or face drastically reduced demand. All this adversely impacts on business.

An example of such adverse impact can be found in the sector where there is the largest number of self-employed in NI – that is, the construction sector (more than a fifth of the total). These self-employed range from those working on large scale regeneration projects, to local painters and decorators. In the short term, these people were likely to have been hard hit, especially those working on small projects, where premises have had to close. Statistics collected on the SEISS reflect this.<sup>2829</sup> The construction sector has seen by far the largest share of the individuals claiming the grant; accounting for around third of claims in the first and second phases - see Figure 9 below.

**Figure 9: SEISS, total claims by sector, NI, as of 31 August 2020**



Source: HMRC, August 2020.

Note: Chart shows total of claims in Rounds 1 and 2 of the SEISS.

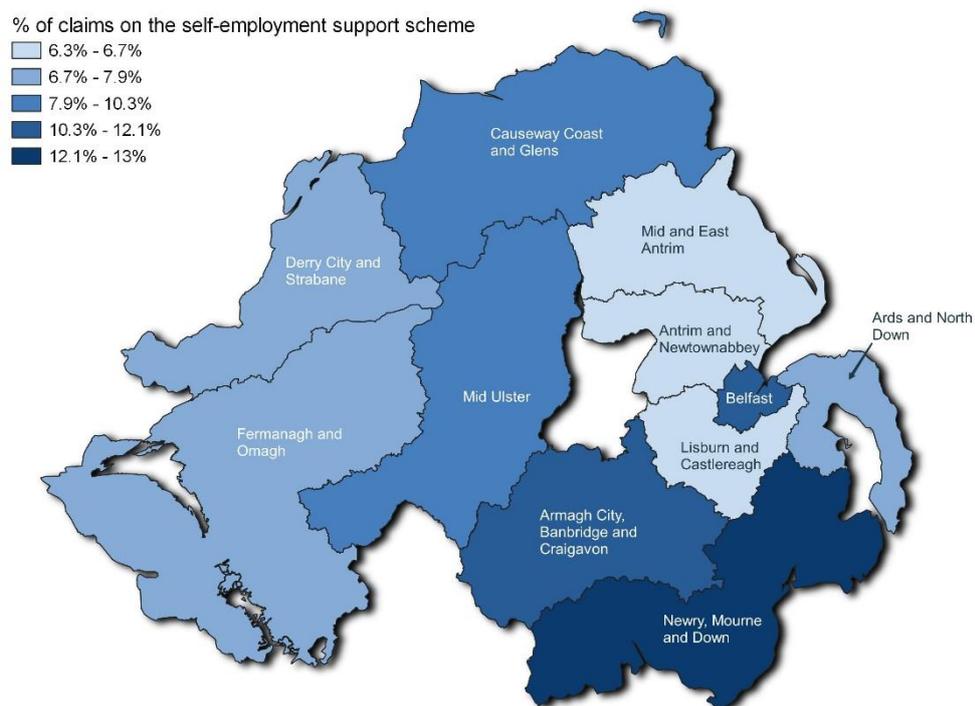
There are also large numbers of self-employed in the banking and finance sectors, and in the distribution and hospitality sectors (both around 14% of the total). However, as shown above, self-employed people in these sectors appear to account for relatively few of the claims on SEISS.

<sup>28</sup> HMRC, [Self-Employment Income Support Scheme statistics: July 2020](#). Accessed 24 September 2020.

<sup>29</sup> HMRC, [Self-Employment Income Support Scheme statistics: August 2020](#). Accessed 24 September 2020.

The maps in Figures 10 and 11 (below) show the variation in Scheme uptake between council areas and constituencies. At the council area level Newry, Mourne & Down has the highest number of claims at 17,500 in absolute terms as of 31 August; equivalent to 13% of all claims made in NI across both rounds of the scheme. Belfast and Armagh, Banbridge & Craigavon account for the next most claims, with similar shares of 12.1% and 11.8%, respectively.

