

Economy, Energy and Fair Work Committee
COVID-19 inquiry – focus group with employers

Draft note of focus group – 21 September (on Microsoft Teams)

Background

On 21 September, the Economy, Energy and Fair Work Committee held a focus group to discuss the impact of COVID-19 on businesses. The Committee was joined by businesses who are members of the Scottish Chambers of Commerce

The focus group was attended by Committee Members: Gordon Lindhurst MSP (Committee Convener), Colin Beattie MSP, Maurice Golden MSP, Rhoda Grant MSP and Alison Harris MSP.

Participants were: Graham Alexander, AJ Engineering & Construction Services; Manny Baber, Sleeperz Hotels; Chris Dowling, Cairngorm Group; Hasan Ertekin, Jump N Joy; John Gray, Angus Soft Fruits; Dale Harris, ATL Turbine; Martine Nadler, Tinies Glasgow; Alison Somerville, Dustacco; James Thomson, Ayrshire College; Adam Taylor, Vericall Solutions; Tom Uppington, ALVANCE British Aluminium & SIMEC Lochaber Hydropower; Angela Rieu-Clarke, Waracle

How has COVID-19 affected your business?

Manny Baber (Sleeperz Hotel, Dundee) explained that if it wasn't for the furlough scheme, they would be in a much more difficult position. They are not planning to make anyone redundant but this depends on the severity of local lockdowns. A lot of their workforce are finding the hospitality industry unsafe and unpredictable and are moving to other sectors (e.g. one employee has moved into butchery). Staff are leaving and it is a challenge to secure staff. Current business levels are 50/60%.

Chris Dowling (Cairngorm Group) said that during the COVID-19 crisis they have had to let 7 members of staff go in anticipation of the construction industry taking a downturn. However, people are investing in improving their homes so there is a bounce back. The biggest challenge is getting materials such as glass, PVC, plasterboard and timber; this has affected their ability to take advantage of increased demand. Those under the age of 22 have a 'massive disadvantage'; it costs half as much to pay off someone under 22 years of age; this should be looked at some point (i.e. the statutory position).

Dale Harris (ATL Turbine) said that they were classed as an essential business but their main issue was supply chain; many suppliers were not classed as essential and getting supplies has been a challenge. They had to take out 4 positions; they used the Job Retention Scheme (JRS) at the start of the crisis until they got social distancing in place and then ramped back up again; they're now back to 80% of last year's business.

John Gray (Angus Soft Fruits) explained that they market soft fruits to customers (mainly High Street retailers in the UK). They have been very fortunate as COVID-19 has had a minimal impact on sales; after an initial dip things have stabilised. Business is growing and the challenge is attracting people into their business. Their business is 90% focused on retail; the 10% going into food service crashed to almost nothing overnight at the start of the crisis but is now back to 40%. They are working

with Developing the Young Workforce (DYW) and are looking at creating work experience, apprenticeship and internship opportunities.

Martine Nadler (Tinies Childcare) explained that they are a recruitment and training provider and have been hit really hard by COVID-19. A large proportion of their business was supplying temporary staff to nurseries but there is now a lower demand as nurseries are not at full capacity; the situation is the same for nannies.

The biggest challenge has been on the training side. They have lots of candidates ready to do apprenticeships in childcare, with the childcare expansion coming next year, 'we need lots of qualified child carers for that'. However, they can't find employers to take the apprentices on. They currently have 20 candidates looking for an employer but they're not being taken on. On the recruitment side, they provide a mobile creche but this business has completely gone now. There is the odd permanent job in nurseries but overall for the childcare sector across Scotland the current situation is a worry.

Graham Alexander (AJ Engineering) explained that they have been 'quite fortunate' as many of their clients were classed as essential. They used furlough but everyone is back at work now. They had planned an expansion but there is a concern about how the business will be in 6 months' time; due to reduced productivity they are not receiving their normal level of business enquiries. They are worried about a 6 month gap in about 6 months' time. They have traditionally taken on 4 apprentices per year as they believe in the apprenticeship scheme; at the moment, they are taking people on but there are a lot of skilled workers available so it doesn't make sense to take on an apprentice when the skilled workers are available.

Adam Taylor (Vericall Solutions) explained that their business has expanded rapidly over last 6 months working on COVID-19 response projects. Working from home has been an issue; new staff need training and coaching to learn their roles and they have been unable to bring them into the office therefore unable to take people on. This means that there is a year group not being taken on this year who will be stuck in other low skilled roles and not getting jobs. Adam believes that it is easier to implement social distancing in offices than in a pub or restaurant. They have onsite workers who are key workers and have been able to implement social distancing and other policies; he believes it would have made sense to open offices before the hospitality sector – and easier to put the brakes on that.

Have businesses made use of Government and agency support? If so, what was the quality of the support? Were businesses happy with the support received?

Manny made use of the JRS to keep people in their positions. Dale said that they try to use as little public support as they can but did apply for a Coronavirus Business Interruption Loan Scheme (CIBLS) loan (to keep in reserve). The Cairngorm Group didn't want to take money they don't need but were able to get a £10K grant towards their coffee shop; they found this quick and easy to access.

