HOUSE OF COMMONS

Treasury Committee

Oral evidence: Economic impact of coronavirus, HC 882

Tuesday 6 October 2020

Ordered by the House of Commons to be published on 6 October 2020.

Watch the meeting

Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Ms Angela Eagle; Julie Marson; Siobhain McDonagh; Alison Thewliss.

Questions 1 – 58

Witnesses

I: Rain Newton-Smith, Chief Economist, Confederation of British Industry; Tej Parikh, Chief Economist, Institute of Directors; Kate Nicholls, CEO, UKHospitality; Paul Nowak, Deputy General Secretary, Trade Union Congress.

Examination of witnesses

Witnesses: Rain Newton-Smith, Tej Parikh, Kate Nicholls and Paul Nowak.

Q1 **Chair:** Good morning and welcome to another session of the Treasury Select Committee on the economic impact of coronavirus. I am delighted to be joined by an expert panel of four this morning. I would like to start by asking each of them to introduce themselves very briefly, giving just their name and organisation, please.

Rain Newton-Smith: Good morning. I am Rain Newton-Smith, chief economist at the CBI.

Paul Nowak: My name is Paul Nowak. I am the deputy general secretary of the TUC.

Tej Parikh: Good morning. I am Tej Parikh, chief economist at the Institute of Directors.

Kate Nicholls: I am Kate Nicholls, chief executive at UKHospitality.

Q2 **Chair:** Welcome to all. We will be asking questions one member after another. Where possible, the member will indicate which person or persons on the panel they would like to answer their question. If you feel you have been overlooked and you have something in particular that you wish to add, please raise your hand and I will endeavour to bring you in at that point.

I am going to start with a question to everyone on the panel. I am just going to ask Rain to be the first person to answer it and then we will go through the other panel members. It has unfortunately appeared over the last few weeks that we are going into what could be a second surge in the virus and a rather longer haul out of the problems associated with it. Do you think that the Government were right to dispense with the furlough scheme and move to the job support scheme under those circumstances?

Rain Newton-Smith: I think you are right; the second wave of infections has come sooner and more strongly than many of us had hoped. We do know that the job retention scheme has been an absolute lifeline. It has supported over 9 million jobs so far. Estimates are that it might be supporting upwards of 2.5 million jobs at the moment.

From our point of view, we did need to see an evolution in the support in this next phase of the crisis. The job support scheme will help to save hundreds of thousands of jobs. We know it works particularly well for manufacturers, some firms in aviation and some of the higher-skilled employments. We have had some positive feedback from SMEs in particular, saying that it has increased the options that were available to them as well.

However, as the Chancellor said yesterday, he should stand ready to act as this crisis evolves. We might need to look at the way that scheme is designed over the coming weeks, particularly if the crisis escalates over the winter months. We think that we may need to see additional support for certain sectors and certain businesses, but it was right overall to evolve the furlough scheme. That scheme was set up at the beginning of the crisis to really support the economy as it was in a static form. Six months on, we need to ensure that the economy is able to adjust to some of the big changes we are seeing in the economy while trying to minimise the number of job losses.

I would just end by saying that, if you look at what the Bank of England has said and more broadly, the economic recovery has been a lot stronger than we had perhaps feared back in the spring. There are some encouraging signs. We can see resilience in the economy, but we also know that there are really tough times ahead. The Chancellor will need to stand ready to act to support the economy going forward.

Q3 **Chair:** Do you think that the job support scheme is generous enough to employers? It seems to be pretty generous to employees who can earn over 70% for a third of their hours, but employers are paying over half the normal salary for a third of the hours worked. Of course, we then have this cliff edge at the end of January with the job retention bonus. Do you not think that, by the time we reach the end of January, we might have quite a cliff edge there, as well as the scheme not being generous enough in the interim to actually support the jobs that can survive in the medium term?

Rain Newton-Smith: It is important that the Chancellor keeps that under review. We have to look at the evidence and what businesses are saying. I know Kate will speak to how the impact is playing out in the hospitality sector. The Chancellor should absolutely keep it under review. If it is not supporting enough jobs through these critical weeks ahead, he might need to consider whether there are ways of putting more money into the scheme to reduce some of the employer contributions.

It was right that we started to see some contributions to the non-worked hours from employers, as we saw with the furlough scheme itself. That was important and the job support scheme evolving that is important. In a way, you have to see how it is impacting on different sectors and also what happens with the virus and the economic crisis itself that we are facing. I would say to the Chancellor that is something that he should certainly consider.

We are concerned that there is a bit of a cliff edge in support at the end of January, as the job retention bonus comes to an end. We are also really mindful of the overall amount that has been spent across the economy and the overall increases in Government debt. We are now in the position where the overall fiscal stimulus that can be offered is in the tens of billions rather than hundreds of billions of support. The support from Government does need to evolve at this stage, but we think the Chancellor should keep it under review.

Q4 **Chair:** Paul, there is a limit to what the Government can spend ultimately. They have to take difficult choices and act wisely with the public finances. In principle, Rain is saying that the scheme seems to be a good one but some of the detail might need to be looked at. What is your view on those aspects?

Paul Nowak: The TUC called in September for the Government to provide support for a short-time working scheme, which effectively the job support scheme is. We thought that was the right thing to do. As you said, things have moved on slightly. We all thought the economy would be emerging from lockdown at this stage. I am speaking to you from Merseyside where we are in the midst of further lockdown measures.

It is important to draw a distinction between support for employers who are suffering a lowering in demand for products and services because of the pandemic and those who cannot operate their services at all, or certainly cannot operate them in a financially viable way. For example, if you have a conference centre and you cannot run your conference centre, it is a very different proposition from running a venue where you still have customers, albeit with a different number of people on the premises.

There are a number of strengths and weaknesses to the current scheme. First of all, the job support scheme was really important in avoiding that cliff edge at the end of October when the furlough scheme was due to come to an end. It has established the principle of support for short-time working at times of economic crisis. It is a model that has been in place in other parts of Europe for many decades; it is important to establish that principle here in the UK. It undoubtedly gives employers, staff and unions the ability to think more flexibly about how we return people to work and support as many people's jobs and livelihoods as possible.

There are big concerns for the parts of the economy that cannot open up because of Government guidelines or the types of organisations. The scheme only supports employers who are able to bring people back to work some hours; it does not support those who frankly cannot bring staff back at all. We wanted the threshold for number of hours worked to be lower than 33%. That would have given employers more scope to ramp up hours over time, which would have been important.

We were disappointed that there was nothing explicit in linking the scheme to support the retraining and reskilling, particularly where people were not being brought back for a significant proportion of their hours. Now is the time to give those people access to training and support rather than waiting for them to potentially lose their jobs or face uncertain futures.

You mentioned the level of support for employers. We argue for more general support for employers, although it is important to note that people were obviously hopeful that they would do productive work for their employers for the third of their hours that was the minimum that they would come back to work for on the job support scheme. That is not money for nothing; it is money for productive work.

The job support scheme is a step in the right direction, but it is only going to be one piece of the jigsaw in terms of making sure we get the economy back on track over the next few months. Maybe we will get an opportunity to talk about this as we go through the discussion, but we need to do more to boost demand in the economy to avoid mass unemployment and give viable businesses that are facing short-to-medium-term pressures because of coronavirus a lifeline over the months ahead.

Q5 **Chair:** You mentioned there that you had pressed for the scheme to be a little bit more generous for employers. Do you feel that it is generous enough and appropriate for the employees?

Paul Nowak: We have called for employees to get at least 80% of their wages. Dependent on the number of hours that people work, it could be from 77% for the job support scheme. We know that there will be employers that will top that up and ensure that people get all of their wages. A lot of this will be a negotiation between employers and unions where they are present. I have fears about those parts of the economy where people are low paid; someone on 77% of the national minimum wage is going to be a real financial burden on them and their family.

There are particular concerns for those who are low paid and those on insecure contracts. I am confident where we have unions in workplaces. Rain mentioned manufacturing, for example. We will have employers and unions reaching agreements on top-ups to the 77% or reaching agreements that employees will not get all of their wages, but that will be a trade-off to support the maximum number of jobs. There will be scope for a negotiation. There will be parts of the economy where those negotiations will not be happening, though.

Chair: That is very helpful.

Tej Parikh: Yes, sure. There was always logic to starting to taper the support as the economy opened up. The question is about the extent to which you taper it. Over the last couple of months until October, we have gone from a firm’s contribution of 10% to 20%; now we are jumping up to 55% with the job support scheme in November. The big question is about the extent to which businesses can actually stomach that significantly higher contribution. For us, it represents somewhat of a cliff edge. A lot of businesses are going to have to make a lot of difficult decisions with this transition from the job retention scheme to the job support scheme, particularly with cash flow still weak. Demand has not fully recovered and it is obviously very difficult to plan at the moment with restrictions and potential changes in restrictions going ahead.

Lastly, the other thing to consider is that 80% of our members said the job retention bonus did not really impact their incentives around retaining workers. It offered very little support. We generally thought there was not enough support from the job support scheme and potentially there needed to be a reduction in the amount that businesses contribute towards the unworked time, or even the pulling of another lever, such as reducing national insurance contributions to give businesses a cash injection.

Kate Nicholls: I echo the points that other panellists have made. There was a need to evolve the scheme. Rain is right that the CJRS was there when the economy was static, but Paul is also right that a large chunk of the hospitality sector is still in stasis and cannot reopen. One in five premises are restricted from reopening by legislation; that includes large parts of the night-time economy and events and functions in our hotels and conference centres. Restrictions as a result of legislation that came in in the last couple of weeks also mean that demand and supply are severely suppressed across hospitality. The Covid second wave and the restrictions are not hitting all sectors of the economy equally. We therefore need to make sure that we have sector-specific support and nuances built into these schemes as we go through this crisis and evolve them.

Finally, we still have 900,000 hospitality workers on full furlough and 400,000 on part-time furlough. Our sector is trying its best to retain that vital link between employer and employee by bringing many of those workers back for short-time work. This scheme unfortunately does not provide enough support for those sectors of the economy that are subject to legislative restrictions and have an inability to earn revenue at a normal level. We fear that, as a result, unless there are amendments for those sectors that are specifically hit by the restriction, we will not avoid the cliff edge in October. Large numbers of redundancies are forecast in October because of the way the scheme is set up. If you have sector-specific restrictions that prevent you from retaining employment and investing in your staff, you need sector-specific support.