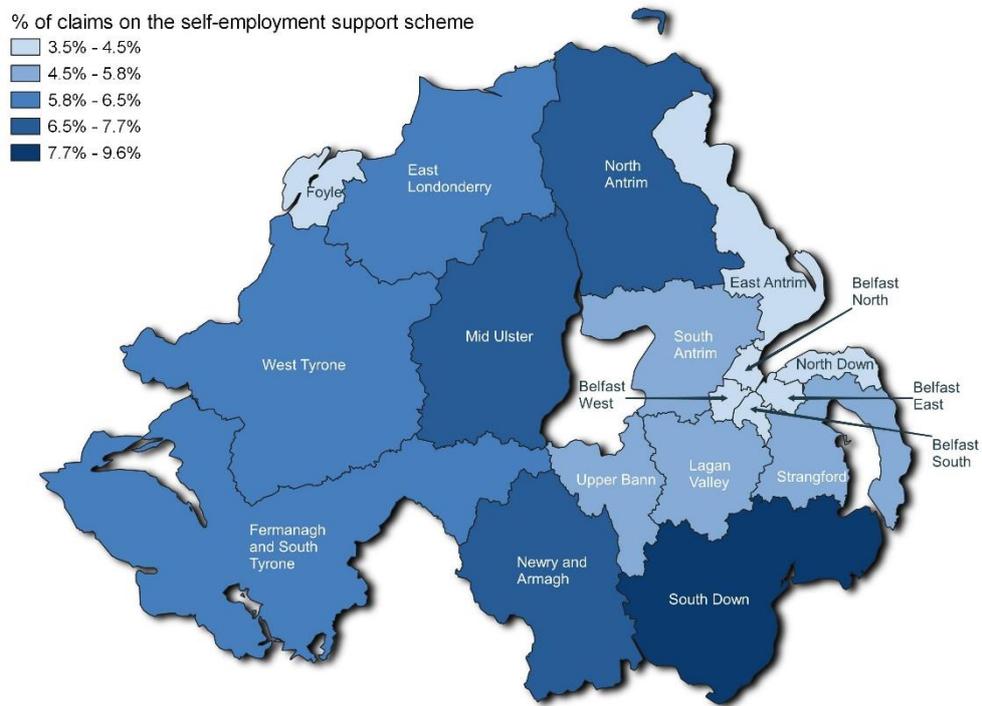
**Figure 10: Percentage of total claims of SEISS by NI council area, as of 31 August 2020**



Source: HMRC, August 2020.

At the parliamentary constituency level, South Down has the highest number of Scheme claims, with 12,900 (9.6% of the total); followed by Mid Ulster (which also recorded the highest number of furloughs), with 7.7% of the total; and Newry & Armagh (7.3% of the total). Belfast East, South and North have the three lowest shares of total claims made (each less than 4% of the total).

**Figure 11: Percentage of total claims of SEISS, NI parliamentary constituency level, as of 31 August 2020**



Source: HMRC, August 2020.

The SEISS will be extended from 1 November, for another six months. An initial taxable grant will be provided to those who are currently eligible for SEISS, and are continuing to actively trade, but face reduced demand due to COVID-19. The grant will cover three months' worth of profits, for the period from November to the end of January next year. This is worth 20% of average monthly profits, up to a total of £1,875.

**Potential Issue for Consideration:**

Large numbers of people have applied for SEISS grants, but have been classified as ineligible due to apparent gaps in the current Scheme's coverage. Around 154,000 individuals in NI were assessed for potential eligibility, but less than two-thirds of those were identified as eligible. This suggests there are many people who consider themselves in need of support, but have not been able to access it for eligibility reasons.

If the UK Government is considering any future iterations or extensions of this Scheme, it would be important to ensure that changes to the Scheme's scope of coverage were extended to all those self-employed in genuine need. To ensure this would happen, appropriate modelling would be required, to identify such reasonably foreseeable intended and unintended beneficiaries in NI.

A watching brief should be maintained to track whether this occurs.

**Jobs Support Scheme**

On 24 September 2020, the Chancellor unveiled the Winter Economy Plan,<sup>30</sup> which contains a range of measures aimed to continue supporting employees, the self-employed and businesses. These measures include plans to both replace Furlough with the new Job Support Scheme and extend the existing SEISS.

As more people come off the Furlough Scheme and return to work, many will be working reduced hours for employers facing lower demand due to pandemic effects. The Job Support Scheme is to be introduced on 1 November and to run for six months, with the UK Government contributing to wages of people working fewer hours than normal.

Under this Scheme, employers will cover the wages that an employee works, plus a third of the hours not worked—equivalent to 55% of the employees' pay. The UK Government will contribute 22% (capped at £697.92 per month), meaning that employees will receive 77% of their normal pay for working 33% of their normal hours.

The table in Figure 12 below shows some examples of contributions made by employers and the UK Government under this Scheme.

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<sup>30</sup> HM Treasury, [Winter Economy Plan](#), 24 September 2020.

**Figure 12: Contributions to the Job Support Scheme – examples**

Job Support Scheme			
Employer contribution to wages (% of normal wage)	55%	67%	80%
<i>Hours worked, paid by employer</i>	33%	50%	70%
<i>Hours not worked, paid by employer</i>	22%	17%	10%
Government contribution to wages (% of normal wage)	22%	17%	10%
Employee earnings (% of normal wage)	78%	83%	90%

Source: HMRC, September 2020.

Note: Some figures may not add due to rounding.

#### **Potential Issue for Consideration:**

The Job Support Scheme will help many businesses retain staff and continue trading. However, because the UK Government's contribution has fallen to 22%, instead of the 80% paid under the Furlough Scheme, and because employers will be reimbursed in arrears for the Government contribution. Nonetheless, many businesses still struggle with cash flow, potentially making it difficult for them to continue trading.

Many NI businesses, particularly in the hospitality sector, are facing further restrictions and reduced trade. Under this Scheme, they may struggle to pay staff for hours they are not working.

A watching brief could be maintained to track whether this occurs; and the incidence to which it may.

### **Other implications of employment support measures**

Many of the roles typically occupied by younger people have been more at risk of furlough or redundancy. Unemployment is likely to rise in the coming months. It is therefore also likely that NI's younger demographic could be worse hit economically and financially than others.

