

## **ECONOMY, ENERGY AND FAIR WORK COMMITTEE**

### **COVID-19 – impact on Scotland’s businesses, workers and economy**

#### **SUBMISSION FROM Scottish Council for Development and Industry**

The Scottish Council for Development and Industry (SCDI) is Scotland’s Economic and Social Forum. We are an independent and inclusive economic development network representing all sectors and all geographies of the Scottish economy. Our mission is to convene our members, partners and stakeholders across the private, public and third sectors to deliver inclusive and sustainable economic growth for Scotland.

#### **Summary**

These are deeply uncertain and challenging times for Scotland’s businesses, workers and economy. We have intensified our engagement with our members over recent days and weeks to understand the impact of the COVID-19 crisis on them, their business or organisation, their sector and their community or region.

It is clear the impact on businesses and organisations in all sectors and all geographies of the Scottish economy has been unprecedented. Our members have three key priorities:

#### **1. BUSINESS SURVIVAL**

- Major concerns from many members across most sectors about their immediate cash flow, liquidity and viability.
- Urgent need for government and lenders to provide greater and more flexible financial support which is easy to access and injected into economy as quickly as possible.
- Urgent need to close gaps and resolve anomalies in support announced to date.
- Need for more consistent guidance, coordination and messaging to employers and workers from UK Government and Scottish Government.

#### **2. WORKFORCE HEALTH & WELLBEING**

- Concerns from all members across all sectors about impact of COVID-19, ‘lockdown’ and disruption on physical and mental health and wellbeing of their workforce.
- Need for government and employers to provide better and more flexible support (in short- and long-term).

#### **3. OUR FUTURE**

- Looking beyond the crisis to the ‘next normal’ for our society and our economy.

- Need to consider how the way we live, work and do business will (or should) change.
- Need to maintain industrial capacity for a strong recovery – and to consider what kind of recovery Scotland wants.

The business support announced to date by the UK Government and the Scottish Government have been very welcome and important, helping to save businesses, retain jobs and protect livelihoods. Nevertheless, it is also clear that there are specific asks from our members to develop, reform or extend this support:

- UK Government, Scottish Government, local authorities, public agencies and banks should accelerate injection of grants, reliefs and loans into businesses and economy.
- UK Government and Scottish Government should coordinate clarity and consistency of guidance to employers and workers throughout crisis.
- UK Government should extend commitment to reimburse all Statutory Sick Pay due to COVID-19 from SMEs to all employers (esp. to Health & Social Care employers).
- Scottish Government should develop tailored grants and reliefs packages for key sectors ineligible for current support (esp. to Food & Drink, Manufacturing etc.).
- UK Government should extend Self-Employed Income Support Scheme to recently self-employed and self-employed working for their own companies.

### **Impact on businesses, workers and economy**

All businesses are facing significant financial and operational disruption due to the COVID-19 crisis. The pandemic and 'lockdown' have precipitated a dramatic and unprecedented decline in economic activity, business confidence and consumer confidence. This poses a serious and unprecedented threat to Scotland's social and economic prosperity.

Businesses and organisations which deliver frontline public health services, or essential products and services, are focused on maintaining their operations in highly challenging circumstances. Others have been doing their best to adapt by suspending or reducing operations, cancelling non-essential investments, reducing spending and innovating with new ways of working. We remain in the initial 'react' phase of the crisis when many are still 'firefighting'.

Many are utilising digital technology. The Services sector, particularly in professional services, is continuing to operate with most of all staff working from home. But while this has meant business as usual for some, it has also meant substantially reduced revenue for others and mass cancellations of contracts or total collapse of new orders for the worst affected, depending on the sub-sector or market.

Almost all in Tourism and Hospitality, and many in Retail, have stopped operations entirely in line with official advice. The 'lockdown' has resulted in a dramatic fall in consumer spending and confidence. Almost all such businesses are utilising the UK Government's Coronavirus Job Retention Scheme to furlough workers, which has

successfully addressed their immediate cash flow issues and protected thousands of jobs.

However, there is deep uncertainty over how long the impact will last on the events economy and on the visitor economy, which are key sectors for Scotland employing large numbers of people, often in small and rural communities. Similarly, the Food & Drink sector has experienced a substantial fall in export demand and faces longer-term questions about the potential damage to global supply chains, trade relationships and infrastructure.

Many in Manufacturing have also stopped operations entirely due to official advice on key workers and social distancing. However, they are not yet eligible for rates relief packages. Some have remained operational due to their importance in the public health supply chain or have repurposed operations to provide vital medical equipment like PPE or hand sanitiser as part of a positive national response to the crisis.

