

Public perceptions on the role of business before and after Covid-19

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Executive Summary

Covid-19 has caused the worst economic crisis since the Great Depression requiring an unprecedented policy response to save businesses and jobs in the short term. But how the government handles the relationship with businesses now will set the tone for a post Covid-19 future. Whilst supporting businesses remains essential for economic growth, the government should ensure that any future grants, loans and bailouts are used to support an inclusive recovery.

Today the government announced they were extending the maximum loan size available to support large businesses from £50m to £200m.¹ Equally important, they also announced that there would be constraints conditionality on this and other support for large businesses. Companies receiving support through the large business scheme - known as the CLBILS - will be asked not to pay out dividends on shares and to “exercise restraint on senior pay”. New research by CPP suggests that there is widespread public support for such measures, and that government should go further by stipulating that big businesses in receipt of government support should:

- 1 Be prohibited from paying executive bonuses whilst receiving government support and for up to 3 years after
- 2 Offer secure job contracts to staff
- 3 Use government funding to maintain payrolls

About this report

At the start of the Covid-19 crisis, CPP worked with Populus to carry out focus groups and public opinion polling on the role of businesses in society. The research explores peoples’ views on the role of businesses in delivering inclusive growth alongside early reactions to the UK lock-down. This report discusses the public’s views and their high-level implications for policy, within the context of an ever-evolving economic and public policy landscape. It marks the first report in a programme of work that the CPP is undertaking on the role of businesses in society.

The public want to see conditions attached to taxpayer funded Covid-19 support for businesses

- CPP research shows that an overwhelming majority (80%) of the public want to see increased obligations on business who are receiving government support during the current health crisis.²
- There is strong public support for the conditionality government has set out today, including restraints on executive bonuses, with 61% saying these should be prohibited for the next three years.
- In addition, those surveyed made clear that they want businesses to instead to use tax-funded grants to offer secure job contracts (56%) and support staff payrolls (52%).
- The vast majority (70%) also want to see large companies do more to pay their fair share of tax and many (51%) also think that, as in Denmark, Poland and France, support should not be available to those based in tax havens.³ Depending on the precise configuration this could exclude hospitality firms such as Caffè Nero from receiving tax-payer funds.⁴

Businesses should also provide good jobs and help solve longstanding socioeconomic issues

- Long-term concerns about pay and equality have been brought into sharp focus by the government shutdown of the UK economy, which looks set to continue into the summer.⁵
- Statistics released today show that claims for unemployment support increased by 69% in April, highlighting that many livelihoods are already at risk due to Covid-19, despite the government’s Job Retention Scheme.⁶
- CPP research shows that 70% would like to see big businesses taking more responsibility for their tax behaviour, and over 60% would like to see businesses of all sizes doing more to provide good jobs⁷.
- Over half (51%) would also like to see big businesses do more to address place-based issues such as public health, homelessness and crime, but focus group participants found it difficult to articulate the forms this could take, as they considered that there were few examples to draw upon.
- Recent positive actions such as supermarket donations to hospitals and hotels offering beds to rough sleepers may mean that people have a better idea of what ‘good’ looks like and help to drive more a more permanent change in the relationship between business and society.⁸

1 HM Government (2020) *Larger businesses to benefit from loans of up to £200 million*. Available at: <https://www.gov.uk/government/news/larger-businesses-to-benefit-from-loans-of-up-to-200-million>

2 Results are based on regionally and demographically representative polling of over 2,000 people carried out by Populus for CPP in April 2020

3 Peat, J. (2020) *France joins Denmark and Poland in banning tax haven firms from coronavirus relief*. Available at: <https://www.thelondoneconomic.com/politics/france-joins-denmark-and-poland-in-banning-tax-haven-firms-from-coronavirus-relief/23/04/>

4 Caffè Nero’s UK arm is apparently loss making whilst their profit-making parent company is registered in Luxembourg. See: This is Money (2018) *Caffè Nero sold £288m of lattes last year... but did not pay a bean in tax: Coffee chain is branded ‘parasitic’ as it claims loss*. Available at: <https://www.thisismoney.co.uk/money/markets/article-5485883/Caff-Nero-288m-sales-did-not-bean-tax.html>

