

Written evidence submitted by Women's Enterprise Scotland (COV0071)

Women's Enterprise Scotland (WES) is a not for profit Community Interest Company which champions women-led and women-owned businesses. WES advocates for better evidence-based policy making and believes that delivering expert, needs-based business support will enable women to fulfil their aspirations, unlock potential and boost the economy. WES works in collaboration with local, national and international partners towards the vision of a gender equal, diverse and inclusive business ecosystem which will allow innovation and productivity to thrive.

WES is submitting this evidence as there has been little reference to the impact of women's businesses in particular. While all businesses are affected by the crisis, it is important to highlight specific issues for women as their route to business, trajectory and growth is different and very much affected by gender norms, stereotypes and expectations.

Women in Business

Heightening Existing Inequalities

As with all public health crises, the economic, social and health impacts of Covid-19 will be gendered both in the labour market and in the home with the pandemic having a disproportionately negative impact on women both at home and at work.

Care

Women are more likely to take on the 'second shift' of care at home, particularly if someone in their family is sick or has to be isolated (either young or elderly) and are more likely to be affected by school and nursery closures. For example, it is women who are most likely to be home-schooling children and checking on people within intergenerational family and friend networks.¹ With social distancing measures becoming the norm, informal care from friends and / or other family members becomes impossible. The situation for lone parents can be even more difficult, especially when such options are unavailable.

The Resolution Foundation² estimate that over one-third of Britain's five million self-employed people may have to stop working either because they work in sectors most heavily affected by social distancing, or in order to care for children who would have otherwise been at school³ .

Domestic Abuse

Social isolation policies will also increase women and girls' vulnerability to domestic abuse. 22% of services across the UK report an increase in caseloads since the beginning of the pandemic.⁴

Employment

Women and young people are more likely to be working in sectors hit by social distancing. A recent report by the IFS⁵ showed that 36% of young women and 25% of young men were working in

¹ <https://isbegen.wordpress.com/2020/03/27/stay-home-and-work/>

² <https://www.resolutionfoundation.org/our-work/coronavirus/>

³ On 4 April 2020, the Government extended its furlough scheme to cover employees who cannot work because they are caring for children. However, it does not cover the self-employed, or people who started work or changed employers after 28 February 2020.

⁴ <https://safelives.org.uk/news-views/domestic-abuse-and-covid-19>

⁵ Sector shutdowns during the coronavirus crisis: which workers are most exposed? IFS Briefing Note BN278 <https://www.ifs.org.uk/uploads/BN278-Sector-shutdowns-during-the-coronavirus-crisis.pdf>

sectors most affected and / or closed down during the pandemic. These include coffee shops, restaurants, leisure facilities and travel and tourism.

Poverty

This disruption is lasting months rather than weeks, and some women's lifetime earnings may not recover. Women's Enterprise Scotland research in 2019 showed that 53% of women-owned businesses surveyed were paying themselves a salary of £15,000 or less and 60% were not paying into a pension.

According to the Scottish Widows Women and Retirement Report over one-third of self-employed women are already paying nothing into a pension⁶. Generally, business owners (and the self-employed) are currently saving in private pensions at particularly low levels, with small business owners in Britain having unrealistic pension expectations. Already there is the threat of a retirement 'time bomb'. During periods of low income and business uncertainty such as now, it is unlikely that this situation will change, and it could worsen.⁷

Effects on Women's Businesses

Most affected sectors

All SMEs are facing disruption never seen before and this has serious effects on their markets, supply chains and staffing. Women are more likely to work and be business owners in the sectors most affected by this crisis. UK Women-led businesses in the SME sector with employees were most likely to be operating in health (37%), education (31%), other services (27%), accommodation and food service (22%) and administration and support sectors. (21%).⁸

The contribution of women's enterprises across the UK is not insignificant. A growing importance to the UK economy, women owned, and women led businesses contribute a total of £221bn GVA to the UK economy, representing 13.3% of GVA. Of particular note is the significant provision of employment with women owned and women led businesses providing a total of 23.85% of private sector employment.⁹ There is a major concern that already existing inequalities in entrepreneurship will be worsened now and in the future beyond the pandemic.

Women face specific challenges in business and access to needs-based expert support is critical at this time. Women-led businesses are 44% of the size of male-led businesses on average, and women-owned enterprises represent less than 25% of business in the UK's five most productive sectors with women owned businesses still dominant in sectors such as healthcare, personal services, administration, retail etc. Women entrepreneurs are also underrepresented in the most productive, high value sectors in the UK.¹⁰ As small businesses with limited resources, women-owned businesses are especially vulnerable to the disruption caused by the pandemic. For example, many women owned businesses are home based (without premises) and will have no access to grant support with business losses.