Q6 **Siobhain McDonagh:** Hello, everybody. For my first question, I would like to seek a range of views from the panel. The Chancellor has stated that the new scheme is focused on supporting people in viable jobs. What are viable jobs? Is he doing enough to retain them?

Paul Nowak: The starting point is jobs that otherwise would not potentially be at risk in organisations but are because of a fall in demand because of the pandemic or because of organisations being unable to operate normally as a result of the pandemic. There will be a real range there, from venues that literally cannot open at the moment, as Kate said, to those that are suffering short-term pressures in demand for products and services but ultimately will see that demand pick up over the next few months.

The job support scheme was an important step forward because it was about getting people back into work. The vast majority of the people who we represent do not want to be sat at home. They want to be working, doing the job that they enjoy doing alongside the people they enjoy working with and making that contribution to the success of the organisation that employs them. We know that lots of people who have been on furlough for significant periods of time worry about what that means in the longer term and whether they will have a job to return to, but it is going to be very hard. We cannot virtually sit in Parliament deciding what is a viable firm and what is not. The crucial thing is giving employers, and unions where they are present, the maximum number of tools possible to ensure that we save as many jobs as possible and secure as many livelihoods as possible.

I would echo Kate's point about sectoral support. The package of support is going to look very different in hospitality and non-food retail than it is going to look in aviation or automotive. The crucial thing is that the Government are engaging with employers and unions to think about what that package of support looks like. In some cases, it will be about smoothing short-term transition. In hospitality and the live venues that Kate talks about, nobody thinks that we are going to return to business as normal in the next few weeks, or potentially even the next few months.

Will people want to attend conferences in two or three years' time or 18 months' time? I think they will. We would not want to lose those industries and jobs in the meantime. It is about giving as much practical support and flexibility to employers and unions as possible at a local level. The plan for each business will look different, but give organisations as many tools as possible to support them to have a fighting chance to keep hold of jobs and livelihoods.

Kate Nicholls: I agree with Paul. The key here is to focus on what viable businesses are and which businesses will be viable once these restrictions have ended and demand constraints have been removed. In hospitality, we are now moving away from "Are we endangering jobs?" to "Are we endangering the businesses that will employ those people when restrictions are lifted and we come back into a degree of normality?" There is a very real danger that we will lose large chunks of the economy in hospitality. There will be insolvent businesses and businesses going into administration. Therefore, that engine of growth for re-employing people will be lost for good. That is what we need to focus on to make sure that we protect the viable jobs for the future.

I would argue that these are viable jobs in our sector. The people who I have just quoted who are on part-time and full-time furlough have viable jobs. There are legislative constraints to the hours that they are able to open for and their capacity. There are instructions to the general public about working from home, etc. Within that, there will be some instances where there is going to be structural change and we will not see businesses or the nature of the work come back in the same way, and there will undoubtedly be structural change in our town or city centres, but these are otherwise viable businesses.

The opening up of hospitality on 4 July proved that these are viable jobs when the demand is there. We employ people straight away. We increase the demand and we increase the employment when demand goes up, as it did over August. There were 200,000 extra people brought off furlough as a result of Eat Out to Help Out and the increase in demand and confidence going though there. Those are viable jobs and we need to make sure that we try our best to retain that link, even if that is a smaller number of hours and a greater Government top-up to the job support scheme to allow that to be viable for businesses who cannot afford to pay and make an additional employer contribution. These jobs are only being made unviable because of Government restrictions.

Tej Parikh: The instinct for a number of employers is obviously to try to retain their staff. There are costs involved with rehiring and retraining, and there is obviously loyalty to existing employees. The way in which the job support scheme is essentially designed is that it forces a lot of business leaders into trying to make a decision between perhaps keeping two workers on a part-time contract versus just retaining one worker. This is the essence of the way in which the scheme itself is designed. It is encouraging business leaders to try to think about who they want to retain and what is a viable job to retain going ahead.

The problem is that there is a lot of ambiguity around what "viable" actually means. Of course, it is up to the business to decide what is viable, but it is very difficult to decide that. We know that a number of firms in events, conferences or the hospitality sector cannot open up. They would consider themselves to be viable in any normal situation, but at the moment it is very difficult to have that clarity to ascertain where they are going to be, particularly in six months' time when this scheme finishes. It is a very difficult decision to make. There does perhaps need to be some clarification or guidance around what "viable" means and what the aims of the scheme really are altogether.

Q7 **Siobhain McDonagh:** I am sure that all the members of the Committee believe that they know their constituencies really well, none more strongly than me. I have found so many companies that work in the events sector and have been great businesses over the years that now risk closing. We anticipate that something like 90,000 people from the events industry may be made redundant fairly soon, including lots of support businesses that support the events industry.

If the Committee would just allow me, I will just say some of the names of some of the companies in my constituency: Larry Walshe Studios, Just 4 Linen, Dash Linen, Crystal Everest Linen, Tuxedo Express Laundry, Lightwave Productions, White Light, Focus Lighting and Productions, Skyline Whitespace and Oxygen Event Services. All of them are great businesses that employ lots of people, but they have received no support from the Government to date because of the gaps in the scheme.

Which sectors do you think have missed out? Are the Government doing enough to support businesses like these in sectors that have been told they must stay closed?

Rain Newton-Smith: You are right to identify some of those businesses that have not received support. We need to have targeted support as we evolve, but if we only go down a sectoral approach, we miss some of those businesses in the supply chain of sectors where restrictions are in place. You have given some examples; I can think of many others. If you are a manufacturer of swimwear that is sold in leisure centres, your business has been hugely impacted. We know a lot of airports are looking at demand being 90% down on what it normally would be, and that is not just the airport and travel itself; it is all of the infrastructure that goes alongside it and supports a lot of regional jobs. For example, there has been no business rates relief at all to the airline industry, yet that is one of their large fixed costs.

If you look at the beauty industry as well, particularly in local areas these businesses are often run by women. They provide services to their local community. They are still facing some restrictions. At the moment, demand for some of that is weak, but that is not to say that those jobs are not viable in the future.

There are a lot of examples of businesses that fall outside of some of the sectors that have received support. The challenge the Chancellor is facing is that we know that there will be adjustments in some sectors. For example, we know that in 35% to 40% of the economy it is relatively easy to work from home. Those businesses are saying they expect the mixed mode to continue in the future; maybe office capacity and demand for that is on average about 70% of what it was. That means some of the commercial property in our city centres will be repurposed over time to other uses, such as housing and other things. That adjustment needs to happen, but we want these adjustments to happen over time. There are other examples of retail outlets in city centres that are obviously impacted by changing commuting patterns.

To our mind, measures to support businesses' cash flow need to happen. That is something that got less attention in the winter economy plan, and we will maybe come on to discuss it further. We know from the businesses we have spoken to across sectors that allowing businesses to smooth the Q1 VAT payments and the extension of the loan payments from the repayments over six years to 10 years for both bounce-back loans and CBILS has played a huge role in easing the pressure on their cash flow and really helping to support businesses to survive.

Where does support need to go further? We have three suggestions. One is obviously helping to support individuals and businesses when we are seeing the higher incidence of people with sickness absences or who need to self-isolate or who have caring responsibilities. The second is absolutely prioritising support for the enablers of our wider economy: that is transport, childcare, schools, universities and further education colleges. The final one is looking at what support can be provided to local authorities via grants and other mechanisms to support some of the businesses that really play a role in our wider communities, particularly in lockdown areas where the restrictions are more severe.

We should also consider business rates relief for some of those sectors that have not received anything. Again, we have a business rates cliff edge at the end of March for some of our retail and hospitality businesses, as I am sure Kate will articulate.

Paul Nowak: Just in addition to hospitality, which we have talked about, we have real concerns about support in aviation, but also for live music and performance in particular. The Government really need to think about how they support employers in areas that are subject to local lockdowns or further restrictions locally. If you are a pub and you have had restrictions placed upon you because you are in Merseyside or the north-east, you were viable two weeks ago but you may not be viable at the moment. We need support for those in local lockdown.

The third thing I would say is that where support has been made available, for example the £1.57 billion that has been available to support the arts, culture and heritage sectors, that support also needs to be tied to conditionality on employers doing whatever they can to keep as many people in employment as possible. Yes, we want to preserve organisations, but I do not want to just mothball institutions and see the people whose livelihoods rely on those institutions being denuded. It is important that that support comes with conditionality around that.

Q8 **Harriett Baldwin:** I am going to mainly ask my questions to Kate, because I want to drill down in terms of some of the themes that have come up so far and ask for further data. Do you have information on how many insolvencies and job losses have been specifically in the hospital sector?

Kate Nicholls: We had a large number of job losses at the start of the crisis, when a lot of our temporary and seasonal staff were not stood up and could not be successfully furloughed, as we have articulated previously in front of the Committee. At the end of last year 3.2 million people were working in hospitality; that dropped by about 500,000 at the start of the crisis. Since March we have been successful in only losing 5% of the workforce. The majority were furloughed.

Q9 **Harriett Baldwin:** What about insolvencies?

Kate Nicholls: Insolvencies have been at a minimum so far, but we are expecting them to increase. We did a recent survey of members and there was also an ONS survey of tourism and hospitality businesses that looked towards the end of the year. A quarter of businesses felt that they were at high risk of insolvency in that sector over the next six months; that was the ONS survey that came out looking at the impact of Covid on DCMS sectors. A quarter of our members said that they would be closing premises and individual sites. For some of them, that would be their entire business; for others, it would be a significant proportion of their estate.

This survey was done just before the latest round of restrictions. It has only been about a week and a half since it was published, but it is already out of date. At that point, the anticipated number of additional redundancies by the end of the year was 560,000. That was out of the 900,000 on furlough. We are doing that survey again and we will share the data with the Treasury Committee when it comes out. We anticipate that that number will be far higher now as a result of the local restrictions and the national constraints on events, working from home, the curfew, etc. We anticipate that that number will be higher.