5 HM Government (2020) *OUR PLAN TO REBUILD: The UK Government’s COVID-19 recovery strategy*. Available at: https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/884171/FINAL_6.6637_CO_HMG_C19_Recovery_FINAL_110520_v2_WEB_1.pdf

6 City AM (2020) *UK jobless claims soar by a record 856,000 to 2.1m in April*. Available at: <https://www.cityam.com/uk-jobless-claims-soared-69-percent-to-2-1m-in-april/>

7 Applied to all businesses with over 10 employees

8 The Telegraph (2020) *Coronavirus positive: good news round-up - a glimpse of normality returning*. Available at: <https://www.telegraph.co.uk/news/2020/04/16/coronavirus-positive-good-news-round-up-glimpse-normality/>

Context: The Covid-19 health crisis has changed the economic and policy environment

When we carried out our focus groups at the start of the crisis, people were very concerned about the impacts on both job security and business survival, particularly of local and small businesses. There was a sense that communities needed to pull together to support each other, with people doing what they could to keep local businesses afloat and businesses ensuring that staff had access to sick pay. Since then, the government has announced extensive support for businesses, including a Small Business Grants Fund, a Retail, Hospitality and Leisure Grant Fund and the Coronavirus Job Retention Scheme which pays furloughed staff 80% of their wage.

“I think this is when you see the community coming together. There’s lots of people out there, small businesses who are actually pledging their help now. It’s early days, we have yet to see a hell of a lot yet I think. I don’t know. It could be over in four weeks, or we could be going on for six months. None of us know the answers to some of these things. Some of these communities are now pulling together and ours are pulling together.” – Anon, Redcar

Even with such extensive support, the Bank of England is predicting that GDP will fall by 14% in 2020 and that unemployment will double as a result of the economic shutdown.⁹ The precarity of certain industries and job roles has been exposed, including many of the ‘key worker’ roles considered necessary for the country to function, with CIPD reporting that more than a fifth of UK employers plan to make redundancies over the next three months.¹⁰ People are out of work through no ‘fault’ of their own and there is a new pressure on businesses to prioritise job security to prevent mass unemployment from scarring local economies.¹¹ Polling by Populus shows that businesses like Sports Direct, who are perceived to have prioritised profit over worker safety, are seen in a negative light.^{12,13} Similarly, Premier League football club Tottenham Hotspur was forced to reverse their decision to furlough staff on the government scheme following a backlash from fans.¹⁴ Board members are now taking salary reduction to fund wages instead. In short, the crisis is shining a light on the best and worst business behaviours and provides the impetus for a reshaping of the relationship between business, citizen and state.

The public approve of attaching conditions to tax-funded support for businesses to help them cope with the crisis

The overwhelming majority (80%) think that businesses should be required to adhere to conditions in return for taxpayer support, although the public do want to see government support businesses and 43% want the government to do more to support the smallest businesses.¹⁵ Most people we surveyed thought that businesses should be required to offer secure job contracts to staff and use funding to support existing payrolls, whilst 60% wanted businesses to be prevented from paying executive bonuses for the next three years. This strong reaction against bonuses suggests that despite an increased sense of shared purpose, people do not trust big businesses to act in the common interest.

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The vast majority (70%) also want to see large companies do more to pay their fair share of tax and over half of respondents (51%) want companies to base themselves in the UK for tax purposes before receiving government support for Covid-19. Paying tax is an important part of the social contract and companies who actively avoid contributing to the UK tax base should have to adjust their policies in order to benefit from public support. Dividends and share buybacks, where companies use profits to buy their own shares rather than investing in the company, present a similar moral issue. The think tank Common Wealth report that “the 100 largest UK-domiciled non-financial companies paid out over £400bn in dividends...and an additional £61bn in buybacks” between 2011 and 2018, which may have weakened their ability to deal with shocks like Covid-19.¹⁶

“If you look at some of the really big multinationals ... they’re sticking within the law in terms of what they pay on tax but morally, what they’re doing absolutely stinks.” – Anon, Bury

9 Bank of England (2020) *Monetary Policy Report May 2020*. Available at: <https://www.bankofengland.co.uk/report/2020/monetary-policy-report-financial-stability-report-may-2020>