⁶ Women and Retirement 2019'. Scottish Widows (2019)

https://www.scottishwidows.co.uk/about_us/media_centre/reports_women.html

⁷ 'Pensions and Small Business – Ticking Time Bomb or Hidden Treasure'. Forum of Private Business (2017)

⁸ Small Business Survey (employers) 2019. BEIS. <https://www.gov.uk/government/organisations/department-for-business-energy-and-industrial-strategy>

⁹ Supporting Women's Enterprise in the UK: The Economic Case (2018) Federation of Small Businesses, Women's Enterprise Scotland, University of Portsmouth www.fsb.co.uk

¹⁰ The Alison Rose Review of Female Entrepreneurship (2019)

<https://www.gov.uk/government/publications/the-alison-rose-review-of-female-entrepreneurship>

Finance

Women-led businesses receive less funding than those headed by men at every stage of their business. Women start their businesses with 53% less capital than men, and also tend to draw more upon private capital (including personal savings) and family finances¹¹. Recent research by the British Business Bank found that female founders receive just 1p in every £1 of venture capital and a lack of investment can constrain business growth.¹² As women-owned businesses typically generate lower profits, this crisis is expected to increase financial dependence upon partners or, in the case of lone self-employed women or parents, cause substantial difficulties in providing for themselves or their families. While financial support measures from government, such as the Business Interruption Loan Scheme, are welcomed at this time, evidence shows that women self-employed/business owners are relatively more reluctant to take on financial risk, and government schemes such as these might be less attractive or indeed accessible to women at this time.¹³

Support and Information for Business Owners and the Self employed

The self-employed are not a homogenous group – some are highly paid - but the majority have low earnings. The current crisis has shown the crucial need for discussion on better social protection for small businesses and the self-employed.¹⁴

Although men are more likely to be self-employed and own businesses than women, women are most likely to be hardest hit during this crisis as a result of the sectors in which they operate, and the typically lower profits generated by women's businesses. There is still a lack of clarity surrounding those individuals and their enterprises who are eligible for government support. As outlined in a recent paper while self-employed people of all genders will be eligible for a taxed grant of 80% of their average profits, up to a maximum of £2,500, for many women in particular, given low profits over the preceding period, access to Universal Credit may in fact be more beneficial than the proposed support.¹⁵

Company directors who access payments via company dividends are not included within the Self-Employed Income Support Scheme. This will leave many directors unable to access an income with women-owned businesses especially vulnerable given the serious impact of Covid-19 on the sectors in which they operate and the smaller profits they generate. In 2019 research conducted on women's businesses in Scotland found that 44% of women directors owning private limited companies were paying themselves under £15,000 per annum and 51% were making no pension provision¹⁶. For directors who are able to access the furlough scheme, it is not clear if they may continue to work on vital business defence strategies while furloughed.

Information is key during any crisis. Information about incentives such as loans and tax freezes must be made available to all businesses – regardless of size, sector, geography.

Businesses throughout the UK are looking at ways to maintain productivity and enable employees to continue working, and more businesses are trying to adapt to more innovative and quite different,

¹¹ The Alison Rose Review of Female Entrepreneurship (2019)

<https://www.gov.uk/government/publications/the-alison-rose-review-of-female-entrepreneurship>

¹² UK VC and Female Founders report, British Business Bank (2019)

¹³ Covid 19: Critique and Proposals to Develop More Comprehensive and Inclusive Support for the Self-Employed ERC Research Report (April 2020) www.enterpriseresearch.ac.uk

¹⁴ 'Who are business owners and what are they doing?' Jonathan Cribb, Helen Miller, Thomas Pope. Institute for Fiscal Studies (2019) <http://www.ifs.org.uk>

¹⁵ Gender Enterprise Network ISBE <https://isbegen.wordpress.com/2020/03/27/stay-home-and-work/>

¹⁶ Survey of Women's Businesses in Scotland 2019. Women's Enterprise Scotland. www.wescotland.co.uk

working practices to enable them to continue through this crisis. Support is urgently needed to assist these businesses to pivot, re-purpose and execute strategies to help them continue as best they can.

A radical rethink of how businesses are supported now and in the future is required. However, it remains critical that gender-specific support is provided for women currently in business. Ensuring access to needs-based support will give these enterprises the best chance of success at this time.