Q10 **Harriett Baldwin:** You think about 5% so far, but you are projecting many more between now and the end of the year. Was that projection made before or after the winter economy plan was announced? How much is it going to be affected by the ending of the coronavirus job retention scheme?

Kate Nicholls: It was made before, but it was also made before the local restrictions and national curfews and rules were put in place, which have seen our revenues drop by between a third and a half across the whole sector. It has not just affected pubs; it has affected the whole of the sector.

Harriett Baldwin: That is the 10 pm curfew specifically.

Kate Nicholls: That is the 10 pm curfew, work from home, table ordering and service, no events and the rule of six. It was before all of those came in simultaneously, so we are trying to sift through it. However, 91% of our members said that the job support scheme, when it was announced, would not be able to help them retain jobs because of the additional costs and restrictions that they were facing as a result of the national restrictions.

It is caught between a rock and a hard place. Those were the numbers that we were looking at when we thought we might be able to move forward into the recovery period, but knowing that there were going to be challenges with CJRS running out. The new constraints and restrictions offset that altogether. As Paul said, it has really put many of those businesses back from being viable, at a break-even point, looking as though they were moving ahead successfully and bringing more people back. They are now unviable and less than profitable. It is not sustainable.

Q11 **Harriett Baldwin:** Can you quantify for us how helpful the Eat Out to Help Out scheme was, during those Mondays, Tuesdays and Wednesdays in August, in providing greater solvency for the sector?

Kate Nicholls: I would not go so far as to say that it provided greater solvency. It was an incredibly helpful scheme in terms of rebuilding consumer confidence. It helped us to get more of the premises open.

Over the course of July, we got about 60% of hospitality venues open. That increased to 80% or 85% by the end of the first week in September. 13 days of good trading, and they were good trading, does not offset 60% losses on the year to date, which is what we are looking at now.

It got people back to break-even. It did not get them back to solvency, and now they have gone further backwards. Most of our operators are now talking about the cumulative impact of those restrictions pushing them back to the levels of business they were seeing at the start of July. Therefore, they are looking at 40% or 50% of normal revenue levels. In city centres it is down to 20% to 30% of normal revenue levels. That is why it is not sustainable. Just as a reminder, break-even in our sector is 70% of revenue.

Q12 **Harriett Baldwin:** Can you quantify the VAT cut on the hospitality sector? Would you say that is having any beneficial impact?

Kate Nicholls: Yes. Our businesses used it in different ways at different times depending on where they were, so 60% of them have passed that through to the consumer in order to stimulate demand. Clearly, there are now legislative restrictions on demand and instructions to the consumer to limit the amount of time they are going out, so that is having less of a beneficial effect in terms of driving revenue and footfall.

The remainder of businesses took some in to support the business to maintain employment and keep the numbers of employees that they have had. It is a testament to the fact that our businesses believe these jobs and businesses are viable that they have kept on so many staff and made so few redundancies. Quite a lot of businesses have used part of the VAT cut to underpin employment to date.

Q13 **Harriett Baldwin:** What about rent arrears? I remember you saying last time you came in front of us that rent arrears was a big problem in the sector. Can you update us on that?

Kate Nicholls: There is sadly no real update on that other than that the rent arrears and the debt that the businesses are facing has grown since then. There has been very little change as a result of any of the interventions that have been made to get landlords and lessees to sit around the table and reach agreement on new rent levels or to look at ways of rescheduling that debt.

Around 15% of our business premises have had a rent reduction. A further 20% have had a demand to settle and have made settlement or part payment. For the remainder, which is over 60% of business premises, there is stasis and that rent debt is just growing. That has been pushed back as a result of the moratoriums; that is really helpful, but those moratoriums only take us until the end of this year. There is a real danger that when they end, unless there is further agreement or further incentive to get commercial landlords to sit around the table and negotiate sensibly, that rent debt will cripple the recovery in hospitality.

At that point, they will be faced with a very difficult choice between paying their debt and paying their employees. It will force many more businesses into insolvency unless we can reach agreement. There is an urgent need for intervention in that area.

Q14 **Harriett Baldwin:** What kind of intervention is needed?

Kate Nicholls: We would like to see the moratoriums extended for those businesses that are subject to legal restrictions so that there is a greater incentive. If that is pushed back at the time, that will mean that the landlord will have few options other than to come and negotiate. We would also like the code of practice that the Government introduced to be strengthened to incentivise landlords to reach agreement on future rents as well as future debts.

Alternatively, the Government could look at using some of the Treasury loans that have been set aside as a form of offsetting that rent debt so that the debt transfers from the lessee to a Government-based loan that can be repaid over a longer period of time rather than having to be repaid in full. At the moment we are facing three-quarters of rent, which is just under £2 billion, having to be paid by the sector in January when these protections end.

Q15 **Harriett Baldwin:** What about the winter jobs plan for the hospitality sector? It has been argued that it is not going to be particularly effective because there is very weak attachment and a lot of zero-hours working in the sector. What are your thoughts on that?

Kate Nicholls: I sadly do not think it is going to be effective in the hospitality sector, but not for the reasons you have outlined. It is not going to be effective for the hospitality sector because the legal restrictions that have been imposed in the last two weeks mean it is just not feasible for those companies to pay a top-up amount other than the hours worked. They are very willing and able to pay the hours worked and to pay more than the 33%.

Harriett Baldwin: Have we lost Kate there?

Chair: We have lost Kate, yes.

Q16 **Harriett Baldwin:** I will go to Rain very quickly. With your wider economist hat on, if you think about this time-limited VAT cut for the hospitality sector specifically, it is easy to see that that is going to encourage consumption. Would there be better ways to use that money to encourage consumption in different ways?

Rain Newton-Smith: It was the right call to extend the VAT cut until the end of March, particularly as the hospitality sector in particular will face a tough time over winter months when there is more eating inside. There is also the restriction of closing at 10 pm, which we know has a huge impact on restaurants and pubs in terms of the amount of revenue that they get in within those restricted hours. Just on that, we need to see the evidence as to how that 10 pm restriction is working in terms of fighting infections. On VAT more broadly across the line, it is right to only use it in targeted sectors.

On your previous question, Eat Out to Help Out supported over 100 million meals. We also know from talking to some of our retail members that it did not just displace or move that spending into August away from other months. It seems to have increased consumers' confidence to eat out. Reservations as a whole for September are down slightly on the year previously, but it is only by 2%. It is still a lot stronger than the position in July, so it absolutely did help. We know from our retailers that it got people more confident to spend in store as well. They were going into the stores on their way to eat a meal out, so it was a successful targeted intervention.

The other thing we have to remember is consumption and retail sales across the board actually have recovered to pre-Covid levels. That is one area where the economy has recovered so far. Of course, people are now worried that consumer confidence is low and some of it could start retreating as we see rising infections and an increase in restrictions.

The area in which we have not seen the recovery in the wider economy is business investment. Investment intentions across the economy are at some of their lowest levels ever and business investment is 20% or 30% of pre-Covid levels. That is why there is a focus on helping businesses to survive and allowing them access to growth capital as well. Where they do see opportunities, they can seek to invest and grow. While there are absolutely businesses that are under pressure at the moment, there are also businesses that are growing now and seeing growth opportunities. We need that job creation to be happening around the UK.

Q17 **Alison Thewliss:** I have some questions around support for the self-employed, which I would like to ask Tej in the first instance. What types of self-employed workers have been particularly adversely affected by the economic crisis? Which of those have not experienced any significant recovery of income since the economy started to pick up a little?

Tej Parikh: We have highlighted a number of sectors that have been affected more generally. The self-employed in these sectors have of course had their incomes impacted. We are looking at the arts, entertainment, retail and hospitality sectors.

More generally, just like the impact on other small businesses, a lot of the self-employed in the freelance space are experiencing reduced demand, whether that is in media or even small architecture firms or interior designers, for example. Across the board, our members say that demand is around 55% below pre-pandemic levels.

We also have to remember that the self-employed across the board will also be repairing a lost income. We know that many did not actually receive a lot of support in the first tranche. Even if demand has now started to pick up a little bit, there will still be some recovery work to be done. A lot of our self-employed members were certainly mothballing their activities or just eating up their assets in the meanwhile. There will be a lot of recovery work even before that new demand actually starts to have a tangible impact on their profits.

Q18 **Alison Thewliss:** Which gaps in the self-employment support schemes continue to be the most pernicious?

Tej Parikh: For us, the biggest gap is probably the lack of support for company owner-directors. These are individuals who might pay themselves predominantly through their own company dividends and only have a small amount that they would compensate themselves through PAYE.

Of course, there are other groups. We know that those who do not have a recent self-assessment tax form and recently became self-employed are of course excluded. There are also a number of freelancers who operate through PAYE on an in-out basis, who do not have perhaps half of their income through self-employment. There are still a considerable number amount of gaps. Do not forget that a lot of people who earn over £50,000 in profits through self-employment are excluded entirely.

Since March there have been several attempts to try to widen the scope of the self-employed coverage. We think the Chancellor potentially missed a trick in announcing an extension to this scheme without looking at ways to include these individuals who have missed out at the same time.

Q19 **Alison Thewliss:** The winter economy plan extended the self-employment income support scheme, but it only covers 20% of average monthly profits up to a total of £1,875, which represents a significant reduction from the current scheme as it is, which is worth up to 70% of average monthly trading profits. Do you support this reduction in support? What representations have you had from your members on this?

Tej Parikh: In a similar way to the job support scheme in terms of the amount of slack the individual, or the company in the former case, has to take up, this is a considerable drop. As you said, the previous grant packages were closer to the £6,000 and £7,000 mark, and this is now going to £1,875 over three months. That is covering up to around £600 a month for a self-employed individual.

As I said, for a lot of our members who are self-employed, activity is still particularly restrained by uncertainty and the general lack of demand in the economy more broadly. This does represent a significant drop in the level of support available to them.

Going back to the gaps point I made earlier, there is certainly a case that, as I said, as the economy opens up, you might say that you start to taper some of these schemes. There are certainly those businesses that still have not had any recovery in demand. There should be some other way that these individuals can access support on a case-by-case basis.

