

# Treasury Committee

Oral evidence: [Economic Impact of Coronavirus](#), HC 271

Tuesday 31 March 2020

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Members present: Mel Stride (Chair); Rushanara Ali; Mr Steve Baker; Harriett Baldwin; Anthony Browne; Felicity Buchan; Ms Angela Eagle; Liz Kendall; Julie Marson; Alison McGovern; Alison Thewliss.

Questions 1 - 65

## Witnesses

[I](#): Rain Newton-Smith, Chief Economist, Confederation of British Industry, and Kate Bell, Head of Rights, International, Social and Economics, Trades Union Congress.



## Examination of witnesses

Witnesses: Rain Newton-Smith and Kate Bell.

**Q1 Chair:** Good morning, and welcome to the first ever remote public session of the Treasury Committee, on the economic impact of the coronavirus. We are very pleased to be joined by our two witnesses. Will they both briefly introduce themselves, starting with Rain?

**Rain Newton-Smith:** Hi, I am Rain Newton-Smith, chief economist of the CBI. We represent over 190,000 businesses of all shapes and sizes around the UK.

**Kate Bell:** Hi, I am Kate Bell, head of the rights, international, social and economics team at the TUC. We are the umbrella body for Britain's trade unions, representing 48 trade unions and over 5 million workers in the UK.

**Q2 Chair:** Welcome to you both, and thank you for joining us for this first remote session.

I will start with some questions, but just on how we will operate, I remind all members of the Committee, where possible, to direct a question specifically to either of our witnesses—it could be both, but make it clear who you are putting the question to first, so that the two witnesses know which of them should answer first.

Clearly, we are in a very difficult position at the moment, not just for the UK economy but for the global economy. Countries right across the world have taken some dramatic steps to support businesses and individuals through this, including here in the UK. Both the CBI and the TUC have been very much involved with the Treasury and the Chancellor in putting together the UK response. Will you start by telling us a bit about what your particular organisation's input has been in that respect? I will start with you Kate.

**Kate Bell:** We think the Government have made some really significant steps—interventions—both in terms of the job retention scheme and the self-employment support scheme. We have been talking to the Government about those schemes. Obviously, we are not negotiating the detail of those; those are conversations, basically.

We published a report two weeks ago calling for a job intervention scheme. We sent that to the Treasury and other politicians across the political spectrum, and that prompted conversations with the Treasury about what the scheme might look like—the possible design. As I say, we are giving advice to the Government—we are not negotiating a deal—but we were pleased with the outcome of those negotiations. We also went back to talk about the need for support for the self-employed and, again, we were pleased to see the package announced last Thursday.

**Q3 Chair:** Would it be your view, Kate, that the Government have in essence listened to you, or do you feel that there are areas where they have not listened to you?



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**Kate Bell:** We think that those are really significant interventions, and we were pleased that the Government heard what we were saying about the vital need for the job retention scheme. We think that there are a number of areas where there is still work to do, and I will just outline those briefly.

One of the things that the job retention scheme unfortunately does not support at the moment is short-time working. Workers have to be fully furloughed—they have to be doing no work for their employer—and we think that the next development of the scheme needs to be to support those workers who can do some work for their employer without fully not working at all. There are interventions around sick pay, which is where we started our engagement on the coronavirus. Of course, there have been some relaxations in eligibility for sick pay—it is available from day one—but 2 million people might not get it, and the level is still extremely low, we think, at £94 a week.

Another detail around the job retention scheme is that it is not yet clear whether parents who might not be able to work because they are caring for their children are able to access it. We have been talking to the Treasury and BEIS about whether that might be possible, but at the moment, there is a lack of clarity about that kind of support.

Then there is one process option. We have been engaged with Government, but one of our early calls was for the Government to set up a more structured engagement with unions and business—representing both sides of the economy, if you like—through some form of taskforce where they could take a structured and regular form of engagement with us. That is something we would still like to see.

Q4 **Chair:** That is very helpful, thank you. Rain, could I put the same two questions to you? First, what has the CBI's involvement been in the process? Secondly, do you think the Government have listened sufficiently to your concerns and, as Kate identified, are there areas where you feel there are still gaps that need to be focused on?

**Rain Newton-Smith:** What has been really important through this crisis is that everyone has come together to work constructively to solve issues as they have arisen. From the start, the Treasury and the Bank of England have worked together to make sure that we have the right capital within the banking system to make sure that there are loans available for businesses. We have seen co-ordinated action, and that has been really important.

Building on what Kate was saying, some of our early priorities in this crisis were about supporting workers who had become ill and the measures that were put in place. There may be more to be done around sick pay as this crisis evolves. Obviously, the Government have measures to cover some of the sick payments for smaller businesses, but unfortunately as this crisis develops, I think that will be one area to look at.

There have been very constructive conversations around the job retention scheme. Huge credit is due to the Treasury and to HMRC, who I know



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have been working through the night to get this scheme up and running as quickly as possible. They have been very open to us, and also to the TUC, about questions around how this scheme will work, and the clarifying guidance that they provided last Thursday was hugely reassuring for a lot of businesses. When that first scheme was announced, I know from businesses that spoke to me that evening that it really did save jobs in real time. There were a lot of businesses that had had to shut their doors, that were looking at all their staff and really wanted to protect as many jobs as possible, and just having that scheme announced has been hugely valuable.

As Kate mentioned, there are still areas that we need to work on. We would absolutely highlight some of the areas Kate mentioned. The first is thinking about how the furloughed scheme might work, particularly for smaller businesses where it is harder to just say that some employees stay at home and some employees will be at work. There may need to be more flexibility around part-time hours.

The second is about what we call the stranded middle. The business interruption scheme and the loans that are available, partly backed by Government through the British Business Bank and providers, are important for providing loans to smaller businesses. Of course, we have the Bank of England scheme to enable larger businesses to issue commercial paper that the Bank of England will buy, but there is a stranded middle: companies that have a turnover of above £45 million, so are not eligible for the CBIL scheme, but are either too small or are below investment grade, so are not eligible for the Bank of England scheme. We have a lot of distressed businesses that are very big employers around the UK. It was great to hear that the Chancellor was working on this issue, but we feel it is an area that really needs to be addressed at speed and at scale.

**Q5 Chair:** Thank you. On the point that you have raised about guidance, it is quite encouraging if you have confidence in the guidance. Often, particularly if these schemes are put together very quickly, the experience is that they go out and then the devil is in the detail; they take 1,000 questions and nobody can find the answers to them. I am certainly getting businesses in my constituency constantly asking me questions, clarification points and so on about this, so the sense I am getting is that there is an element of catching up and trying to get the accurate, clear information out there. Are you saying that the employers that you represent are by and large satisfied that they have a clear understanding of what is on offer, and how to access it?

**Rain Newton-Smith:** I think there are some areas where more clarity is needed, and potentially also more flexibility. At the moment, our understanding is that it essentially works like an on/off switch: you can furlough a worker, but then they need to be at home and are not able to work for a minimum of three weeks. However, I think for some employers, some sectors and some types of business, the flexibility to reduce somebody's hours and still be able to access the job retention scheme



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would be valuable. That is more about extending the scheme than about greater clarity.

The guidance has answered the majority of the questions we were getting in, but there are still some areas where they would like more clarity. The area of the Treasury and HMRC's work that I would like to recognise is that they have been very patient. We provided them with a list of over 40 very detailed questions that we had received, not just from our members but from the wider business community, and the Treasury was also able to put someone forward for a public webinar that we held for businesses where they answered questions from businesses in real time. I think they have been doing all they can to provide answers, but there will inevitably be some areas where businesses are not sure.

Of course, the other area is the communication to businesses and employees, so that they know where to get the information. We all need to make sure that we play our part in communicating that they need to go to the Government website, because there is more guidance there, and that if they have further questions, they can direct them either to ourselves or to the TUC.

**Q6 Chair:** Thank you. One final, very quick question from me. Clearly, the Government are trying to move as quickly as they can. We had various announcements in the Budget, and then a further statement from the Chancellor and other announcements, and then we had another group of announcements particularly around the self-employed, which to some gives the sense that this is a bit piecemeal and that the Government are playing catch-up. Do you think that the Treasury is moving at sufficient pace? Is the fact that these things are coming out in tranches inevitable, or do you think that they could be quicker in certain areas? I put that question to Kate first.

**Kate Bell:** I just want to add one more thing on the guidance. Like Rain said, the officials are doing a great job, basically. Our advice to them was to get something out quickly and to iterate, because people needed to see that the scheme was real, and the guidance really helps with that. However, just like Rain, we have had a number of questions in, and we are constantly feeding them into the Treasury.

In terms of speed, we wish that they had started sooner, I suppose. The Budget announcements could have been an opportunity to look at proposals around a job retention scheme, for example, which was already kind of prevalent. However, I think they are working really hard, basically, and I think that these schemes are difficult to set up. They are doing things that this country has not done before. Of course, many other countries have had short-time working schemes in place for many years, and we would have liked that to have been the case. I think the officials are working around the clock, and we know that they are trying their absolute hardest to get things out as quickly as possible.

**Rain Newton-Smith:** I think they have been acting at speed. Whenever you are in a crisis, you always wish that you could act faster. That is one



challenge for the Government, which will evolve over the coming weeks, and new challenges will come up as we go across. What has been important is some of the measures that have worked across sectors. We were pressing the Government—given that it will take time for companies to access cash through the business interruption loan scheme and other schemes out there—on some immediate relief, like saying that businesses can defer their Q1 VAT payments, which provided some immediate cash flow relief to a huge range of businesses. That was really welcome. I think the Government are working hard. We want everyone to look ahead to see where new challenges might emerge and to act at speed and scale.