Most members are naturally focused on business survival in short-term. But some are looking to future challenges/opportunities and asking questions about the future. Customer expectations and preferences expected to change. The way we do business is likely to change. What kind of recovery do we want? How will we rebuild the labour market, consumer confidence, broken supply chains, public services capacity?

There are growing concerns about the short- and long-term impact of physical and social dislocation on Scotland's workers. Mental health and wellbeing are likely to suffer throughout the pandemic and the 'lockdown'. Although, our members have been hearted and impressed by positive response by their workers to keep businesses running and to help neighbours and communities in need to get through the crisis.

Social solidarity and resilience thus far appears strong, which needs to be maintained. But there is a widespread recognition of need to invest in and rebuild personal relationships and face-to-face interactions on the other side – and for better employer and government support for mental health to respond to what is anticipated to be a looming crisis.

### **Government response**

The support announced to date by the UK Government and the Scottish Government has been very welcome and important, helping to save businesses, retain jobs and protect livelihoods. The response and the cooperation of both governments has been positive and critical. Many of our members have applied for financial and business support to support immediate cash flow and liquidity, primarily the Coronavirus Job Retention Scheme and rates relief packages.

However, there remains a widespread view that there is a need for further clarity on how such schemes will work. Our members are eager for more consistent and coordinated guidance and messaging from UK Government and Scottish Government. Apparently divergent advice in some areas – for example, over key

worker status and social distancing in workplaces such as factories or construction sites – has been especially unhelpful and potentially harmful. Employers need clear and consistent guidance which gives them the information they need to protect the health of their workers and safeguard the operations and future of their businesses.

A significant number of our members have not yet applied for any support as they wait for further, clearer guidance and assess their options. Some are reluctant to take on loans in the circumstances.

Most members who are exploring or have applied for support believe that processes are too slow, too complex and too bureaucratic given the urgency of the situation in terms of business survival. Many are unable to determine whether they are eligible. Many are frustrated by the complexity or lack of flexibility in eligibility criteria. Others fear that waiting to the end of April or to June when funding could be received could be too late as they struggle to bridge the gap.

Local authorities with very stretched resources are struggling to process huge numbers of applications for grants and rates relief packages in very short order. Redeployment of staff, rising staff absence, limited digital systems and decade of austerity have taken their toll on capacity. The workforce is under serious pressure, leading to concerns about health and wellbeing.

Most of our members, especially SMEs and the self-employed, need ‘breathing space’ from government, regulators and others. They need to be helped to find the capacity to prioritise immediate business survival and the health and wellbeing of their workers, suppliers or partners. Delays or cancellations of tax payments, easing of regulatory burdens and other such measures by government, its agencies and regulators, such as HMRC and Companies House, have been strongly appreciated. There is a need to further consider which other taxes could be deferred for 6 or 12 months, such as excise duty.

There is a recognition that most support announced to date has been targeted at SMEs for the right reasons. Nonetheless, there are concerns from some larger employers that they will also need greater support given scale of financial disruption. Some specific sectors (e.g. higher and further education) also seen as facing lack of specific support.

Moreover, the UK Government has committed to reimburse SMEs for Statutory Sick Pay due to COVID-19. There is a need for this to be replicated for large employers, especially in sectors on the frontline of the crisis in public health, such as social care and pharmacy. A significant and increasing proportion of the workforce is having to self-isolate to protect their clients, patients and colleagues. The costs of this will be large and likely to put some businesses and organisations at serious risk of failure.

The commitment from the Chancellor to extend and improve the Coronavirus Interruption Loan Scheme is very welcome to more easily and quickly inject money into businesses and into the economy. Many members have reported that lenders have failed to provide sufficient flexibility given the circumstances. Some banks appear to have been using normal commercial criteria, requiring normal paperwork, applying unchanged timelines for processing or requiring personal liability.

There is a need for other sector-specific relief packages to be developed by the Scottish Government to reflect the diversity of the economy and the challenges faced. Small and medium-sized Manufacturing firms have been forced to close their factories and suspend operations but are presently ineligible for rates relief. Similarly, whisky distillery visitor centres which are a substantial source of revenue for operators, are also closed but not eligible for relief.

The UK Government's Self-Employed Income Support Scheme has been strongly welcomed and protects the livelihoods of many. However, the scheme has announced has substantial gaps, because it fails to support the recently self-employed and those self-employed working for own companies.

### **Looking beyond the crisis**

Most members are naturally focused on business survival in the short-term. But some are looking to future challenges or opportunities or readjusting their offer and operations, especially digitally.

A number are asking questions which are becoming part of a national conversation about our future. How will customer expectations and preferences change? How will the way we do business change? What kind of recovery do we want? How will we rebuild the labour market, consumer confidence, broken supply chains and the capacity of our public services? Government and employers will need to begin to consider some of these issues now.