Just to give a few examples, we know that the Welsh economic resilience fund, Scotland's hardship fund and also some of the local discretionary grant funding that was available to local authorities could help pick up the slack. There are, of course, a lot of self-employed who would need to tap into that, because their demand has not picked up at all. Unfortunately, these options are not really available to a lot of self-employed people in England at the moment.

Q20 **Alison Thewliss:** On the Scottish scheme particularly, the £2,000 grant to the newly self-employed, is that something that could be extended both in Scotland and across the rest of the UK? If so, how would you ensure that was targeted fairly at people who needed it the most?

Tej Parikh: A scheme like that more broadly across the UK would be particularly helpful. Previously, when local authorities were trying to support business rates locally, they also had a discretionary grant scheme. That basically meant that a conversation between the business and the local authority would determine how much demand has fallen for that business, and therefore the local authority would then determine how much of a grant they could draw down.

That should take place on a similar basis. Perhaps we could give the authority to local authorities to determine to what extent a self-employed individual's salary or income has reduced. It could operate on a similar basis here.

Paul Nowak: A significant amount of self-employed people are represented by TUC unions, and we have been concerned about those people falling through the gaps of the JRS and the self-employed income support scheme. And 38% of professional musicians receive support from neither scheme, so it is absolutely right to think about that Scottish Government example of support for the newly self-employed.

For those who are sole directors of limited companies, lots of our members work in this way not because they have chosen to for any tax benefits or breaks but because that is the only way they can get engaged in the film industry, for example. I would just make the point about the self-employed that the minimum income floor on universal credit is due to be removed soon. That would mean that many self-employed people with low incomes would be eligible for universal credit. It is important to remember that there are people who would not fit anyone's normal description of company directors who are genuinely self-employed who have really struggled and who have been excluded from support so far. We have called for equivalence with any support for employees. That discrepancy between the 77% and the 20% is one that our unions are concerned about.

Q21 **Alison Thewliss:** That is a really important point about the minimum income floor. Is it particularly problematic that the self-employed are getting a less generous scheme than employees?

Paul Nowak: Yes, absolutely. These are people who quite often will be working in sectors that are under pressure. We talked before about hospitality, live music venues and live performance. They will be working in sectors that are under pressure. They will be hit with this double-whammy. Quite often they either will not be entitled to any support at all or the support that is provided will be at a lower level.

I will repeat what I said before, Alison. For example, £1.75 billion is being made available to support the arts, culture and heritage sectors. Again, we should put an onus on institutions that are accessing that funding to set out how they are supporting freelancers and the self-employed. You cannot put on a show in the West End or any town or city and you cannot have a live music performance without relying on those self-employed and freelance staff. How we support those people so that, when venues do reopen, they are in a position to go back to work is really important.

Q22 **Alison Thewliss:** Yes, I would agree with that. Some of the way in which the funding in Scotland has been allocated has been to roll that out to freelancers within the sector as well, so it is really important.

Can I go to Rain and ask you to talk about the CBI's support for the measures? Can you tell me a little bit more about why you supported the measures, given that they are that bit less generous to the self-employed?

Rain Newton-Smith: More broadly, we supported support being available rather than no support being available. We had to welcome the measures that were taken.

More broadly, one of the things we think needs to happen over the longer term is looking at the alignment of taxation between employment and self-employment. One of the things we have to recognise is that people who have been self-employed and owner-directors have been paying a lower proportion of their earnings in tax. One of the other challenges the Treasury have faced is that they need a basis to figure out what people's earnings are in a particular year so they can ensure the claims are appropriate relative to income, so it is more difficult to design a scheme for the self-employed.

The point I would absolutely back up is one of the points Tej was making. There is a role for local authorities to look at targeted support to those who are self-employed. I would also say that should cover smaller businesses as well. I know of some in my local area that provide sports activities for people in their local community. They are often run by women. They are small businesses. They often have people who provide services to them who are self-employed. Those businesses have not necessarily had any support from Government, but there is a real role, for example, in teaching kids to swim or even teaching kids with physical disabilities to swim. They are playing a real role in their local community.

Having a system whereby local authorities can provide grant funding to some of these businesses is absolutely one way of targeting it to those in need. That is something that absolutely should be looked at.

Q23 **Rushanara Ali:** Good morning. I have some follow-up questions and then some questions about the long term in relation to unemployment. To pick up on those points about the excluded, this Committee identified a million people, and some estimates go as far as 3 million. Just starting with Rain, given the fact that in the last few months those who have been excluded have had very little support, would you say that, going forward, the Government need to look much more carefully at providing targeted support? The Chancellor has talked about the fact that the average income is £200,000, which is misleading, because, as you say, there are some people who have had to, by necessity, work in a self-employed way and do not earn a great deal. Would you say there needs to be a package of support overall to that group that is struggling?

Rain Newton-Smith: Yes. The job is to look at who is falling through the cracks and who has not been provided any support. Whether that is businesses or self-employed, the same principle applies: it is about trying to determine which businesses or individuals have been hardest hit and then targeting support at them. The support, particularly from here on in, has to be targeted at those on lower incomes. If you look across the income distribution, we know that almost every percentile has been hit by lower incomes, but what we have seen is that people earning under £20,000 are much more likely to run down their savings and they have much less savings to start with.

Q24 **Rushanara Ali:** I have quite a few questions, so I am going to ask for brief answers so that I can get as many in as possible. Rain, earlier on you mentioned the economic recovery. We saw a rapid recovery. How sustainable is that, given where we are in terms of a second wave? What can we learn from what has happened going forward, so that we do not end up in a stop-start way?

I have a wider question for others as well. We have seen the issues around the mismanagement of testing and contact tracing and the stop-start approach to the health crisis. We have seen how that is being managed, with the mixed messages, lockdowns, differences, misunderstandings and the confusion about what needs to happen. How has that impacted on the economy? I would like everybody briefly to address that point, please, and then I want to go on to the long-term issues.

Rain Newton-Smith: I will try to be as brief as possible. On the economic recovery, the overall recovery in output has happened faster than maybe some of our worst fears back in the spring, but we all know we are not out of the woods yet and everyone is very worried about the winter months. This is not a V-shape; we will all carry the scars of this crisis. Absolutely we need to minimise the impact on employment.

To your question specifically, one of the most important things the Government can do is get a testing system up and running that people have confidence in and that works around the country. We know that is so vital for our schools, our universities, our businesses and wider consumer confidence.

Q25 **Rushanara Ali:** If you had to put a number on it, how much of an impact is that having? Has the CBI done some number-crunching on this?

Rain Newton-Smith: No, I cannot give you any sort of quantification of the impact. There are numerous examples of the impact it has had in terms of people needing to self-isolate unnecessarily, because they have not been able to get a test to determine whether they have Covid or not. I know many stories like that.

When restrictions are announced, economic support should go hand in hand. Finally, on testing, where it is restricted, we absolutely need to prioritise the NHS and our enablers around transport and education. There is more that could be done around prioritising the testing for the enablers across our wider economy.

Paul Nowak: On the point about test and trace, this has been one of the big failures of Government policy over the last few months. I would pick up on a couple of issues. First of all, too many people literally could not afford to self-isolate. We made the case that 2 million people were not entitled to statutory sick pay. Those who were entitled to statutory sick pay quite often were only entitled to that. People were making the difficult choice between paying the bills and following the Government's guidance. The £500 one-off payment helps, but it is not enough. We want the Government to pay a proper level of sick pay equivalent to the national living wage.

There have been big failures. We have not had a comprehensive programme of mass testing and workplace testing. I sit on the DCMS Cultural Renewal Taskforce, and one of the things I raised at that group a number of months ago was the value of having venue testing, for example. That would allow us to open up venues and give people confidence that they can go back to venues.

Not all of this costs money. One of the things we asked the Government to do was to put a legal obligation on employers to publish their Covid-19 risk assessments. The Government's guidance says that employers are expected to do this, certainly employers with more than 50 staff. It would have cost the Government nothing to oblige employers to publish those risk assessments. They are something employers are legally obliged to carry out anyway. That would go a long way towards giving people confidence that the pub or the business they go into has done the right things and has put in place measures to protect customers and staff.

As I say, that does not cost anything at all. Employers have to produce these risk assessments anyway. The Government could have just asked people to publish them on their website. I can guarantee you, where we have had outbreaks, whether they have been on farms or meat-processing plants or in those sweatshops in Leicester and other parts of the country, the employers will not have published those risk assessments.

I have a third point, very quickly. I cannot go into the answer properly, but the Government need to do more to boost the economy over the next few months. Maybe we will get into this in other answers, but we have called, for example, for a big investment in our green infrastructure.

Q26 **Rushanara Ali:** Which groups are most likely to face long-term structural unemployment? What is the impact on women, but also what is the pay gap for women? Are we likely to see a widening of that? Is there anything you can say about regional inequalities? How deep are those inequalities likely to get?

Paul Nowak: We can provide further evidence if it is useful, but the experience of the last big recession was that the groups you would expect to suffer a disproportionate impact did. Black and ethnic minority workers are facing higher unemployment and higher rates of unemployment. Disabled workers are finding it difficult to return to the labour market. There is a particular impact on women, and the interplay between childcare and work is really important. That was really problematic during the course of the lockdown. We also know that young people are two and a half times more likely to work in sectors of the economy that had to lock down.

I am worried the regional inequalities, because we have vacancies in the UK job market, but those vacancies are quite often not in the places where people are losing their jobs. That is why the Government need to arrive at a more comprehensive and integrated approach to what happens in the economy over the next few months. We have called for the establishment of a national recovery council: employers, unions, Government and local authorities working together to try to work our way through these issues and to smooth that transition as much as we possibly can.

Kate Nicholls: One of the key messages we have been talking to Government about is how fast hospitality can react to any increase in demand or any uptick in the economy. Hospitality is one of the fastest sectors of the economy to recruit, to create jobs and to rebuild. After the financial crash in 2010, in the whole decade since then, hospitality generated one in six of all net new jobs.

Some 50% of our employment is 18-to-24-year-olds; 60% of our employment is women. You are immediately seeing an impact on those more disadvantaged groups as a result of a restriction on what hospitality can do. We are usually first in, but we can be first out and a rapid responder.

