



Business, Energy and Industrial Strategy Committee

House of Commons, London SW1A 0AA

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Alok Sharma MP
Secretary of State for Business, Energy and Industrial Strategy
Department for Business, Energy and Industrial Strategy
1 Victoria Street
London
SW1H 0ET

27 July 2020

Dear Alok,

Impact of Coronavirus on Business and Workers

On the 13th March, the Business, Energy and Industrial Strategy Committee (the **Committee**) launched a major inquiry on the Impact of Coronavirus on Businesses and Workers (the **Inquiry**). The Committee received several thousand written submissions from workers, businesses and their representatives as well as other interested stakeholders. We held five evidence sessions between the 17th March and the 18th June, full details of which are attached to this letter. This work has given the Committee a unique insight into the impact that the pandemic has had on businesses and workers, and of the impact and efficacy of Government support packages.

I would like to take this opportunity to pay tribute to you and your Department and also to the Chancellor of the Exchequer and HM Treasury for your work over the past few months in addressing the scale of the challenges faced by both businesses and workers as the pandemic evolved. I would also like to put on record my thanks to all the individuals who contacted us with their concerns, and all of those who gave oral and written evidence.

As you are aware, the Committee is keen to play an effective and constructive role in both scrutinising the work of the Business, Energy and Industrial Strategy Department (the **Department**) as well as putting forward evidence-based policy proposals through our engagement with Committee stakeholders.

It was never the Committee's intention to publish a formal report on this Inquiry. The Committee has, however, engaged in detailed correspondence, identified gaps in support and raised key issues as they

arose. Both I and the Committee appreciate both yours and the Chancellor's engagement with this 'real time' scrutiny and the steps taken to immediately target support to where it was needed.

While we very much welcome your ongoing engagement in addressing issues as they arose, there are some broader lessons to be learned from our Inquiry, which may be crucial in the event of a second wave of the pandemic, or a similar event in the future. This letter therefore summarises some of the main issues that have arisen so far and highlights what lessons should be learned from this unprecedented event. It also seeks to consider what Covid-19 means for current and future decision-making as we begin to recover and build our economy for the future.

Gaps in support for workers during the pandemic

1. Despite the various schemes that were introduced, including the Coronavirus Job Retention Scheme (CJRS) and the Coronavirus (COVID-19) Self-employment Income Support Scheme (SEISS), we received written submissions and oral evidence from a range of stakeholders who pointed to groups of workers that were ineligible. This included workers who started a new job before the cut-off point for CJRS, self-employed workers with an annual trading profit in excess of £50,000 and directors of limited companies who took a large part of their income in dividends. Though some changes were made to address some of these gaps, such as moving the cut-off date for the CJRS, the Treasury Select Committee estimated that there could have been over a million individuals affected (Treasury Committee, Economic impact of coronavirus: Gaps in Support, (HC 454; 15 June 2020)). The Committee similarly heard from a number of sectors whose workers were excluded from support schemes. Equity and Prospect highlighted the fact that workers who were freelancers or those on short-term contracts were also excluded from the CJRS and SEISS. The TUC told us that workers who depend on bonuses or piece work rates for significant parts of their earnings were adversely affected when furloughed, as they only received 80 percent of their basic salary. We've also heard that agency workers have been particularly impacted, often having to wait months for furlough payments. We acknowledge that the Government has been addressing some of these issues through its Good Work Plan, while a number of cases on employment status are due to be heard by the Supreme Court.

- **What lessons have BEIS and HM Treasury learnt from these gaps in support?**
- **We recommend that you review the status of workers, and how they are categorised by HMRC, so that there will not be similarly excluded workers in the future.**

Tapering support for workers

2. On the 29th May, the Chancellor of the Exchequer announced the tapering of the CJRS, with employers beginning to pay more towards the scheme from August onwards until the scheme is withdrawn in November 2020. The scheme has been wide-ranging with over 8.4 million jobs furloughed. However, witnesses from a number of sectors, such as retail, the creative industries and manufacturing expressed concern that there would be increasing redundancies from August. The restrictions on live performances by actors and musicians, for example, has had a profound affect on the livelihoods of thousands across the UK. The shutdown of the aviation and aerospace

sector will clearly have a longer-term impact compared to other sectors. We know that even with the CJRS and the other support packages provided by the Government that these sectors in particular have already suffered significant job losses.

