

Ken Skates MS

Minister for Economy, Transport and North Wales

6 May 2020

Dear Ken,

### **Welsh Government Covid-19 Response: Business and Job Support**

The Economy, Infrastructure and Skills Committee met on Thursday 30 April to take evidence from key stakeholders on the Welsh Government's business and job support response to Covid-19: the Committee is grateful to FSB Wales, CBI Wales, Wales Tourism Alliance, Wales TUC, Unite and GMB. A full transcript of the meeting is on the Committee's [website](#), and it can be viewed on [Senedd TV](#).

I have drafted this letter both to outline some of the issues we will discuss at our scrutiny session next week but also with the hope you would circulate it to the teams in Welsh Government working on the COVID19 response.

The Committee recognises how hard those teams are working to support people across Wales and thought they may find this overview of the experience of members of the organisations who gave evidence useful to inform their considerations and future policy advice.

The ideas and recommendations included in this letter reflect the evidence we heard and are the views of the witnesses and their organisations not



**Senedd Cymru**

Bae Caerdydd, Caerdydd, CF99 1SN



SeneddESS@senedd.cymru



0300 200 6565

**Welsh Parliament**

Cardiff Bay, Cardiff, CF99 1SN



SeneddEIS@senedd.wales



0300 200 6565

recommendations of the Committee or its members. I do not expect responses to them in writing as we will discuss them next week.

### **Business Support**

After a slow start, and capacity issues for Business Wales, stakeholders welcomed the response and level of support and advice being provided by Business Wales and the Development Bank of Wales (DBW) to respond to a challenging and constantly evolving situation. Having a single point of contact with Business Wales is considered very helpful. One Member noted that the DBW should have more informative and personalised communication with potential new loan customers, rather than issuing standard rejection letters/responses.

CBI Wales said most businesses agreed that the government had stepped up, and other stakeholders welcomed both Governments being “in listening mode” and hope to see this continue. Unions are clear that the value of having established social partnership structures in Wales has been demonstrated, with good engagement with Ministers and the Fair Work directorate.

### **Insurance**

FSB reported that, whilst unfortunately some companies have found themselves underinsured for this situation, there are companies who believe they have adequate insurance in place but are struggling to get their insurer to pay out. Whilst it is non devolved this is a significant issue, as businesses who cannot rely on insurance payments are otherwise dependent on support from the public purse. Although it would be wrong to criticise the insurance industry as a whole, CBI Wales said one or two insurers are not acting fairly. Witnesses felt measures to rapidly address that issue would be welcomed.

### **Provision of support vs prevention of fraud**

Witnesses discussed the issue of balancing speed and accessibility of support whilst reducing fraud/misuse of funds. FSB Wales said pace was important and it had seen examples of businesses giving money back to local authorities if they didn't need it, and CBI Wales was not aware of any abuses. FSB Wales also noted there is still a gap in businesses not being aware of or able to access the support that is available.



Cash flow is a key issue for SMEs to be able to pay suppliers and be paid, and is having a massive impact on supply chains and the Welsh economy as a whole: FSB Wales had anecdotal evidence of payment terms getting worse, especially with larger firms up the supply chain changing terms.

### **Divergence**

The CBI were concerned about divergence of approach from other parts of the UK. They noted this would be a particular challenge for businesses in North East Wales. However, the fact that the Welsh Government had legislated for the 2 metre rule in Wales, in contrast with England, was very much welcomed by both panels.

### **Job Retention**

CBI Wales describe the Coronavirus Job Retention Scheme (CJRS) as “an absolute godsend” which has saved many businesses, but redundancies were now happening, such as in the aviation sector. There are huge concerns about this sector and the associated supply chain, and Unite in particular warned of the devastating impact on the manufacturing sector in Wales. Unite point to the need to retain a skilled workforce to adapt to emerging business needs as a result of the pandemic – for Wales to be the place for large employers to come back to – and pointed to the role that a well-funded Wales Union Learning Fund (WULF) could play. They also warned against the counter side of this, if the factories close the skills will be lost and it will be very hard to get them back.

