

ECONOMY, ENERGY AND FAIR WORK COMMITTEE**COVID-19 – impact on Scotland’s businesses, workers and economy****SUBMISSION FROM****Women’s Enterprise in Scotland****Women’s Enterprise in Scotland and COVID19: Policy Briefing 1**

As with all public health crises, the economic and health impacts of Covid-19 will be gendered. Women are more likely to take on the ‘second shift’ of care at home, particularly if someone in their family is sick or has to be isolated (either young or elderly) and are more likely to be affected by school and nursery closures. For example, it is women who are most likely to be home-schooling children and checking on people within intergenerational family and friend networks.ⁱ

Women are more likely to be working in sectors hit by social distancing such as service sectors, including hospitality and non-food retail. Social isolation policies will also increase women and girls’ vulnerability to domestic abuse.ⁱⁱ

This disruption is going to last months rather than weeks, and some women’s lifetime earnings may not recover. Women’s Enterprise Scotland research in 2019 showed that 53% of women-owned businesses surveyed were paying themselves a salary of £15,000 or less and 60% were not paying into a pension.ⁱⁱⁱ

Effects on Women’s Businesses

All SMEs are facing disruption never seen before and this is having – and will continue to have - serious effects on their markets, supply chains and staffing. Women are more likely to work and be business owners in the sectors most affected by this crisis including health, care, catering, cleaning, hospitality, retail. Therefore, economically speaking, the Coronavirus outbreak could have a disproportionately negative impact on women both at home and at work.

The contribution of women’s enterprises in Scotland is not insignificant. Women Owned businesses in Scotland account for 13.26% (231,390 jobs) of the private sector total of employment. Women Led businesses in Scotland account for 13.5% (235,490 jobs) of the private sector total of employment. Women face specific challenges in business and access to needs-based expert support is critical at this time.^{iv} For instance, women-led businesses are only 44% of the size of male-led businesses on average, and women-owned enterprises represent less than 25% of business in the UK’s five most productive sectors with women owned businesses still dominant in sectors such as healthcare, personal services, administration, retail etc. Women entrepreneurs are also underrepresented in the most productive, high value sectors in Scotland and in the UK. As small businesses with limited resources, women-owned businesses are especially vulnerable to the disruption caused by the pandemic.

Women start their businesses with 53% less capital than men^v, and also tend to draw more upon private capital (including personal savings) and family finances^{vi}. As women-owned businesses typically generate lower profits, this crisis is expected to increase financial dependence upon partners or, in the case of lone self-employed women or parents, cause substantial difficulties in providing for themselves or their families.^{vii} While financial support measures from government, such as the Business Interruption Loan Scheme, are welcomed at this time, evidence shows that women self-employed/business owners are

relatively more reluctant to take on financial risk, and government schemes such as these might be less attractive or indeed accessible to women at this time.^{viii}

Support and Information for business owners and the self-employed

Information is key during any crisis. Information about incentives such as loans and tax freezes must be made available to all businesses – regardless of size, sector, geography. Women’s Enterprise Scotland (WES) is working to help fill the gap for micro and small businesses by providing regular up to date information on its website and social media channels for women’s businesses who may not think that such measures apply to them or know how to access such support.

Businesses throughout Scotland are looking at ways to maintain productivity and enable employees to continue working, and more businesses are trying to adapt to more modern and quite different, working practices to enable them to continue through this crisis. Support is urgently needed to assist these businesses to pivot, re-purpose and execute strategies to help them continue as best they can. WES is working with other organisations to help give more access to critical digital tools and business resilience support.

It will be required to radically rethink how we support businesses now and in the future. WES will be engaging with thought leaders and our partner organisations to monitor developments, shape collaborative proposals and identify new ways forward during this crisis. However, it remains critical that we provide gender-specific support for women currently in business. Ensuring access to needs-based support will give these enterprises the best chance of success at this time.

The Chancellor Rishi Sunak’s announcement on Thursday 26th March of a support package for UK entrepreneurs is welcomed, and this is said to capture 95% of the self-employed population. And although men are more likely to be self-employed and own businesses than women, women are most likely to be hardest hit during this crisis as a result of the sectors in which they operate and the typically lower profits generated by women’s businesses. Yet there is still a lack of clarity surrounding those individuals and their enterprises who are eligible for this government support. For example, as outlined in a paper by the Gender Enterprise Network of ISBE^{ix}, while self-employed people of all genders will be eligible for a taxed grant of 80% of their average profits, up to a maximum of £2,500, for many women in particular, given low profits over the preceding period, access to Universal Credit may in fact be more beneficial than the proposed support.