- **What modelling was used to implement the tapering of the CJRS and SEISS?**
- **Did the Government consider using a more targeted approach to protect jobs in sectors that have been particularly affected?**
- **Is the Government considering sectoral specific schemes for the worst affected sectors, especially if there is a second wave of the virus?**

Treatment of workers during the pandemic and health and safety issues

3. At the beginning of the pandemic we received over a thousand submissions from workers who raised safety concerns about their workplaces. This included a lack of social distancing, workers being put on sick pay rather than being furloughed and workers with underlying health conditions being pressurised to continue working. While some employers treated workers well, furloughing and topping up the wages of their staff, others, such as Wetherspoons, initially threatened to not pay workers any money until they received furlough funds from the Government and encouraged their workers to take other jobs. Other employers, such as British Airways, plan to make thousands of their staff redundant while re-employing those staff who remain on reduced terms and conditions.

- **We recommend that you review the protections in place for workers, so that in the event of a second wave of the pandemic, or local lockdowns, they are not forced to work in unsafe workplaces, treated unfairly in terms of accessing government support or subjected to reduced terms and conditions.**

4. As the lockdown began to ease, we heard evidence that suggested workers were concerned about the safety of the workplaces they were returning to. Furthermore, some businesses found that the guidance that was provided, for example, in terms of social distancing and the use of PPE, was unclear and overly complicated. Prospect identified that the Health and Safety Executive (HSE), which has been subject to significant cuts over recent years, was not well placed to investigate issues in individual workplaces because it does not have the resources to meet the potential scale of the challenge, and was not always able to carry out physical inspections of workplaces.

- **How has the Government monitored health and safety issues in the workplace?**
- **How many physical inspections has the HSE carried out, and what are the number and nature of breaches it has found?**
- **What lessons have you learnt from this exercise? What role do you think trade unions could usefully play in providing support in this area?**
- **Has the Government reviewed the capacity of the HSE, and other partner organisations such as local authorities, to ensure that workplaces are safe in relation to Covid-19?**

5. Of particular concern to the Committee was the evidence we heard that pregnant women who had not yet gone on maternity leave were being unfairly treated. This included: pregnant women: being put on sick pay rather than being furloughed, which affected their statutory maternity benefit entitlement; being made redundant before going on maternity leave; and being pressurised

into working in unsafe working environments. Similarly, as the lockdown has been lifted, pregnant women have found that they are being encouraged to return to unsafe workplaces and are still being treated unfairly. We accept that you have taken some measures to address these issues, as you told us on the 9th July, but you also told us that you would ensure that the guidance was clear, adhered to and that any abuses were being addressed

- **What specific measures and mechanisms are now in place to monitor the treatment of pregnant women and women on maternity leave, and what action you will take where guidance has not been followed and where such women have been unfairly discriminated against?**
- **We recommend that you urgently review how pregnant women and women on maternity leave have been treated during the crisis and indicate when you will bring forward legislation to give all pregnant women and those on maternity leave equal protection in the workplace.**

Support for Businesses

6. The Government provided a wide ranging set of support packages for businesses alongside the CJRS and SEISS schemes mentioned above. These included a series of loans and grants and moratoriums in areas such as rent and PAYE.¹ We were pleased that you addressed a number of gaps in these packages as they were identified, for example, following your appearance before the Committee on the 23rd April, you closed a legal loophole whereby some landlords were circumventing the moratorium on rent. However, some of the issues that arose raise questions about the nexus of support for businesses more generally and whether support was strategic and tied to policies such as the Government's Industrial Strategy with its associated foundations, grand challenges and sector deals, and/or the areas you identified in the five working groups you set up last month: the future of industry; green recovery; backing new businesses; increased opportunity; the UK open for business. The Committee will be looking at these issues amongst others as part of its Post-pandemic Economic Growth inquiry, which we launched on the 3rd June. For example, the Committee will consider whether support was and is aligned with issues such as promoting sustainable high quality jobs across the whole of the UK and achieving Net Zero ambitions.
7. One of the first issues identified was the ability of businesses to access the pipeline of loans, such as those administered by the British Business Bank, through banks and other lending institutions and by the Bank of England. We were told by many businesses and by organisations such as the Federation of Small Businesses, that banks were making it very difficult to qualify for loans because of the conditions attached, the complex nature of the applications and the length of time it was taking for loans to be approved. The Government did move to address many of these issues by introducing the Bounce Back Businesses Loans (BBLs), removing some conditions and simplifying applications, while finessing the range of loans to fit different types of companies and their varying needs. By the 8th July, the British Business Bank had approved: over 53,000 CBILs

¹ In addition to the CJRS and SEISS, this package included: Coronavirus Business Interruption Loan Scheme; Coronavirus Large Business Interruption Loan Scheme; Bounce Back Loans; Covid-19 Corporate Financing Facility; Coronavirus Future Fund; business rates relief for retail, hospitality, leisure, and nurseries; Small Business Grants Fund and Retail, Hospitality and Leisure Grant Fund; Local Authority Discretionary Grants Fund; rent moratorium from 23 March to 30 September; deferral of PAYE and VAT payments due to Covid-19; Eat Out to Help Out Scheme.

facilities worth £11.49bn; over 1m BBLS facilities worth £30.93bn; over 394 CLBILS worth £2.58bn; and, over £379.9m of convertible loans through the Future Fund.