There was concern about abuse of the furlough system, where employers make redundancies having taken advantage of the CJRS. The union view was that for “Mark II” of furlough beyond June, employers should be clear on their long term business plan and be held to account on it, and that union representatives must be included in the consultations. Mike Payne of the GMB stated “we can’t allow public money to be used to reward bad practice.”

### **Safety and Wellbeing of Workers**

There is overriding agreement that the safety and wellbeing of the workforce is paramount. CBI Wales’ members are consistently raising mental health as an issue. They and the unions have raised the fact that, while some workers will be



desperate to get back to the workplace, others feel more comfortable/safer working from home. Wales TUC said it is very important that in exiting lockdown every employer is required to undertake a Covid-19 risk assessment developed in consultation with unions and workers.

Bad practices have been reported in some workplaces – in particular the food production and manufacturing, retail and construction sectors. Witnesses felt this demonstrates the need to strengthen the social distancing enforcement regime and give it ‘more teeth.’ GMB said there are not enough people in the Health and Safety Executive or local authorities to deal with monitoring and enforcement, and the level of fines for breaches have meant some employers will just pay them instead of the outlay for putting in proper social distanced working practices. Workers also need to know they have protection for whistle-blowing, and without access for their representatives the trade unions did not think things would change.

The Committee was told a lot of workers who should be self-isolating had taken a decision over health considerations to continue working due to the level of Statutory Sick Pay. GMB cited the example of a national care company initially reporting 150 workers needing to shield or self-isolate, but after the furlough scheme came in they had 1,200 employees who had letters or were forced to stay home.

Concerns were raised about the safety of shop workers, including access to Personal Protective Equipment. A high proportion of these workers are on low income/Universal Credit with no choice but to work even if unwell, provision of PPE is an issue, social distancing rules are not being enforced as well inside shops as outside, and re-stocking shelves is now needed at a quicker rate. Abuse of shop workers by customers is also a shocking issue, and the Committee notes that Wales TUC has raised this issue with you.

### **Tourism and Hospitality Sector**

There are specific concerns in the tourism sector, and for self-catering businesses in particular, some of which are unhappy about the speed and ability to access support. Wales Tourism Alliance (WTA) said the introduction of a secondary level



of eligibility criteria in relation to the business rates grants scheme, set out in the letter sent to local authorities by the Minister for Housing and Local Government, had led to confusion and Welsh local authorities having to do a greater level of analysis to establish eligibility.

Although the Minister has told all local authorities to use their statutory powers to apply discretion, it appears some have been much better at paying out than others. These additional requirements also mean that holiday let businesses find themselves at the back of the queue for processing as their applications are more complex. WTA said the way forward was for the Welsh Minister to withdraw the guidance and return to the original Valuation Office Agency criteria.

The seasonal nature of the tourism sector was also raised: the sooner business begins to trickle back the better, and WTA said lots of rural businesses and rural hotels will be capable of meeting safe social distancing rules (SD) quite quickly with some amendments, although FSB noted the dramatic impact of SD on profitability for the tourism and hospitality sectors – it may be less costly for some businesses to stay closed.

A Tourism Hibernation scheme was suggested, whereby businesses could partially furlough some people for the remainder of the season, to bring down costs while dealing with SD, and extending finance schemes with interest holidays for the rest of the year, to hold businesses over from this season until the start of the next season next March. CBI Wales notes the impact is being felt by larger Welsh tourism businesses too. The Committee would like to see vigorous support for the sector going forward.

### **Addressing gaps in support**

Sole traders especially are falling through gaps in the system. FSB Wales identified the newly self-employed, or those who had returned to self-employment after maternity leave, due to lack of evidence of account records, as well as those who have no property associated with their business or where the business rates are paid via their landlord as part of their rent as specific examples. The Economic Resilience Fund has a VAT threshold so some people fall through that gap, which FSB suggested could be addressed by other information requirements and



potentially removing the VAT test. Company directors who drew dividends from their business were also affected in terms of the proportion of their income covered by furlough arrangements. These issues all need addressing urgently in the next phase by both governments.

It is hoped that the new microbusiness bounce-back loan scheme will benefit SMEs, but FSB Wales notes the need to evaluate the success of both that scheme and the Coronavirus Business Interruption Loan scheme in Wales, to see if gaps remain that the Development Bank of Wales might need to fill.