The self-employed are not a homogenous group – some are highly paid, but the majority have low earnings^x. The current crisis has shown the need for discussion on better social protection for small businesses and the self-employed. WES supports the call by Professor Julia Rouse and colleagues at Manchester Metropolitan University for an improved social contract for the self-employed in future^{xi}. Also, the Resolution Foundation estimate, for example, that over one-third of Britain’s five million self-employed people may have to stop working either because they work in sectors most heavily affected by social distancing, or in order to care for children who would have otherwise been at school.^{xii}

WES supports the [ISBE Gender and Enterprise Network](#) who have posed a number of interesting and key questions to the UK government regarding the extent of support for businesses and the self-employed, especially for women entrepreneurs^{xiii} -

As women have been driving the growth in self-employment, is it possible that they will constitute the majority of nascent business owners (under 3 years old), who may not be entitled to any support?

Will access to Business Interruption Loans be readily forthcoming for women entrepreneurs owning low-profit businesses? Will business owners be asked to put their houses on the line for collateral, or provide personal guarantors?

What is the impact upon those within the 'Most Vulnerable' category such as pregnant and disabled individuals, and those with underlying health conditions for whom 12 weeks of self-isolation is mandatory?

How will those who have not been explicitly addressed in the UK Government Financial Aid Package be affected, such as entrepreneurial refugees, asylum seekers and other migrant women who have no access to government funds?

What might the implications be, now and in the future, for women's informal economic and entrepreneurial activity?

Current Action Required

The Covid-19 pandemic will lead to a new way of thinking for labour market and economic policy across Scotland, the UK and globally. WES wishes to support the objective of maintaining whatever economic activity we can in Scotland (and beyond) amidst necessary measures to combat the crisis and its effects. First and foremost, the Scottish Government must put the right measures in place to protect vulnerable people who will be most affected by this pandemic.

WES is calling for –

- The newly established Scottish Expert Group on Covid-19 to promote the gathering of gender disaggregated data and recognise gender differences in the effects of the Covid-19 virus both physically (to ensure that, for example, pregnant women may be given accurate information in any future pandemics) and economically (to ensure equality impact assessment of support measures).
- The Scottish Government to ensure that the £320m rescue package announced for businesses distributes support fairly across key business sectors, including to the women in business sector, and specifically targets those facing a high risk of economic vulnerability and disrupted earnings capability.
- Regulatory confusion around the self-employed has made responses to Covid-19 difficult. We would urge a review of the regulatory framework so as to ensure that such uncertainty is avoided for businesses in the future.
- Further action to address gaps in support announced by Rishi Sunak, Chancellor of the Exchequer, for the self-employed. WES supports the proposals to bridge these gaps put forward by Professor Julia Rouse and colleagues at Manchester Metropolitan University^{xiv}

For further information: <https://www.wescotland.co.uk/covid-19>

30 March 2020

ⁱ <https://isbegen.wordpress.com/2020/03/27/stay-home-and-work/>

ⁱⁱ <http://www.sddirect.org.uk/news/2020/03/why-we-need-to-talk-more-about-the-potential-for-covid-19-to-increase-the-risk-of-violence-against-women-and-girls/>

ⁱⁱⁱ Pay and Pensions Briefing. Women's Enterprise Scotland (2020) www.wescotland.co.uk

^{iv} Women in Enterprise: The Untapped Potential' Federation of Small Businesses (2018)

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- v The Alison Rose Review of Female Entrepreneurship, (2019)
https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/784324/RoseReview_Digital_FINAL.PDF
- vi Report on Survey of Women's Businesses in Scotland. Women's Enterprise Scotland (2020)
vii <https://isbegen.wordpress.com/2020/03/27/stay-home-and-work/>
- viii Susan Marlow & Janine Swail (2014) Gender, risk and finance: why can't a woman be more like a man? Entrepreneurship & Regional Development, 26:1-2, 80-96, DOI: 10.1080/08985626.2013.860484
- ix Institute of Small Business and Entrepreneurship (ISBE) <https://isbegen.wordpress.com/2020/03/27/stay-home-and-work/>
- x Who are business owners and what are they doing?' Jonathan Cribb, Helen Miller, Thomas Pope. Institute for Fiscal Studies (2019) <http://www.ifs.org.uk>
- xi 'So, what is the Government Doing (and Not Doing) for the Self-Employed Under Covid19? What Should They Do?' Prof Julia Rouse, Prof Ashwin Kumar and Rebecca Weicht - Manchester Metropolitan University. (March 2020)
xii <https://www.resolutionfoundation.org/our-work/coronavirus/>
xiii <https://isbegen.wordpress.com/2020/03/27/stay-home-and-work/>
- xiv Full paper can be read here <https://www2.mmu.ac.uk/decent-work-and-productivity/news--events/story/?id=12075> Contact: Professor Julia Rouse, Centre for Decent Work and Productivity, Manchester Metropolitan University. J.rouse@mmu.ac.uk