In addition, higher-skilled and older office-based employees probably have adapted to working from home better than many of their younger colleagues. They tend to be further up the career ladder, earn more, have greater job security; and are less likely to live in shared accommodation with non-family members. The consequence may be that a disproportionate number of people whose jobs are at risk, or have already been lost, are in younger demographic groups. Time will tell.

#### **Potential Issue for Consideration:**

Young people may require support in getting back into the labour market as the economy recovers. This is because businesses which traditionally employ younger staff remained closed throughout lockdown, and will be among the last to fully re-open. It also seems that they will be vulnerable to further job losses in the coming months given the businesses they work in.

For example, almost three quarters of people working as waiters/waitresses in NI are under the age of 25. These are relatively low paid roles, yet are likely to be significantly impacted by further restrictions on NI's hospitality sector in the coming months.

A watching brief could be maintained to track whether this occurs; and the incidence to which it may.

Note: Proportion of people working as waiters/waitresses is based on ONS Annual Population Survey data.<sup>31</sup>

Another issue is the challenge facing older people who have lost jobs, and who do not have skills to enable them to move to roles in sectors that will be less vulnerable to future downturns, and unlikely to drive growth in the longer term. These people may find it particularly difficult to compete in the jobs market, when recovery comes. A 2018 study showed that NI has the lowest rates of career progression (people moving from low-skilled jobs to medium- or high-skilled jobs) across all skill levels.<sup>32</sup> These data suggest support in this area may be necessary as the economy moves towards recovery.

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<sup>31</sup> ONS, [Employment by detailed occupation and industry by sex and age, 2017](#). 11 May 2018. Accessed 6 October 2020.

<sup>32</sup> Institute for Public Policy Research (IPPR). [The skills system in Northern Ireland: Challenges and opportunities](#). August 2018.

## 2.1.2 Business support measures

Business support measures outlined in this section include:

- Coronavirus Business Interruption Loan Scheme (CBILS);
- Coronavirus Large Business Interruption Loan Scheme (CLBILS);
- Bounce Back Loans Scheme (BBLs); and,
- Eat Out to Help Out.

In addition to the employment support measures discussed in the previous sub-section, the UK Government announced a range of schemes to support businesses faced with closure, significant losses in revenue and disruptions to their cash flow. Some of the most significant schemes are discussed below.

### **Government-backed financial loan schemes**

The three main UK Government-backed loan schemes for businesses are explained here:

- The **Coronavirus Business Interruption Loan Scheme (CBILS)**<sup>33</sup> was announced as part of Budget 2020<sup>34</sup> on 11 March and offers loans of up to £5 million to businesses with a turnover of £45 million or more, with no interest charged for the first 12 months. The loans are 80% backed by the UK Government;
- On 2 April, the **Coronavirus Large Business Interruption Loan Scheme (CLBILS)**<sup>35</sup> was introduced to offer similar support to larger businesses with turnover of more than £45 million; and,
- On 17 April, the **Bounce Back Loans Scheme (BBLs)**<sup>36</sup> was announced—similar to the CBILS - but for smaller businesses, and with a simplified application process. The Scheme offers all businesses loans of up to £50,000, or 25% of their turnover, and is 100% backed by the UK Government.

These schemes have all seen strong uptake. As of 20 September, more than 1.3 million loans had been made across the three schemes in the UK. This amounted to a total value of £57.31 billion, as shown below in Figure 13.

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<sup>33</sup> HM Treasury, [Coronavirus Business Interruption Loan Scheme](#). 23 March 2020.

<sup>34</sup> HM Treasury, [Budget 2020](#). 11 March 2020.

<sup>35</sup> HM Treasury, [Coronavirus Large Business Interruption Scheme](#). 3 April 2020.

<sup>36</sup> HM Treasury, [Bounce Back Loan Scheme](#). 27 April 2020.

**Figure 13: Coronavirus business loan schemes, as at 20 September 2020**

	Value of loans (£ billion)	Number of loans	Applications
Coronavirus Business Interruption Loan Scheme (CBILS)	£15.45	66,585	142,076
Coronavirus Large Business Interruption Loan Scheme (CLBILS)	£3.84	566	992
Bounce Back Loan Scheme (BBLs)	£38.02	1,260,940	1,552,727
<b>Total</b>	<b>£57.31</b>	<b>1,328,091</b>	<b>1,695,795</b>

Source: HM Treasury, [HM Treasury coronavirus \(COVID-19\) business loan scheme statistics](#). Data up to close of business 20 September 2020. Accessed 29 September 2020.

The Bounce Bank Loan Scheme accounts for the largest share of loans by value and volume. A large proportion of these are likely to have been to: smaller businesses with less than 10 employees (around 90% of all businesses in the UK and NI<sup>37</sup>); or, those with lower turnover (70% of businesses have annual turnover of less than £250,000, and 40% have less than £100,000), which have struggled with cash flow, and probably do not have substantial reserves to fall back on.