The plight of self-employed taxi drivers, who, despite their business drying up over a month ago will have no support until June, was recognised. GMB said members in sectors like creative, tourism, restaurants and pubs were also among those badly affected – a lot of those businesses cannot afford to take on loans and face future debt. GMB pointed to the six big breweries not allowing pub landlords to stop paying for their leases while all pubs are closed. The impact for these small businesses in rural areas is a particular concern.

Wales TUC say the consequences of not addressing gaps in job support would be “catastrophic” in terms of mental health, debt, poverty, with a disproportionate impact on some people for example BAME communities.

For the next phase of support, FSB Wales also pointed to the support offered by the Scottish Government for the self-employed : Scotland seemed to have a greater tolerance of the risk for the self-employed who can demonstrate hardship (i.e. through the [Newly Self-Employed Hardship Fund](#)). A more onerous application process may be needed to mitigate against fraud, but it is suggested Welsh Government should look at how the Scottish scheme is approaching that.

FSB Wales noted the importance of ensuring there are no equality issues arising from the distributional and spatial impacts of the financial support going into the economy. CBI Wales pointed to the hugely damaging consequences of the pandemic for small towns, as the longer this crisis goes on the more businesses will disappear, and FSB Wales noted the knock-on effect of small business failure for the bigger businesses that rely on them.



## **Rebuilding Public Confidence**

FSB Wales said building public confidence back needs to be led by public advice – consumers will change their behaviour and want to be safe, and there is space here for Welsh Government, through Business Wales, to talk to Welsh businesses about “what good looks like” and “what safe looks like” and to communicate this to the Welsh public.

## **Evaluating the Impact in Wales**

There was agreement on the importance of developing metrics to measure the impact on the Welsh economy specifically, with a suggestion from WTA that research was needed to assess the true impact for the tourism sector. UK Government should be asked how it is evaluating support schemes and ensure that data are broken down to understand the impact in Wales, and see if there are any differences in Wales that needed plugging. FSB Wales noted in relation to the CBIL scheme that the relative difficulty in access to finance for businesses in Wales was an area where the DBW might need to step in to fill gaps.

WTA felt that some medium term support should come from the UK Government that was not just applied under the Barnett formula, but with a level of support that recognises the relative importance and disproportionate size of the tourism sector to Wales as compared to other parts of the UK.

The Committee supported the suggestion of CBI Wales that the Wales Office be asked to help ensure that Wales-only data is available.

## **Suggesting from witnesses for the longer-term**

- A sectoral approach to business support is needed as we exit lockdown: tourism is different to manufacturing and retail;
- Businesses are changing how they operate and the risks attached to that require support, e.g. to address vulnerability and cyber security issues for businesses moving online. For people to return to work and companies to be able to hit the ground running, government should issue HR advice and support to keep people safe under social distancing rules, and much more communication and advice about the 2 metre rule for reopening businesses will be vital;



- CBI Wales pointed to the assurances needed, in particular on public transport and how to overcome the challenge of how people will get to work safely, given the overcapacity of the public transport system before the pandemic;
- WTA said Government needs to provide very clear guidance for re-opening. They also suggested furlough scheme, or its successor, should be made more flexible, for example allowing people to come back one day a week for maintenance purposes prior to tourist areas re-opening; and
- The Unions were hopeful that discussions will remain positive on the wider issues still to be addressed, around Statutory Sick Pay (SSP), self-employment and those relying on Universal Credit. Wales TUC said sick pay was extremely important, and the crisis has exposed scandals around zero-hours contracts – Wales TUC said SSP must be raised to a real living wage.

### **Longer-term economic approaches to issues raised by Covid-19**

The social and environmental impacts of the pandemic on the natural environment, and for flexible working practices and use of technology was noted. Unite felt Welsh Government need to look again at greener energy, noting grave concern about the impact on the economy of Milford Haven and the surrounding area of reductions in oil prices, and suggesting the UK Government decision not to proceed with Swansea Bay Tidal Lagoon should be reviewed.

Yours sincerely,



Russell George MS  
Chair  
Economy, Infrastructure and Skills Committee