- **We recommend that you review the success of the various loan schemes, the wide range of providers and the capacity of the British Business Bank to manage such an undertaking at scale and pace while balancing this risk with value for money considerations. This review should include an institutional review of how future re-financing, converted equity and other government-backed loan issues should be managed in the future.**
 - **We also recommend that you and the Chancellor review the performance and behaviour of the banks, established and challenger, in supporting businesses, noting that some banks were supported by the tax payer during the 2008/09 financial recession, and that the results of any such review are published.**
8. In addition to the loans, the Government also provided business rates relief for retail, hospitality, leisure, and nurseries and the Small Business Grants Fund (SBGF) and Retail, Hospitality and Leisure Grant Fund (RHLGF). We took evidence from SMEs and the Federation of Small Businesses as well as sector representatives which reported wide variations in the ability of local authorities to pass on this support, a lack of flexibility to meet local needs and different workplace settings and a range of businesses which were deemed to be ineligible for support.
- **What is the latest position of these grants in respect of businesses helped, money awarded and the speed in which applications were turned around?**
 - **We recommend that the Department reviews the role of local and regional government and other relevant organisations and agencies (such as LEPs and growth hubs) in helping small businesses access funding, support redundant workers and ensure the general health of local business to withstand a second wave of the virus or a similar shock.**
9. As noted above, one measure to support business was a moratorium on business rent until the 30th September and a code of practice developed with leaders from the retail, hospitality and property sectors to provide clarity for businesses when discussing rental payments and to encourage best practice so that all parties are supported. However, both businesses and landlords expressed concern about potential problems when owed rent needs to be repaid. For some high street businesses the need to repay outstanding rent will pose real problems as they seek to recover and while footfall may still be low. Equally, many landlords who need to service debt, in some cases involving pension funds, will also face major difficulties.
- **What steps is BEIS and HM Treasury taking to address the problem of unpaid business rent?**
10. The Government's initial support package at the beginning of the crisis was costed at £330bn and on the 8th July, the Chancellor announced a further £160bn package aimed at protecting, supporting and creating new jobs. This included a kickstart scheme, a job retention bonus and VAT cuts. As already noted, the level and range of support is to be welcomed. However, we took evidence from two esteemed academics who stressed the importance of ensuring that government support was strategic and tied to a proactive and joined-up Industrial Strategy that prioritised

sectors and economic missions that could provide sustainable high quality jobs across the whole of the UK whilst meeting goals such as Net Zero.

- **Can you outline the strategy which informed the various support packages and whether it was guided by existing Government policies, such as the Industrial Strategy and its associated foundations, grand challenges and sector deals?**
- **For instance, how were allocations of the Future Fund decided, how do these decisions dovetail with the aspirations of the Industrial Strategy, the Government's 'levelling-up' agenda, and how do they represent value for money and adequate risk management for the tax payer?**

11. Businesses, business representatives, workers and trade unions (especially in the manufacturing and engineering sectors) expressed concern that in the event of a major recession and significant job losses, key skills and knowledge will be lost. Notwithstanding the impact on individual workers and businesses, this threatens the UK's ability to recover and to deliver goals such as increased exports, improved infrastructure and the technology to deliver wider goals such as energy efficiency and net zero.

- **What planning is BEIS undertaking and what dialogue is it having with strategically important sectors to ensure that key skills and knowledge are sustained and protected in the short and medium term? How will the government measure success in its ability to retain the skills required to recover quickly?**
- **How is this aligned with wider policies and goals such as the Industrial Strategy and our net zero target?**

12. Many submissions we received have stressed the problems that certain sectors and types of business have suffered. As noted above, the retail, hospitality and creative sectors have been particularly hit. We acknowledge that the Government has moved to support some of these sectors and we welcome, for instance, the £1.57bn emergency support package to help protect the future of theatres, galleries and museums which was announced on the 7th July. However, there are still a number of businesses who are struggling and have failed to receive support. For instance, the UK wedding industry, which is estimated to support 252,000 weddings a year and worth over £10bn and involve a wide range of small businesses (including cake-makers, caterers, dressmakers, DJs, venues, florists, photographers, and many more). Such businesses have told us that many wedding insurers have been unwilling to cover costs already incurred, while continuing restrictions threaten future revenue and their viability.