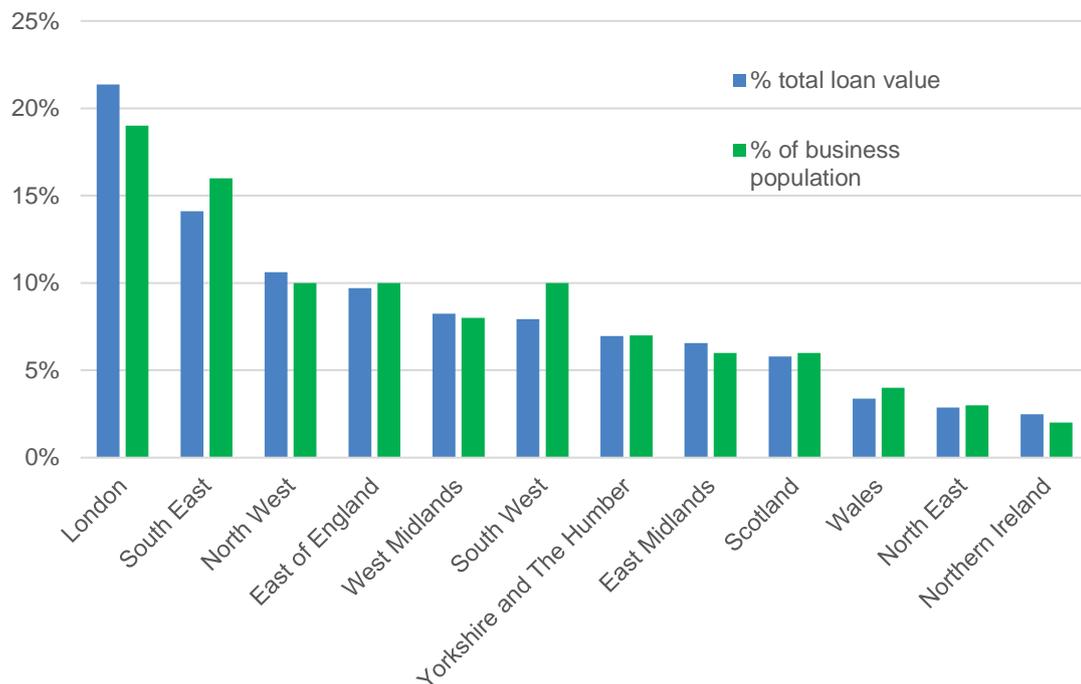
The British Business Bank has published regional and industry data<sup>38</sup> for loans offered under the CBILS and BBLs as of 7 August. The same detail has not been published for the larger CLBILS scheme due to commercial considerations.

Figure 14 below shows relative value of CBILS and BBLs loans offered in each region alongside the estimated proportion of UK businesses in that region. NI's share of the total loans made in the UK corresponds with its share of the UK business population. That is, **NI businesses claimed 2.5% of the total value of loans to UK businesses (26,327 loans worth £1.046 billion), which is comparable to its share of the UK business population (2.0%).**

<sup>37</sup> ONS, [UK Business: activity, size and location: 2020](#). 29 September 2020. Accessed 29 September 2020.

<sup>38</sup> British Business Bank, [Coronavirus loan schemes benefiting businesses in all corners of UK, reveals new analysis from British Business Bank](#). 7 August 2020. Accessed 29<sup>th</sup> September 2020.

**Figure 14: UK Government-backed loan schemes by region, % of total loan value vs. % of UK business population, as at 8 August 2020**



Source: British Business Bank, [Coronavirus loan schemes benefiting businesses in all corners of UK, reveals new analysis from British Business Bank](#). 7 August 2020. Accessed 29th September 2020.

#### Potential Issue for Consideration:

When developing proposals for future schemes, it will be important to consider the balance between: funding for viable existing businesses through their recovery and protecting jobs; and supporting / incentivising businesses to set up and create new jobs.

To date, the focus of UK Government business support measures has been to help existing businesses manage gaps in their revenue and cash flow, in order to help them to be in a position to continue trading. This has been in response to the most immediate needs of NI businesses. However, those needs may evolve as the economy begins to recover.

A watching brief could be maintained to track how this may evolve.

At a constituency level, Newry & Armagh accounts for the largest share of the total CBILS and BLS loans made in NI in terms of both value and volume (10%). This is followed by Fermanagh & South Tyrone (9%) and Mid Ulster (8%).

**Figure 15: Total value of CBILS and BBLs by NI parliamentary constituency, as at 7 August 2020**

	Number of loans	Value of loans (£)
Newry and Armagh	2,551	£104,035,808
Fermanagh and South Tyrone	2,452	£99,188,882
Mid Ulster	2,238	£87,220,903
West Tyrone	2,190	£77,827,828
South Down	1,870	£67,432,134
North Antrim	1,526	£68,908,476
East Londonderry	1,506	£62,631,208
Belfast South	1,499	£76,214,714
Upper Bann	1,477	£57,999,986
Lagan Valley	1,473	£61,362,729
South Antrim	1,210	£46,928,616
Strangford	1,150	£40,563,727
North Down	972	£35,489,932
East Antrim	956	£29,495,444
Belfast East	897	£40,952,707
Foyle	867	£35,239,771
Belfast North	753	£28,400,421
Belfast West	726	£24,036,869
<b>Total</b>	<b>26,313</b>	<b>£1,043,930,155</b>

Source: British Business Bank, September 2020.

