

ECONOMY AND FAIR WORK COMMITTEE

2nd Meeting, 2021 (Session 6), Wednesday 1 September 2021

Evidence Session

Introduction

1. This paper has been produced for the Economy and Fair Work Committee to aid Committee members during this first evidence session.
2. The discussion will focus on recovery for Scottish businesses following the Covid-19 pandemic, witnesses will appear virtually.

Witnesses

3. At today's session the Committee will hear from—

- **Dave Moxham, Deputy General Secretary, STUC**

The Scottish Trades Union Congress (STUC) is Scotland's trade union centre. Its purpose is to co-ordinate, develop and articulate the views and policies of the trade union movement in Scotland. The STUC represents over 560,000 working people and their families throughout Scotland. It speaks for trade union members in and out of work, in the community and in the workplace.

- **Rose Marley, Chief Executive, Co-operatives UK**

[Co-operatives UK](#) is a network of thousands of co-operatives. It is owned and controlled by its members, who are all member-owned organisations. It works to grow the co-operative economy by promoting, developing and uniting co-operatives.

- **Barry McCulloch, Head of Policy, Federation of Small Businesses**

The [Federation of Small Businesses](#) (FSB) is a non-profit and non-party political representative organisation for small businesses.

FSB offer its members a wide range of business services including advice, financial expertise, support and a collective voice. Its aim is to help smaller businesses achieve their ambitions.

- **Charandeep Singh BEM, Deputy Chief Executive, Scottish Chambers of Commerce**

The [Scottish Chambers of Commerce](#) (SCC) is the umbrella organisation for the 30 local Chambers of Commerce in Scotland. The SCC has more than 12,500 member companies, covering around 50% of all private sector jobs in Scotland.

The SCC's aim is to promote and protect the interests of its member companies.

- **Carolyn Currie, Chief Executive, Women's Enterprise Scotland**

[Women's Enterprise Scotland](#) (WES) is a research-led, not-for-profit Community Interest Company which champions women-led and women-owned businesses. It was established in 2011 to create a voice for women-owned businesses in Scotland and to promote policy and best practice which enables women to successfully start and grow their own businesses.

4. Some of the organisations attending provided a written submission ahead of the evidence session, these can be found at Annexe A.

Aim of evidence session

5. The aim of the evidence session is to—

- consider what policies are needed to promote economic recovery; and
- inform the Committee's input to the Scottish Government's budget for 2022-23.

**Clerk to the Committee
27 August 2021**

Written submission from Women's Enterprise Scotland

Background

There is a lack of gender-disaggregated data on women's business activity in Scotland, restricting insight on areas of good practice, areas of need and areas of economic opportunity. This submission cites the data available to provide a level of insight on women's business ownership. Available data can vary across self-employment; women-owned businesses generally and women-owned employer businesses. Measurement is one of the five core themes of the Women in Enterprise Strategic Framework and Action Plan, co-developed by Women's Enterprise Scotland (WES) and the Scottish Government in 2014 and refreshed in 2017.

Women are the **majority of the newly self-employed** and the increase in the number of women in the UK becoming self-employed is unprecedented. Historically, women have made up just over a quarter of the self-employed, but since the 2008 downturn 58% of the newly self-employed have been female. For a growing proportion of women, self-employment does not appear to be a "choice", but a necessity driven by factors such as public sector job losses, the uprating of the female retirement age, or a need to accommodate caring responsibilities¹. One fifth (21%) of women said that they entered self-employment because of a **lack of other employment opportunities**².

Current Position

The numbers of women-led employer businesses in Scotland have **declined** from 20.6% in 2017 to just 14% in 2019³, (the latest data available). The statistic of 14% of women-led employer businesses, is disconnected from the 51% of new women-led business start-ups⁴. More women are starting up in businesses, yet the stock of growth-oriented women-led employer businesses is on a declining trend. This picture may reflect the specific challenges faced by women when starting and growing businesses and a business support system which **lacks mainstream gender-specific support provision**.