10 Strauss, D. (2020) *More than a fifth of UK employers plan redundancies*. Available at: <https://www.ft.com/content/95ca952a-b48b-42ae-8118-287e5768df54>

11 Norman, A. et al. (2020) *Back from the brink: avoiding a lost generation*. Available at: <https://www.progressive-policy.net/publications>

12 Populus (2020) Covid-19 research: Response to Coronavirus

13 Osbourne, S. (2020) *Coronavirus: Sports Direct employees ‘outraged’ after being told to work despite stores being closed*. Available at: <https://www.independent.co.uk/news/business/news/coronavirus-sports-direct-closed-shut-stores-mike-ashley-a9422046.html>

14 BBC (2020) *Tottenham Hotspur reverse furlough decision for non-playing staff*. Available at: <https://www.bbc.co.uk/sport/football/52271235>

15 YouGov (2020) *Results for Coronavirus Tracker GB - Wave 6*. Available at: <https://yougov.co.uk/topics/politics/articles-reports/2020/04/17/support-government-holding-despite-increasing-crit>

16 Common Wealth (2020) *Commoning the Company*. Available at: <https://www.common-wealth.co.uk/reports/commoning-the-company>

Figure 1: Do businesses have an increased obligation to act in the interest of society in return for government coronavirus support?

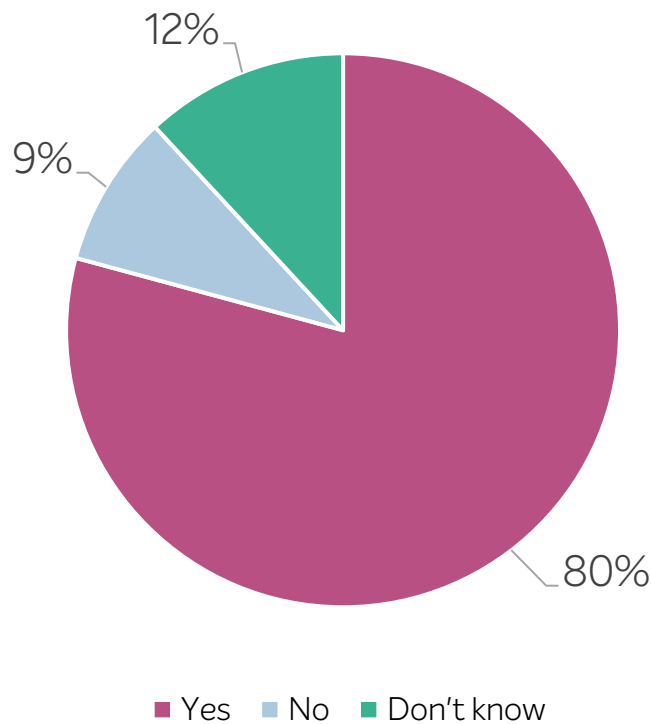
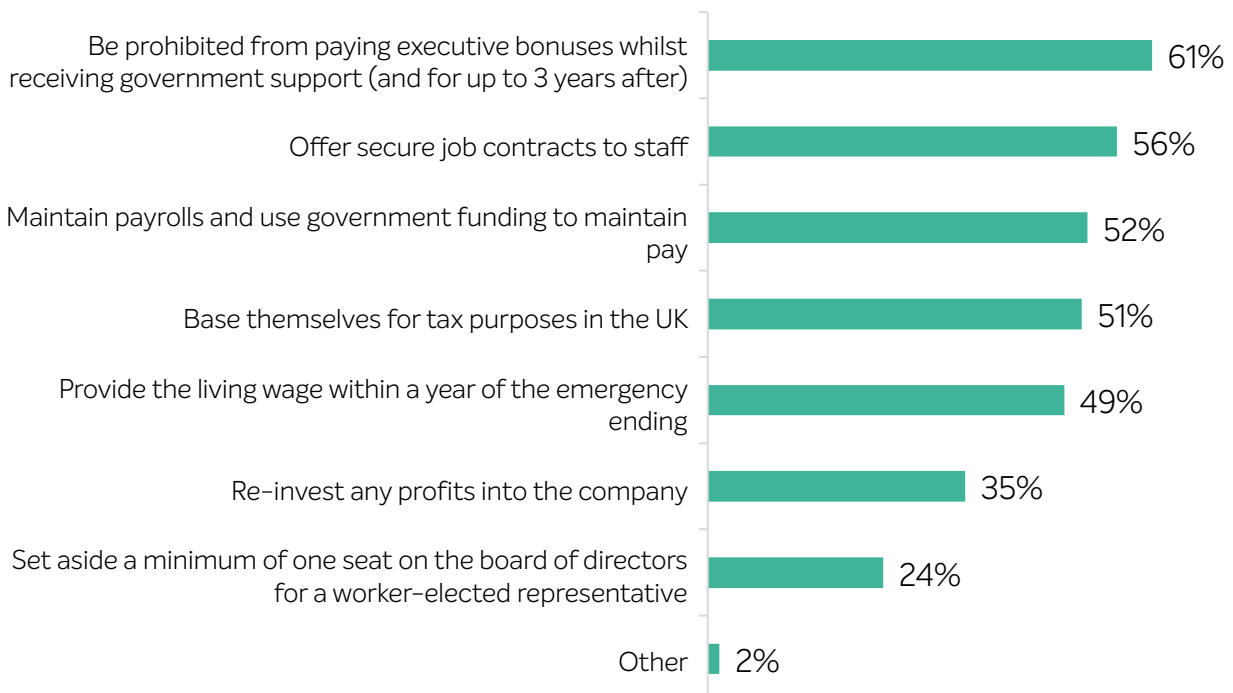


