

# The Impact of COVID-19: Summary of initial findings

June 2020

On 29 December 2019 Wuhan Municipal Health Commission reported a cluster of cases of pneumonia to the [World Health Organisation](#). A novel coronavirus, COVID-19, was eventually identified. On 28 February the [first case was confirmed in Wales](#) and on 11 March 2020 the World Health Organisation characterised COVID-19 as a pandemic.

The pandemic, and measures to control its spread, have had a huge impact across the world. The Welsh Government made its first targeted economic intervention on 17 March with a [package of relief for small businesses](#). On 23 March the Prime Minister announced a UK wide 'lock down' which closed non-essential shops and, with very limited exceptions, required everyone to [stay at home](#).

The First Minister also [made a statement](#) on 23 March, and [regulations](#) to close some businesses and requiring businesses to take reasonable measures to maintain social distancing were made by the Welsh Government and passed by the Senedd. A full timeline of the response to the outbreak is available on [Senedd Research Service's blog](#).

The Economy Infrastructure and Skills Committee has refocused its work to examine the impact of COVID-19. [On 30 April](#) the committee took evidence from representatives of businesses and trade unions on business and job support and worker safety. [On 11 May](#) the Committee held a scrutiny session with the Minister for Economy, Transport and North Wales. These meetings were held via video link. The Committee will take more evidence from those affected in the forthcoming weeks.

This report is designed as a summary of the Committee's **very early** findings. It gives the Committee's first view on support offered by the Welsh Government, highlights areas which need more thinking or work, and gives an initial view on what the next priorities should be.

The Committee has issued an [open call for evidence](#) on the impact of COVID-19, and will release more reports as its work progresses.



## Economy

The global economy has been hit hard by the pandemic. Stock markets have dropped sharply and global unemployment has risen steeply. This has led to historic interventions from the UK and Welsh Governments with the aim of stabilising the economy and safeguarding as many jobs as possible.

### The Initial Response

1. To support Welsh businesses through the pandemic the Welsh Government have released an unprecedented package of support for businesses. On 20 May the Minister for Economy, Transport and North Wales told Plenary the package was worth £1.7 billion or “2.7 per cent of gross domestic product.”
2. The Minister explained that the package includes:
  - £100 million in loans to more than 1,000 businesses through the Development Bank of Wales;
  - A £400 million Economic Resilience Fund grant scheme – which for phase 1 has received more than 9,500 applications, with over 6,000 offers already made to date worth over a £100m; and
  - Non-domestic rates based grant support for small businesses and businesses operating in the retail, leisure and hospitality sectors, awarding to date 51,100 grants worth more than £626m.
3. Whilst issues with and gaps in support were raised in the Committee’s session on 30 April it was clear that there was broad support for the interventions taken so far by the Welsh and UK Governments.
4. Adrian Greason-Walker from Wales Tourism Alliance stated “the support that’s been provided by Government at all levels has—on the face of it and in the round—been quite generous”, however he went on to say “some businesses have fallen through those gaps, inevitably.”
5. Josh Miles from the Federation of Small Businesses Wales said “where we’ve been really fortunate here is that we’ve got Business Wales and we’ve got the Development Bank of Wales and, as agencies in Wales, they’ve been able to articulate a response really quickly.”

6. There was also recognition from the business sector and unions of a high level of Government engagement during the crisis. Ian Price from the CBI Wales stated “the engagement between UK and Welsh Government and businesses is exceptional” and Shavanah Taj from TUC Wales told the Committee that TUC Wales had had regular engagement with Ministers and the UK Government had been engaging with the UK TUC.

## What happens next

7. The economy, and society, have been changed in a number of significant ways by the pandemic. The effects of the pandemic have been felt differently across the regions of Wales and some economic sectors have shown themselves to be more vulnerable than others. There has been a sharp rise in unemployment and there is also a new focus on levels of NHS and keyworker pay in public discourse.

8. The Committee noted that many of the Welsh Government’s strategic economic aims remain the same. In the session on 11 May the Minister stated “some of our big strategic aims have not shifted”. The Minister told the committee that decarbonisation, fair work, and reducing regional economic inequalities were still ambitions of the Welsh Government.