Sector level data is not available for regions, but at the UK level, the wholesale and retail sector has accessed the highest proportion of CBILS and BBLs loans (19%). Construction (15%) and professional services (10%) account for the next highest proportions. Four sectors accounted for greater shares of the total loan value than their share of the UK business population. These were construction (19.1% of loan value, but 9.3% of business population), accommodation & food service (9.6% vs 3.4%), manufacturing (8.6% vs 4.7%) and real estate (5.7% vs 1.9%).

This pattern is similar to the uptake of employment support schemes in NI. Wholesale and retail and construction also were among the sectors that furloughed large proportions of their workforces. More than 70% of employees in the construction sector were furloughed, and the sector accounted for 35% of all claims on the Self Employed Income Support Scheme.

**Potential Issue for Consideration:**

Primary research (such as surveying businesses that received support loans) could be commissioned to determine the effectiveness of the schemes. Particularly the extent to which respondents could have continued trading without financial support.

### **Eat Out to Help Out**

The Eat Out to Help Out Scheme was announced in the Chancellor's Plan for Jobs. It was one of the more publicised UK Government schemes introduced to help the sector.<sup>39</sup>

The Scheme's aim was to protect jobs in the hospitality sector by incentivising people to return to eating out; covering 50% of the cost of food and non-alcoholic drinks (capped at £10 per head) from Mondays to Wednesdays.

As discussed in previous sections, the hospitality sector was one of the hardest hit by the pandemic. Businesses in the sector: were among the first to be closed once lockdown measures came into effect; saw four out of every five employee jobs furloughed; and, will be among the last to resume what can be considered "normal" service as the economy recovers. Indeed, new restrictions for pubs and restaurants introduced in late September have led to more uncertainty over the industry's future.<sup>40</sup>

As of 27 August, **2,207 venues in NI had registered to participate in this Scheme; with almost 2.8 million meals claimed at a total discount of £16.1 million.** Per person, NI saw significantly higher uptake than any other region in the UK—around £8.53 worth of discount per head of population<sup>41</sup> - despite having the lowest overall total due to its small size. As further evidence of the Scheme's effectiveness, anecdotal evidence suggests that many venues have continued to run their own promotions into September and October.<sup>4243</sup>

At the parliamentary constituency level, Belfast South led the way; ranking first in terms of participating venues, meals claimed and total discounts claimed. Belfast West ranked second. This is shown in more detail in Figure 16 below.

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<sup>39</sup> Others include temporary VAT cuts, and business rates relief. A more comprehensive list is included in Annex X.

<sup>40</sup> Cabinet Office, [Coronavirus \(COVID-19\): What has changed](#). 22 September 2020.

<sup>41</sup> ONS, [2019 Mid-year Population Estimates](#). Accessed 29 September 2020.

<sup>42</sup> Belfast Telegraph, [Some restaurants extend eating out discount to September as state support ends](#). 27 August 2020. Accessed 8 October 2020.

<sup>43</sup> BBC, Coronavirus: [Restaurants extend discount dining into September](#). 27 August 2020. Accessed 8 October 2020.

**Figure 16: Eat Out to Help Out, by NI parliamentary constituency, as at 27 August 2020**

	Total number of registered venues	Total number of meals claimed for	Total amount of discount claimed (£)	Average discount per meal (£)
Belfast South	326	374,000	£2,283,000	£6.11
Belfast West	253	302,000	£1,865,000	£6.18
East Londonderry	106	226,000	£1,330,000	£5.89
South Down	132	186,000	£1,001,000	£5.39
Foyle	99	138,000	£842,000	£6.12
Upper Bann	114	159,000	£842,000	£5.28
North Down	121	141,000	£801,000	£5.69
Belfast North	114	168,000	£790,000	£4.69
Belfast East	126	143,000	£761,000	£5.33
Lagan Valley	93	130,000	£742,000	£5.69
North Antrim	95	125,000	£734,000	£5.87
Strangford	99	110,000	£716,000	£6.49
South Antrim	86	118,000	£715,000	£6.04
Fermanagh and South Tyrone	117	119,000	£710,000	£5.97
East Antrim	79	94,000	£548,000	£5.82
Mid Ulster	90	90,000	£532,000	£5.93
Newry and Armagh	91	98,000	£509,000	£5.19
West Tyrone	66	68,000	£425,000	£6.23
<b>Total</b>	<b>2,207</b>	<b>2,789,000</b>	<b>£16,146,000</b>	<b>£5.79</b>

Source: HMRC, October 2020.

## 2.2 NI-only measures

In NI, the Executive introduced its own range of measures, aimed specifically at supporting NI businesses. A full list of COVID-19 funding allocations, by department and response measure, can be found in Annex 1 of this paper. A visualisation<sup>44</sup> compiled by the Assembly's Research and Information Service (RaISe) provides a series of interactive graphs which offer a snapshot of this funding. Some of the most significant schemes in terms of uptake and value of claims are outlined in the following sub-sections.

