



The Impact of Coronavirus on Businesses and Workers: A Call for Government Action

16 March 2020

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Labour Business is the business membership group affiliated to the Labour Party. Its members are Labour Party members in businesses – small, medium and large – up and down the country.

Labour Business has been monitoring the ever-growing impact of the Covid-19 outbreak on the business community and its workforce. We and our members have serious concerns about the adequacy of the government's response, both in terms of information and financial support. Action needs to be taken now to prevent temporary economic hardship from becoming permanent economic damage.

We are disappointed that there has been a lack of clear advice coming from the Government and insufficient guidance to allow forward planning in the event of quarantining and lock down. There are too many hints about more draconian measures to come, and not enough hard information about what the Government proposes to do and when. Our businesses are having to rely on unconfirmed hearsay, causing a drastic loss of confidence and undermining their ability to put contingency plans into place. Small businesses in particular need to be flexible to deal with changes of demand, but in the current circumstances cannot plan for the next few weeks or even days ahead. This is already having a serious adverse impact on business turnover and profitability.

Advice to businesses is currently patchy and mostly reliant on memberships of trade bodies and paid-for services. Lines of communication from government to business, particularly small businesses, are haphazard. While business owners can access the news, there is confusion and unsubstantiated reports are being repeated, causing further confusion. The Government needs urgently to set up a unified business agency to offer a single point of contact for clear, independent and authoritative advice, with the capacity to answer questions from business owners that does not require payment for access.

We welcome the fact that, albeit under pressure, the Prime Minister has at last agreed to start daily briefings during the period of this emergency. These briefings should also include the experts that have been providing advice, so that it can be relied upon and forward planning can take place. These briefings should also include specific information for health, social care, business and other disproportionately affected groups.

SMEs represent 60% of private sector employment. If these businesses are not adequately supported, then many will be forced to close, causing the loss of livelihoods of their owners and staff. Many of these businesses do not have the capacity to finance themselves during any downturn in business. Once they have closed their doors, they will find it very hard to re-open, meaning that



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temporary closures will become permanent closures, and jobs lost will be lost forever. Pubs, bars, restaurants and other hospitality and leisure businesses which employ 1.7 million people in the UK are likely to be hardest hit, and many valued community institutions will go out of business permanently.

There is a high proportion of casual staffing in these businesses, with many staff paid on a weekly basis. If wages cannot be financed, a wait for Universal Credit payments will mean that many of these staff will default on their rent. The staff of these businesses may also be working variable hours according to demand. An average payroll could be calculated through payroll submissions made to HMRC and payments made to businesses so that the payroll is covered and businesses can make hardship payments to staff. This would be the most efficient way of ensuring that staff can be kept on when their employers have to close for business during the current emergency. Universal Credit arrangements must also be changed so that if people lose their jobs, they are not going from a weekly pay scheme to a disastrously long wait for Universal Credit payments.

If businesses are forced to close on a temporary basis because of measures needed to stop the spread of the disease, then there are significant costs that businesses will face which should be waived for the duration of a forced closure. Most small businesses pay rent, particularly tenanted businesses and franchises. Assurances that this rent will be waived for the duration of a forced closure would be welcome.

There was an announcement in the budget that small firms will get a £3,000 cash grant. As yet, there is no information on how to claim the grant or when it will be paid. Without that information, no forward planning is possible. This grant may still not be enough to ensure that businesses survive the outbreak. Government assisted finance should be made available as well as measures to defer tax payments and relief from business rates. In Germany, the government has offered unlimited loans to all companies affected by the coronavirus outbreak in an effort to protect its economy from collapse. This is exactly the kind of bold action that is needed here, and the single business agency that should be set up to provide information and advice could also play a key role in coordinating such financial support across government.

Above all, the Government needs to remember that we are all in this together and act accordingly. In Denmark, the government has brought together trade unions and employers, to protect workers as well as businesses, and agreed to compensate wages. Trade unions here have called for a similar taskforce but this has been ignored by the Prime Minister, who still isn't inviting London Mayor Sadiq Khan to COBRA meetings.

Bill Esterson MP, Labour's Shadow Small Business Minister, has written to the Chancellor in the following terms: "Fighting the coronavirus and saving lives is the most important issue facing the country. It transcends party politics. But we need to ensure that a pandemic does not cause economic hardship and that no one is penalised in the short term for doing the right thing. Businesses and entrepreneurs need to survive this crisis for as long as it takes so that they can help bring our economy back to growth at the end of the crisis."

We agree. It's time to put people and country before party and politics.