Figure 2: Public support for asking businesses to adhere to certain conditions in return for financial help from government



1 in 4 thought that big businesses have made economic inequality worse

Businesses across all sectors, particularly those most affected by Covid-19, must immediately recognise their increased social responsibility and put workers first, offering secure contracts where possible to minimize hardship during the coming recession. In the longer term, they will need to take responsibility for their tax behaviour and work on becoming good employers, providing decent pay, training and progression opportunities as well as secure contracts.¹⁷ With business behaviour having taken on a sharper moral dimension in the crisis and increased public awareness, now is the time to push through long-discussed change.

Businesses are not expected to solve everything but are seen as a key part of the solution to longstanding socioeconomic issues

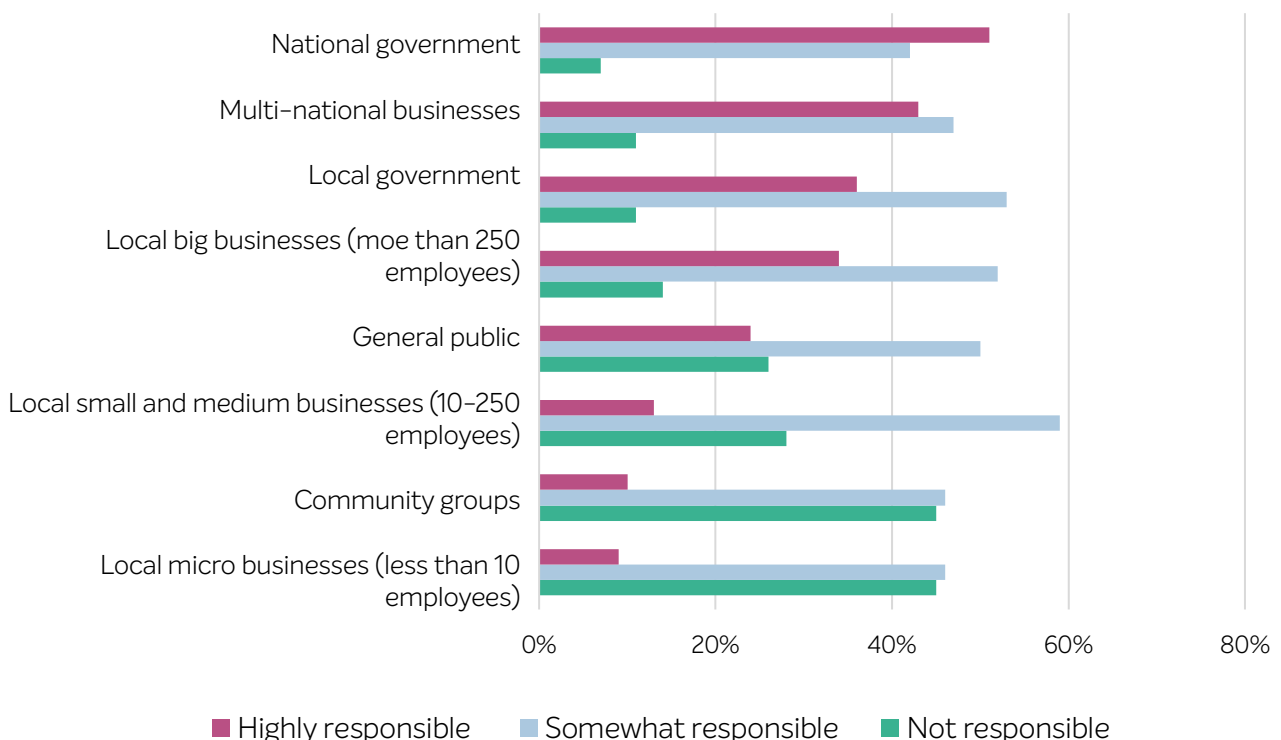
Before Covid-19, people were most likely to hold national government and multinational companies responsible for the problems they face locally but around a third also placed significant responsibility on local government and local big businesses.