In terms of regional inequalities, you clearly have large amounts of tourism and hospitality employment that is centred in those areas on the fringes of the country, in coastal communities, where there is not a great deal of other employment opportunities around. We go from being one in 10 of all employment to one in five. We are disproportionately represented in those communities and those areas that have bigger challenges in terms of employment.

In terms of your earlier question about mixed messages and confusion, that is where hospitality is first in to any crisis. We are obviously hit when there is any damage to consumer confidence, any uncertainty or any confusion of messaging. Hospitality takes an impact.

In the last two weeks alone, as a result of the announcements from the Prime Minister and the Chief Medical Officer, you saw an immediate impact not just on those areas that were directly affected by the curfew but more broadly, across hotels, holiday parks and those kinds of bookings. There was a 50% increase in cancellations in pre-booked hotel rooms and visitor attractions. Sales were down immediately 18% to 24% week on week and 30% to 50% year on year, depending on which sector of the economy. That is not just the restrictions on trade; that is the hit on consumer confidence. While we were able to play our part in that rapid recovery as demand increased in July, August and early September, we have also been hit quite severely and knocked back as a result of the recent changes and changes in legislation.

As Paul said, testing and tracing will be vital if we are going to reopen those closed parts of our economy—events, conferences, nightclubs and live-music venues, which are all a vital part of hospitality. They are the ones that are anticipating the largest numbers of redundancies over the next few weeks and the highest level of business failure. Testing and tracing and having an effective scheme will be vital to get those large events up and running and open again.

Tej Parikh: In terms of the health response, business leaders obviously understand that health and the response to the pandemic comes first, but, nonetheless, there have been some hiccups in the response that have affected businesses' ability to open up effectively.

The main one to highlight, not to repeat anything that has already been said, is generally around communications. At the end of summer, we had a big communications plan around returning to the office, whereas a lot of businesses were wondering what the case numbers were and whether we would just have to quickly go back into restrictions and lockdowns. The communications element is key to help business leaders plan their hiring and investment plans. That has been a bit weaker than we would have liked.

On the regional inequalities, it is definitely the case that some of the impact of coronavirus has mapped on to existing regional weaknesses. For example, rural and coastal areas have been disproportionately impacted because of the impact on tourism in these areas. In some inner-city areas in the north and in Scotland, for example, that are very dependent on hospitality, there has also been a major impact. There is also some research to suggest that businesses outside London are more likely to be holding unsustainable debt as a result of the pandemic.

Generally speaking, across the board it is very difficult to detect whether it is going to exacerbate those inequalities, because obviously places like London and the south-east have been equally affected at the same time.

Q27 **Mr Baker:** It has been extremely interesting already. I want to come back to Paul's suggestion about investment, but, before I go any further, could I just ask Kate to reflect upon the curfew and what it has done to the hospitality sector? Have you been given enough evidence to persuade you that it is a reasonable policy?

Kate Nicholls: I would reiterate that it is not just the curfew; it is the cumulative impact of all four of those restrictions at the same time that has had such a significant effect. There is the 10 o'clock curfew, restricting hours quite considerably, particularly in those sectors that were not really thought about. It has had a big impact on local restaurants in neighbourhoods and suburban areas and on hotels, as well as having an impact on the areas you might expect in terms of city-centre towns and bars.

It is the curfew, working from home and having no events and functions in the run-up to Christmas. A third of hospitality revenue is generated between Halloween and New Year's Eve, and that is obviously not going to happen this year, the way we are going at the moment. Then you also have the table ordering and service.

After the announcement of that, what we saw in high-street pub and restaurant sales is that they were down between 30% and 50% year on year and between 18% and 24% week on week. The areas that were hardest hit were suburban and food-led businesses, where customers were not coming out. In a restaurant you need to do last service at 8.15 or 8.30 in order to guarantee that you have people out of the premises by 10 o'clock. That does not allow for a second sitting. That means that you strip out an entire late shift of workers. The impact on employment is disproportionately felt in restaurants and hotels that were caught by that curfew.

Clearly, for pubs and bars, last orders is at 9.30 and then you have the challenge of everybody being out at the same time in the town centre rather than having a more gradual dispersal as provided for by Northern Ireland and Wales and other European countries that have introduced a curfew. For the European countries, it has been a later curfew: it has been 11 o'clock with a 12 o'clock closure or midnight with a 1 o'clock closure.

It has had a severe and devastating impact on our businesses. That is from a very low level of trade as well. We were just at break-even. A 30% drop on a break-even point means you are into unsustainability very rapidly, and there is a big impact across the sector as a whole. As I said previously, our hotels are reporting a 50% increase in cancellations. Forward bookings after October have gone off a cliff. There is nothing there. They are going to go through a very bleak winter.

In terms of the evidence base, we have not been able to see any of the full detailed evidence base. We have just had access to the same Public Health England data that everybody else has had. That clearly shows that, in terms of outbreaks, there are very low levels of outbreaks that are attributed to hospitality. Crucially, there are no increases in infections through July and August from Eat Out to Help Out, suggesting that our Covid-secure protocols were working.

We have heard that backward contact tracing that shows that one of the most frequent activities before is shopping and eating out. About a third of people who have tested positive have previously eaten out, drunk out or have been to the shops, but that is still lower than it is in the community.

The missing bit of evidence that we have not seen is a regulatory impact assessment looking at the impact of introducing this measure on businesses, business viability but also public health. We would urge the Government to continue to work with us, to keep that measure under review and to look at ways it could be amended, changed and developed as we go through this crisis so that we can deliver the public health objective without damaging businesses and jobs unnecessarily and without increasing levels of exposure and risk.

Q28 **Mr Baker:** Thank you for that full answer; that was very helpful. How does the sector feel about this situation in the wake of Eat Out to Help Out? Has it been feast and then famine, as it were? How is the reaction to this set of interventions?

Kate Nicholls: There is a high degree of concern, but that is concern about our teams and our staff. We were confident about being able to get on the road to recovery. If we had not had all of these restrictions, my answers to your previous questions about the job support scheme and the VAT cut would have been very different. We would have been looking as though we were moving towards recovery and helping to move towards a return to economic growth and job creation.

There is a high degree of concern, because there is a lack of support to go alongside it. Rain is absolutely right in what she said previously. What we need from Government going forward is clear evidence of why an intervention is needed and what it does to work and then the immediate announcement of support packages for those businesses, if there are any, that are going to be hit by it.

It is the uncertainty between a restriction being announced, it taking effect and us seeing the regulations, which have been very close to implementation dates. Some businesses have not seen regulations six to 12 hours before they take effect and they are made law. Then there is uncertainty about the support.

If we have sector-specific or local restrictions, we need the support package announced at exactly the same time. Otherwise, it does have a confidence impact and it does mean you exacerbate the impacts for jobs.

Q29 **Mr Baker:** Kate, you used the term "devastating" in all of that. You are obviously a very important sector and you have been very heavily affected, but I hope you will not mind me saying that we have used just over half my time, so I am now going to come to Paul. Paul, you mentioned your ideas for investment. Would you just like to elaborate what policies specifically you think the Government should be adopting in order to get the economy going?

Paul Nowak: There are a couple of key planks to it. The first one is that we think that there needs to be a massive investment in greening our economy. We knew we had to decarbonise our economy before Covid-19 came along, and for us now is the time to invest in doing that. That is not a make-work scheme; it is stuff the UK economy vitally needs, and it is stuff that other European countries are doing. Germany announced a €130 billion stimulus package over the next two years. At least €40 billion of that is going to go directly on greening the economy. For us it would be everything from investment in high-speed broadband to retrofitting housing to investment in low-carbon electricity.

Again, I can send over the relevant report if it is useful to the Committee, which suggests that we could create 1.24 million new jobs over the next two years, and they would be, we hope, good-quality jobs and jobs that have sustainable futures.

We think there is also a case for investing in public services. We know we already have a crisis of recruitment in part of health and social care, for example, where we have 200,000 vacancies. Making sure we match people up with those vacancies is really important, but we also have to invest in other parts of our public services.

I mentioned skills before. I would just say that we welcome the small steps we saw this week in terms of the entitlement to skills, the level 3 entitlement that will kick in from next April for adults. However, now is the time to invest in skills. The Augar review, which said that people should have that universal entitlement to level 3, came out in May of last year. For me it is not about waiting until people are made redundant. Let us make sure that those people who want to access training and skills now can do so, that they are given the financial support to be able to do so and that their employers are encouraged to give them support to do that as well.

There are lots of things we could talk about, but I would also like to see flexibility, for example, in the apprenticeship levy, to ensure that apprentices who have maybe been furloughed or have not been able to access college courses can complete their courses, but also so that employers, who are under pressure right now, can still take on apprentices and offer them across their supply chain, so they are not just employer-specific.

There is stuff the Government could do that would be important in terms of creating good-quality employment. I know we are not going to be able to protect every single job in every single company and organisation—our unions will be fighting hard to do exactly that—but we need to make sure that we are supporting that investment going forward.

Q30 **Mr Baker:** Thank you very much. We need twice as much time. I am going to come to Tej and then Rain, but I had better just declare my interest in Glint Pay, because I am going to ask you about monetary policy in a second. At the IoD and the CBI, what do you think should be done by the Government to facilitate a return of consumption, production and investment? Does this lie with the Bank of England? What is your take on negative interest rates? I know that is quite a lot to ask you; that is because I have run right up to time.

Tej Parikh: Starting on the investment point, in the last three months for some businesses we have seen three years' worth of investment in technology, but that is not the case for a lot of SMEs. We would be looking for tax credits or a widening of R&D tax credits to expand to the types of digital technologies that can support businesses in transitioning to working from home or the digital world more generally. That is the first thing.

On negative interest rates, it could in theory be passed on to businesses and the wider economy in terms of more credit. It could discourage saving and therefore encourage more spending more broadly across the economy. That then comes up against the bigger question of the general appetite to be borrowing or taking out loans. That is where its effectiveness could be broadly limited. We would encourage the Bank of England to take its time to evaluate the efficacy of such a policy before moving ahead drastically.

Generally speaking, we would say that a lot of the weight still remains on fiscal policy. It has provided a lot of bridging support in the first few months of the pandemic. The next step is to try to provide the accelerator. A big priority will be, first, tax relief to encourage investment in technology and investment in start-ups and scale-up firms too.