9. In his evidence the Minister also mentioned that there was an opportunity to pursue these ambitions as part of the recovery from COVID-19. An example he gave was using stimulus to “drive growth and decarbonisation.”

10. The Minister also highlighted to Plenary that the Welsh Government’s aim is to ensure that, in terms of the economy, transport and skills, Wales is ready to “build back better for the sake of this and for future generations”. The Committee would like to hear more about Welsh Government’s approach on this and any planning it has undertaken.

**Recommendation 1.** The Welsh Government should share its thinking with the Committee on how its current economic approach might need to change in the medium to longer term as a result of the pandemic and to give an early indication of what the Minister felt ‘build back better’ might look like.

11. On 11 May the Minister told the committee it was hard to say what level of additional funding would be needed for longer-term business support from the UK Government because of uncertainty around the future of the Coronavirus Job Retention Scheme (CJRS, commonly described as “furloughing”).

12. On 12 May the UK Government announced an extension of the CJRS until October 2020. Members would be interested to know the Minister’s initial reaction to this

announcement, and how he thinks this may affect the level of funding required by Wales in the longer-term.

**Recommendation 2.** The Welsh Government should provide the Committee with information on the future of business support funding requirements for Wales in light of the extension of the CJRS until October 2020.

**13.** The Minister has said that Wales has been particularly hard hit by the pandemic. He has stated that Wales has the highest proportion of businesses applying to the CJRS and “Wales also has the highest proportion of businesses applying generally for UK Government schemes.”

**14.** With EU structural funding due to be replaced by the UK Shared Prosperity Fund, the Committee is interested in the part this replacement fund could play in lending additional support to help Wales recover from the effects of the pandemic.

**15.** The Welsh Government submitted a consultation response to the House of Commons’ Welsh Affairs Select Committee on the Shared Prosperity Fund on 12 May. In this it set out its views on how the fund should operate, and the importance of funding for this programme being available from early 2021. Given the continued uncertainty around how this fund will operate, clarity on this will be needed over the coming months.

**Recommendation 3.** The Welsh Government should update the Committee on their thinking, and discussions with the UK Government, around the UK Shared Prosperity Fund. This should include a specific focus on the role the replacement fund could play in lending additional support to help Wales recover from the effects of the pandemic, and an update on recent discussions with the UK Government on timescales for announcements on the fund.

**Recommendation 4.** The Welsh Government should set out details of any representations it has made to the UK Government regarding the importance of funding for business support, apprenticeship and skills programmes to aid Wales’ recovery from COVID-19 to the Committee.

**16.** The Committee is also aware that the pandemic is having different effects across regions of Wales. Although the Minister stated that he didn’t foresee any significant reshaping of the Growth Deals, he also stated that it was still the Government’s objective to “balance the economy across all of the regions.”

**Recommendation 5.** Welsh Government should update the committee on its thinking around regional policy in light of the pandemic and the requirements of

recovery support for different regions - in particular what changes might be needed to current regional support structures or regional economic priorities,

## Ongoing sectoral support

**17.** As stated above, the initial support has been broadly welcomed and largely effective. However some sectors of the economy will recover slower than others, and some face significant threats and challenges to their long-term viability.

**18.** The WTA, FSB and CBI agreed that the tourism and hospitality industries will be disproportionately affected. Tourism is very likely to lose the summer season where most tourism businesses make the bulk of their income, and social distancing will substantially reduce customer capacity in hospitality establishments. Although the WTA did state that a lot of rural businesses would be able to accommodate social distancing so a blanket approach to the industry would be unfair to them.

**19.** The Minister also mentioned that alongside Tourism, the Steel and Aviation sectors would need specific support and that he had had discussions with the UK Government about this. The Minister stated "I wouldn't wish to see any funding for sectors that are particularly prominent in Wales to be Barnettised, because that would essentially leave us with less funding per active enterprise than we might expect on the basis of a proportion of businesses engaged".