Challenges and Support Needs

Our research (and that of others) consistently points to specific challenges faced by women in Scotland when starting and growing businesses. These challenges include **discrimination** (33%), access to **procurement** (66%), access to **finance** (64%), access to **sales training** (67%) and access to **scale-up support** (63%). A total of 87% said that a **Women's Business Centre** would be useful or a good idea 71% said women only networks were necessary and useful, 36% had used business support services for women

¹ Here to Stay: Women's self-employment in a (post) austerity era, Women's Budget Group (2015)

² Women in Self-employment (IPSE) <https://www.ipse.co.uk/policy/research/women-in-selfemployment/women-in-self-employment.html>

³ Small Business Survey, Scotland (2019)

[PowerPoint Presentation \(www.gov.scot\)](http://www.gov.scot)

⁴ Business Gateway Annual Report (2019 – 2020) [Business-Gateway ANNUAL-REVIEW 2019-2020 v21 Prepared-by-BIG-Partnership-February-2021.pdf \(bgateway.com\)](https://www.businessgateway.gov.uk/annual-reviews/2019-2020)

and a further 40% would have used women only services **if they had been available to them.**

Research by the British Business Bank found that female founders were receiving just 1p in every £1 of venture capital – or to put it another way, men are receiving 99 times more venture capital than women in the UK⁵.

Covid-19

As Covid19 has impacted nations, research in the UK consistently points to women being a group **disproportionately impacted** by the pandemic. Many women run businesses in those sectors which have been hit hard by Covid19 and have faced a **double shift** of work and caring commitments. Seventy-seven per cent have found it stressful managing a business during the crisis compared to 55% of men and women owners are 17% more likely to struggle to balance a business with family life⁶.

Much of the Covid-19 business grant support has been linked to property and rateable value. Many women operate from home or from a mobile base and have been unable to access the support on offer. Other grant funding – for example linked to perceived business growth opportunities – is founded on structural economic approaches which do not align to women-owned businesses. Little data is available on grant funded support received by women, but that which has been published shows serious inequalities. For example, the Diversity Report from the British Business Bank found that of the £236m UK Futures Fund, just 1.3% of the fund was received by all-female founder teams. The pandemic is hitting women-owned businesses hard and exacerbating the existing gaps in women's enterprise support. Already the numbers of employer women-owned businesses are declining significantly. Additional targeted support has been made available to other societal groups such as young people, yet no additional targeted support has been made available to women to date.

If, as happened following the financial crisis in 2008, we see an increase in women starting up businesses and becoming self-employed due to the pandemic impacts in the labour market, we risk pouring more women into a business support system which is not working for women. As more women start-up businesses, more women are at risk of falling straight through the gaps in support – potentially leading to a continuation of the **low and declining** stock levels of women-owned employer businesses. Wholly at odds with an **inclusive growth** economic strategy when women are 51% of the population in Scotland⁷ and leaving **billions of pounds** of economic growth potential **untapped**.

The content of a new Scottish Government economic strategy

Women are facing into a perfect economic storm, with the **triple impact** of working (and starting up businesses) in sectors hardest hit by the pandemic, having spent increased time meeting caring commitments and being unable to access much of the grant support made available. The case for supporting women's enterprise is primarily an economic one, rather than a moral one. Gender diversity is a driver of **radical innovation** and with low (and

⁵ UK VC and Female Founders Report, British Business Bank [UK VC & Female Founders report - British Business Bank \(british-business-bank.co.uk\)](https://www.british-business-bank.co.uk/uk-vc-and-female-founders-report)

⁶ Alison Rose Review of Female Entrepreneurship (2021)

⁷ Scotland's Census (2011)

potentially declining) percentages of women-owned businesses in the business base, we are restricting our national productivity and competitiveness, leaving billions of pounds in economic potential completely untapped. The Rose Review found that up to **£250 billion** of new value could be added to the UK economy if women started and grew businesses at the same rate as men. Even achieving the growth rates seen in peer economies would add £200 billion to the UK economy.

In Scotland women contribute **£8.8 billion** into the economy **every year** and have created over 230,000 jobs, **13% of private sector employment**⁸. This compares to the Food & Drink sector (£5.3bn); Creative Industries (£4.4bn); Sustainable Tourism (£3.9bn) and Life Sciences (£1.5bn)⁹. Yet the Scottish Government Women in Enterprise budget remains low at £450,000 per annum.