**Chair:** Thank you. I will now go to Rushanara, who I think has questions on the self-employed, in particular.

**Q7 Rushanara Ali:** Before I go on to the self-employed, I just want to follow up Rain's point about loans in answer to the Chair's question. We have heard reports that the way that some banks are behaving echoes their worst actions during the financial crisis and the Global Restructuring Group scandal. How much are you focusing on what banks are up to and whether they are behaving appropriately? Do you think that there should be enforcement action—much tougher action—by the Government, the Bank of England, the FCA and others to make sure that we do not fall into the same trap as 10 years ago, during the Global Restructuring Group scandal, from which we are still trying to recover?

**Rain Newton-Smith:** I think the FCA and the CMA should be using their usual powers to follow up and to make sure that best practice is being followed. It is most important to monitor how many loans are coming out. The business interruption loan scheme was designed at speed and has only been operational for a few days, really. I think we want to make sure that as many businesses as possible are getting loans on terms that are as favourable as possible, given the Government guarantees. It is certainly something that we are monitoring. We are interested in both where it is working really well—where businesses are able to access that money from their bank at speed—and where there are issues, such as where it has been slower for some of those loans to appear.

There are two issues that we have an eye on. The first is the speed at which smaller businesses can access those business interruption loans and the terms on which those are being offered. Secondly, at the moment there is no mechanism for those medium-sized businesses—some of which are very large regional employers that might support 3,000 jobs in the south-west—and no scheme that is open to them.

**Rushanara Ali:** Thank you. Kate, did you want to add anything to that?

**Kate Bell:** Not on that question. I think Rain was probably best placed to answer it.

**Q8 Rushanara Ali:** Moving on to the self-employed and the income support scheme that the Chancellor announced last week, how does it compare with what is happening in other countries, and—you have touched on some of this already—who are the main losers, because we are hearing



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from our constituents that a lot of people do not qualify? Kate, do you want to start?

**Kate Bell:** Schemes to support the self-employed are much newer in other countries. It is Norway that has been talked about most, where again they are providing 80% of earnings. Our Norwegian union colleagues say that scheme is in pretty early stages of development. In other countries—in Belgium, for example—they are paying flat-rate payments to the self-employed.

Obviously, the self-employed population is complex, and it is a much harder scheme to deliver. Our understanding is that around 3.8 million of the 5 million people who are self-employed are going to qualify. Obviously, that does leave a significant number of people out. Some of the losers are going to be people who started their self-employment this year. That is a tricky situation, but I think very difficult for the Government to address, given that people do need to have some proof of their income and a tax return.

A lot of self-employed people have been pushed into self-employment by business models that use that as a tax advantage. Self-employment is very common across construction and other industries, and in the creative industries it is often used as a model where people could be employed. One of the things we really want to see is employers, wherever possible, putting people through their payroll to make sure they can access the main employee scheme, because we think that is going to be the quickest way to get people support.

Q9 **Rushanara Ali:** You are talking about medium-term responses, and of course, quite rightly, Government, trade unions and Opposition parties all need to focus on that, but we are in the here and now. I have had lots of emails from constituents, particularly in the creative industries sector; many of my constituents work in that sector as freelancers. My colleagues have had lots of these emails as well; we are being bombarded. Just over 1.2 million do not fall into the category that the Government have set out. They need a response here and now. They are running out of money very quickly, and we are going to push more people into difficulty. What do you think the Government should be doing now to respond to it?

**Kate Bell:** I think there is something about looking at the interim support. When we look at the support through the social security system, I know it is in many ways inadequate, but I think if our social security system was operating better—if we had removed the five-week wait for universal credit, if we perhaps removed the savings rules, which mean that people cannot access it, and also if we were looking at the generosity of those payments—I know that is not a perfect solution for those people, but I do think it would be addressing a lot of their concerns.

Q10 **Rushanara Ali:** I beg to differ; it might help some people, but we have people on mortgages, and if you are in a two-person household earning under £50,000, then you qualify, but if you are over £50,000—*[Inaudible]*—and that seems to be quite ridiculous, frankly. What do you



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think the Government should be doing to redress that obvious problem here?

**Kate Bell:** Rushanara, I missed some of your question because your sound cut out, but I think you were talking about the hard income cut-off at £50,000, right?

**Rushanara Ali:** Yes.

**Kate Bell:** I think, obviously, it should be on individual income. I do think something the Government might look at is how hard that £50,000 cut-off is, and could it be applied more on a taper basis. I think that is the basis on which the employee scheme has been designed, basically, so there is no hard income cut-off.

I guess where we would like to see the employed scheme look a little bit more like the self-employed scheme is that self-employed people can carry on working and receive the support. Both Rain and I were talking about the need for support with short-time working for the employee scheme, so we think there are transfers from both the schemes, basically, that we need to look at as the next stage.

**Rushanara Ali:** Rain, did you have anything to add to that?

**Rain Newton-Smith:** No, I do not think so. Kate has covered all the main points. As she was illustrating, some of the challenges are for the self-employed, who are a diverse group of people. As with all these things, we want support for the self-employed to be directed primarily to the most vulnerable—those who are at risk of losing their job, those who are on lower incomes, and those who are self-employed and have lost their income. Some of the challenges around self-employment stem from the fact that some people might be in a position where they can continue to work. It is a bit like the support for sectors that are particularly distressed; we want the support to focus on those whose income has really been hit, because they are self-employed and are in a sector where they cannot work, or on those whose incomes are very low to start with and so are less likely to have savings that they can fall back on.

Q11 **Rushanara Ali:** Can you say a bit about what support is available for start-ups and what should be available to them?

**Rain Newton-Smith:** For start-ups, as for very small businesses, there are various schemes that can be helpful. They are eligible for the job retention scheme, and if you are a single owner or director of a company, you can furlough yourself if you have had to close operations. As long as you can discharge your duties as a director, you are eligible for that scheme. If you are a very small start-up, that is available. You are also eligible for the short-term business interruption loan scheme. One area that we have been looking at is very small businesses, for which grants are available via the business rates relief scheme. If you are small business and you are eligible for small business rates relief, you should be eligible for a £10,000 grant from local authorities.



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It will be important to monitor this to make sure that those grants are disbursed by local authorities and reach the people in need. There are some issues around shared workspaces, and how some of that rates relief is apportioned in shared workspaces.

**Q12 Rushanara Ali:** I have a couple of final questions. The scheme for the self-employed comes into effect in June; that is my understanding. Is that acceptable, and what are people meant to do in the meantime? You mentioned local authorities, which have faced cuts for decades. My own local authority is struggling to cope with the public service dimension of what it does, and it does not have the resources. I know that is not directly a CBI responsibility, but can you both reflect on what Government should be doing to support local services and local authorities, which are on the frontline of doing stuff to keep people in work through these grants, and which are responding directly by providing frontline services?

**Rain Newton-Smith:** Absolutely, you are right. Local authorities are already under huge pressure, and that will continue as the crisis evolves. That is why it was welcome that the Chancellor, in the emergency Budget, set aside more funding for local authorities. It is also important that business rates relief was matched by central Government, which is something for which we pushed very hard.

You are right. One of our big concerns is about the capacity of local authorities, particularly as the crisis evolves. The majority of their staff are already working from home, but they also have staff who are ill or self-isolating. Making sure that local authorities have the capacity to disburse some of those loans is really important, and it is something that we are monitoring. We are also looking for gaps; some local authorities find it easier to make these funds available, but others may not have the capacity. Monitoring where it is working and where it is not will be hugely important.

**Q13 Rushanara Ali:** Rain, do you have any evidence yet about what is going on, and can you say something on my earlier point about the self-employed and when the new support package kicks in?

**Rain Newton-Smith:** Sorry, I didn't come back on your first question. We don't have any evidence really at the moment, because the direct grants aren't due to be disbursed until April. It is really only in April that we will be able to monitor how well that system is working.

On the issue of the self-employed, my understanding is that part of the reason why the scheme is not available until June is to allow more people to be eligible for the scheme—all of those who may not have already filled out their self-employed tax returns, which is the basis on which the Treasury is able to assess who is eligible.

Of course, not being able to get that income until June is hugely challenging for some of those households. What we hope would work is that they would be able, where possible, to access loans via their bank, and banks should know that that money is coming in in June, and be able to help employees. We know banks have already allowed people to defer



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mortgage payments and other things around that. It obviously will be a more vulnerable time for those households, and it is something we have to keep our eye on.

**Kate Bell:** In both these cases, we are seeing the legacy of a decade of cuts, in that HMRC is saying, "We cannot get the loan scheme up and running any quicker," and that is because we have seen staff cuts in HMRC over the last decade. There have been staff cuts in DWP as well, which means that the DWP systems and services—we had some thoughts about using the contributory benefits system, for example, as a way to get people money quickly—have been kind of decimated over the last decade. That is what we are seeing the legacy of now.

Similarly, with local authorities, we have had an enormous funding squeeze, and exactly as Rain says, they are going to be more vital than ever. We hope they are going to get the support they need. It is a useless thing to say, "Don't start from here," but we really are seeing the impact of those cuts over time right now.

**Chair:** Thank you. I am going to move to Angela, and then to Felicity.

Q14 **Ms Eagle:** The devil is always in the detail of these schemes. They are undoubtedly huge. Kate, I wonder if you might say a little bit more about where you think more is needed, particularly on the extent and the level of statutory sick pay, which many people are going to be forced to rely on.

Also, there seems to be huge demand now on the universal credit system—you just referred to it in passing—which means that people are being made unemployed and are left without resources. Could you say a little bit more about what the TUC might want to see happen to ensure that more support is given to household incomes in that area?

**Kate Bell:** Sure. Before the Budget—time is blurring slightly—we had three points about the sick pay system. The first was that it wasn't available from day one; the Government fixed that in the Budget. The second was that 2 million people still aren't eligible because they don't meet the lower earnings limit. That still hasn't been fixed, so if you are a low earner and you are expected to go to work at the moment—as, for example, many retail workers are—and you are working fewer than 16 hours, you may not qualify for sick pay if you fall sick.