Key Questions

Women's Enterprise Scotland support the ISBE Gender and Enterprise Network who have posed a number of interesting and key questions to the UK government regarding the extent of support for businesses and the self-employed, especially for women entrepreneurs¹⁷ -

- *As women have been driving the growth in self-employment, is it possible that they will constitute the majority of nascent business owners (under 3 years old), who may not be entitled to any support?*
- *Will access to Business Interruption Loans be readily forthcoming for women entrepreneurs owning low-profit businesses? Will business owners be asked to put their houses on the line for collateral, or provide personal guarantors?*
- *What is the impact upon those within the 'Most Vulnerable' category such as pregnant and disabled individuals, and those with underlying health conditions for whom 12 weeks of self-isolation is mandatory?*
- *How will those who have not been explicitly addressed in the UK Government Financial Aid Package be affected, such as entrepreneurial refugees, asylum seekers and other migrant women who have no access to government funds?*
- *What might the implications be, now and in the future, for women's informal economic and entrepreneurial activity?*

Current Action Required

The Covid-19 pandemic will lead to a new way of thinking for labour market and economic policy across the UK and globally. Women's Enterprise Scotland support the objective of maintaining whatever economic activity we can in the UK amidst necessary measures to combat the crisis and its effects. First and foremost, the UK government and devolved institutions in Scotland, Wales and Northern Ireland must put the right measures in place to protect vulnerable people who will be most affected by this pandemic. Women and women's organisations must be involved in decision-making during this crisis and discussion on economic recovery plans.

- Regulatory confusion around the self-employed has made responses to Covid-19 difficult. An urgent review of the regulatory framework is required to ensure that such uncertainty is avoided for businesses now and in the future. The need for less bureaucracy at times such as these could be essential for the survival of a business.
- The promotion of collecting gender disaggregated data is crucial as well as recognition of the gender differences in the effects of the Covid-19 virus both for infection rates (to ensure that, for example, pregnant women may be given accurate information in any future pandemics) and economic impact (to ensure Equality Impact Assessment of support measures) and also to monitor the extent of domestic abuse during such crises. Data collected by the Government, NHS and local authorities must be broken down by sex and other demographics including race and disability in order to inform any response to future crises.

¹⁷ Gender Enterprise Network ISBE <https://isbegen.wordpress.com/2020/03/27/stay-home-and-work/>

- Sector-specific relief packages - including for seasonal work – should be introduced to sustain businesses.
- Women’s enterprises may be particularly negatively impacted by the decision to give loans and not grants to most self-employed, as research shows women typically have a higher risk-awareness than men and are more cautious about scaling a business.¹⁸
- Women’s enterprises may also be disadvantaged by the new start-up fund which offers match funded private investment to businesses which must have raised £250,000 privately in the past five years. Research shows that women’s access to private investment such as venture capital is significantly restricted with less than 1% of UK venture capital and just 4% of UK deals going to women led businesses.^{19 20}
- As women navigate the double impact of attending to care at home and checking on people within intergenerational family and friend networks, plus dealing with unprecedented disruption as owners of SME businesses, they face heightened exposure and vulnerability to the impacts of the Covid-19 virus. Specific support packages should be made available to ensure women facing such ‘doubled-up’ impacts receive appropriate support and inequalities are not escalated. Recent research has shown a reluctance amongst women entrepreneurs to discuss care responsibilities with banks as they believed this would be perceived negatively.²¹
- Action is needed to extend sick pay to the self-employed and also relax the savings taper and threshold in Universal Credit during this period so as to give more access to social protection for the self-employed²² .
- Policy issues affecting businesses across reserved and devolved powers of each government in the UK should be monitored for consistency of approach and reliability of guidance to businesses in order to sustain growth across all areas of the UK. This should include robust Equality Impact Assessment of all support policies introduced across the four nations for the self-employed and SMEs as a result of Covid19.

April 2020

¹⁸ The Alison Rose Review of Female Entrepreneurship (2019)

<https://www.gov.uk/government/publications/the-alison-rose-review-of-female-entrepreneurship>

¹⁹ UK VC and Female Founders report, British Business Bank (2019)

²⁰ British Business Bank, BVCA and Diversity VC. UK VC & Female Founders report. February 2019

²¹ The Alison Rose Review of Female Entrepreneurship Progress Report (2020)

<https://www.natwestbusinesshub.com/content/rosereview>

²² Covid 19: Critique and Proposals to Develop More Comprehensive and Inclusive Support for the Self-Employed ERC Research Report (April 2020) www.enterpriseresearch.ac.uk