Inclusive economic growth is a cornerstone of the government economic strategy and gender equality and women's empowerment is stated by the G20 leaders as essential for achieving sustainable and inclusive economic growth¹⁰. The new Scottish Government economic strategy should include a **specific strategy for women-owned businesses** as a crucial driver of inclusive and sustainable economic growth.

Policies needed to promote economic recovery

While mainstream business start-up support provides many valuable support activities, many do not align to the needs of women. Research identifies areas such as finance where gender-specific support is needed. Women start businesses with lower levels of capitalisation than men and even when starting identical businesses, women's businesses still utilise only one-third of the capital used by men. A lack of capitalisation when starting up can **seriously hamper** longer term growth prospects¹¹.

The Women in Enterprise Strategic Framework and Action Plan sets out five crucial areas of action to support women's business growth. These areas are:

- Measurement
- Mentoring and Networking
- Role Modelling
- Growth and Finance
- Gender Aware Support and Best Practice

By leveraging the mainstream business support areas which broadly align to women's needs and targeting gender-specific support at the gap areas, we can **efficiently invest** to boost economic activity and business survival.

It is important to understand the difference between support made available to women as a group and gender-specific support. The former uses existing, **gender-blind support** and delivers that support to women audiences. Gender-specific support is support which uses **expert gendered techniques** in the design of business support for women and business

⁸ Women in Enterprise, the Economic Potential, FSB (2018)

⁹ Scottish Government Growth Sectors (2020)

¹⁰ G20 Osaka Leaders' Declaration (2019)

¹¹ OECD (2018)

support staff, trainers and facilitators **professionally trained and accredited** in the delivery of **gender-aware business support**.

It is also important to engage **expert groups who have lived experience** and represent the communities they serve. Currently there is a lack of equitable partnerships, for example with people of colour, to ensure meaningful inclusion. The current lack of lived experience encodes **bias in design** and results in **decisions made for** communities and **not with communities**. In addition, there can be an expectation that community and enterprise organisations can provide a route to market at no cost, underscoring a **lack of understanding** of successful business and ecosystem operation.

In our 2021 election manifesto, we called for targeted action in five key areas:

- **Enable greater access to finance** (women start their businesses with 53% less capital than men)
- **Enable a more gender aware business support structure across** Scotland (71% of women's businesses in a Scottish survey agreed or strongly agreed that business support services need to be more aware of women's needs)
- **Champion digital inclusion** (only 16% of girls are studying Computing Science at Higher level)
- **Deliver improved data collection** (the gathering, analysis and publication of genderdisaggregated data is fundamental to closing the persistent gender gap in enterprise participation)
- **Advocate for a more gender equal economy** (investing in care would create 2.7 times as many jobs as the same investment in construction)

A **cohesive** approach to women's enterprise in Scotland is required, in particular, investment in a women's business centre strategy. Already we have the digital women's business centre to provide learnings and insights into the provision of gender-specific business support for women in Scotland. While this is a valuable resource in terms of reach across Scotland, as the pandemic restrictions recede, local access to gender-specific support through a physical women's business centre model would boost economic recovery, create more resilient local economies and complement the digital infrastructure already enabled by the digital women's business centre. The rural women's business creation pilot delivered earlier this year in collaboration with the Development Trusts Association Scotland can provide insight and learning.

Establishing **strong relationships** between **enterprise organisations** such as WES, **civil servants** and **enterprise agencies** will be integral to success for any women's enterprise strategy in Scotland. There is an opportunity to improve existing engagement levels and work together to bring about **transformative economic change**.

Gender diversity drives radical step-change innovation, the kind which boosts our national competitiveness. Urgent, **targeted** action is needed to **safeguard women's entrepreneurship**, the gender diversity of the Scottish business **ecosystem and the ecosystem's ability to innovate and drive economic recovery and productivity**. Providing the foundation from which to build back a stronger, more diverse, resilient and innovative economy in Scotland.

An ambitious economic strategy in Scotland must **specifically reflect** the needs of womenowned businesses. As years of progress on equality are now regressing, we are casting aside the **economic potential** of 51% of our population. It is five years on from the refresh of the Women in Enterprise Strategic Framework and Action Plan and our own call for a women's business centre model of support. A glacial pace of change is not delivering inclusive economic growth. Now is the time to provide women business owners in Scotland with the **expert support** they need to successfully start and grow their own businesses and boost the Scottish economy.