<sup>44</sup> NI Assembly Research and Information Service (RaISe), [A snapshot of COVID-19 funding](#), 30 September 2020.

### **Microbusiness Hardship Fund**

On 5 May 2020, the NI Economy Minister announced<sup>45</sup> that £40 million<sup>46</sup> would be made available for the Microbusiness Hardship Fund. The Fund aimed at microbusinesses unable to access other support schemes, despite their need for financial support. The Scheme opened for applications on 20 May and closed on 12 June. Businesses could claim a grant of up to £10,000 and eligibility required at least a 40% reduction in turnover as a result of the pandemic.

Microbusinesses have been particularly vulnerable to the economic impacts of the pandemic. They employ between one and nine people, and are primarily focused on providing services to local residents, and are therefore particularly vulnerable to consumers not able to buy from them.

Microbusinesses make up the vast majority of NI's business population. There are almost 68,000, equivalent to 89% of the total.<sup>47</sup> The largest number of these businesses is in the agriculture sector, with almost 27% of the total. Many people are self-employed in farming and fishing, with a few employees. The construction sector accounts for the next largest share, with around 15%. This is consistent with what has been seen in the uptake of measures to support the self-employed. Around a third of the Scheme's claims were from people who were self-employed in the construction sector.

#### **Potential Issue for Consideration:**

Businesses where the sole employee is also the owner or director do not qualify for the Scheme. A key consideration will be to ensure that there are no gaps in the eligibility for financial support, which results in viable businesses in genuine need of support, ineligible to access it.

Indeed, almost a third of people in NI assessed for the larger SEISS were considered ineligible. This suggests there is a risk that there are self-employed people who have found it difficult to access support.

A watching brief could be maintained to track whether this may be the case.

### **Other business grant schemes**

On 30 April, the Economy Minister announced that small businesses occupying a rental property could apply for a **grant of £10,000** to help mitigate against their lost revenues.

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<sup>45</sup> Department for the Economy, [Dodds announces £40 million secured for microbusiness Hardship Fund](#). 5 May 2020.

<sup>46</sup> Revised to £33 million. [Department for Finance, COVID-19 funding allocations](#). Accessed 30<sup>th</sup> September 2020.

<sup>47</sup> The number of VAT and/or PAYE registered businesses operating in NI. NISRA, [Inter Departmental Business Register \(IDBR\) 2020](#). Accessed 30<sup>th</sup> September 2020.

**As of 6 July, 23,909 claims had been awarded under the Scheme, at a total value of £239.1 million.**

Another grant scheme, aimed specifically at businesses in the retail, hospitality, tourism and leisure sectors opened slightly earlier, on 20 April. Again, the Scheme was intended to help ease cash flow pressures for businesses affected by the pandemic, allowing them to apply for a **grant of £25,000. As of 10 July, 2,946 claims had been awarded under the Scheme, at a total value of £72.4 million.** Both schemes closed for applications on 20 May.

Further measures have been announced in recent weeks. At the end of September, an additional £165 million financial support package for business, cultural and capital projects was announced by the Finance Minister.<sup>48</sup> On 6 October 2020, the Economy Minister also announced<sup>49</sup> two new schemes to support NI businesses in planning for recovery.

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<sup>48</sup> Department of Finance, [Murphy allocates £165m for culture, businesses and capital projects](#). 24 September 2020.

<sup>49</sup> Department for the Economy, [Dodds announces two new schemes to support business recovery](#). 6 October 2020.

### 3 Considerations for the future

This section provides a brief overview of some further considerations for the future: how differently the NI economy may function; how the funding needs may evolve to address new challenges arising from the pandemic; and, how the UK's exit from the European Union (EU) features.

#### **Changes in how the NI economy functions**

This paper presented an overview of key economic implications of COVID-19 Government funding made available in NI – at central and devolved levels. While the short-term damage to the economy has been significant, with a loss in economic activity in the medium term, the structure of the NI economy – that is, the balance of how economic activity and employment is spread between sectors - is unlikely to change substantially, despite job losses in the short term. The sectors expected to be the primary drivers of economic growth in the next decade are likely to be the same as before the pandemic.

However, the unprecedented scale of the challenges faced by the NI economy throughout the pandemic may change how it operates in future, and what the “new normal” may look like. Emergent challenges for NI businesses and its citizens will need to be addressed; and the Executive and the Assembly will continue to play central roles in developing and implementing solutions.

As parts of the economy that have been closed begin to reopen, it is becoming clear that social distancing measures and changes to how people socialise may be necessary until well into 2021. This invariably will limit the capacity of public places such as shops, bars, restaurants, cafes, leisure facilities and public transport. As a consequence, the hospitality sector may struggle to recover to pre-pandemic levels, and put further pressure on high street shops as people shift to more online shopping.

