

FDf Scotland member response to the Economy Energy and Fair Work Committee (EEFWC) call for views on Scottish Covid-19 Recovery

1. The Scottish Government's economic response is based on 4 Rs – Response, Reset, Restart and Recovery. Are you satisfied with this approach so far, in terms of business support?

We welcomed the Scottish Government's additional business support funding however the fund was rapidly oversubscribed. Anecdotally, some businesses already financially unsustainable pre-covid-19 received funds to shore up their failing businesses.

Some members reported a lack of clarity around eligibility of these schemes with one member describing the information from official sources as "confusing and opaque". We received feedback from several members who saw their trade association as the key point of up to date information about government support.

2. What support can the Scottish Government provide going forward?

FDf Scotland is part of the Scotland Food and Drink industry partnership. We have submitted an industry recovery plan to Fergus Ewing that sets out our key asks to Scottish Government to help the food and drink industry across Scotland to recover from COVID. We would be keen to discuss these opportunities in more detail with the Committee shortly, the broad themes in this plan are:

- Local food growth and home market opportunity
- Export recovery and growth
- Supporting entrepreneurs and company capacity
- Fairer and greener supply chains
- Developing the workforce and driving efficiency
- Developing new financial investment for businesses

3. Should the ongoing response be tailored for different sectors, regions and local areas across Scotland?

FDf agrees that the ongoing response will need to be tailored for different sectors. A regional/local response does create complexity for businesses to navigate information. We acknowledge the need for pragmatism – if there are local outbreaks of covid-19 then a local response will be required potentially including a localised support mechanisms for businesses.

4. What can be learned from the response so far?

Public Transport - One Scottish-headquartered medium-sized business located in the Central Belt. reflected the lack of public transport had made getting employees to and from the site safely a challenge This manufacturer provided taxis at the company's expense Support for businesses to transport their workers to and from work in a safe way would have been welcomed particularly given Scotland's geography.

Communications - Several members reflected that the support available was not well communicated and many were unsure of their eligibility for various support measures. They relied on industry bodies like FDF to distil and cascade information on funding and support.

Members were largely in agreement that both the UK and Scottish Government's funding packages and support had been helpful in preventing redundancies. However, for some

businesses it came too late. **Funding to support diversification from traditional markets to e-commerce** would have been useful during the initial stages and;

Investment in digital infrastructure in the medium to longer term would allow for additional online meetings and sales. Some member companies struggled to conduct multiple online meetings as the broadband bandwidth was not sufficient in their location.

Support to **mitigate the increased cost of logistics** would have been helpful. The cost of exporting in some cases tripled mainly due to the increased cost of shipping containers.

Our members continue to ensure that their workplaces are, as one member put it, “safer than anywhere else they’d be”. They reflected that support and advice for employers with employees in the vulnerable category was important to help vulnerable people back to work where appropriate. In addition, some members turned to charities e.g. Asthma UK. They have been helpful in advising/reassuring staff with asthma about risk and providing context for individual’s situations, helping them make informed choices.

In our previous submission to the EEFW Committee we raised the issue of **defining key worker status**. We reiterated this again - when lockdown was initially announced, we received a high number of enquiries from our members who were confused by the lack of clarity in Scotland on “key workers” and their access to the education hubs for their children. Passing the decision to the 32 local authorities in Scotland to determine whether food and drink production staff were key workers was very unhelpful. Some local authorities listed food and drink production staff as key workers, others did not; leading to confusion, mixed messaging, and inconsistency. We ask that the committee uses their influence to ensure that Scottish food and drink workers are consistently seen as key workers, critical to our national infrastructure.

5. What insight can you provide on how businesses are operating once re-opened in terms of

- operating at what level of capacity compared to pre-lockdown levels

Most food and drink manufacturers have remained open throughout the covid-19 outbreak. There is a variable picture – some members have seen a spike in demand for products whilst others, particularly those supplying hospitality or leisure businesses have seen their markets practically disappear. As lockdown restrictions continue to be eased, many businesses have returned to operating at pre-lockdown levels of productivity. This is being achieved in different ways for example, extending production hours or adding an extra shift. There remain challenges in some factories where production line speeds have been cut to ensure staff remain apart.

- staff levels – how have these changed pre and post lockdown

During lockdown, FDF surveyed member companies weekly to understand how the pandemic was affecting staffing levels. In Scotland, our members consistently reported having either: sufficient staff - meeting demand comfortably; or; short of staff - just meeting demand. With no member companies reporting critical numbers or being unable to fulfil orders due to staffing levels throughout the pandemic.

Various job portals were made available by public and private agencies to redeploy staff from sectors such as hospitality and tourism but not many members in Scotland reported needing these. For example, during phase one of lockdown, a biscuit manufacturer needed

50 staff. By advertising on a local Facebook page, the manufacturer received over 100 applications in 24 hours.

- [impact on business viability?](#)

There are food and drink manufacturers in Scotland that have made redundancies due to lack of demand for their products during lockdown. The manufacturers that have been particularly affected are those supplying hospitality and leisure outlets.

As mentioned above, we are aware of a small business that has ceased operations due to cash flow.

[3.What levels of debt have been taken on by businesses during the crisis? How sustainable is this debt for businesses? What measures should be taken to help businesses deal with higher levels of debt?](#)

Responses from FDF members varied. A number of businesses have sought CBIL's by way of providing cashflow.