**Recommendation 6.** The Welsh Government should update the Committee on its discussions with the UK Government on support for the tourism industry.

**Recommendation 7.** The Welsh Government should update the Committee on its discussions with the UK Government on support for the steel industry.

**Recommendation 8.** The Welsh Government should update the Committee on its discussions with the UK Government on support for the aviation industry.

**Recommendation 9.** The Welsh Government should provide more detail of its expectations around additional UK Government funding for sectors which make up a greater proportion of the Welsh economy than other parts of the UK, including how funding over and above a Barnett consequential could operate.

**Recommendation 10.** When lockdown is eased the Welsh Government should issue clear and consistent guidance on social distancing for all businesses. This guidance should be given to businesses as far in advance as possible in order for them to have time to prepare.

**20.** Both the WTA and FSB raised concerns around changes to requirements for self-catering units to benefit from non-domestic business rate relief. The WTA stated this change in requirements was being used to “penalise bona fide businesses” and that some local authorities were “dragging their feet” and being slow to issue relief. The FSB stated that not only did the introduction of “more complex” criteria mean “there's more work for local authorities to do in order to issue the grant” but it also meant holiday let businesses were finding themselves at the “back of the queue” as councils were processing the more straightforward applications first.

**Recommendation 11.** The Welsh Government should revisit changes made to the guidance for non-domestic business rate relief and ensure that they are neither penalising legitimate businesses nor increasing the workload on local authorities.

## Gaps in support

**21.** Whilst the support has been widely welcomed, support is yet to reach every business. Josh Miles from the FSB Wales likened the package of support to “a lattice” saying “it's covering lots of areas but there are gaps”. He gave some specific examples:

- Self-employed people who did not have recent accounts, for example, because they were newly self-employed or because they had taken time off after having children;
- Businesses that don't operate out of a property as a lot of the support has been linked to having a property;
- Companies that are not VAT registered.

**22.** Mr Miles went on to tell the committee that “businesses that operate out of premises but have their rates paid by their landlords, so don't qualify for the grant directly themselves. We think the Economic Resilience Fund has helped solve some of those issues” and he felt some of the above issues could be addressed in Phase 2 of the ERF.

**23.** Mr Greason-Walker from Wales Tourism Alliance added that research by Mid Wales Tourism and Brecon Beacons Tourism supported a lot of the points Mr Miles had made. He went on to add that “24 percent [of respondents] do not employ staff, meaning they're not eligible for the economic resilience fund.”

**24.** Whilst Ian Price told Members that businesses represented by CBI Wales had mostly “achieved what they wanted from the schemes” he also went on to warn the Committee that if the smaller businesses were not properly supported it could be “hugely damaging” to Wales' small towns and if small businesses fail it has a knock on impact on large businesses.

**25.** In Plenary on 21 May the Minister said he expected to be able to reopen the eligibility checker for phase 2 applications to the Economic Resilience Fund applications by the middle of June and he expected “to open for full applications later in the month.”

**26.** Members understand the support packages were set up during emergency and as such would not be complete straight off the bat; however they are concerned by these gaps and the speed in filling them as some of the people who’ve fallen through those gaps have been struggling since March.

**Recommendation 12.** The Welsh Government should share its analysis of the gaps in support for businesses with the Committee.

**Recommendation 13.** The Welsh Government should open up the eligibility checker for phase 2 of the Economic Resilience Fund, open this phase for applications and start making payments as soon as possible.

## Performance Data

**27.** The Committee was interested to hear about the Minister’s desire to use disaggregated data on the high street banks’ administration of COVID-19 emergency loans. Members were also interested in the Minister’s assertion that “the more data we can get at a Wales level the better.” Welsh Government’s Director, Business and Regions Sioned Evans noted that this data could be used to establish a better idea of the impact of Government actions. The Committee is interested to know what additional information the Minister would want aggregated to a Welsh level and how Welsh Government could use that data in the both the short-term and recovery phase.

**Recommendation 14.** The Welsh Government should publish a list of any indicators that the UK Government, or other bodies, should be reporting on at a Wales level and how the Welsh Government would deploy this information in recovery planning.