Thirdly, the level is just too low. We think £94 is too low to live on. I think Matt Hancock said that when he was on "Question Time" with our general secretary, Frances O'Grady. She said, "Could you live on £94 a week?" and he said, "No, I couldn't." We suggested that statutory sick pay be raised to the level of the real living wage, which is around £300 a week.

Those are the key changes. The two key changes around eligibility for sick pay and the level of sick pay are still unfinished business, basically. As this crisis goes on, those issues are going to be increasingly important, because, as I say, many people whose employer will not be furloughing them will fall sick and will need to rely on that support.



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Secondly, I think you are completely right to highlight the need for action on universal credit. One thing we need is more resources, more man hours, going into the delivery of it. We have seen huge queues before people are able to access that support. Again, we think the level, now raised to £94 a week, needs to go up. There has been some suspension of conditionality, but there needs to be thinking about making sure that people do not have to jump through unnecessary hoops to get that money. When we were talking about access for the self-employed, I mentioned that there was perhaps a need to relax the savings rules, as they could be a real problem for people accessing universal credit at the moment.

Last, a quick way to get money into the hands of households would be to raise the level of child benefit and target it at families with children. That is something we are likely to look for as the weeks go on.

**Q15 Ms Eagle:** Do you think that might also involve, at least temporarily, suspending the two-child rule?

**Kate Bell:** Yes, for child benefit.

**Q16 Ms Eagle:** I know from my casework in Wallasey that lots of people who have been made unemployed despite the rescue packages are just hanging on the phone for hours and hours, trying to access universal credit. There is a similar situation for those who are trying to use supermarkets remotely to get deliveries; they are queueing endlessly to get delivery slots or in phone queues. Kate, would you comment on how we need to improve our digital infrastructure? I would like Rain to answer that question as well. This is not a shock that anyone could have planned for, but clearly there are issues with accessing remotely all the services that used to require you to be there in person.

**Kate Bell:** I think that is right. At both HMRC and Jobcentre Plus, we have seen the closure of centres. I am not sure you would want people going into the jobcentre right now—

**Ms Eagle:** No, sure.

**Kate Bell:** I know our unions that work within the civil service are in discussion with Government about how we can get more capacity into those services. It is critical that those workers have safe working conditions, and that is something we need to be thinking through, too. For example, if you are in a call centre, it will probably have to be rearranged to make sure you have appropriate and safe distance between people. These are big questions and they need to be resolved really fast to get people the support they need.

**Q17 Ms Eagle:** Rain, do you have any views on how the universal credit system could be adjusted to help people who were self-employed and those who have less than a year's tax return, who are effectively being told to rely on universal credit?

**Rain Newton-Smith:** There's probably not much I can add to what Kate has already said. Certainly the speed at which people are able to access



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universal credit at a time like this highlights how important it is to get these mechanisms working as quickly as possible. The other thing I want to support Kate on is looking at sick pay for very low earners; that is something that we in the TUC had been calling for before the crisis emerged. It was one of the recommendations from the review of workers, and we think it should absolutely be enacted.

I am happy to pick up on the questions about supermarkets. We know that the supermarkets are doing all they can to ensure that food is available to those who are most in need. Most of the large supermarket chains have put in place a sensible triage system, so if you are vulnerable or self-isolating—the elderly, those with long-term health conditions and others who are at higher risk from covid-19—you are being prioritised in terms of delivery. That means that those of us who are still fit and healthy and able to go to local shops are further down the priority list. Those are decisions that have to be made. What is really important is that the supermarkets have been working together to make sure they cover all the gaps. They have said they hope that, further down the line, the CMA looks at where they are acting together to make sure that critical food deliveries get to those in need—that the CMA understands that that is why they are taking those measures.

Most of the issues around distribution are issues of physical capacity. Before this crisis, only about 7% of supermarket orders were online, but now more and more people want their deliveries online. The supermarkets are doing all they can to meet that demand, but it is a huge logistical challenge.

**Q18 Ms Eagle:** Would you like the savings rules in universal credit to be suspended to help the self-employed or those just starting, who may have saved a bit of money to invest in the business that they now can't invest until this period is over and who will not get any support at all until they have spent down their savings?

**Rain Newton-Smith:** I don't think that is really a question I can answer; I am not familiar enough with how the system works and where the real need is.

**Q19 Ms Eagle:** Have you been contacted by any of your members apart from the stranded middle you were talking about? How do you think the stranded middle can be helped?

**Rain Newton-Smith:** We have been contacted by our members across all sectors and of all shapes and sizes, whether that is about how to access the job retention scheme or what other support is available. There have also been huge offers of support to help the Government, whether that is in producing ventilators or all kinds of things. We have been contacted by a range of companies around a whole host of issues.

But your question was on the business interruptions, the stranded middle and what needs to be done for them. To my mind, one of the things we need to do is to use the principle of existing mechanisms where possible, because that will help to get support to those who need it at speed. Some



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of these businesses have had to close their operations over the past couple of weeks, and many of them have zero revenue coming in, but they have employees who they are very concerned for, and they want to protect as many jobs as possible.

First, there is certainly a possibility of extending the CBIL scheme; increasing the limit on the turnover and bringing more medium-sized businesses into the CBIL scheme would seem to make sense. The other area you could look at is the commercial paper scheme that the Bank of England is running. That would need a decision by the Treasury to flex the risk criteria under which the Bank of England is operating, and we may need to look at whether they could offer commercial paper for some of those companies that are below investment grade. That would bring in more companies at the top end.

They may also need to look at measures around loans that might be convertible into equity. One thing we want the Government to think about now—certainly companies are also reflecting on this—is that, while at the moment we are in the forefront of this crisis, we are hopeful that in a few months' time we will be emerging from this and the economy will be recovering. What is important then is that, where the Government have been providing guarantees or equity stakes, they have a way of recouping some of the funds that they are putting in now to support businesses, so that we can ensure we have a healthy economy over the long term and a good way of funding all our public services as well.

**Chair:** Thank you very much. Angela, is your last question a very quick one?

**Q20 Ms Eagle:** Yes. Kate, could you give us a little bit more of a view of how you think the furloughed workers scheme could be flexed to deal with those who are getting fewer hours but do not qualify for any support under the scheme as it stands?

**Kate Bell:** We are trying to have discussions with officials about that now. One thing that we are trying to think through in terms of whether it would work is whether you could use the furlough on a day-by-day basis. At the moment, it says you cannot do any work for your employer at all, but if you could furlough somebody by the day—so Monday, Tuesday, Wednesday, you are furloughed, and you are not doing any work for your employer—we think that should be operable, basing it on payroll. Most people know how many hours their workers work a day. We think that should be a way to flex it.

The other thing might be using some form of job rotation scheme. At the moment, the furlough guidance says you have to be furloughed for a minimum of three weeks. I think there is something about whether you could be furloughed for three weeks and then come back on, so that companies could be running split shifts, for example. Those are the main ideas that we are looking at; we have conversations lined up with officials this week to see whether we can make those work.



**Chair:** Thank you. I will go to Felicity now, and then to Liz after that.

**Q21 Felicity Buchan:** First, I want to thank you both for your contributions to developing these schemes. It is great to hear that you are largely supportive of them. Like any scheme, the proof is actually going to be in its implementation. I know that many of these schemes will not take effect until April, May or June, but what are you hearing anecdotally from your members—is the cash actually coming through? Clearly, in this situation, cash flow is king.

**Rain Newton-Smith:** Yes, absolutely, Felicity. You are right. What many businesses are saying is that they have no revenue coming in, so the only way that they can get through what we hope will be a temporary period is either to access loans or, if they already have some cash or reserves built up, to access those. That is absolutely the challenge and why everyone is very much focused on ensuring that the business interruption loans scheme gets out of the door as fast as possible and why we also have support available for some of those medium-sized businesses as well. That is a key challenge.

On the job retention scheme, you are right. The payments on that will not be available until April—the Government have been clear on that. What we do know is that just knowing that that money will be available in April is allowing businesses to protect jobs now. Unfortunately, that does not mean that it will save all the jobs out there, but whether we are talking about some of the retailers operating in the non-food space or large hoteliers or large manufacturers, they have all said that knowing that that scheme will be in place and paying funds from April has saved jobs in real time. Obviously, those companies are looking to their banks, which are able to provide some bridging finance until those funds are available.

**Q22 Felicity Buchan:** Clearly, as you say, the role of the banks is very important here. I know that you have already been asked this question, but are you hearing that the banks are all stepping up to the plate?

**Rain Newton-Smith:** Yes, absolutely. Some of our members have said that the banks, when they have gone to them, have really worked hard—whether that is having forbearance on payments or being able to arrange loans quickly—and been hugely helpful. Where there have been challenges, particularly for smaller businesses, it is on issues around accessing some of the business interruption loans scheme. One of the challenges for the banks is that, operationally, they are hugely stretched. We must remember that. There have been more than 30,000 inquiries within a few days on the business interruption loans scheme. Banks, at the moment, are also dealing with everyone, wherever it is possible, working from home. They are also managing staff absences. Like all of us, they are feeling a lot of pressure. That is why it is vital that financial services were included within some of those key workers.

Where there are challenges, the thing we need to keep an eye on is just making sure that bank managers know at all levels what support is available via the Government. What would be good to see from



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Government is some data on how many loans are being disbursed, how quickly they are being disbursed, and the terms under which they are being disbursed. I think us all having an eye on that will be really important to make sure that those funds are being made available to those who need them.

**Q23 Felicity Buchan:** Kate, may I ask the first question? Anecdotally, what are you hearing from your members in terms of these schemes being available to them?