Graham explained that once approved, businesses have 6 months to draw a CIBLS loan down; this was taken on by them as an 'emergency parachute'. He said that the staff at Scottish Enterprise are working from home; Graham thought it would have been better and more productive to get these staff back in the office.

Angela (Waracle) explained that they got a grant through the Scottish Resilience Fund to help develop their digital health business. Prior to the crisis, Waracle

operated in the mobile app and internet of things field. Their work with banks, etc dropped off due to the crisis so they wanted to invest in the digital health side of the business. They got a large grant from the government to help develop that.

Martine explained that they took out a CBILS loan as they weren't entitled to a second coronavirus business grant. They have an office in East Renfrewshire for which they are eligible for a grant. However, for their Edinburgh office they are not rate payers and are not entitled to the grant for that office. Martine said that the information given to businesses did not clarify that businesses are not eligible if they've applied for another grant so they had to take out a loan. They would rather not have the loan and haven't had to use it; they can't afford to have debt as they are a small business.

What support did the Chambers of Commerce provide to businesses?

Graham said that the Chambers have been very good; there have been a number of agencies offering assistance and advice. Martine also found the Scottish Chambers very useful and quick to support her with issues.

How have businesses supported a green recovery and climate change objectives?

John explained that agriculture is well placed to be part of the green recovery; food production and security is important. However, he said that the early stages of the pandemic demonstrated how fragile supply chains are and how we rely heavily on imported produce, especially fruit. John said that he'd like to see policy around stimulating more food production which can be done in harmony with environmental objectives.

Chris explained that his business has done solar PV panels for a number of years – they once did £2m in turnover; however, now if they did £100k, they'd be 'doing cartwheels'. That's because previous incentives are not available now. He said that lots of people in construction want to do the right thing for the environment but some of the technologies are expensive and without feed-in tariffs and incentives to help, 'it just doesn't happen'. They have kept on their accreditation in the hope that one day the market will return but currently there is little interest in construction for solar panels.

How do businesses support young people into employment? How do we build the Youth Guarantee Scheme (YGS) to redress the balance and make it more attractive to train young people for the future?

James Thomson (Ayrshire College) explained that Ayrshire youth unemployment is 11.4% compared to the Scottish average of 8.8%; the scarring effect for this generation is quite significant. He said that there is a £27.8m deficit in the college sector – but colleges are ideally placed to work with businesses to address these issues.

They have got good regional partnerships in place across Ayrshire; however, he said that the deficit means that there are 600 students that the college is unable to support. James explained that the college has got structures and partnerships in place; for example, they work in the hospitality and tourism sectors (tourism is a theme of the Ayrshire Growth Deal). James believes that existing structures should be used and invested in effectively.

Dale said that this is a really important point; businesses are working at a reduced capacity and cannot employ everyone, so they have to establish what is going to add best value as quickly as possible. It is easier to get rid of people with less than 2 years' service so there is a need to make young people useful to businesses quickly. There is a big training element in that. They have had a few vacancies recently and have an aging workforce but very few young people are applying for these roles at the moment.

Chris said that the DYW programme has helped to drive down youth unemployment. However, there's still a very cluttered landscape in terms of where young people go for help and who schools work with; there is a long list of possibilities with a lot of people trying to do the same thing. Chris believes that this needs to be streamlined and that there should be a DYW school coordinator in every school. Chris believes that there is a need to find ways to get work experience up and running again. However, schools are turning down offers of help in this sphere. Chris believes that there is a need to encourage teachers to see the value in this so that young people can be connected with work before they leave school.

Graham said that a lot of his projects are large infrastructure projects; when these projects are awarded contracts, it can be a foreign company that wins the work. Graham suggested that when the contract is awarded it could be stated that a certain amount of the work has to be carried out by Scottish apprentices; this would force overseas companies to engage Scottish companies to do some of the work and create opportunities for young people. If a Scottish company wins the work, they could have the same requirement for a certain percentage of apprentices to do the work. This would force Scottish companies' hand when considering whether to take on an apprentice or an older, more experienced, worker. If they had to meet a quota, they would be more likely to go down that road.

John explained that they currently have 5 apprentices in the business and will shortly be taking on a further 6. These are all based down south; John said that it is easier to access apprenticeships down south compared with in Scotland. They are struggling to get the training provider element set up which is 'quite frustrating' as they want to take young people on. Roles are going unfilled in finance and IT and they are not getting many young people applying. They reached out to a local high school but are yet to hear back; John believes that it should be part of a school's responsibility to work towards pointing young people at career pathways.

Angela agreed that the youth employment space is cluttered. She is on a working group that has just put together a digital forum on digital skills. They are now sponsoring a school that has a DYW coordinator, offering work experience, passing on old equipment and doing a careers programme (ie offering slots with employees talking to pupils about their jobs). They are also providing online work experience. 80% of their staff worked remotely before the pandemic (100% now). They managed to run work experience online over the summer and so have managed to take on a graduate on the back of that; there are solutions out there but people are not necessarily looking for them.