**28.** The Committee was also interested to learn that the Minister receives disaggregated data on “sectoral and regional impacts of coronavirus.” Members feel it would be useful if this information was available to the Committee and other organisations developing policy to respond to the pandemic in Wales.

**29.** The Committee would also be keen to see data on the uptake of support and the impact of the pandemic on different groups within society such as those with protected characteristics, as well as different areas of geography or the economy.

**30.** The Committee was pleased to hear from the Minister that any business that applies for support from the Economic Resilience Fund has to sign up to their details

being published and that: “if they get a grant, their details will be published. They'll be available to the public...”

**Recommendation 15.** The Welsh Government should publish data on the sectoral and regional impacts of the COVID-19 pandemic as soon as is practically possible.

**Recommendation 16.** The Welsh Government should publish data on uptake and impact of its economic support measures regularly by local authority area and sector, including support provided by the Development Bank for Wales and business rates support provided via local authorities

**Recommendation 17.** The Welsh Government should publish the full dataset of businesses that have been supported through the Economic Resilience Fund (to include business name, address, sector, size of business and details of the grant or loan provided).

**Recommendation 18.** The Welsh Government should regularly report on the impacts of the pandemic on different economic sectors, regions of Wales and on different sections of society (e.g. by people with different protected characteristics).

**31.** Members were concerned to hear that there was a disparity between local authorities when issuing grants. In the Committee session on 30 April both the FSB and the Wales Tourism Alliance noted these discrepancies, with Josh Miles **telling** Members “I think there is variability in how local authorities have pushed out the grant and the awareness there”.

**Recommendation 19.** The Welsh Government should publish performance data on the speed of local authorities issuing business support grants.

## Workplace Safety

**32.** The Minister informed the Committee that he would be **discussing** forthcoming Welsh Government workplace guidance at a Social Partnership Council meeting on 14 May. On 11 May UK Government released **new guidance** for employers aimed at helping them “get their businesses back up and running and workplaces operating safely.” This will operate across the UK, in conjunction with any guidance and legislation set by devolved administrations.

**33.** The Committee is interested in how these documents will work together. It notes the Minister’s subsequent update on this area in Plenary **on 20 May**, where he highlighted that the Welsh Government’s guidance would build on that published by the UK Government, will incorporate the Welsh regulations on social distancing, and will focus on particular sectors rather than workplaces.



**Recommendation 20.** The Welsh Government should inform the Committee of the date it anticipates releasing its back-to-work safety guidance, and provide details of how this guidance will work effectively alongside the UK guidance issued on 11 May.

**Recommendation 21.** When issuing its sectoral return-to-work safety guidance the Welsh Government should consider prioritising not just along the lines of sectors which will open first but also sectors which will require the most work. For example tourism may be one of the last sectors to reopen, however some tourism businesses will need to implement structural changes.

**34.** The Committee was pleased to hear the Minister had discussed monitoring the compliance of new safety regulations/guidance with local authorities and that local authorities felt they would be able to manage.

**35.** However, in the Committee's session on 30 April trade union representatives made it clear they did not think local authorities were in a position to monitor the new regulations adequately across the board as departments were "too small" and local authorities were "already struggling".

**36.** Shavanah Taj from Wales TUC said that the Health and Safety Executive's footprint in Wales was too small and they were also already struggling. On 12 May the UK Government announced it would make up to £14 million available to the HSE for extra call centre employees, inspectors and equipment.

**37.** In light of the concerns raised by the union representatives, the Committee was pleased to hear the Minister will be closely monitoring the ongoing capacity of local authorities as businesses reopen, and would be keen to hear more information on how this monitoring will work.

**Recommendation 22.** The Welsh Government should set out further details on how it will monitor the capacity of local authorities and other organisations charged with enforcing compliance safety regulations/guidance as businesses re-open.

**Recommendation 23.** If the Minister has not already done so, he should discuss with the UK Government how the additional HSE funding can be used to enforce workplace safety measures in Wales. If these discussions have been held already the Welsh Government should inform the committee of the outcome.