**Kate Bell:** We are hearing about companies taking up the job retention scheme—often pushed, or negotiated with, by the unions. As Rain said, we know about a couple of hotel chains in Glasgow, and we know that Swissport workers at Bristol Airport are being reinstated because of the job retention scheme. We are still hearing that some employers are reluctant to use it and perhaps that the word is not getting out there quickly enough. Like Rain, I think the communication of this—that this help is available, that it is backdated to 1 March and that it can be used to reinstate workers who may already have been laid off—is really important. It is really important that that message gets out there, basically.

**Q24 Felicity Buchan:** You said earlier that you would like the scheme to be iterated, and clearly no scheme will be perfect on day one. Do you get the sense that the Treasury is prepared to look at modifications and improvements?

**Kate Bell:** We hope so. We are certainly having those conversations. There are two forms of iteration. One is adapting the scheme, like I said, so that it can deal with short-time working. The other is about more guidance—there are still a few details that we need to know more about, such as how it interacts with the benefits system. We have had some concerns raised that being furloughed might be seen as a change of circumstance and that could mess up your process of either moving on to universal credit or not moving on to it. We need some guidance around that. We have some questions that are more for BEIS than Treasury, I guess, about how it interacts with existing employment law. We have certainly seen that officials and Government have been open to listening to those questions, and I think by next week we will know how open they are to taking them on board and iterating in the way that you say.

**Q25 Felicity Buchan:** That is good to hear. I have had a lot of specific questions, particularly from people in the creative industries who have been on short-term PAYE contracts but just do not happen to have been in employment on 28 February, so they are not eligible and they cannot be furloughed and they are not self-employed, so they fall between the cracks. Is that something you are hearing from your members?

**Kate Bell:** Yes, I think that is a real issue, as you say, for the creative industries. It is being raised by unions such as Bectu, which is part of Prospect, and which represents self-employed camera operatives and people who work in the film and television industry. There is some clarity needed about that. The Treasury has been saying to us that if you are paid through PAYE, you should be able to access the scheme, but how the



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scheme can work for those people is really important. Some of those people might be paid through umbrella companies, and we need some clarity around whether they are able to access the scheme. That is a form of payroll, basically, and we want the main job retention scheme and payroll scheme to be extended as widely as possible. That would be some very welcome clarification, which we are definitely seeking.

**Q26 Felicity Buchan:** One issue that I am hearing is that there is this hard focus on 28 February.

**Kate Bell:** Yes. That is difficult, and it is harder to think about how we might resolve it. We would certainly want to go back and think about the options. You can see that the Treasury are trying to stop people being taken on and then instantly furloughed, given that they have backdated it to—I think it is 1 March, isn't it, Rain?

**Rain Newton-Smith:** Yes.

**Kate Bell:** So you can see the intention of that, but I think that it is having some hard consequences that we want to have a quick look at and think about what the responses might be.

**Q27 Felicity Buchan:** Thank you. I have one final question for Rain. I represent a central London constituency, and one thing I hear a lot of is that the grants to the hospitality, retail and leisure sector are focused on rateable values of £51,000 and below. Clearly, in central London, there are not many businesses that have rateable values of less than £51,000, yet London is the worst affected. Is that something that you are hearing from your members?

**Rain Newton-Smith:** Yes, I think that that is absolutely a concern. It is obviously concentrated in those areas where the rateable value is high, but that is a challenge. You can see why the grant system has been targeted according to the value of property, but it creates a challenge. What has been welcome is what has been said about business rates not being needed to be paid at all for those sectors that are under pressure—hospitality, leisure and retail—and that has been really important. There has been some challenge that that has been unevenly applied in some of the devolved nations; I think in Wales they are looking at not implementing that relief for properties that have a rateable value over £15,000, so that has created some challenges for those businesses that are being impacted. The challenge, of course, is that business rates come out of your revenues before you have made a profit. We have certainly heard about some of those challenges, particularly for businesses in London.

**Chair:** Thank you. I'll go to Liz now, and then to Harriet.

**Q28 Liz Kendall:** Thanks, Mel, and thanks very much to Kate and Rain for taking part in this. You have both talked about the benefits and the jobs that have been saved by the job retention scheme, but I know from my own constituency that people are still being laid off, even if their bosses know about the scheme. How widespread do you think that is? Is it



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happening in certain sectors? And what, if anything, can we do about it? We saw a huge increase in the number of claims for universal credit. Some of that may be the self-employed, but I am concerned that people are losing their jobs, and we know from all previous experience that it is that unemployment that is desperately worrying in the longer term.

**Rain Newton-Smith:** I think your question is really important. It is absolutely vital that we have that job retention scheme in place, but unfortunately it won't be able to solve all of the issues that we are presented with. What I would say first of all is that the more that all of us can communicate that that scheme exists and that it is available to anyone who was on payroll—a PAYE system—as of the end of February, that is really important. As you have seen, HMRC has provided that guidance for employees, so employees can also inform themselves and have that conversation with their employer. The more that people know about this scheme—it is really important.

From what is happening in the UK, we see that this is a global issue. We are undoubtedly looking at a global recession. We will see a recession in the UK. Hopefully that will be short lived. We hope, of course, that we tackle this health crisis and that we emerge from that—that is our No. 1 priority. The No. 2 priority is to protect as many jobs and livelihoods through this and to make sure that our recovery is as strong as possible.

The job retention scheme is an important part of it, but it cannot solve all of the issues. That's why we need to make sure that we have cash flow available through the banking system, and the measures taken around that by the Bank of England and the Treasury are really important. Making universal credit more generous is part of that as well. What we need to ensure is that the Government are looking at any measures that need to be taken as this crisis evolves, to try to protect both the health of the economy and as many jobs as possible.

**Kate Bell:** I agree with everything Rain has said. Very anecdotally, on sectors in which people are being let go, obviously retail and hospitality are particularly hard hit, but I think we are also seeing some of the consequence of the casualised employment models that have been really common in that sector, where staff are basically treated not like people—not like the totally vital assets that they are to those businesses—but as a variable labour cost. Some of the high-profile cases of employers treating their staff pretty rubbishly are in those sectors, and trade unions have been trying to highlight that behaviour for the last five years, if not 10. I think we are really seeing the consequences being exposed of that employment model where people are kept on a casual basis. It is important—I totally agree with Rain—to take every measure possible to deal with the health crisis and to make sure we recover better, but I do think that in the longer term we have to look at that form of employment model, because it is being exposed ever more now as completely wanting.

**Q29 Liz Kendall:** Thanks. You have both flagged towards the next couple of questions I want to ask. We are obviously very focused on the here and now and on getting money to businesses and employees. But there is



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concern, as you said, Rain, about a global recession and, some have even argued, a global depression. The former Governor of the Bank of England said he thought that coronavirus would lead to a large, sharp but temporary economic shock. Do you think there is a tipping point at which this will have much longer-term consequences? We are hearing that we may be in lockdown for much longer and that life may not go back to normal—whatever normal is—for months. Looking ahead, what are the things you think we and the Treasury should be concerned about in terms of whether we get to that tipping point?

**Kate Bell:** I don't think it is sensible for me to speculate on the duration of the lockdown. We know, as Rain said, that the economic impacts are not good, and in some ways we are stopping economic activity because public health is, completely rightly, the absolute priority at the moment. One of the reasons we argued for the job retention scheme, and will continue to argue for schemes like that, is that it is really important to keep that capacity—to keep people's ability to work, and to go back to work and pick up economic activity as soon as possible at the point we get to recovery.

The other thing we would say is that we think the Government are taking the right steps in spending money now, and they will need to continue to do so. It is really important that we see supporting any activity we can support now as the absolute priority, because that is also what will aid the recovery in the long term.

**Rain Newton-Smith:** To add to all that, there are a few things that I suppose are reassuring that we all need to hold on to and remember. We can look to the experience of Asia to see that we can recover. Obviously, the first priority is addressing the health issues, and we need to make sure that we keep those measures in place for as long as needed to support the health of the nation and to support the NHS. We know from our members who have global operations that life is not back to normal in China. I think we all have to think about a new normal; I do not think any of us are going to go back to living exactly the same way we did before, and there are some important learnings we can take from all this. But we can look to Asia to see how goods and services are starting to flow back from China, and I think that is reassuring to us all.

Also, there are some ways in which this is encouraging people to be more creative. I think it is changing the way business looks at business travel and the way we think about how we operate. Look at the Treasury Committee: I am not saying all your sessions necessarily would or should be virtual, but it does perhaps open up the idea that you could, in the future, bring in more witnesses who cannot always get into Westminster. I think it is making us more creative about how we work, and also about the time we spend with our families and how we all approach working from home. I know from the businesses I have been speaking to that it has certainly helped them think about how they can be more flexible in their workplaces. I certainly think there are some goods that will come from all this.



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Of course, what is most important is that as we move forward, we protect the health of our economy. It has been hugely reassuring to hear Rishi Sunak talk about how he will do whatever it takes to support the economy. The Treasury and the Bank of England making more than £330 billion of capital available to ensure that the banking system has what it needs to provide loans and capital to companies that need them is hugely important, as are the other measures we are taking. We could see quite a sharp global recession, but certainly our hope is that we will all emerge from this working differently and, hopefully, with a stronger economy over the longer run.

**Q30 Liz Kendall:** Kate, Rain said quite a bit there about lessons that may be learned and the way things should change. Do you want to add anything to that? When we come through this, perhaps we will not want to go back to the existing normal; perhaps we will want a new normal. From your perspective, what might that look like?

**Kate Bell:** I echo what Rain said about new ways of working and being more creative about that; we have been arguing for that form of positive flexibility for a long time. But I think it will also have to make us assess how we value the workers who are still going out to work—people in retail, care workers, people in our NHS and right across the public sector, many of whom are on extremely low pay and many of whom have faced public sector pay cuts for years. We need to think about the people who we have been completely reliant on during this crisis, how we value them and how we reward them as we go forward.