Written submission from the Federation of Small Businesses

Introduction

FSB is Scotland's leading business organisation. As experts in business, we offer our members a wide range of vital business services including advice, financial expertise, support and a powerful voice in government. Our mission is to help smaller businesses achieve their ambitions. These micro and small businesses comprise the majority of all enterprises in Scotland (98%), employ around one million people and contribute billions to the economy.

The Coronavirus pandemic has had a disproportionate impact on independent and local businesses, as well as the self-employed. Throughout the crisis we have worked closely with small businesses, local and national government, and other organisations, to get the right information and support for local firms. While the crisis is not yet over, nevertheless there are useful lessons we can learn from the past 18 months; how important our local businesses are to communities, as well as some of the weaknesses in how government and business interact. As we plan for Scotland's economic recovery, we should not lose sight of desirable improvements to policy, processes and systems.

1. Impact of Covid-19 crisis on small businesses

- 1.1. The effect of the crisis on small businesses has been uneven. Around half of small businesses¹² closed at the peak of the crisis in 2020, with data suggesting this was around 35% during the second wave in January 2021¹³. Most businesses are trading now according to recent statistics¹⁴ but many are still far from recovery.
- 1.2 Our polling from January 2021 suggested 64% of small firms reported they were struggling/really struggling. This had fallen to 33% in our most recent poll undertaken in late July 2021.¹⁵
- 1.3 Small businesses have accumulated a huge amount of debt – around £4bn from 99,792 loans¹⁶, suggesting over a quarter of Scotland's 356,550 businesses have taken on debt during the crisis. With repayments commencing in summer 2021, around a quarter of small businesses told us they were worried about how they would manage repayments.¹⁷ The impact of this debt on future growth and investment is still unclear.
- 1.4 Despite reopening, many businesses are still concerned about the impact of Covid. Given the focus on new rules in recent months, it is perhaps not surprising that 'concern about future lockdowns' and 'keeping up with rules' are amongst the highest

¹² See: <https://www.fsb.org.uk/resource-report/finding-our-feet.html>

¹³ FSB Scotland survey January 2021 (1209 respondents)

¹⁴ See: <https://www.gov.scot/collections/business-and-innovation-statistics/>

¹⁵ FSB Scotland survey July 2021 (492 respondents)

¹⁶ This comprises both Coronavirus Business Interruption Loan Scheme (CBILS) and Bounceback Loan Scheme (BLS) loans scheme – with the vast majority from BLS. <https://www.british-business-bank.co.uk/analysis-of-final-coronavirus-loan-scheme-data-shows-79-3bn-of-loans-to-1-67m-businesses-evenly-distributed-across-whole-of-the-uk/>

¹⁷ FSB Scotland survey July 2021 (492 respondents) A further 50% said they were worried about repayment but felt the debt was manageable.

concerns of small businesses. Low turnover is also cited as a key concern, possibility linked to the impact on viability created by some Covid business restrictions such as physical distancing (still in place at the time of the survey). A third of employers reported experiencing staff shortages. While concern about their own mental health and wellbeing has decreased since January, this remains a significant worry of small business owners.¹⁸

- 1.5 Nearly 60% of small businesses think the pandemic has made self-employment less attractive.¹⁹