- **We recommend that you review the sectors and businesses that are suffering from acute problems resulting from social distancing and other health and safety measures with a view to providing additional support.**

The Committee took evidence on 'Project Birch' and conflicting views on what form Government stakes and intervention in companies might take. ADS told us that they favoured a mixed investment model, whereby Government would contribute or underwrite an investment fund that would crowd in private investment that could then be used to support businesses over the longer term. Make UK was concerned that previous examples of Governments taking stakes in manufacturing did not have a good track record and advocated interventions and support that

was temporary, bespoke and on a bilateral basis. Unite argued that Government should take an equity stake in some of the UK's foundation industries to give them real long-term security. The GMB and others also told us that if the Government did take stakes in companies conditions should be attached, such as restraint on executive pay, companies paying their fair share of tax, investment in skills and training and other priorities such as net zero. We were also told by other witnesses that if Government did take stakes in companies that it had to be strategic and tied to wider goals, such as the Industrial Strategy. You confirmed that one company has already received Government support and that you will: approach support on a case-by-case basis; attach conditions in areas such as employment, climate change, tax, corporate governance, restraints on executive pay and bonuses; and, protect the taxpayer.

- **Can you outline the strategy behind Project Birch and explain how it aligns with the Industrial Strategy, in areas such as the foundations, grand challenges and sector deals??**
- **If the Government takes a stake in a company, is it intended to be a short-term investment to help a company overcome temporary problems or is it part of a long-term strategy?**
- **How will the Government manage its stakes in companies to ensure value for money, manage risk and ensure adherence to agreed criteria for such support?**
- **How will the Government review the overall success of Project Birch but also individual interventions and will such reviews be published, and if so, how often?**

Bad corporate behaviour, late payments and the UK's supply chain

13. Weatherspoons and British Airways have already been referred to in this letter as examples of companies exhibiting bad corporate behaviour. The Committee congratulates businesses, such as Greggs, Admiral Insurance and Bunzl, which have acted in good faith during the pandemic – be it in their support for workers and customers, the returning of unutilised furlough payments or the unwillingness to claim economy wide payments (such as the £1,000 grant per returned worker) where this isn't required. As you told the Committee on the 9th July, conditionality of support was not a feature in the early phases of the economic response but, taking the Celsa Steel example, we should expect to see more conditionality in the future.
14. SMEs, the Federation of Small Businesses and the Small Business Commissioner (the SBC) highlighted the issue of late payments and the problems that many small businesses were experiencing throughout the UK's supply chains because of cash flow problems. There were a number of high profile instances, such as New Look, for example, delaying supplier payments indefinitely during lockdown. The SBC accepted that some big companies were experiencing their own cash flow difficulties, but suggested they could prioritise payments to SMEs, especially those most vulnerable to immediate cash problems. The SBC also indicated that he needs new powers to proactively investigate the worst cases.
 - **We recommend that the Government reviews what enforcement powers it has in respect of the clawing back of support, or the rejection of future support, for businesses which have acted in bad faith in the use of public funds.**
 - **SMEs are crucial to the UK's supply chains and will be key to the UK's economic recovery, post-pandemic economic growth and its resilience going forward. What steps is BEIS taking to ensure that SMEs are paid wherever possible on time and**

that if there is a second wave of the virus they will be protected from late payments where this is unreasonable?

- **We recommend that the Small Business Commissioner be given additional powers to proactively investigate late payments.**
- **We also recommend that the Prompt Payment Code should be made compulsory and that late payers should be excluded from government contracts.**

Local Lockdowns

15. At the end of June, the Government took the decision to impose a local lockdown in Leicester, which is now being gradually relaxed, though bars, restaurants and hairdressers will remain closed for longer. On the 17th July, the Prime Minister announced that councils in England have been given new powers to close shops, cancel events and shut outdoor public spaces to manage local outbreaks of coronavirus. Following the Leicester lockdown and the announcement of the new powers, a number of concerns have emerged ranging from the quality and availability of information for local businesses and support if businesses, especially non-essential retail, are required to close.