Q31 **Mr Baker:** You mentioned fiscal policy. I am sure you will have followed what the Bank has said to us, so I will not try to rehearse it all, but you will know that more QE is being done than the Government are borrowing in the markets. You will probably also know that the Bank has been clear with us that it can only do that because of the independence of the MPC.

In other words, there is a guarantee that the MPC will have to act to end QE or take other steps in the event that inflation picks up. We have a lot of demands on fiscal policy that have come out in this section. What are your concerns about the dependence of fiscal policy on the Bank of England, in particular in relation to the future expectations you have for inflation?

Tej Parikh: First, more generally, we would welcome the increased interaction between the Bank of England, the Government and the Treasury in working together to try to tackle the crisis. There is both a financial market element of the crisis and the real-economy element of it, which can be more greatly dealt with through fiscal policy.

We recognise that there are clearly limits on fiscal policy, particularly with the level of the deficit and the level of debt. Most of our members would generally be quite averse to saying, "Let us try to spend our way out of it". However, in this particular scenario, we know that interest rates are near record lows. The capacity to spend more and to reduce taxation is there. If we start raising taxation, we could end up choking off the recovery before it has even started. There is a case to try to get our GDP growth levels up to try to reduce that debt rather than going about it a different way.

Rain Newton-Smith: I echo a lot of what people have already said, particularly what Paul was saying. In terms of fiscal policy, there is a difference between investment in capital spending and current expenditure.

There is so much we can do to follow through on some of the things that have already been committed to. We need to follow through with the spending in terms of infrastructure investment and, particularly, the transition to a low-carbon economy. If that is thinking about retrofitting homes, we have the green homes grant; that could be extended further. There could also be investment in CCUS, hydrogen and other technologies such as electric vehicles or hydrogen in terms of transport but also in our homes.

We are very happy to share our recommendations for the comprehensive spending review, which goes through some of those allocations. We certainly hope the Government will publish the energy White Paper and the national infrastructure strategy, which are real cornerstones of some of that long-term investment.

Secondly, on how to boost business investment, I absolutely echo what Tej was saying about an R&D tax credit. We would also like to see a scheme for SMEs. There could be productivity vouchers to upscale some of the digital investment that we have already seen. You could make that time-limited to help bring forward some of that investment. We are also happy to share a survey we have done with the LSE that shows that over 60% of businesses and SMEs have increased their investment in digital technologies over the crisis. There is an opportunity to build on that.

More broadly around the macro-economy, I am more worried about unemployment than I am about inflation at the moment.

On the question of negative interest rates, it is right that the Bank of England is looking at a review—it should be looking at all the tools at its disposal—but the heavy lifting at the moment is still on the fiscal-policy side. Importantly, given the structure of our banking system, negative interest rates are something the Bank should only look at with caution. They have other tools at their disposal before going down that route.

Chair: There were some very good questions and answers there. Could I just remind the panel to be as brief as you can be? The information you are imparting is really important and interesting, but just be as concise as you can be.

Q32 **Julie Marson:** My questions are going to focus a bit more on corporate debt, to try to get a view about the scale of the problem. We heard from BEIS recently. It produced some figures suggesting that we might be facing up to £23 billion of bad corporate debts due to the bailout schemes, although the Chancellor did tell the Committee that he was not completely persuaded about the scale of the problem in corporate debt. In your view, Rain, what is the scale of the corporate debt problem currently?

Rain Newton-Smith: I cannot put an overall number on it. It has been right to use the banking system to provide a bridge to the other side, and it was absolutely right that the Chancellor announced that both the bounce-back loan scheme and CBILS would stay open until the end of November, because we know now that there are businesses that are facing distress, so that is important.

Further down the line, there is a big question as to whether we will need to see some extent of recapitalisation of some of that debt. We think that TheCityUK have set out some important proposals about mechanisms as to how that could work in terms of contingent loans. We think the Government should consider those proposals. It is really hard to say exactly what the overall scale is. In which sectors do we think the potential distress might be? It is construction, manufacturing and some other areas besides.

In our view, one of the important things that needs to happen over this next phase is absolutely looking at access for non-bank lenders to some of the schemes the British Business Bank have put into operation. I am worried about the overall competitiveness landscape in our banking sector, because we have had such unusual interventions. Making it easier for fintech lenders to lend to SMEs is really important.

We were really encouraged that the Chancellor said he would review the EFG in January and look at a new scheme, building on some of the success we have seen so far. Allowing businesses growth capital in this next phase will be really important, as well as allowing refinancing through the CBILS scheme and others.

Q33 **Julie Marson:** Could I just press you on that figure from BEIS, the £23 billion? When you hear that figure, does that feel reasonable to you? Most people would say that was enormous, but does it seem realistic to you, or is that very much a worst-case scenario?

Rain Newton-Smith: I am less familiar with the BEIS figures in particular; I have not looked at that analysis. From the original numbers that TheCityUK had put out, some of those estimates might have been towards the higher end of what the overall refinancing needs could be, but the other thing we know from this evidence session is that the pandemic and the consequences of it will be here for longer. There will be some needs in terms of overall refinancing and recapitalisation of some of those debts. It is really hard at the moment to put an overall quantification on it.

Q34 **Julie Marson:** Could I turn to Tej and ask the same question? What is your view of the scale of the issue?

Tej Parikh: We actually asked our members in the summer, and around 50% of them said that the indebtedness incurred over the course of the pandemic—that is new debt and also the existing stock of debt they had—would have a negative impact on their recovery and their investment plans over the coming 18 months. That just gives you a sense of the scale of it. I should add that the bulk of our members are slightly different to the CBI. A lot of our members are SME members.

Linking to that point of around 50% saying it could be a challenge for them, potentially some of the measures announced might not go far enough. There was a pay-as-you-grow scheme announced as part of the bounce-back loan scheme. It is very difficult to see what the "grow" element of it is, because our preference would be to have some type of restructuring that essentially means that SMEs start paying back their debt liabilities as they start entering profit, in a very similar way to how student loans are structured. Over 50% of their members said that a restructuring of some form would be something they would support.

Again, we would probably reflect that some of the figures cited in the report by TheCityUK are probably quite realistic. We would say that around one-third could really struggle to repay, given the cash flow difficulties we are seeing at the moment.

Q35 **Julie Marson:** Rain, what are your views on whether the Government should be looking at a state-sponsored bank to either recapitalise or invest in equity in certain strategic businesses?

Rain Newton-Smith: There is definitely an opportunity to look at the role of equity. If you take as a premise that there is likely to be a set of debt-refinancing needs, there is then absolutely a role for equity to play within that.

On the precise mechanisms as to the best way of setting that up, it could be setting up a new institution. A lot of people have been looking back at the example of 3i and how that worked successfully in the past. Could we have something similar? That could be the mechanism. We also have the British Business Bank. There could be a way of using some of its portfolio as a way of providing some of that mechanism.

There are different ways it could work. There is also the idea about income-contingent loans. Essentially, for SMEs particularly, this would relate to their tax repayments, so they are only repaying some of that once they are making profits again. There is probably not a one-size-fits-all approach here. Whether it is a separate institution or whether it sits within the British Business Bank, that is something for the Government to decide, looking at the mechanisms.

What is important, though, is the ability to repay some of those loans over 10 years rather than six years. That means for SMEs, particularly in the bounce-back loan scheme, that could almost halve your repayments. That gives businesses a huge amount more breathing space. That is something we called for, so it was very welcome to see that was implemented.

Q36 **Julie Marson:** Could I go back to Tej again and ask that same question about the state-sponsored bank?

Tej Parikh: The idea has been floated quite a bit recently to take away debt from the banking system entirely and repackage it. My initial thought would be that it sounds like an interesting idea that could work, but it is perhaps a bit complex currently to think through.

What the pandemic has generally highlighted is the case for having some type of state-based institution that can provide funding at a time like this. This could be an argument for scaling up the British Business Bank, for example, if we compare its assets to that of the KfW in Germany.

A number of recommendations have been made. Even regions and local areas could perhaps repackage their interest revenue streams and public revenues more effectively and use that to reinvest in local economies or national economies more generally for the type of green infrastructure things that we are talking about. Those are just some of my initial thoughts on it.

Paul Nowak: We would be supportive of the idea of a national investment bank that was focused on supporting the Government's strategic priorities, whether it be greening the economy, which I talked about before, or creating and supporting good-quality employment.

We have done a little bit of work on this, and we looked at the experience in Europe, where we saw the balance sheet of state investment banks triple between 1980 and 2015; that is a good example. It is certainly an idea worth exploring from our perspective.

Q37 **Ms Eagle:** Paul, do you perceive that the pandemic has worsened or made better regional inequalities?

Paul Nowak: It has shone a spotlight on to those existing regional inequalities, and there is a real danger of it exacerbating those inequalities, partly for the reasons that Kate talked about before, in terms of where we might see the impact of unemployment hitting particular sectors that particular regional economies might be dependent on.

We know that there are some parts of the country that have higher levels, for example, of insecure employment or low-paid employment. It is precisely those people who have been hit hardest by the effects of the pandemic and the associated lockdown and so on.

It has also revealed the fragility of our public services. I mentioned before that I am up in Merseyside, where at the moment we are in a period of further lockdown measures, as you know, Angela, all too well. The Government have made £7 million available to local authorities to get them through this additional lockdown period.

Ms Eagle: That is £7 million for nine local authorities.

Paul Nowak: Yes, exactly. This comes after a decade of cuts to the funding of local authorities, which has disproportionately impacted city councils like Liverpool, Birmingham and Manchester. It has not created inequalities; it has shone a spotlight on inequalities and exacerbated those existing inequalities.

Q38 **Ms Eagle:** In my own Wirral, the higher levels of infection are in poorer areas, where people tend to be less healthy and have other comorbidities. What should the Government be doing to try to add extra support to the areas where it is most needed?

Paul Nowak: There is some basic stuff that we have been saying for a number of months now. For example, we need to make sure people can afford to self-isolate and follow the public health guidance. That means having decent levels of sick pay. As I said before, the £500 was a step forward, but it is probably a more confusing way of doing things. Even the Prime Minister himself got confused about whether or not this was a one-off payment or a weekly payment. We were very clear that what you need to do is make sure people can afford to self-isolate. That means statutory sick pay at least at the level of the national living wage. That would be an important step forward.