#### **Changes in how people work**

Recently published data shows that prior to the pandemic, just 5.1% of people employed in NI mainly worked from home (the second lowest proportion of any UK region).<sup>50</sup> Furthermore, just 18.6% have “ever” worked from home. This is the lowest proportion of any UK region, where the national average is 26.7%. This suggests that around three quarters of employed people in NI have never worked from home. Yet, a key characteristic of the response to the pandemic has been a substantial increase in the number of people working from home. This has occurred particularly in sectors such as business services and ICT, where remote working has proven to be effective. It also is likely that some employees will have seen benefits to their work-life balance, and will reconsider their future working arrangements once the disruption caused by

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<sup>50</sup> ONS, [Homeworking in the UK labour market](#), 24 March 2020. Accessed 6<sup>th</sup> October 2020.

the public health measures have passed. Anecdotal evidence suggests that employers also are open to more remote working, and are actively reviewing the amount of office space they require.<sup>515253</sup>

Another issue is **how funding needs may evolve** to address new challenges arising from the pandemic. For example, whether the focus of business support measures shifts from supporting existing businesses towards helping new ones set up. Another example is how to support people who have lost jobs, but do not possess skills enabling them to move into roles in sectors less vulnerable to future downturns, and instead they become dependent on Government support.

### **Changes due to UK exit from the EU**

The period from March to October 2020 has seen a significant shock to the economy, with a 20% loss of output in just a couple of months. as outlined earlier in this paper. Unprecedented measures have been taken to help businesses and households that have been affected.

Throughout the pandemic, preparations for the UK leaving the EU have continued in anticipation of the transition period ending on 31 December 2020. Throughout this time, uncertainties have persisted regarding the Protocol under the Withdrawal Agreement and a trade deal, and now more recently, in relation to the Internal Market Bill (the Bill) currently before the UK Houses of Parliament. Whatever the outcome of the negotiations and the Bill – deal or no deal; the changed context will have implications for NI, which also will be shaped – at least in part – by the adverse consequences of COVID-19.<sup>54</sup> The combination of these factors may present further challenges for businesses and the citizens of NI, in turn placing pressure on the Executive and the Assembly to find solutions.

The above are just a few examples of how the medium-term adverse impact of COVID-19 may bring changes that extend beyond decreased levels in GDP, employment and unemployment. It is reasonably foreseeable that other factors will emerge as NI navigates its way through this period of unprecedented economic uncertainty.

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<sup>51</sup> BBC, [Covid: City firms look to cut office space amid pandemic](#), 8 October 2020. Accessed 8 October 2020.

<sup>52</sup> Guardian, [Nearly 75% of City firms reviewing office space provision](#), 8 October 2020. Accessed 8 October 2020.

<sup>53</sup> World Economic Forum, [COVID-19: Is this what the office of the future will look like?](#) 28 May 2020. Accessed 6 October 2020.

<sup>54</sup> See recent paper by the [Social Market Foundation: Assessing the economic implications of coronavirus and Brexit](#). 31 May 2020.

## 4 Conclusions

The outbreak of COVID-19 has caused massive economic disruption to the NI economy. Despite low unemployment and modest economic growth, the NI economy was still lagging the UK and Republic of Ireland, and the long term issues of lower productivity and high economic inactivity persisted. Public health measures introduced in March 2020 kept large numbers of people at home, and many businesses closed. In March, published data showed the extent of the shock this had had on the economy. Between February and April 2020, the UK economy had contracted by more than 20%, which was the biggest decline in economic activity in the UK since records began. The economy has started to show some limited growth in recent months, but there is a long road to recovery ahead.

In the three months to June 2020, the NI economy experienced its largest fall in output since comparable records started in 2006. It will take some time to fully assess the impact of COVID-19 on the NI economy; but the evidence currently available shows that already, the economic downturn has been more severe than the recession following the 2009 global financial crisis.

To mitigate those impacts, and to minimise economic and financial disruption, the UK Government and the NI Executive have implemented a range of support measures. These have aimed to bridge gaps in cash flow in the short term, seeking to help businesses both to avoid having to make staff redundant and to remain in a position enabling them to resume trading normally following the pandemic. They have also aimed to support employees and the self-employed faced with unemployment and reduced income; thereby potentially helping to maintain consumer spending levels in the economy. However, these support measures, combined with others—such as tax relief measures – inescapably result in fallen tax revenues, significantly impacting on UK public finances, including NI's, with implications going forward.

These support measures have all seen strong uptake across the UK and NI, and have undoubtedly helped keep many people in work who would likely have been made redundant otherwise. Almost 250,000 employees in NI were furloughed. Whilst it remains to be seen how many of these retain their jobs as the economy recovers, many of those will have had their incomes protected at a critical time.

Some sectors have been more vulnerable to the economic impacts of COVID-19 than others. The accommodation & food sector (comprised mainly of hotels, restaurants and cafes) in particular, saw more than 80% of employees furloughed. The hospitality and entertainment sectors face continued headwinds; as further restrictions have been announced in recent weeks.

Uptake of financial support schemes for businesses across all sector of the economy has also been very high. Many have been faced with closure, significant losses in revenue, and disruptions to their cash flow.

As the economy begins the long road to recovery, funding may evolve and be required in new areas. For example – the introduction of government schemes shifting towards supporting new businesses starting up in the challenging landscape of the post-pandemic recovery period. More funding also may be necessary to upskill and help people who have lost their jobs to transition into new roles that are anticipated to be less vulnerable to future downturns.