## Transport

As people have been told to stay at home and only travel when absolutely necessary the transport infrastructure of Wales has been impacted. Roads are much quieter, passenger numbers have fallen substantially across public transport and most public transport operators are running significantly reduced services.

### Public Transport

**38.** The Committee is interested in what public transport social distancing guidance will be developed, who will develop it and when it will be issued. On 6 May the Minister informed Plenary, in response to a question on guidance on social distancing on public transport, that work had been commissioned by the Department for Transport which would “inform capacity planning and demand management across the population.”

**39.** On 11 May the Minister told Committee Members that the Welsh Government would be producing guidance for passengers and operators of private hire and taxis “as soon as possible.” On 12 May the UK Department for Transport published Coronavirus (COVID-19): safer transport guidance for operators – this guidance states it “outlines measures to assess and address the risks of coronavirus (COVID-19) in the transport sector across England”. On 15 May the Welsh Government published Unlocking our Society and Economy: continuing the conversation which refers to an anticipated consultation on guidance for public transport.

**Recommendation 24.** The Welsh Government should update the Committee on its thinking around guidance for social distancing on all modes of public transport. Particularly how the guidance which will apply in Wales will be developed, and by whom, and how it will relate to UK Government guidance, including the Department for Transport guidance referred to by the Minister in Plenary. When will this guidance be in place in Wales?

**40.** In the Committee’s scrutiny session the Minister stated that social distancing could lead to “only 10 to 15 per cent of capacity delivered on bus and rail services”. The Committee fully accepts the need for social distancing whilst COVID-19 presents a threat to public health, however Members are concerned about the practicalities of the passenger load reduction.

**41.** The Valleys Lines, and a number of bus routes, were operating at or over capacity immediately prior to ‘lock down.’ Rolling stock shortages are well documented and there

have been delays in securing new stock. The Committee is keen to hear what thought has gone into addressing this issue and whether the Welsh Government feel there is enough rolling stock/buses and drivers available to meet the social distanced demand.

**Recommendation 25.** Welsh Government should inform the committee of its assessment of the current availability of buses and trains in Wales, whether this is sufficient to ensure effective socially distanced public transport services can be provided and give details of any action being taken to ensure there is sufficient capacity.

**42.** On 31 March the Welsh Government announced a package of support for public transport operators of “up to £69 million”. In the Committee meeting the Minister stated that the Welsh Government had estimated that an additional £250 million per annum would be required to support socially distanced services. This additional funding would be on top of existing subsidies paid by the Welsh Government.

**43.** . Members are interested in this subsidy and would like further details on the breakdown of the £250m estimate. The Minister also mentioned that clarity from the UK Government was required for longer term additional subsidy – Members are interested in any updates on discussions with the UK Government on the matter.

**Recommendation 26.** The Welsh Government should provide the Committee with more information on the basis for the £250 million per annum estimated additional funding highlighted by the Minister, including how this figure was reached and the split by mode. The Committee would also welcome an update on how this additional funding will be secured..

## Bus Services (Wales) Bill

**44.** If the pandemic had not occurred the Committee would currently be carrying out stage one scrutiny of the Bus Services Wales Bill. During the scrutiny session on 11 May Members discussed the Bill with the Minister and his officials.

**45.** Welsh Government’s Director of Economic Infrastructure, Simon Jones, informed the Committee that the Bill was a significant part of the Welsh Government’s public transport policy development. He added that contingencies were being developed should Welsh Government not have time to put the Bill before the Senedd.

**46.** Members would like to be kept informed of the Welsh Government’s latest thinking on the Bill, and on these contingencies; especially as the Minister stated Welsh Government would not want to lose the Bill as they were “on the cusp of being able to develop an integrated transport system”.

**Recommendation 27.** The Welsh Government should inform the Committee of the latest position on the Bus Services Wales Bill and what contingencies are being discussed if there is insufficient space in the revised legislative timetable for the Bill.