Youth guarantee scheme (YGS) – what would make the difference?

James said that one of the key issues is sharing information with young people and 'teaching the teachers' about the opportunities available.

Angela said that they would hire a couple of young people to do digital media jobs or HR or admin under a job guarantee scheme. The contribution of half a salary would make this scheme attractive for a small company such as theirs.

Chris said that the main issue is how long the scheme lasts. Chris was told that the YGS would be modelled on the Edinburgh Guarantee, which wasn't a guarantee of a job; it was recruitment and only guaranteed an interview. Chris is concerned that young people will think that it is a guaranteed job; it is important to get the language right. The Kickstart scheme involves a 6 month placement; Chris doesn't think that is long enough and said that it needs to be for at least a year to engage employers.

Graham said that a 6 month placement would require him to put a skilled worker aside to do the training, thus losing that worker's productivity, 'not attractive at all'. Graham described the graduate apprenticeship scheme as fantastic but said that headteachers do not seem to understand the scheme which he said was 'very frustrating'.

Martine said that schemes should be sector specific. For example, the Kickstart Scheme is a good thing for childcare and the foundation apprenticeship has been 'amazing' for childcare too. However, childcare is still seen as the option for people who are not good academically; 'we need people who are passionate about children and their development'. People need experience to decide to go into childcare and Kickstart could help with this; however, the scheme requires 30 people to be employed, which is difficult for nursery employers to comply with. They have apprentices ready to go but no employers to take them on. In the nursery sector it is a financial incentive that is needed.

Adam said that any scheme should have an incentive; many businesses will put off taking on young people into skilled roles until next year, especially in the digital and tech space. Adam believes that there should be an incentive for businesses to look at the 2020 leavers next year and invest time to refresh young people's skills after a 'year out' to avoid having a year that is lost through no fault of their own.

Manny agreed that the approach should be sector specific. They work with DYW, etc; their objective was to build a sustainable workforce in Dundee as the leisure sector was growing prior to the crisis. Unpredictability is a problem due to COVID-19. They could take people on tomorrow on a short-term contract but then they might have to be let go 3 months later. The JRS has been a 'massive help', 50% of that support would be helpful after October. On that basis, they would easily take on staff now and hopefully guarantee them a position in the longer term.

Dale said that they do not currently run an apprenticeship scheme as they are not in a position to do that properly at the moment; they are looking to do it in the future. Dale said that the length of placements and the opportunity for work placements is key.

Graham said that when there are skilled people available, they will take them on first before taking on trainees. They would like to take on 20 apprentices but that is decided by the level of work; the company is looking at a drop off in 6 months and they do not want to take people on without the certainty looking ahead. For them, external support is not the determining factor in taking on trainees.

Their modern apprentices mainly become welders or fabricators which involves a 4 year apprenticeship; the first 2 years cost the business money and in years 3 and 4, the trainees become more productive and by the end of the scheme there are good,

qualified people. However, due to uncertainty of business levels over the next 6 months, they are not going to make the investment in training young people; they're more likely to take skilled people on.

Hasan Ertekin (Jump N Joy) agreed that uncertainty over the next 6 months means that they are not taking on new staff; they are currently trying to maintain current jobs.

Chris referred to the 'double whammy' of uncertainty: COVID-19 and Brexit; this makes businesses nervous looking at the future. Chris said that at times of uncertainty, businesses don't spend money. Businesses have taken money from the government to date to support immediate survival; the second wave of support should be for long-term survival. Support for employing young people could be offered on a sliding scale; there is limited return on investment in young people in first couple of years so more support should be offered during this time and with less offered in subsequent years.

Impact of working from home?

Chris said that they do not have anyone working from home; they found that the office staff were less productive working from home and so they invested in screens, etc to make it safe to work in the office. Learning on the job cannot be done easily from home.

Graham said that it is impossible to train welders and fabricators at home; graduate apprentices could work from home but the it is important to have people nearby to learn from.

Adam said that they have had 250 people working from home for the last 6 months. There was an initial boost in productivity but then it began to tail off. Isolation from working from home (more prevalent in the under-25s) is impacting on mental health and this will be an issue longer-term. Longer-term they are looking at 70% working in the office and 30% from home. They have found management of people working from home more difficult so have had to increase management and therefore costs.

Angela said that 80% of their staff worked from home previously – now it is 100%. They have given up our offices in Glasgow, which were seen as a 'waste of money' as people do not want to be there.

Manny said that opportunities to work from home in hospitality are rare. He would love people to come back into the office; he thinks it would be easy to make it safe. He said that people coming back into the offices will support the hospitality sector.

Dale said that if you are an experienced person, working from home can work. For young people developing a career, it can be very difficult.

James said that it is about how we support young people in their environment. Ayrshire College is doing blended learning but there are digital poverty and connectivity issues. Emotional intelligence and the experience of working together is important, he said.