2. Covid Business Support

- 2.1 Grants, followed by the furlough scheme, then Bounceback loans, have been the most commonly used forms of business support during the crisis.²⁰ Other support such as the Self Employed Income Support Scheme, rent deferral, VAT reduction and rates deferrals, has also been used by small businesses. As highlighted above, small businesses in Scotland have taken out £4bn of loans and received around £2.8bn in grants.²¹
- 2.2. The scale and rapid pace of the development and delivery of this support is unprecedented. In assessing the effectiveness of support offered in Scotland, we believe there are a number of useful lessons to learn. Some key points are set out below but, separately, we will also share with the committee feedback we provided to the Scottish Government in May 2021 about business support during the Covid crisis.
- Notwithstanding the extent of support, a number of businesses still found themselves unable to access the variety of schemes (about a fifth of our members according to survey work in November 2020). The most high-profile group excluded were company directors (ineligible for SEISS) but problems were also baked in from the start when linking our initial grant support to the non-domestic rates system; thereby excluding businesses without premises. Businesses in supply chains of affected sectors were also commonly excluded.
 - On a positive note, the Scottish Government was able to ‘plug’ some gaps in support, initially via PERF and newly-self employed funds but most notably the wide range of sectoral schemes that became available, as well as council-led discretionary schemes. Useful partnerships with sectoral bodies and business representatives were also formed to develop this support.
 - Less positively, we think the design and delivery of support to businesses often felt ad-hoc (notwithstanding the evolving nature of the crisis) and was hampered by our poor data about businesses (particularly the smallest businesses) in Scotland.

¹⁸ ibid

¹⁹ FSB Scotland Diffley Partnership State of Small Business in Scotland report 2021 <https://www.fsb.org.uk/resources-page/state-of-small-business.html>

²⁰ For the purposes of survey work we did not include rates relief in the list of business support options used during the crisis. Grants refers to the broad range of Covid-related schemes including premises-based grants, as well as sectoral and discretionary schemes.

²¹ See: <https://www.gov.scot/publications/coronavirus-covid-19-summary-of-scottish-business-support-funding/>

- This was compounded by poor delivery systems in which to transact with businesses, whether through application and payment of grants, or communicating changes in restrictions.
- We recommended:
 - Improving the data/evidence we use to design policy aimed at (primarily small) businesses.
 - Addressing consistent gaps that arise from poor data e.g. same business characteristics always miss out.
 - Building better systems to manage government and business interaction, including push and pull of information and financial transactions.
 - Improving our transparency around spending on support.

3. Recovery

- 3.1 Small businesses are a crucial source of employment across Scotland, providing 44% of all private sector jobs.²² Evidence also suggests small firms play a critically important role in economic downturns. Previous FSB research highlighted that 9 out of 10 people who re-joined the workforce after the 2008 crash did so by joining a small business or setting one up.²³
- 3.2 With small firms responsible for so many jobs, goods and services, across communities they are clearly pivotal to recovery. Indeed, a net zero economy, with fair work at the centre, won't be achieved unless we take small businesses with us. Therefore, we need to think carefully about how to create the best environment to help them play their part in recovery.
- 3.3 To that end, we believe that developing a Small Business Recovery Plan for Scotland would help us look beyond just economic strategy. It would draw together strands of cross-government activity that can help get conditions right for our small businesses – whether those starting out on their own in the aftermath of the crisis, or those running our well-established local firms. This would include action on a number of policy areas relevant to small firms, for example:
- Helping small firms manage their cashflow by pulling every lever open to government to reduce costs, as well as supporting measures to aid commercial tenants. On this front, FSB strongly supports the Scottish Government's decision to deliver 100% rates relief for the current financial year for heavily impacted sectors. We would ask Ministers to look at carefully phasing out this support in future.
 - Design and deliver skills and employment schemes with small employers in mind, in order to maximise their capacity to create jobs and opportunities.

²² See: <https://www.gov.scot/publications/businesses-in-scotland-2020/>

²³ See: https://www.ippr.org/files/publications/pdf/Small-firms-giant-leaps_Apr2014.pdf

- Keeping up momentum to improve digital capacity of small firms as well as improving our digital public services.
- Structuring net zero investment in a way that enables more local firms to create jobs opportunities, for example, smaller contracts.
- Improving how the government works with small businesses by establishing a Small Business Unit (modelled on the US Small Business Administration).
- Exploring how we can help people who work for themselves become more resilient by piloting a collective co-operative insurance scheme.

OCEA Business Support Evaluation Feedback from FSB Scotland May 2021

This note provides brief feedback on financial support to small businesses in Scotland during the Covid-19 crisis. We are happy to discuss any of these points in more detail.