## Cardiff Airport

**47.** The Minister informed the Committee that the Welsh Government had re-profiled the loan that was agreed with the Airport at the end of 2019. Simon Jones explained to the Committee that the airport, like most similar airports, “makes its money over the summer months” and will “effectively, have lost a year’s worth of revenue”.

**48.** In a letter to the Public Accounts Committee, sent prior to the lock down, Andrew Slade, Director General Economy, Skills and Natural Resources in Welsh Government, stated that the loan had been issued so the airport could make a number of improvements including infrastructure, security and to open up new routes. Members are interested in the effects of the loans re-profiling on this work.

**Recommendation 28.** The Welsh Government should provide an update to the Committee on the re-profiling of the loan to Cardiff airport, including which of the improvements it was originally earmarked to fund will be put on hold and how it will be used instead, as well as whether any other short-term funding is likely to be needed to support the airport.

## Temporary safety and sustainable travel improvements

**49.** On 7 May the Deputy Minister for Economy and Transport issued a written statement inviting local authorities to submit expressions of interest around introducing temporary safety improvements and sustainable travel measures to enable essential journeys. The Minister informed the Committee that funding levels for these initiatives would depend on the proposals submitted by local authorities. The closing date for the call was 21 May. Members are interested in both the mechanism for the call and would like to hear about the expressions of interested submitted.

**Recommendation 29.** The Welsh Government should provide the Committee with the criteria local authorities were given to develop proposals to ensure authorities took a similar approach in developing proposals.

**Recommendation 30.** The Welsh Government should provide the Committee with further details on uptake of the invitation including how many applications were made and geographic uptake.

**Recommendation 31.** The Welsh Government should provide the Committee with details of how proposals will be assessed, including the criteria.

## Skills

Apprenticeship and skills provision has also been affected by the pandemic. Although apprentices working in health and social care have been busy on the front line responding to the pandemic, large areas of the economy have been mothballed and so many may be missing work. Because of the stay-at-home order learning has been moved online. As well as having an impact on apprentices this of course also has an effect on training providers and their sub-contractors.

### Impact on apprentices

**50.** The Committee believes that having a skilled workforce in Wales will be key for economic recovery. This means it is important that the Welsh Government fully understands the effects the pandemic is having on the skills sector, including apprentices and training providers.

**51.** During the scrutiny session held on 11 May the Minister told the Committee that Welsh government did not have figures for how many apprentices have been furloughed or made redundant. The Minister explained that providers will endeavour to find apprentices another employer where necessary, however in the current situation Members are concerned providers may struggle to find comparable opportunities for the apprentice as labour market demand collapses.

**52.** Under the terms of their contracts with Welsh Government as a last resort providers can “also identify other actions which are appropriate to support an apprentice who is made redundant, e.g. Jobs Growth Wales opportunities”. However the Committee is concerned that this would be a disappointing outcome for many apprentices, particularly those on higher level apprenticeships. The Committee will be keen to understand how many, if any, times this has happened...

**Recommendation 32.** The Welsh Government should work with providers to ascertain how many apprentices have been furloughed or lost their jobs and publish this information on an on-going basis.

**Recommendation 33.** The Welsh Government should share with the Committee the number of redundant apprentices for whom providers were unable to find a new

placement and who have either been moved onto employment support programmes or are no longer in any training.

### The impact on training providers

**53.** The Committee was pleased that the Minister explained that a new funding arrangement had been put in place to assist training providers and to minimise job losses amongst their workforce. Huw Morris, Welsh Government's Director of Skills, Higher Education and Lifelong Learning informed the committee that the funding was to "maintain the provision". The new arrangement is based on the average of the payments made to providers between August 2019 and March 2020.

**54.** The National Training Federation for Wales have however stated that whilst this payment "does ensure the financial stability of the provider network" it is also "results in a reduction to the expected funding to the sector". The Committee is concerned about the impact any reduction in funding will have on work-based learning providers and their ability to recover and meet the anticipated higher demand during any national recovery.

**Recommendation 34.** The Welsh Government should provide the financial details of the new funding arrangement for training providers to the Committee. This should include how much providers will now receive against what they would have normally expected to receive.