The unprecedented scale of the challenges faced by the NI economy in 2020 may change how it operates in future. Indeed, there are already some challenges emerging that businesses and policy makers will need to deal with in the coming months.

It is becoming clear that social distancing measures and changes to how people socialise may be necessary until well into 2021. This will have an impact on many sectors – and will limit the capacity of public places such as shops, bars, restaurants, cafes, leisure facilities and public transport. There will also be changes to the way people work. A key theme of the response to the pandemic has been the increase in the number of people working from home. Employers may become increasingly open to more remote working.

Throughout the pandemic, preparations for the UK leaving the European Union (EU) have continued, and in many sectors of the economy, the consequences of COVID-19 and a potential no trade deal could react with one another, further interfering with NI's economic recovery. Other factors also are likely to emerge in the coming months as the NI navigates its way through this period of unprecedented economic uncertainty.

## Annex 1

The table below breaks down the COVID-19 funding allocations made by the Department for Finance in NI. This list is the most current available data, and was last updated on 24 September 2020. A visualisation<sup>55</sup> compiled by the Assembly's Research and Information Service (RaISe) provides a series of interactive graphs which offer a snapshot of this funding.

**Figure 17: COVID-19 funding allocations, NI, as of 24 September 2020.**

Department	COVID-19 Response	£ million
DAERA	Agri-Food Sector Market intervention	25.0
	Waste	15.2
	Fishery Support	1.5
<b>Total</b>		<b>£41.7</b>
Department for Communities	Councils	60.3
	Charities	15.5
	Supporting People*	6.0
	Shielding Package for clinically high risk	10.0
	Discretionary Support	5.0
	NIHE response to homelessness	7.0
	Community Support Scheme	6.5
	NIHE Supporting People PPE	3.5
	Culture	33
	Sport	2.0
	Benefit Delivery Response	5.0
	Safely re-open the Voluntary & Social Enterprise Sectors	2.5
Social Enterprises	7.0	
<b>Total</b>		<b>£163.3</b>
Department for Education	Direct payments to families - free school meals	18.9
	Emergency Childcare Provisions	12.0
	Emergency Childcare Provisions	0.4
	School Uniform Grants	0.3
	EA Pressures	0.5
	Childcare	10.5
	Summer Activity to Support Children and Learning	12.4
	Free School Meals	12.8
	PPE	25.6
	Schools	43.0
	Non-Statutory Pre-School Settings	1.0
SEN – Mainstream and Pupil Support	0.2	
<b>Total</b>		<b>£137.6</b>

<sup>55</sup> NI Assembly Research and Information Service (RaISe), [A snapshot of COVID-19 funding](#), 30 September 2020.

Department	COVID-19 Response	£ million
Department for the Economy	Small Business Grant	246
	Hospitality, Tourism and Retail Sectors Grant	78.0
	Microbusiness Hardship Fund	33.0
	Student hardship	1.4
	Invest NI SME Improvement Grant	1.4
	Invest NI – Communication Strategy	0.9
	Invest NI - Future Fund - Business Start up	10.0
	Higher Education - Sustaining Research Base	1.0
	Higher Education - Teaching Grant	1.5
	Tourism	19.9
	FE & HE Safer Learning Environment	9.0
	University R & D	5.8
	Apprenticeships	17.2
	Free School Meals - Further Education	0.4
	Assistance to Business	8.5
	Higher Education - additional university places**	3.2
	Skills & Youth Training	8.4
	Energy	1.4
Support for air routes	1.9	
<b>Total</b>		<b>£448.9</b>
Department of Finance	Business Rates Holiday (3 months)	103.5
	Further Rates Support	213.1
<b>Total</b>		<b>£316.6</b>
Department of Health	Track, Trace and Protect App	1.6
	COVID-19 Pressures	238.8
	Personal Protection Equipment	61.3
	Further NHS Support - Workforce	49.0
	Hospices	6.8
	AfC Pay	1.6
	Surge Planning and Nightingale Stand Up	25.0
<b>Total</b>		<b>£384.1</b>
Department of Justice	Personal Protection Equipment	10.0
	SNI	6.4
	Prison Service	6.9
	Temporary Resting Place	0.9
	NICTS	1.0
<b>Total</b>		<b>£25.2</b>
Department for Infrastructure	Winter services	5.0
	Public Transport	70.0
	Airports	3.3
	NI Water	47.5
	Other Transport Lost Income	10.0
	Taxi and Bus Industry - statutory licences	1.4

Department	COVID-19 Response	£ million
	A6 Flagship	14.8
<b>Total</b>		<b>£152.0</b>
The Executive Office	Press work on behalf of Executive - COVID-19	0.5
<b>Centrally Held (pending development of proposals/confirmation of costs)</b>		
Held Centrally	PPE and Sectoral Intervention	55.2
	Ferry Operators	0.4
	Pending assessment of health costs (includes £0.5m for additional medical, nursing, midwifery and allied health professional places)	600.0
<b>Total</b>		<b>£2,325.0</b>

\* Totals revised to reflect reduction in requirement

\*\*Subject to final confirmation of costs from universities