Small and medium sized businesses were considered at least somewhat responsible for local socioeconomic issues by 72% of respondents, with people seeing social issues as the collective responsibility of many actors, including business, government and the general public. However, on some issues, the public expect businesses to take the lead. Whilst 62% thought that local or national government had the most responsibility for the environment, only 27% thought the same of good jobs. The majority (67%) thought that businesses had the most responsibility for providing secure jobs with decent pay, reasonable working hours, high safety standards, and opportunities to learn and progress.

“It seems like it’s ... either the government or the businesses but I think it should be that they work together...[in] partnerships.” – Anon, London

In focus groups, people thought that social issues such as climate change and supporting local communities were important, but that government should take a leading role and be directing business on these issues. In Liverpool, some thought that big businesses also have a responsibility to invest in the community in return for drawing on the local institutions and skills, mentioning the Cotton Street Project homeless shelter as an example of positive local action.¹⁸ Micro businesses, with less than 10 employees, are considered least responsible as people often perceive them to be operating on tight profit margins without the time or money to address wider issues.

Figure 3: Who people hold responsible for socioeconomic issues in their local area



¹⁷ CPP (2019) *The good life: the role of employers*. Available at: <https://www.progressive-policy.net/publications/the-good-life-the-role-of-employers>

¹⁸ More information on The Cotton Street Project: Rebuilding Lives in Liverpool is available at: <https://thecottonstreetproject.co.uk/>

Covid-19 shines a light on longstanding concerns with businesses

When asked how businesses have impacted economic inequality in the last 18 months, 1 in 4 thought that big businesses have made it worse, with only 8% thinking that they have improved the situation. The same was true of low pay with 1 in 5 thinking big businesses had made the situation worse, compared to just 1 in 10 who thought they had positively impacted pay.

“I had zero-hour contracts and there’s been many a time that I’ve just been disposed of ... the actual owners of the business don’t really care about you.”
– Anon, Redcar

The very smallest businesses were more likely to be seen in a positive light with 1 in 5 saying that micro businesses have improved inequality in recent years. This was reflected in focus group discussions, where smaller businesses were more likely to be viewed as having benefited people’s lives and to be seen as part of the community.

People would like to see businesses get more involved in addressing local social issues

On average, 88% thought that businesses should play more of a role in issues related to social responsibility such as paying their fair share of tax and reaching net zero carbon emissions. Interestingly, a majority would also like to see businesses playing more of a role in tackling social issues such as homelessness and crime.

“What do people think then about community or social issues actually being integrated into business activities? ... I don’t have any examples, but I think it sounds great.” – Anon, Bury

In general, people were more likely to think big businesses should get involved compared to small ones. However, when it comes to providing good, secure jobs, people were equally keen to see small and medium businesses do more. Apart from paying their fair share of tax, providing good jobs was the main area where people thought businesses should be playing more of a role than they currently do.