**Liz Kendall:** Thanks.

**Chair:** Thank you, Liz. I am going to go to Harriett now, and after that I will be going to Anthony.

**Q31 Harriett Baldwin:** Thanks, Mel. My questions are mainly for Rain. How many of your members would have taken out business interruption insurance that covered pandemics?

**Rain Newton-Smith:** I don't have a number on that, but what I can tell you is that there are two issues. Very few businesses had business continuity insurance in place that would insure them against Government-imposed closures. Not many businesses have business continuity insurance in place, particularly small and medium-sized businesses.

The second issue is that most business continuity policies do not cover pandemics. There are not many people who have been able to draw on insurance to protect them against the closures that we have seen. One of the challenges initially in the crisis—when the Government announced some of the closures with theatres and so on—was that there was a moment of around a day or so where, because they were encouraging people to close but not mandating it, that affected some people's insurance cover. That loophole, if you like, was quickly addressed. The real challenge is that most businesses were not insured against this risk. Unfortunately, there are so many risks out there that we are not able to insure against.



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One of the things we are doing is working with the Association of British Insurers and the insurance industry to think about what we can do going forward. When you look at the development of things like Pool Re and some of the measures that were put in place post-floods in previous years, there were mechanisms to allow, with Government guarantees, businesses to pool risks. As we go forward, that is something that we should certainly be looking at and thinking how we can work with the insurance industry to put things in place. The only thing I would say is that the insurance industry itself is under a lot of pressure at the moment. There is clearly a big increase in claims, and that also comes on the back of the distress we saw with so many businesses that were affected by the floods earlier this year.

**Q32 Harriett Baldwin:** So, where you do have members who had insurance policies that covered this kind of thing—it sounds like it is a very small number of them—have they run into any difficulties in trying to make those claims?

**Rain Newton-Smith:** Not that I am aware of.

**Q33 Harriett Baldwin:** You mentioned the day when theatres, restaurants and so on were advised rather than mandated to close and the clarifying language that the Government then put out around that. Has that meant that some of your members have been able to claim insurance for public health situations where the Government have mandated the closure of their business?

**Rain Newton-Smith:** I don't think I have the detail on who was able to claim. I certainly know from what some of our members have said that it was important that they got that clarity, but another thing that was important about that communication—I think the Government have learned on this and I hope they will carry that through as we go through the crisis—was that it showed how important it is to communicate well on what businesses should be doing and to provide support through that, so that all the decisions are not being pushed on to businesses. Obviously, the challenge for theatres is that they had to make that decision in a very short space of time. They were not told to close, but almost all of them shut because they didn't want to be responsible for putting people's health at risk, and that is absolutely what comes first.

**Q34 Harriett Baldwin:** You think there is a role going forward for the Treasury to work with the insurance industry to establish some sort of Pandemic Re, as it were.

**Rain Newton-Smith:** I think that is absolutely something that we need to look at. It is probably a combination of the Treasury—possibly with support from the Bank of England, which has expertise in this area—working with the insurance industry to think about what possible pooling mechanisms could deal with further risks as they arise.

**Q35 Harriett Baldwin:** A question for Kate: do you have any observations from your side on the issue of employers that have had insurance, versus employers that have not had insurance?



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**Kate Bell:** I don't think it is something that we would have good evidence on—apologies. I defer to what Rain says on this.

**Harriett Baldwin:** Thank you very much.

**Chair:** Thank you, Harriett. We will go to Anthony now, then to Alison Thewliss and then to Alison McGovern.

Q36 **Anthony Browne:** Thank you, Rain and Kate, for your evidence. It is actually quite reassuring to hear such consensus between the main business body and the main trade union body. I also thank you for your work with the Government to produce these packages. We have been talking about the detail of the schemes, and some of the questions that I wanted to ask have been covered by that discussion, but I do have some high-level questions. The first is about whether the Government have done enough. Rishi Sunak says that he will do whatever it takes. There was criticism earlier that the Government were not doing enough, but then I think a lot of people were impressed by the scale of what is being done. Do you think that the scale and breadth of the Government approach—not the detail of individual measures, but the broad scale—is about right? Shall we start with Rain and then Kate?

**Rain Newton-Smith:** It is still early days. From what we have seen so far, I think it is the right scale. The challenge is getting the speed on some of these mechanisms so that they are up and running as fast as possible, as well as having clarity on how you can claim through the job retention scheme, or just making sure that those loans are available through the banks. I think the scale is right. For the moment, it is really about getting the speed on those measures. Just the fact that the Chancellor has been prepared to stand up and say that has been reassuring. It means that, as this crisis evolves, presumably more measures will be taken—as and when they are needed—but let us hope that we will not need to take them because eventually we will start to emerge from this crisis.

**Kate Bell:** It has been welcome to see not only the introduction of the job retention schemes, but the promise that they will be renewed if necessary. That has been really important. The missing piece of the jigsaw that is going to significantly add to the scale will be the support through the social security system, to ensure that people are getting the level of support they need through sick pay, universal credit and other parts of the benefits system.

Q37 **Anthony Browne:** Earlier in this crisis, there was a lot of public talk about what other countries were doing. Clearly, some of them were hit by the epidemic earlier than we were. I am just wondering whether you have seen particular things that other countries have done that you think we should have but have not yet copied—things that you would like to see introduced here. I will turn it around and go with Kate first this time, and then Rain.

**Kate Bell:** I would highlight two things that I have already talked about. One is the support for short-term working. Most of the other job retention schemes allow you to have people working part-time. The other is a form



of support for parents. We have seen a number of countries where people already have access to paid parental leave expanding that paid parental leave. Norway, for example, has expanded the number of paid parental leave days that you can take. That is a real vital hole in the support at the moment, where we could definitely be learning from elsewhere.

**Rain Newton-Smith:** I think that the measures we have taken have been appropriate for our circumstances. It was more difficult getting the job retention scheme up and running because we did not have a system already in place, whereas Germany had a different system. Initially there was some reluctance from the Treasury to look at differing some of the tax payments, like the Q1 VAT, but in the end that was really important in helping businesses with their cash flow in a very immediate way. Where the Government may want to look at going further, if necessary, is potentially by looking at whether business rates relief could be extended to more sectors for a period of three months—if the challenges become more widespread. When you look at, for example, some of the measures that have been put in place in the US, you see that that is partly because they do not have the social security system and NHS system that we have. For now, the Government have hit on the right mechanisms. Again, it is just about the speed and scale of delivery.

I should probably add, in answer to some of the questions earlier, that we have been working closely with UK Finance and the banking industry more generally to make sure that we see those loans coming out at speed. We are really trying to highlight not only where we are seeing best practice but where we need to see some of those funds being disbursed more quickly.

Q38 **Anthony Browne:** You both highlighted that one thing that still needs to be worked on is making the job retention scheme more flexible for part-time workers. Kate was asked earlier about what exactly she would like to see, in detail, but we did not get to you, Rain. What changes would you like to see made to the flexibility of the JRS?

**Rain Newton-Smith:** It is similar to what Kate said. One of the things we are hearing from companies is questions about whether they can use it in respect of part-time working and about the ways it could cover some of an employee's wage. Kate walked through some good examples on that.

One of the challenges around the job retention scheme, and I guess what we are also trying to communicate, is that it really should be targeted towards businesses that are in distress. As with everything, we want to use a triage system and we want those businesses that are really seeing a huge impact on their cash flow to look at the job retention scheme to protect as many jobs as possible.

It is important for business reputation going forward that businesses access these Government schemes only where their business is facing distress. We do not want these things to be used, if things are not so difficult, as a sort of flexing mechanism. That is really important. Where we do add more flexibility to the job retention scheme, I want it to be



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focused on where there is a real need, either to support jobs and in respect of the concerns Kate has from her members, or where we are finding businesses that are facing real distress or trying to provide essential services but are not able to support their employees in the way they would like because payments to them have stopped.

**Anthony Browne:** Kate, I think you were trying to get in.

**Kate Bell:** One thing that we have both learned from other countries and have been asking for here is that form of structured tripartite engagement—mechanisms that bring together unions and business on a continuous basis. We think that would help us to design and target some of the flexibility that Rain is talking about, to identify those businesses that really do need support and have in place mechanisms so that we can say, “This is how we can target it. These are the appropriate forms of support,” and to have a regular stream of on-the-ground information going to Government. That is the other thing we would highlight that we could be learning from elsewhere.

Q39 **Anthony Browne:** One thing we have not touched on is that although there are clearly an awful lot of businesses and individuals in distress—my inbox as an MP is completely filled with cases, as are those of other MPs—some companies are growing or need to take on more employment. I am thinking in particular of supermarkets, obviously. I have food-delivery businesses in my constituency that are expanding very rapidly. Farmers are not able to get low-skilled employment from overseas to pick fruit and so on and are now short of people and want to attract people into that work. Do you think there is a need for some sort of mechanism to help people without jobs to get to the places that are growing, or do you think the normal measures in the labour market will solve that? Shall we start with Kate?

**Kate Bell:** This is something we are thinking hard about now. Basically, we know that there are those growing sectors. We need to think about a couple of things, one of which is doing everything we can to make sure that those workplaces are safe. We are still hearing examples of businesses that do need to be operating but are doing so under unsafe conditions. We absolutely cannot be asking new people to join businesses where there is risk and their health and safety at work is not protected. We are going to have to think quite hard about the role of Jobcentre Plus in this respect. To be totally honest, it does not have a brilliant record of being able to place people effectively. Also, we would have real concerns about conditionality in any schemes. It is very difficult to see someone being required to go and work in a shortage occupation, particularly with those health and safety concerns. There will be many people who want to take up roles and we need to think about what the systems that support them are. That is something we are trying to think about, but I do not think we have all the answers to that yet.