- **What lessons have been learnt so far from the Leicester lockdown?**
- **What support was given to businesses in Leicester that were required to close?**
- **What impact has the Leicester lockdown had on local businesses and workers in terms of bankruptcies, job losses and reduced revenue?**
- **How has the Department monitored the impact of the Leicester lockdown and what plans does it have in terms of monitoring future lockdowns?**
- **Does the Department have plans for tailored financial support and schemes for businesses and workers affected by local lockdowns?**

Consumers

16. Which? highlighted the impact of lockdown on consumers. They specifically noted price gouging and profiteering and the inability of consumers to obtain refunds which they were legally entitled to when their holidays and flights were cancelled. The former Chairman of the Competition and Markets Authority, Lord Tyrie, also stated that the pandemic had revealed that the CMA needed new powers to deal with profiteering and that the CMA had not been given the new powers he had called for last year, including the ability to impose hefty fines on companies who had wronged consumers and to halt bad practice without resorting to the courts.

- **We recommend that your Department requires a review of the powers and responsibilities of the CMA, and other consumer regulation enforcers, to address bad business practices, effective enforcement of consumer law and appropriate action to tackle market abuses, such as profiteering, that took place during the pandemic.**

While the Committee recognises that emergency measures were required to be put in place at speed, and welcome the steps the Government took in this respect, the Committee does expect Government to act with more policy sophistication, with more transparency and reporting, with more strategic alignment to

policies such as the Industrial Strategy and at all times with a view to the requirement placed upon all Government's to spend tax payers money wisely. We hope this Inquiry provides an opportunity for your Department to reflect on and iterate its policies as we move through this crucial transition from economic emergency to economic recovery.

We would appreciate a full and detailed response to this letter by the 1st September.

A handwritten signature in black ink that reads "Darren Jones". The signature is written in a cursive, flowing style.

DARREN JONES MP
CHAIR, BUSINESS, ENERGY AND INDUSTRIAL STRATEGY COMMITTEE

Annex

Evidence Sessions and Witnesses

17th March

Rain Newton Smith, Chief Economist at Confederation of British Industry

Alasdair Hutchison, Policy Development Manager at Association of Independent Professionals and the Self-employed

Martin McTague, Policy and Advocacy Chair at Federation of Small Businesses

Paul Nowak, Deputy General Secretary at Trades Union Congress

23rd April

Alok Sharma MP, Secretary of State at Department for Business, Energy and Industrial Strategy

Sam Beckett, Acting Permanent Secretary at Department for Business, Energy and Industrial Strategy

Joanna Whittington, Director General, Energy and Security at Department for Business, Energy and Industrial Strategy

30th April

Philip King, Interim Small Business Commissioner at Department for Business, Energy and Industrial Strategy

Adam Marshall, Director General at British Chambers of Commerce

Martin McTague, National Vice Chair Policy and Advocacy at Federation of Small Businesses

Helen Dickinson OBE, CEO at British Retail Consortium

Melanie Leech CBE, CEO at British Property Federation

Andrew Goodacre, CEO at The British Independent Retailers Association

14th May

Tej Parikh, Chief Economist at Institute of Directors

Paul Nowak, Deputy General Secretary at Trades Union Congress

Sue Davies, Head of Consumer Protection and Food Policy at Which?

Dr Adam Kucharski, Assistant Professor in the Department of Infectious Disease Epidemiology at London School of Hygiene & Tropical Medicine

Professor David Heymann, Professor of Infectious Disease Epidemiology, London School of Hygiene and Tropical Medicine

4th June

Stephen Phipson CBE, Chief Executive at Make UK

Paul Everitt, Chief Executive at ADS Group

Mike Hawes, Chief Executive at Society of Motor Manufacturers and Traders

Gareth Stace, Director General at UK Steel

Gillian Cooper, Interim Head of Energy Policy at Citizens Advice

Fintan Slye, Executive Director at National Grid ESO

Jonathan Brearley, Chief Executive at Ofgem

Audrey Gallacher, Interim CEO and Director of Policy at Energy UK

18th June

Gary Smith, Secretary at GMB Scotland

Steve Turner, Assistant General Secretary at Unite

Christine Payne, General Secretary at Equity

Mike Clancy, General Secretary at Prospect

Tony Dale, Head of Research at Usdaw

9th July

Alok Sharma MP, Secretary of State at Department for Business, Energy and Industrial Strategy

Sam Beckett, Acting Permanent Secretary at Department for Business, Energy and Industrial Strategy

Joanna Whittington, Director General, Energy and Security at Department for Business, Energy and Industrial Strategy

Jo Shanmugalingam, Director General, Industrial Strategy at Department for Business, Energy and Industrial Strategy