Figure 4: Areas where people thought that businesses should play more of a role



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Conclusion

There is strong public support to make government's financial assistance for business during this period conditional on good business practice. It is promising that the government has today announced new conditionality on those businesses in receipt of large-scale financial support, but the public think they should go further. According to our new polling today, government should now consider what should be done by business to improve job security.

Nearly three quarters of those on zero-hours contracts are either key workers or work in shutdown sectors and those in shutdown sectors are some of the lowest paid in society.¹⁹ Recent research suggests that half of the jobs currently under threat from permanent layoffs or hours reductions pay less than £10 per hour.²⁰ People's incomes are at risk through no fault of their own and it is not acceptable for the most vulnerable in society to bear the brunt of this crisis. The response to Covid-19 has increased our expectations, both of each other and of businesses, who are a key part of our social fabric.²¹

Nearly 1 in 5 people we surveyed said that, prior to Covid-19, low pay was the most urgent socioeconomic issue in their area whilst 1 in 6 said it was economic inequality. These concerns remain at the front of people's minds and the public want to see businesses use tax-payer funding to promote security in this uncertain time, maintaining payrolls and offering secure contracts. Over two thirds of people see providing good, secure jobs as the primary responsibility of businesses – including small and medium businesses - and would like to see them do more in this area.²² Beyond offering secure job contracts, people suggested that businesses could eliminate insecure zero-hour contracts and invest in social infrastructure, such as on-site childcare to support staff, both of which would help to promote an inclusive recovery from the impending recession, rather than one which entrenches existing inequalities.

“I think it's going to change everything. I think the whole, the way life works and businesses work from this is going to change massively.” – *Anon, Liverpool*

Both the health and economic crisis looks set to continue for many months, with scientists warning about resurgences of the virus and the government furlough scheme extended until October. Many businesses will struggle in the new socially distanced and low demand economy and it is right that the government continue to provide support to prevent economic collapse. But it is also right that this support is targeted and is focused on supporting worker incomes and security rather than spent on executive bonuses or inflating share prices. Beyond what has been announced by the government today, businesses who receive this support should have to address insecure contracts and transparently pay their fair share of UK taxes, now and in the future. It is within the government's power to attach these conditions, which have public support, to future support such as grants, government backed loans or bailouts and ensure that public money is used to promote an inclusive recovery.

Next Steps

In the coming months CPP will be engaging with the business and policymaking communities to explore how a new relationship between business, government and society could support a more inclusive model of growth.

It is within the government's power to attach these conditions to future support and ensure that public money is used to promote an inclusive recovery

19 Resolution Foundation (2020) *Risky business: Economic impacts of the coronavirus crisis on different groups of workers*. Available at: <https://www.resolutionfoundation.org/publications/risky-business/>

20 McKinsey & Co (2020) *COVID-19 in the United Kingdom: Assessing jobs at risk and the impact on people and places*. Available at: <https://www.mckinsey.com/industries/public-sector/our-insights/covid-19-in-the-united-kingdom-assessing-jobs-at-risk-and-the-impact-on-people-and-places>

21 Polling by Populus in March and April 2020 suggests that people are concerned about the survival of businesses such as shops but disapprove of businesses who have been seen to act in self-interest.

22 Excluding businesses with less than 10 employees

Acknowledgments

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Qualitative research

Public opinion research was carried out by Populus for the Centre for Progressive Policy.

Four focus groups took place in London, Liverpool, Bury and Redcar between 16th and the 19th March 2020. As this research took place during the outbreak of COVID-19, the groups consisted of a mix of face-to-face and online focus groups. There was a good spread of ages, socio-economic background and genders amongst participants.

Online polling took place between the 9th and 13th of April 2020. Results are drawn from a regionally and demographically representative sample of 2,174 UK adults.

About the Centre for Progressive Policy

The Centre for Progressive Policy is a think tank committed to making inclusive economic growth a reality. By working with national, local and international partners, our aim is to devise effective, pragmatic policy solutions to drive productivity and shared prosperity in the UK.

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