There is more that needs to be done in terms of the support, as I said before, for local authorities that have seen their budgets decimated over the last decade.

I mentioned those risk assessments before. This is really important. When we originally engaged with BEIS around the safety at work guidance, there was nothing in there at all about the equality impact of Covid-19 and making sure that employers took into account the needs of women, those with disabilities and black and ethnic minority workers. We know the virus has disproportionately impacted those groups, quite often because of the types of employment they carry out.

For me, it is a longer-term set of issues, but this has revealed, for example, the completely inadequate model of employment we have in our social care sector. If you compare and contrast the experience of care workers in private social care with those working in the NHS, we know it has had an impact on people's employment but also on people's health. If you are working on a zero-hours contract or a number of short-hours contracts for different providers, we maybe should not be surprised that people are potentially spreading the virus completely without any blame on themselves but because of the nature of their employment. It has highlighted the need to get to grips with some of those issues around fragmented and insecure employment, which has fuelled the public health crisis and placed people's livelihoods at risk.

Q39 **Ms Eagle:** Kate Nicholls, in my own area, the Wirral, which has gone into extra lockdown restrictions, 20% of the gross value added is hospitality or the visitor economy. There are 50,000 jobs in the wider Liverpool city region. What could the Government sensibly do to support those sectors that have been hardest hit by the extra restrictions? I am well aware that everybody has been restricted across the country with the rule of six and the curfew, and we have talked about that, but, specifically for those areas that are in lockdown, should there be extra support?

Kate Nicholls: It is really important that you do have extra support for those areas that are in local lockdown or where you have legal restrictions on what businesses are able to do over and above the national measures. If you do not, the risk is that it will result in persistent economic scarring in those areas and the regional inequalities will be made worse, because it is sectors like hospitality and tourism that will help to deliver economic growth and jobs in those areas.

We need to support those jobs additionally through a flex to the job support scheme, but we also need to provide extra support to those businesses that are closed by those restrictions. If you look at some of the areas that are disproportionately affected and disproportionately restricted, they are the ones where you are wiping off a bigger proportion of the local economy as a result of that. Unless you have that targeted support in areas of local lockdown at the same time as the lockdown measures are announced, you will have an impact on business viability, jobs and growth in those local regions.

Q40 **Ms Eagle:** That might exacerbate already existing inequalities.

Kate Nicholls: Absolutely, yes. It might exacerbate existing inequalities, both regional and sectoral. At a regional or geographical level, it will reinforce them and make them worse if you do not provide that support.

Q41 **Ms Eagle:** Rain, you said something interesting earlier. You said that

Government support ought to come with extra lockdown restrictions. We have seen leaked in the newspapers that the Government are thinking about introducing a traffic-light system for local lockdowns, if I can put it that way. Should "red" carry some sort of guaranteed extra support with it? If so, what should that look like?

Rain Newton-Smith: It is right to target the economic support in line with some of the restrictions. If we end up with a traffic-light system, we should provide resources alongside that. It is harder to say what exactly the best mechanism to do that would be. I will make a wider point here about devolution as well. One of the challenges in the UK is that we do not have enough mechanisms in local areas to disperse economic policy in the way we would like. If it is available across England—the devolved nations are different—you could use local authorities to disburse some of that money.

Q42 **Ms Eagle:** That money does have to come from the national Government in the end. As I was saying earlier, we got £7 million for nine local authorities. It is no good just dispersing blame to local authorities without cash, is it?

Rain Newton-Smith: Yes, absolutely. We would argue that you do need to increase the overall amount of resources to local authorities to provide, for example, grant funding towards not just businesses but also local community efforts. You absolutely need to provide some of that targeted spending.

The other thing we have picked up from businesses and particularly from the local authorities we have engaged with as well is that some of the support that has been available so far has been clawed back or it has not been clear whether they have been able to keep some of the funds that have been allocated but not spent, because of course sometimes it can be challenging to get that money to the businesses and community organisations that need it at speed and scale when you are also dealing with a pandemic. Providing more resources in a targeted way to local authorities feels like an effective way to support local communities and businesses that are harder hit.

Q43 **Ms Eagle:** Tej, my local chamber of commerce is full of praise for the local authority, but very worried indeed about the cliff edge of furlough ending. What would you say to the Government, as we approach a second wave perhaps earlier than we all thought, about how they should tweak what they are doing to provide more support for businesses locally, especially those in extra lockdown restrictions?

Tej Parikh: One of the shortcomings of the pandemic response in the UK has been the fact we have been a bit slow to realise that, given the varied nature of the crisis across the UK geographically, it would make sense to devolve a considerable amount of the policymaking and decisions to local areas. That unfortunately has come in quite a slow and confused way.

In terms of the tools local authorities should have, there should be a strengthening of the discretionary grant funds that have been allocated to them. We spoke to the LGA, and it said that the amount of discretionary funding local authorities had been provided to give to businesses has just not been sufficient. That is one place to start, because then the local authority can work with businesses that are disproportionately affected by localised lockdowns.

There was some suggestion about whether the job retention scheme could be extended on a local basis. That might be a bit of a challenge, but there is definitely a question mark around the greater level of tools that we can provide local authorities. The main outlet at the moment is through the grant operations.

Q44 **Felicity Buchan:** My questions are on the reaction of the insurance industry to the pandemic. Obviously, we have seen the FCA test case on business insurance in the High Court. Perhaps I can start with you, Rain. What is your view on the implications for business of this test case?

Rain Newton-Smith: I am afraid I am not familiar enough with the outcome of the test case to give a full response to that question. There are some issues around trade credit insurance that I could pick up if that is helpful.

Q45 **Felicity Buchan:** Does anyone else want to take that question? Kate, I know a lot of retail and hospitality businesses in my own constituency of Kensington have been very frustrated that they have not seen pay-outs on their insurance policies. If you would like to address that, that would be great.

Kate Nicholls: Yes, the recent ruling that came out of the FCA was helpful in clarifying the types of insurance policy that might be capable of pay-out, and opens up the scope for more hospitality businesses, particularly those who are fully closed. The businesses that were most likely to have the full insurance that should have paid out are the larger event-led businesses like nightclubs and live music venues.

For them it is a potential lifeline. However, it is hugely disappointing that it has been taken straight to appeal and you have the insurance companies dragging their feet. We understand it has been given permission to go straight to the Supreme Court, and we should get a ruling by the end of this year. That still may come too late for some of the businesses that face survival decisions over the next three months.

We also really welcome the intervention of the Government—it should not have had to take the intervention of the Government—to ensure the insurance companies were not deducting grants from their pay-outs to these businesses. It was entirely wrong that support that was given by the Government to sustain and maintain employment was taken into account and discounted off insurance payments.

It is a helpful first step. We need to move much more rapidly to get success. It would be really helpful if the insurance companies could move much more rapidly to pay out and to go back to those companies they have deducted payments from to make sure they get payment in full, because it is a matter of survivability over the next two to three months.

Q46 **Felicity Buchan:** On that point, what is the reaction your members are seeing from insurance companies? Are people being refunded the £25,000 grant, for instance?

Kate Nicholls: It is too early to say. The announcements, the letters and the publication of that came out last week. We have seen no immediate response from the insurance companies to make those payments, and we urge them to do that as quickly as possible. They have now accepted that those payments should happen, but we have not seen them materialise. Our members continue to be frustrated by the fact they have still not received pay-outs for policies that they believe cover them and that the FCA ruling suggests does cover them.

Q47 **Felicity Buchan:** Just to clarify that point, your members are not receiving any pay-outs for the time being until the case goes to the Supreme Court.

Kate Nicholls: Yes. There are a small number of insurance companies and insurance policies that paid out early. About 17% of our members received a pay-out there. Of those that believed that they had pandemic insurance, there were those who had business-interruption insurance that was relevant and there were those with insurance that dealt with a restriction of access to premises. There were two heads: one was around business interruption and one was around access to premises. Of those that believed they had a valid claim, only 17% have so far received a pay-out.

Q48 **Felicity Buchan:** Clearly the system has not worked as well as it should have in this pandemic. Going forward, do we need Government support for pandemic insurance?

Kate Nicholls: That would undoubtedly help. The situation we have at the moment is that businesses are not able to pay the premiums. We are seeing an escalation of premiums not just across pandemic or business-interruption insurance but also employer liability and public liability premiums across the hospitality sector have rocketed. They are up 150% for those who are looking at renewing any of those premiums at the moment.

We face either the prospect of an underinsurance or a continuation of high business costs where insurance premiums will not be payable. It would be helpful if the Government could look at a scheme, as indeed it did with terrorism threats, where you have insurance of last resort where it is a risk for which the insurance company is not willing to provide as a matter of course, and the companies that are directly affected are simply not able to afford the costs of insuring separately.

Q49 **Felicity Buchan:** I have one final question to you before I throw it open to the rest of the panel. Assuming that the Supreme Court validates the High Court ruling, are the pay-outs going to be sufficient to keep a lot of your businesses afloat?

Kate Nicholls: The very real danger is that, by the time the Supreme Court rules, we will have lost those businesses for good, because we are facing a cliff edge in October. Those businesses that are most directly affected are the ones that are closed without a reopening date. There is a very real danger that we will end up having a pyrrhic victory.

Q50 **Felicity Buchan:** I have a question for the rest of the panel. We have seen Government put together a £500 million fund to support the restart of the film and TV-production sectors, specifically because of their inability to get insurance. Are there any other sectors that are being prevented at the moment from reopening because of their inability to get insurance, or is that not something you have come across?

Rain Newton-Smith: I am happy to add to that and build on the previous points. The live events sector is a really good example of that. Some businesses and some of our members have approached us to say that is something they cannot get insurance against. Of course, the challenge at the moment, as we have already seen with the crisis, is that the scale of the pandemic has been such that, without having a Government guarantee, it is impossible to provide insurance against a pandemic as it is unfolding.