Q40 **Anthony Browne:** Rain, do you think there is a need for anything else to facilitate labour movement now?



**Rain Newton-Smith:** I think there could well be. I do not think I have an answer on what it is, but when we look at the job retention schemes, one of the areas we need to reflect on is the challenge that if you furlough a worker, they can then volunteer. That is important because there may be really important volunteering opportunities. Also, whether for agriculture or around food delivery, there are areas where there is a need for more people to be working. As you can imagine, you could have periods where companies do not have a need for an employee for three months but that employee is fit and healthy and would be quite willing and happy to work in their local area, helping with some of that critical food delivery. It could make sense for that to be paid employment rather than just volunteering and have all the important employment protections that Kate was referring to. That is one of the areas I am also interested in: whether we may need to look at the flexibility around the job retention scheme, as to how we can make it easier for individuals—where they are willing and would be happy to work for a different company for a period—to help with those essential services, whether around food delivery or manufacturing for our NHS.

Q41 **Anthony Browne:** Finally, I want to end on the big macroeconomic question. I think it was Liz who asked about some of the future impacts of this. You talked about some of the issues regarding more flexible homeworking and so on, or the impact on the flexible labour market. From a macroeconomic point of view, we clearly know, as you said Rain, that this is going to be a recession and people are talking about a global depression. I have seen forecasts from the US of a 20% cut in GDP, which is many times what a financial crisis is. Clearly, borrowing is going up and clearly, our national debt is going to grow massively as a result of this. How long do you think it is going to take to recover and what are the long-term macroeconomic consequences? This is primarily a question for Rain as the chief economist, but Kate, I am happy to get answers from you as well.

**Rain Newton-Smith:** What I would say is it is really hard now for us to make a good judgment about what it means for the long term. On some of the predictions about how severe this recession could be globally, there is a huge range of what that could look like. Even for the UK, the estimates range from minus 1% off growth this year to minus 8%. What we do know is that when you find an unexpected shock, forecasts are not very accurate.

The reality is we do not know. We probably do know that it is likely to be V-shaped and potentially a little bit W-shaped if we end up emerging from some of these measures and have to have some restrictions again for a period. What we do know is that, for the most part, it should be a relatively short shock. I think it will be different from the global financial crisis. Where this has started more with health and then has hit businesses through the need to close them temporarily, global financial crises tend to have a much more lasting impact on productivity. The challenge at the moment is how we keep some of our critical and essential services going so that when the economy recovers, we are in a good place



to focus on the things we know we need in this country: better infrastructure connections, improving our digital skills and capabilities, and some of those long-term productivity problems that we focused on before.

For me, the two real positives that could emerge from this over the long term are, first—we have not touched on it yet, but it is so critical—thinking about that move to a low-carbon economy. I think this will reset how people think about the need for business travel. I think it highlights the reasons why we need to have connections with the world economy in terms of being able to get goods and services from abroad. But I think it will reset our relationship with nature, and we have all seen at least some positives—the impact on air pollution in the UK, for instance. I hope we take some of those positives with us.

Around digital adoption, I think this will help a lot of businesses to leapfrog and to move quickly to adopt some of the digital platforms, which we may not have done otherwise. But it is going to take a really long time for all of us to assess what that means, not just for our personal lives, but for the wider economy.

**Q42 Anthony Browne:** Kate, how long is it going to take to recover?

**Kate Bell:** Like Rain, I am not going to answer that question. I guess there are just two things I want to add. One is that it is really important that we learn the lessons of the last financial crisis and the response then. The macroeconomic consensus has shifted pretty massively since then, to seeing the importance of Governments in supporting demand in the economy, rather than the primary focus being on reducing deficits. It is really important that that is the approach we take this time and that we recognise how important Government spending is going to be to get economic activity moving and to protect the services that we have seen decimated over the last decade, which has really hampered our ability to respond to this crisis.

Like Rain, I also want to echo the importance of thinking of our recovery as one that is targeted on meeting the huge challenge of tackling climate change. We have seen during this crisis that Government can act, that it can act swiftly and that it can act on a big scale, and we know that that is what we need to tackle that massive challenge. It is really important that we make that our primary goal as we seek to shape the recovery, as well as making sure it happens.

**Anthony Browne:** Thank you both very much.

**Q43 Alison Thewliss:** I want to pick up on a couple of things that both of you said earlier. Kate, you mentioned the difficulty for people who have not got a full year under their belt in being eligible for things. For example, I have a constituent who has had his own business since September. He has bought a car for his business, and now he is completely stuck and does not know how to get out of that. Have you any further thoughts on how we might get money and support to those businesses so that they do not fail?



**Kate Bell:** I think this is the hardest of the hard cases. These people do not have tax returns, so it is difficult to think about how we can support them. Rain talked about some of the business support measures, and making sure that those are absolutely available to people in your constituent's situation is vital.

One thing we have not talked about is the local hardship fund that local authorities are administering. Thinking about whether there are additional forms of support—perhaps grants—for people in this situation might be where we need to go next.

**Q44 Alison Thewliss:** Do you feel maybe there needs to be an expansion of the current schemes or something different for people in these circumstances?

**Kate Bell:** I think there are different groups that are missing out on the current schemes. It is complex, and they might each need a different solution. With some of them, we can think about changes to the current scheme to expand it, and we have talked about some of those today. With some of them, the architecture is set up in a certain way; in this particular case, the architecture is set up to run through tax returns, so these people are going to need a tailored and separate approach.

**Alison Thewliss:** Rain, do you have any thoughts on that?

**Rain Newton-Smith:** No, I think Kate has covered most of the points.

**Q45 Alison Thewliss:** I was going to ask you about the furlough scheme. You talked about its limitations and about people not being able to restart a business. For example, in hospitality, if there was a need to requisition hotels for some purpose, and all their staff are furloughed, they cannot get them back. What things ought to be put in place to make it easier for employers to bring people back if they want to?

**Rain Newton-Smith:** Kate may want to add to this, but if you place someone on furlough, you need to do that for a minimum of three weeks, but you can then bring them back into your own business. So, there is that flexibility. There is obviously a question around whether that minimum is set at the right level. There are important interactions with the rights of employees. It could be challenging to switch people in and out very frequently, so I can see why there is a minimum period, but at least it does give businesses the flexibility to bring them back on. Our understanding is that you could then furlough them again, should that need arise within the three-month period.

One of the things you are also highlighting, which I think is a wider concern—this is also picking up Anthony's question—is that there may be certain sectors, such as agriculture or food delivery, where, if we have seen people lose their job in one industry, we would like to see them working in another industry on a temporary basis where they are willing and able to do so. I do not think we have a good answer yet as to what mechanism needs to be in place for that to happen, but it is certainly something we do need to look at.



**Q46 Alison Thewliss:** I want to ask lastly about the definition of “essential” for essential workers, which has been a difficulty with many employers. For example, there are lots of call centres in my constituency and they all seem to be designating their staff as essential workers, but certainly at some of them the staff themselves do not feel essential, and feel their health is being put at risk because of this. Do you feel the guidance to employers has been clear enough to allow them to make those decisions?

**Rain Newton-Smith:** I think there have been some challenges around the communication from Government on this. BEIS has tried to clarify it. The guidance at the moment is that people should stay at home where they can for work, but if you cannot perform your work at home, and it is safe for you to do so, businesses can stay open. Of course, one of the challenges is that businesses are trying to make the right decisions. Businesses are absolutely looking at their operations and putting social distancing in place where possible. In some industries, it is really challenging. For example, in construction, you cannot do some installations safely while maintaining social distancing, so those businesses have to make a decision as to whether they close those operations, although some are critical. It is a quite a hard judgment for businesses to make. So there is a role for more guidance from Government and a role for businesses in making a self-assessment.

I think one of the areas that is probably most challenging is that there are some essential services that go into supply chains that may not be transparent to everyone. Looking at water, there are chemicals produced to keep our water safe and obviously we want to ensure that those critical supplies are available. Another example I had was that if we look at our postal delivery system, one of the challenges Royal Mail faces at the moment is that some of its vehicles are going out of service, as happens naturally, but at the moment there is nowhere they can go to a garage to get those vans fixed. So keeping some of the very essential services we need across the economy open where it is safe to do so is a really challenging area. The more guidance we have from Government, the easier it is for businesses to be able to make those decisions.

Of course, what is really important is that businesses are communicating really well with their employees and talking to trade unions, with that being a conversation and not staff being told they must do things that they do not feel comfortable doing.

**Kate Bell:** It is really important that we have stronger guidance around the health and safety measures. As Rain said, there are industries and workplaces that are going to require to be open, and as I said, what is vital is that those workplaces are safe. We don't think the guidance is strong enough yet on the risk assessments that employers should be required to undertake and, as Rain said, how they should be consulting their employees when they do that. I go back to my point about the taskforce we have called for. We think that could have a role in designating the action that employers, businesses, need to take with their workers and what should happen when, in those cases that Rain talked about, it is not possible to operate safely. What should happen then?



Q47 **Alison Thewliss:** Is it the case that the employees don't feel as though they are safe to make these complaints—that they will lose their jobs?

**Kate Bell:** Once again, we really need an effective enforcement system for this, to make sure that people who are raising concerns get those concerns heard. That, again, is something we need to reflect on for the future: there are many businesses where people think that raising a legitimate health and safety claim means that they will lose their job.

**Chair:** Thank you very much, Alison. I will go now to Alison McGovern and after that to Julie.

Q48 **Alison McGovern:** Thanks, Chair, and I add my thanks to you, Rain and Kate, for your evidence and all your incredible work over the past months. My constituents really appreciate it, so thank you both.