Uptake of Support

- We have undertaken a number of surveys over the course of the crisis to understand more about the impact on small business. In a survey completed in early 2021 we asked about use of different support schemes:

Have you received any of the below Government Support? (Feb 21)

- Small Business Support Grant of £10k (Spring 2020)– 54%
 - Small Business Support Grant of £25k (Spring 2020)– 11%
 - CBILS – 12%
 - BBLs – 41%
 - JRS– 47%
 - Other Scottish Govt Support – 22%
 - Restrictions/closure grants (since Autumn 2020) – 19%
 - SEISS – 18%
 - UC for the self employed – 4%
 - Other – 3%
 - None of the above– 10%
- It is difficult to argue that one scheme helped businesses more than others as this may depend on the circumstances of the firm, however the JRS ('furlough scheme'), Bounce Back Loans and premises-based grants had the widest reach. In terms of wider impact on the economy, the furlough scheme has been critical.
 - Given the diversity of the small business sector, it is more likely that the overall support package has helped the largest number of small businesses to stay afloat.
 - While direct comparisons between surveys are difficult, differences in responses between autumn 2020 and early 2021 might suggest a slight decrease in FSB Scotland members reporting no support. This could be because a number of businesses were able to access funds which came on-stream in early 2021, including the discretionary fund and certain sectoral schemes.

Which businesses excluded from support?

- In a November 2020 note to the Scottish Government (see annex below) we set out that around a fifth of our members had been unable to access government support and tried to provide further detail on groups affected.
- The most high-profile excluded group comprise directors of limited companies - who were unable to access SEISS. We understand the Scottish Government explored

whether a support scheme for directors could be introduced (as had been done by the Northern Ireland Government) but this did not proceed.

- Another challenge identified at the outset of the crisis was the Scottish Government's decision to link grant support to the non-domestic rates system. Scottish Government figures have suggested around half of all businesses in Scotland are home-based; therefore, it was clear that a number of firms would fall outwith the scope of this support.
- Lastly, many thousands of smaller businesses found themselves indirectly affected by restrictions – perhaps because they were in a supply chain or were affected by travel bans – and were often missed by support schemes. By late 2020 there were attempts to address this via the discretionary grant scheme run by local authorities and a wide range of sectoral schemes. However, while this help was welcome, it came late in the crisis and was generally a very small amount of financial support.

What went well in relation to Scottish Government support?

- The Scottish Government was able to 'plug' some gaps in support, initially via PERF and newly-self employed funds but most notably the wide range of sectoral schemes that became available. Some of these funds may have offered a lifeline to businesses ineligible for other support but we are unable (and it may be too early) to draw a conclusion about the impact on small businesses overall.
- Useful partnerships with sectoral bodies and business representatives were formed to develop support.
- Regular dialogue with the main business organisations was helpful.

What went less well with Scottish Government support?

- We think the design and delivery of support to businesses was hampered by our poor data about businesses (particularly the smallest businesses) in Scotland. In other words, who are our businesses, who runs them, which premises are they based in, which sector do they operate in, what is their capability etc. Lack of other ways to verify who and what businesses were often resulted in a dependence on the non-domestic rates system (as outlined above).
- This was compounded by poor delivery systems in which to transact with businesses, whether through application and payment of grants, or communicating changes in restrictions. This often meant that support was designed from the perspective of what the public sector could deliver, rather than what would work well for the business 'customer'.
- While we recognise that a tremendous amount of effort was put in across the public sector to set up and distribute funding and support to businesses, nevertheless much of this was clunky, prone to error and resource intensive. In the short term, we should evaluate this aspect of business support in more detail, with a view to longer term resourcing of better (digital) systems to hold data and transact with businesses.

- There were issues around data-sharing between different parts of the public sector and between governments, with the onus often on the business to demonstrate whether it had already received public support.
- While we were in an evolving crisis, decisions about support often felt ad-hoc and reactive, particularly during later stages and in relation to the very wide variety of sectoral support schemes. Throughout, it was hard to see how we were using data to inform decisions about amending or expanding support and it often felt the Scottish Government lacked the resource to be able to do this effectively at the pace required.
- This was compounded by announcements about support being made at the point of decision-in-principle but very far in advance of support being available.
- Linked to this, the relationship between Scottish Government and local authorities was critical to much of the business support and this did not always appear to function well. For example, inexplicable differences sometimes taken by different authorities in relation to interpretation of guidance on national schemes and Scottish Government's reluctance to quickly intervene.
- The Scottish Government should consider how to better reach the business community – many businesses were unaware of the support available.
- We should evaluate the variety of approaches taken in relation to delivery of financial support including automatic payments, first-come, first-served, or entitlement based on eligibility – all were all used with varying issues (see comments above about better systems)

How do businesses feel about support offered and received?