The Government have committed to looking at setting up a pandemic version of Flood Re, which was set up to provide insurance against flood risk by providing Government guarantees. There are successful models that have worked in the past, and we need something similar around pandemics. As Kate has said, with some of the challenges in hospitality and live events, there are so many different types of businesses that would like to have insurance against further restrictions, but it is not viable at the moment to be providing that insurance in a way that is cost effective. There is a role for Government to provide guarantees. In some sense, they have gone a bit quiet on the idea of Pandemic Re insurance, so we would like to see a targeted effort around that.

The second area around insurance is also around manufacturers' supply chains in particular and also with trade credit insurance. The Government committed to providing a Government-backed facility around trade credit insurance, but that expires towards the end of this year. We would like to see that extended for another quarter, because we know that these next few weeks will be critical. If you are a manufacturer but you are not sure whether your suppliers will be able to pay you, that really stops the economy from functioning well, so we do need to look at trade credit insurance as well in particular.

Q51 **Felicity Buchan:** Tej, have you had any feedback from your members on the subject of insurance?

Tej Parikh: I am afraid I do not have any fresh market intelligence on this particular subject. I would echo the industries and sectors that Rain highlighted just before.

Q52 **Felicity Buchan:** Paul, do you want to add anything? It is not really in your field, but, if you want to add anything, please do.

Paul Nowak: Yes, it is not really my area of expertise. It maybe does reinforce a point I made before, though, about the value of employers publishing their Covid-19 risk assessments. There is a legal obligation on employers to carry out those risk assessments before they open premises, for example.

This would be part of the broader point around building public confidence. For example, if a firm did want to be covered by that, whether it was a Government insurer of last resort or whatever arrangements were put in place, there could be an obligation on them to prove they have carried out and published those risk assessments and consulted their staff about those risk assessments. That could be important. It is one way of ensuring that employers are doing the right thing. I could see a wariness to support employers if they are not able to demonstrate that they have put in place safeguards to keep staff, customers and the public safe.

Q53 **Anthony Browne:** In these times of economic crisis, the public finds it very reassuring if we all work together, with Government, business and trade unions all collaborating on what we all ultimately want, which is to protect businesses and jobs. To that end, it was probably quite reassuring to see the Chancellor, with his winter economic plan, with the head of the CBI and the head of the TUC. I cannot remember the last time we saw those three grouped together.

My question is about co-ordination and communication between business groups, trade unions and the Government in this. How has it gone so far? Would you like to see a more structured form of collaboration between the three different groupings? I am going to come to Rain first, and then Paul, Tej and Kate. Rain, how has it been so far in terms of collaboration with Government? Do you get the access you need to Treasury and BEIS? How would you like to see it going forward?

Rain Newton-Smith: It is really important that we all take rays of light from the challenging weeks we have had as we look ahead. I can genuinely say that the way the Government have worked collaboratively with us, the TUC and others has been hugely helpful. There were initially hourly conversations about both the need for the job retention scheme and designing it. If you look at the lending schemes and some of the gaps that were there initially, there was absolutely hard work from the Bank of England, from HMRC and HMT, working with us, working with trade associations and working with the unions. That was so important.

We are continuing to see that even around the job support scheme, for instance. There is a whole host of guidance that will go alongside on that. We are discussing trying to get that guidance right. We and the trade unions also have a role in articulating to employees and businesses what support is out there. It absolutely has worked.

Going forward, yes, having a structured way that unions and businesses can engage with Government is really important. It is only when you hear directly from businesses how it is affecting their decisions that you know what the economic impact can be. Looking at the design of the job support scheme, both us and the TUC called for having a scheme in place. It is great that we have that scheme in place, but we need to keep it under review. We need to know how it is working in practice. That is one where I hope the lines of communication absolutely stay open, as they are, in terms of the impact it is having across different sectors and of course across different regions.

Q54 **Anthony Browne:** Do you have any views on the structure of that collaboration between business, trade unions and Government? Do you have any views on how that should work? The implication of what you are saying is that you would like it to be a permanent thing rather than just for the duration of the crisis.

Rain Newton-Smith: You can have formal mechanisms. We have formal meetings. That does help. Obviously, that is all virtual now. In a way, what is most important, whether that is a formal set-up or not, is that whatever is communicated is listened to and then acted on. In a way, that is what I mean by genuine collaboration. That might be saying, "We are drafting some of the guidance in terms of how you access the bounce-back loan scheme. Can an FD in a very small business read that and understand what it means and how they access that loan?" That is a really simple example. "I have never taken out a loan before. Can I read your application form and understand how I apply for it?" It is that simple road testing of some of the guidance that really helps to improve it.

Once the guidance is out there, you have to be willing to say, "Actually, there is another question I have had from a business. Let us get an answer to that question up on HMRC's website". Credit to some of the teams at Treasury and HMRC; they have been really responsive on that. That is the sort of spirit I want to see happening. You can have formal structures, but it is really that listening that needs to happen.

Q55 **Anthony Browne:** There is no point in talking if people are not listening. As someone who ran the British Bankers' Association and worked with Treasury, I completely get the points you are making. Paul, from the TUC's point of view, have you had the engagement with Government you would have wanted? What would you like to see going forward?

Paul Nowak: It has been a mixed scorecard, to be honest with you. The TUC has been around for 152 years, and it is our job to represent the interests of working people to Government, regardless of who is in. In particular, at times of national crisis, it is our responsibility to step up to the plate alongside Government, employers and others and to play our part.

We have had really positive engagement around things like the job retention scheme and the job support scheme. There was the safe working guidance that we worked on with BEIS and DCMS. Millions of people are working in Covid-secure workplaces as a result of the work we did together with Government and employers.

I have to say that we are detecting a couple of other examples. There was the Prime Minister's announcement of an arbitrary opening date for schools, the flip-flopping between working from home, going back to the office and then working from home. Both of those would have benefited from proper structured engagement with unions and employers in a way that did not happen. We had to deal with the unfortunate consequences of that.

In the longer term, I would dearly love the Government to see the unions as a resource not just in a crisis. We do not just have Covid-19 to contend with; we also have Brexit, the issues around decarbonising our economy and the move towards automation and digitisation. Now is the time for the Government to establish some sort of national recovery council, which would allow unions and employers to get to grips with some of these big issues around skills, investment and what sort of labour market and economy we are going to have in the future.

It is commonplace in other European countries. We would have to have a particular UK model, but we have shown over the last few months the values of that tripartite working, and I want us to build on that.

Q56 **Anthony Browne:** You would want that on a permanent basis rather than just for the duration of this crisis. In other European countries it is often quite an established feature.

Paul Nowak: Yes. We all have memories that go back well beyond March of this year. We were talking about the big issues that the UK economy was facing around Brexit and digitisation. Every other meeting I went to before the crisis asked, "What does digitisation mean for the future of work and the future of jobs?" These are big issues that would benefit from unions, employers and Government having a structured engagement. This would not be a committee for a committee's sake; this is around trying to think about the big strategic challenges we face and what we can collectively do to address them.

Q57 **Anthony Browne:** Tej, what is the IoD's point of view? You are a representative body for directors. Have you had the engagement from Government that you want, and what would you like going forward?

Tej Parikh: We have had an opportunity to have regular weekly calls with the Treasury's business engagement team. That is the point where we can register any ad hoc concerns that our members have. Looking at the last four to five months, we recognise that the nature of policymaking has meant that it has been harder to have a more formalised evidence session where we can go in with a full level of data and statistics and outline and more accurately get to the policies we are advocating for our members. That has been a bit of a challenge, but then obviously this is an unprecedented time.

One of the things that is a bit unhelpful is sometimes around the communications, particularly around a lot of stories being trailed or leaked into the media around what is going to happen with the job retention scheme or the levels of support. That kind of vacuum before there is an announcement from the Treasury does cause a level of uncertainty and anxiety for a lot of business leaders. That is one thing we hope can be avoided more in the future.

The only thing that has been a challenge to engage with the Treasury, and more broadly the Government, has been the challenge around the gaps in the business support package. I am particularly speaking to the company owner-directors issue. That has been something we have registered, but we have not really had much back on it. That has been harder to engage on. Other than that, we recognise that it has been a difficult time to get through these things, but we are broadly happy with our engagements.

Q58 **Anthony Browne:** Kate, I will come to you finally. You are one of the hardest hit sectors. I would not be surprised if you had a slightly different message. How has your engagement been and how would you like it to be?

Kate Nicholls: I would reiterate what Paul and Rain have said about the structure, the listening, the adaptation, the willingness to evolve, keeping it fresh and particularly the focus that we had with the tripartite approach on the safe reopening of workplaces. That was a model of how things should be done, I would say.

We have been incredibly fortunate. In addition to the Treasury, I would just pay tribute to the teams, both ministerial and officials, at DCMS, Defra and BEIS. They have set up a BEIS hospitality unit as a result of the crisis, and that has worked incredibly effectively at being able to look at what is happening on the high street. We have had unprecedented engagement and support from DCMS and Defra as well in order to feed into that.

The only point I would make in addition to that is that when they are dealing with big macroeconomic issues, there is a frustration that sometimes a sector is disproportionately affected, like hospitality. We would urge the Treasury to use the specialist hospitality resource we have in our representative trade body to supplement the fantastic work that the CBI and TUC are doing; their work is across a broad macroeconomic piece. That would be the only thing: the final piece of the jigsaw is to make sure that, at those Treasury levels, we have supplementary input from hospitality.

Anthony Browne: In most of my career I have heard complaints from businesses about Government not listening to them, so I am actually quite reassured that it is, by and large, positive, although it could always improve. Thank you all very much.

Chair: That brings us to the end of our session. Could I thank our panel for appearing before us? We have had some excellent answers to our questions. What has been heartening in a way is that, at a time of national crisis, even though the panellists do not agree entirely with everybody about everything, nonetheless there has been a very constructive approach. There has been a general approach right across unions, employers and others to really do whatever we can to get through this terrible time for our country as best we can. Very important points have been made about the fact that, while many businesses have of course been impaired by the virus and lockdowns, some have had their businesses literally taken away from them due to the measures the Government have brought in. This brings into sharp relief this issue of targeting, which has been much mentioned within the session.

We have covered a wide range of things—everything from skills to how to encourage business investment and maintain the levels of consumption that have improved in recent times. As a panel, you have navigated us through those issues with great insight and wisdom. Thank you very much indeed for appearing before us.