I want to follow up a couple of the questions and points raised so far. I just have very brief questions, so please don't feel the need to repeat what you have said already. Kate, this question leads on from what Alison Thewliss asked about just then. When it comes to constituents and their experience in workplaces, we obviously know that, in the private sector at least, trade union densities are too low, and that will have a knock-on impact in terms of the point that Alison just made, which is that some people may feel unsupported to raise any health and safety concerns, because they feel that there would be action against them, whether or not that would be, in strict terms, legal—they would feel that they would be punished informally for that. That leads me to ask this: the regulatory bodies and organisations that are set up in the UK to monitor and support people with this sort of thing are now coming to the fore, but are they up to the job? I am thinking of ACAS, the Health and Safety Executive, trading standards—local authorities and their enforcement mechanisms. Are they up to the job just now?

**Kate Bell:** It doesn't feel like they are yet. This is one of the things where we are asking Government to look at drawing on the resources of the trade union movement. Health and safety reps play this vital role and could be used, possibly, to go into other, non-unionised workplaces to help play that role in conducting that risk assessment. I do think this is a really urgent area where Government need to act to set out what the guidance is, how it is going to be enforced and how they are going to involve unions and business in actually doing that, because as you say, at the moment, your constituents and many people who are contacting us are going to work in places that they feel to be unsafe.

Q49 **Alison McGovern:** To build on that, Kate, you have mentioned something that I asked Rishi Sunak about when we had him at the Treasury Committee, before we couldn't attend Parliament any more. You asked about some sort of national council or taskforce. In Merseyside, we are holding a business Cobra regularly. I think we have all seen the benefit of this arrangement—Government working proactively with business organisations, unions and others. I would like to include civil society in that, too. Rain, I'll come to you first. Could you very briefly say what, in practical terms, you think that should look like? If we are to go back to the



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Chancellor and raise this with him again, what do you think, in practical terms, that taskforce should look like? Who should be on it, and what should it do?

**Rain Newton-Smith:** I will say just a couple of things. First of all, the engagement with Government has stepped up remarkably over the past couple of weeks. We have daily phone calls with Alok Sharma, the BEIS Minister, and we have bi-weekly calls with the Treasury and BEIS across different teams. There is a huge amount of engagement and that is also happening through trade associations. My understanding is that they are also working on a much more formal mechanism, but to Kate's point, that needs to be something that involves the large business organisations, the trade associations and, importantly, the unions, by working with the TUC and other organisations. I do not think I can spell out exactly who needs to be on those lists, but the Government need to be thinking about that.

That needs to happen not just across the economy. There are important issues around health and some of the co-ordination in terms of the help that the pharmaceutical and healthcare industries want to provide to the Government to support the NHS. More structure around that could absolutely help. You also talked about ACAS and trading standards. There is absolutely a role for them to help with some of the self-assessment.

The only thing I would add to the earlier question about people feeling safe at work is that one challenge we are picking up from businesses is that there are certain businesses where the employees and the businesses themselves want to stay open to provide essential services, whether that is around food delivery or other absolutely critical services, but they are finding that some of the enforcement by the police is inconsistent. So people who are travelling to work in a supermarket are being told by the police that they have to stay at home. Other people are intimidating people who are key workers, whether they are teachers or NHS staff.

My plea is that if people are going out to work, do not presume that they are doing it under duress from their employer and do not assume that they are not going to essential services. We need to support all the people who are going out there and working under really challenging circumstances and to do our utmost to support them.

Q50 **Alison McGovern:** You make a good point there. Do you have anything to add on that, Kate? Otherwise, I have one more question.

**Kate Bell:** I think we are fine.

**Alison McGovern:** We have mentioned, in a couple of points, the things that furloughed workers might be doing. Rain, you have mentioned several times already the idea that furloughed workers could be redeployed to shortage industries, which is certainly an interesting idea. Obviously, Treasury officials will be concerned about deadweight loss there. Do either of you have any comments on that?

I also wonder whether we need more of a national strategy on this. Furloughing for one, two or three months might be okay, and I hope that a



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lot of businesses are using the furlough system to think about how they could offer training to employees who are furloughed, perhaps online. We have also mentioned volunteering. If this is going to go on a bit longer, however, ought BEIS or whoever else be starting to think about a strategy for what people might want to be helped to use their furlough time to do?

**Kate Bell:** Yes. At the moment, employees cannot undertake training while they are on furlough—or they cannot be required to undertake training while they are on furlough, because training time should be paid. Again, thinking about how a short-time work scheme might enable people to support their employees to maintain skills and indeed upskill, that is one reason why that flexibility is vital.

You are right that we need a longer-term strategy. One important detail that we are trying to think through is, if lots of people furloughed from different businesses are redeployed into one workplace, are they all working on different terms and conditions and getting different levels of pay for doing the same job? I do not have a good answer to that question, but we definitely have to think it through.

**Alison McGovern:** That is helpful.

**Chair:** We will go to Julie and then Steve afterwards.

Q51 **Julie Marson:** I have noticed that the Governor of the Bank of England has talked about it not being done, in terms of not just its ability but its willingness to act. Perhaps I can ask this to you both, starting with Kate. They have talked about QE programmes, zero rates of interest, or even printing more money to provide directly to households. Do you have any views on whether that might be necessary? We use “unprecedented” a lot, but do you think that there is more unprecedented action that the Bank of England might be able and willing to take?

**Kate Bell:** We probably need to see what happens with the support that it has already provided first and how the other forms of Government support are getting directly to individuals and businesses. It is good that the Bank of England has not ruled out further action, but I would probably not want to speculate on monetary financing and the appropriateness of those measures at this stage, because we are still trying to assess, at the moment, the support that has already been provided. That is very much in its early days—it feels like a long time ago, but it is just over a week since the job retention scheme was announced. We need a bit of time to see how those measures bed in before we look at the really extraordinary measures and their suitability.

Q52 **Julie Marson:** What about Rain? Do you have some views on that?

**Rain Newton-Smith:** For me, the most immediate challenge is the stranded middle of companies. We know, as both the Bank of England and the Chancellor have set out, that there are about 4,500 companies, or around 20% of all businesses, who are eligible either for the CBIL—the business interruption loans—or for the Bank of England scheme. Finding support mechanisms for those companies quickly and efficiently is hugely



important to employment around the regions in the UK. For me, that is the absolute priority.

When it comes to more innovative policies, I think it is great that both the Chancellor and the Governor have said that, essentially, they are ready to do whatever it takes to support the economy. What is sensible, which they haven't tried right now, is making some direct transfers to all households, because what we are seeing at the moment is that people are spending too much on food and retail where they can get it, and that is putting huge pressure on being able to get some of those goods to the vulnerable households who absolutely need them. At the moment, I think that is not something that we need to look at. But look, if, when we do recover and the health measures are alleviated, we then see that the economy is really slow and sluggish and, for whatever reason, is not recovering as we would expect, that is when we probably need to be thinking about more creative measures to support the economy.

**Q53 Julie Marson:** Thank you. Again to Rain, we have seen the Bank of England act in terms of reducing the base rate and the term funding scheme that has been offered. Have you had feedback about how your members have experienced that? Has that filtered through in their ability to borrow and, indeed, the cost at which they are able to borrow?

**Rain Newton-Smith:** Having lower interest rates absolutely does help to support the economy. The challenge for most businesses is that they are fighting bigger fires at the moment than looking necessarily at the individual rate at which they are borrowing. For them, it is more about being able to access some of these mechanisms, rather than looking at the price, but the Bank of England responded quickly. Lowering interest rates has absolutely helped to support the economy. It does make things more challenging for banks because it can impact on some of their profitability. That is where I think implementing the term funding scheme—I probably have not mentioned that enough—was really important. That was something that the banks were telling us was really important—that if we were lowering interest rates, we were also looking at that term funding scheme—and making that really focused on lending to small and medium-sized businesses has been really important.

**Q54 Julie Marson:** What you say about access rather than cost being the priority is interesting. I have had in my caseload some businesses, particularly the smaller businesses, that almost fear the cash-flow effects that it will have. They have talked about the potential cost not just now but in the future. Have you had any experience of the retail banks not just giving the access to the scheme, but also existing facilities, and their interest being potentially reduced or even suspended on their overdraft, for instance?

**Rain Newton-Smith:** I know that a lot of banks have looked at waiving overdraft fees for a period of time for individuals. They have also announced mortgage relief and individuals being able to defer their mortgage payments over a period of time. Essentially, the messages that we have had from banks is that if you are in distress, either as a business



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or as a household, then get in touch, explain the situation, and they will do what they can to support you. That is the primary message. We are keeping an eye on issues around whether banks are making unreasonable demands, whether people have to give personal guarantees, or whether there are examples of unreasonable interest rate charging, given that interest rates are so low. Those are things we are watching. We have not had a huge number of businesses who have said that that has been a real issue for them at the moment, but it is certainly something we are watching.

**Julie Marson:** That's great. Thank you. I think I am done. I just want to reiterate my gratitude to you both for everything that you have been doing over the last few weeks. I know it is appreciated across the business, and certainly among my constituents, so thank you.

**Chair:** Thanks, Julie. Last but by far not least, Steve.

Q55 **Mr Baker:** Good morning, everybody. Thank you very much for being online. I want to turn to the issue of whether damage is permanent or temporary and the question of loans versus grants. Can I begin by asking Rain? Do you think that making loans avoids permanent damage, delays the damage, or does not address the damage at all?

**Rain Newton-Smith:** It's a real challenge for the Government to make a judgment about when it should be a loan and when it should be a grant. For the smaller businesses it is appropriate that the support is grants. The grant system in place for people who have a physical presence, who obviously have been hugely impacted by the closures, is absolutely appropriate. What we have heard from some of our businesses and members is that there is a reluctance to take on a loan because they just do not know what the world is going to look like in six months. It can be quite scary, particularly if you are a smaller business, to take on a loan when you do not know what your cash flow will be in six months' time and therefore your ability to repay. That is why it has been important that the loans are available at zero interest over a period of 12 months over the CBIL scheme. That gives you, hopefully, a decent amount of breathing space before you have to pay it back.