- The crisis has had an even impact on the small business community, though consistent survey evidence suggests a minority (roughly 10%) have done well during the crisis, with the majority struggling. Anecdotal feedback suggests that, despite the scale of financial support for businesses, there is nevertheless a feeling that many businesses were not supported (with a perception that some businesses 'unfairly' received lots of support). Similarly, a common view of many small businesses is that the support they received did not come close to helping them to deal with losses. Many also feel it is unfair that debt has fallen on the shoulders of small businesses for a 'force majeure' while, according to some evidence, large businesses increased cash reserves.

Key points to address for future support

- Improving the data/evidence we use to design policy aimed at (primarily small) businesses.
- Addressing consistent gaps that arise from poor data e.g. same business characteristics always miss out.

- Building better systems to manage government and business interaction, including push and pull of information and financial transactions.
- Improving our transparency around spending on support.

Susan Love
Head of External Affairs
FSB Scotland

Annex 1

Businesses/Self-employed in the excluded group
Note from FSB Scotland
3 Nov 2020

FSB research revealed that over 1 in 5 (22%) of small businesses/self-employed in Scotland have not received any support from Government(s).

Some of those who have been unable to access the support on offer so far are:

- Businesses who are not premises based and therefore ineligible for grants attached to the rates system. (i.e. mobile close contact services)
- Directors of limited companies
- Those earning less than 50% of their income through self-employment
- Freelancers who are sometimes paid through PAYE on short-term contracts
- Those with +£50k trading profits (this based on income received 12-18 months ago now)
- New businesses (albeit some benefitted from newly self-employed scheme in Scotland)

There have also been cases of self-employed workers who have missed out on receiving a higher level of support through SEISS due to having taken maternity/parental/adoption leave over the period of time the income support payments are based on. It is also worth adding that many do not qualify for Universal Credit either when partner's income or household savings are taken into account.

[Excluded UK has estimated](#) that those who have fallen through the cracks amounts to around 3 million UK taxpayers. This is made up from:

- Newly self-employed – 200,000
- Self-employed with +£50k trading profits – 225,000
- Those earning less than 50% income from self-employment – 1.175m
- New starters – 300,000
- Denied furlough – 100,000
- PAYE freelancer – 390,000
- Limited company directors – 710,000
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More information on SEISS statistics from UKG (with breakdowns on eligibility in Scotland) [here](#). The UKG has confirmed SEISS will continue but current eligibility remains unchanged.

Directors

The issue of directors being unable to access support has been at the fore since both the furlough and self-employed income support schemes were announced.

In September as the first iteration of furlough was coming to an end FSB said: “As the Job Retention and Self-Employment Income Support Schemes are brought to an end, it’s important to remember that many have not been helped by either. Thousands of company directors – who have contributed corporation and dividend tax for years – have been left with no help whatsoever for over five months”

Non-Premises based businesses

The majority of grant funding throughout the pandemic have been predicated on a businesses having premises and being part of the non-domestic rates system, this has left those who operate from their home, or a mobile unit, unable to gain access to the same funding as their premises based counterparts.

Scottish Support

There have been some efforts to address these gaps in Scotland i.e. the newly self employed fund, the tourism and creative fund and some of the creative sector funds e.g. creative freelancer fund*. However this still leaves a substantial group of people who work for themselves still unable to access any support.

*List of roles excluded from this fund:

- Those deriving the majority of their income from client-led work – for example in advertising, architecture, software/electronic publishing and from technical areas of writing and publishing such as news journalism, educational, technical, academic and professional writing

We should consider whether there is a way to broaden out a hardship fund to offer a degree of support to those who have been unable to access JRS, SEISS, UC or other Scottish grants? E.g. wedding/event photographer, without premises, whose business is formed as a company. We would need to consider interaction with how new grant funding could address restrictions for non-premises based businesses.