I have certainly heard some of our businesses, particularly medium-sized, say that they need to look at grants for larger businesses and some of those medium-sized businesses. The challenge is that you need to tailor that to businesses that are in distress and also ones that will be viable over the medium term. At the end of the day, Government resources are limited. Also, on the nature of the shock, we hope it will be temporary. As those businesses recover, if the Government were only making grants across all businesses who are currently in distress, some of those businesses will recover very well. If it is a grant, the Government does not have a way of recouping the funds that they have provided to those businesses. I think for the most part it makes sense for it to be a loan scheme, but absolutely there are challenges for some of the smaller and medium-sized businesses. For businesses and sectors that are really in



distress, we may want to think about having some targeted grants or other systems for them, but I do not think it should be a blanket system.

**Q56 Mr Baker:** Thank you very much. You have raised some very interesting questions in the answer you have just given. Really, I want you to tell me more about the risks that you think your members face. Are you telling us that there is a risk that loans will delay the damage to an uncertain future and that that is what your members are worried about? Can you focus in on that question? Do loans delay the damage, or do they alleviate the risk of permanent damage? Or do people just not know?

**Rain Newton-Smith:** I think for the most part that low-interest loans are a way of providing what firms need at the moment, which is cash flow. The job retention scheme provides some support for employment. The challenge for a lot of businesses is that at the moment the revenues have stopped, but as business returns to normal, for most businesses, revenues should pick back up. That speaks to loans being an appropriate way to get through a temporary situation.

**Q57 Mr Baker:** That raises an interesting set of questions about who makes what decisions about risk and where costs are going to fall. I think, if I understand correctly, that you are saying that you are of the view that businesses should be in a position where they must make a decision about how much to borrow, and that that debt should be on their balance sheet, rather than moving further and further into the Government making decisions about how much to grant. Is that still your view—that firms should take decisions about their viability and therefore borrow the amount they need? Where do you say the Government should draw that line?

**Rain Newton-Smith:** I think the mechanisms we have at the moment make sense. Obviously, at the very small end, there are grants, and I think that is appropriate for small businesses that are very impacted by closures, and there is the business interruption scheme, which is a loan scheme, but is backed by the Government. That is important because the businesses were viable pre-covid—before the crisis hit—but now that there is covid, they may not be viable over the next three months because cash is not coming through the door. That is where we need a role for Government: in providing the guarantees to allow the banks to provide that lending. You absolutely need Government to be a guarantor for those loans. At the moment, it is only up to 80%. That is something we need to watch. Hopefully, 80% should be enough, but if the system is not working, you may want to extend that guarantee to 100%. Obviously at the top end, the Bank of England scheme essentially gives a 100% guarantee, because the Bank of England will buy whatever commercial paper is issued. The challenge is in the middle group if there is not a mechanism for them. I hope that covers all you asked.

**Q58 Mr Baker:** Thank you very much, Rain. We are working you very hard today. Kate, you have had the opportunity to listen to that exchange about the fundamental question of whether loans delay or are a solution to the damage. I wonder whether you would like to give us some reflections



on the questions about cash flow versus debt going on balance sheets.

**Kate Bell:** The thing I would emphasise, which Rain said, is that the Government have taken on a large part of the risk of employment costs, and we think that is appropriate. Businesses will not be asked to pay back the 80% that is provided through the job retention scheme. That is absolutely appropriate. One of the transmission mechanisms for economic damage is that businesses suffer, their workers become unemployed and their spending power goes down. It is therefore important that Government have backstopped those costs. That was an appropriate decision. I guess the other element where we would want them to take on additional risk is through the social security system, which is our collective risk-sharing mechanism. That is what it is designed for. It has been pretty battered over the last few years and it desperately needs strengthening because that is the way we protect individuals from the risk of unemployment that is no fault of their own.

Q59 **Mr Baker:** While we are on that subject, have you got any specific examples of where help has not come fast enough and there have been major job losses as a result? You may not and that is fine, but do you think that help has come fast enough?

**Kate Bell:** I think we were asked earlier whether Government had acted fast enough. Of course, we would have liked them to get the job retention scheme up and running significantly faster. We would have liked them to start thinking about it faster. It has been helpful that they have backdated the eligibility to 1 March. I guess our key message is for businesses to take that up and, even where they have had to let workers go, to remember that they can reinstate them and that help should be available.

Q60 **Mr Baker:** Thank you very much. Rain, can I return to the Bank of England scheme, which you raised? To aid public understanding, let me ask the following question. Where will the Bank of England get the money from when it buys that corporate debt—that corporate payment?

**Rain Newton-Smith:** It is essentially coming out of central Bank reserves. That is what they are using to buy the commercial paper.

Q61 **Mr Baker:** Just explain to the public what it means to take money out of central Bank reserves. Is it money creation? Is it QE?

**Rain Newton-Smith:** I suppose it is a form of QE. Ultimately, it is expanding the balance sheet of the Bank of England; they are buying the commercial paper and bringing that on to their balance sheet. This is one of the issues and, ultimately, we are all shareholders in the Bank of England. It is a shared risk and a shared responsibility, but essentially it is using the central Bank reserves. It may be different from how QE has worked in the past. Obviously, this is providing resources directly to companies across sectors. One of the critical criteria is that it has to support genuine economic activity and jobs in the UK, whereas previously QE had sometimes been focused on buying Government bonds or buying assets that are not always unique to UK operations. It is very much targeted at supporting jobs and industries within the UK.



**Q62 Mr Baker:** I am sure there is a great deal to be discussed about that, but perhaps we will save it for the Bank of England. Earlier we touched on the issue of loans being turned into grants; I think you raised the issue of equity. Do you think the Government sees it in these terms—that loans could be turned into either grants or equity—and could you tell us a bit more about how the CBI sees the prospect of Government loans becoming equity in British firms?

**Rain Newton-Smith:** There is a lot in that question. One of the things that we are absolutely discussing with both the Treasury and the Bank of England is: what are the solutions for the stranded middle of companies? The Treasury are thinking very hard about what the potential solutions could be. There are two things that we are all considering. Looking at the overall landscape in the UK, medium-sized businesses do not tend to use equity very much for raising finance. That has always been a wider long-term issue in the UK around patient capital. In some of these cases you have businesses that have already taken on a lot of debt, which may be one of the reasons why they are below investment grade. For businesses like that, simply just taking on another loan may not be the most appropriate mechanism.

Maybe what you need to do for some of those companies is have a loan that can be converted into equity. If a company is not able to repay a loan six months down the line, maybe the Government would be able to take some equity in that firm. The idea is that, as the business recovers further down the line, they can sell their share in the company. That mechanism could well be one of the options that they should be looking at. Again, if the Government is just giving direct grants to some of these businesses, they do not have a way to recoup some of their investment in a business further down the line when that business recovers.

**Q63 Mr Baker:** Just to make sure we have got that on the record crisply, you would see the motivation as recovering some of the taxpayer liabilities that would otherwise just go straight on to the national debt if it was a grant. This is about making sure the taxpayer gets their money back, but through the mechanism of later equity sales rather than through loans.

**Rain Newton-Smith:** Absolutely. Ultimately, the Government are trying to think about value for money for the taxpayer. We have to make sure that these supports for businesses present value for money for the taxpayer—not just now, but into the future. As you say, it is about protecting the Government's balance sheet over the longer term.

**Q64 Mr Baker:** I want to turn to Kate, finally, in just a moment, but can I just ask you, Rain, before we finish: do you think that it is possible to avoid any permanent damage to the economy through this time?

**Rain Newton-Smith:** That is quite a loaded question. I think there are absolutely—ultimately we are facing a health crisis and that, unfortunately, and very sadly, will lead to some permanent damage. I think what is most important in terms of how we react as policy makers now is just making sure that we support the economy through these challenging times as best we can, but that we also think what sort of



economy we want in the future. That is why making sure we design mechanisms now that support as many jobs as possible but also provide value for money for the taxpayer, so that in the future we can fund our critical public services, is something that we all have to bear in mind.

**Q65 Mr Baker:** Thank you, Rain. Can I finally turn to Kate? Does the TUC have a particular view on this question of converting loans into equity, and where that leads, and the desirability of it?

**Kate Bell:** I was interested to hear Rain talk about that. It is not something we have got a formal policy position on. One thing we have said is that we think Government support should be conditional on some requirements for businesses. That might involve looking at pay ratios, looking at what they have done to maintain their staff, looking at what they have done with their employment model. There are businesses who might be looking for support who still have those pay ratios which have got CEOs earning hundreds of times the pay of the average worker, and we hope that is something that Government will be considering. We talked about businesses setting out a kind of jobs and fair wages plan perhaps as the condition for any form of Government support, and particularly I think you would want that to be the case if the Government were taking an equity stake.

**Mr Baker:** Thank you both very much indeed.

**Chair:** Thank you. That brings us to the end. Can I first thank Kate and Rain hugely, for the Committee, for having participated today? I can see various Members clapping in the background. I also thank all those who made this first TSC remote public session possible. I think we have got through it without any major glitches, so thank you to the entire team for that. Can I also thank both of you for something else, which has been referred to several times in this session, which is that it is very heartening at a time of national crisis to see the TUC and the CBI, and Government, and others, all trying to work together? It seems to me that there has been quite a level of consensus today; but equally it has been recognised there are some extremely difficult hard edges to the kind of policies that are being rolled out at the moment, and you have helped to illuminate those for us. We will be looking at these issues with urgency and in great detail going forward; so, on that note thank you very much, everybody. This session is now concluded.