One medium-sized company stated that they were using cash reserves to cover ongoing monthly losses. If a loan was needed to provide cash for funding the day to day needs that cash reserves would have normally covered. They estimate loans could range from £400k - £750k

One way to mitigate against rising debt levels could be exemptions or partial exemption from business rates if businesses can demonstrate the loss of sales from Tourism / Hospitality related sectors. Those sectors have seen support on rates, but not those selling into such sectors that have equally borne loss of income and whom have incurred losses leading to increased debt levels. It is fairly easy to supply breakdown of sales on those sectors with a rebate model easily put in place to support businesses based on historical data versus current from March 2020 onwards.

[4.Do employers need support in adopting fair work practices at this time?](#)

FDF released a joint statement¹ with USDAW, GMB, BFAWU and Unite emphasising our joint efforts to ensure employees are safe and to work together to resolve employee concerns. Members have not raised needing support on this as a critical issue at this time, however as we move out of lockdown, we will continue to engage on this.

[5.Is the Scottish Government's Economic Strategy \(based on 4 'I's\) and Economic Action Plan, which both guide enterprise agency activities, still applicable in the current economic crisis? If changes are needed, what should they be?](#)

We ask that Scottish Government review all its policies and plans in light of COVID. As previously mentioned, the food and drink sector's key asks relating to economic recovery are detailed in proposals that are being considered by the Cabinet Secretary, Fergus Ewing. We are keen to share these in more detail when able to do so.

[6.What is the impact of the economic crisis on international trade and exports? What is needed to boost this activity? What assistance is needed by businesses and workers to deal with Brexit in the context of the economic crisis?](#)

FDF is advising members to prepare for a no-deal end to the transition period. We have produced a document². It illustrates the issues that need urgent clarity to ensure that food

¹ <https://www.fdf.org.uk/publicgeneral/final-joint-fdf-union-statement.pdf>

² <https://www.fdf.org.uk/resources/FDF-Brexit-questions-summary.pdf>

and drink companies can export and import, keeping the nation fed. We do not want to see a return to businesses and consumers stockpiling products.

7. What are your views on the Scottish Government Advisory Group on Economic Recovery's report? If the recommendations are to be implemented, what practical action is needed now?

There is very little food and drink manufacturing specific action set out in the report despite food and drink manufacturing being the largest manufacturing sector by turnover in Scotland.

Whilst we welcome the broad ambitions in the report, it does seem focussed in the medium to longer term.

The report discusses the view that in future there will be less need to commute however we emphasise that Scotland still needs to invest further in our road and rail infrastructure to ensure efficient movement of food and drink locally, nationally and internationally. Additionally, the digital infrastructure in Scotland including rollout of fibre broadband and 5G should be accelerated if possible.

8. Are there areas of economic recovery not covered by the Report which you believe should have been included? If so, please provide details.

More work will need to be put in to ensure that the home workers remain integrated into the team and that steps are taken to avoid isolation.

The question about the practicality of home working that the Committee may wish to explore in more detail. There is an economic gap between higher and lower paid members of staff with varying levels of resource to allow working from home – having access to a home office, vs. a kitchen table.

9. What needs to be done in the next a) 6 months b) 12-18 months c) 3-5 years to promote economic recovery?

Food and Drink sector recovery requires increased funding from both the private and public sector to achieve its potential and to ensure the sector can drive the recovery for Scotland's economy and communities post-Covid-19. There is a requirement for industry development programmes to support businesses returning to markets locally, nationally and internationally. The afore mentioned Scotland Food and Drink recovery plan sets out our asks in more detail however broadly the sector

FDf has produced a paper³ for the UK Government outlining a series of practical steps the UK Government can introduce to ensure the food and drink manufacturing sector are able to play their role in a post-virus recovery. There are actions that the Scottish Government could review including:

- More targeted support for the 'squeezed middle' food and drink manufacturers that does not incur additional business debt e.g. a relaxation of current rules for Apprenticeship Levy funds to allow businesses to invest in their staff.
- Governments should create schemes for small, medium and micro businesses within the 'squeezed middle' that provide initial cashflow injections to businesses requiring support to secure orders for materials and/or build stock in readiness for the recovery of customer demand.

An industry wide conversation, involving all stakeholders will go some way to establish a new normal, tax benefits for homeworkers to allow them to invest in safe and accessible IT

³ <https://www.fdf.org.uk/publicgeneral/squeezed-middle-paper.pdf>

and telecoms and for business' to invest in VoIP virtualising the servers or allowing remote awareness, access and assistance with data security would be helpful.

10. How can longer-term ambitions, such as net zero greenhouse gas emissions targets, be achieved whilst responding to the immediate economic crisis?

We understand that the Scottish Government is revising the climate change plan in Scotland due to be published in late 2020. We understand that the Climate Change Plan will not change fundamentally but rather there will be an addendum that sets out new and accelerated policies relating to climate change. We urge the Scottish Government to share discuss any new or accelerated policies with industry as soon as possible to ensure that they will be able to be implemented without causing damage to the industry.

The Scottish Government could mandate that all public-sector grants require applicants to demonstrate how they are moving towards the net-zero goals as a pre-requisite for funding. The same could apply to investments made by Scotland's national investment bank.

FDF has produced a report on how the food and drink manufacturing sector can work towards becoming a net-zero industry⁴ across the UK. The report details the innovations that will be required within food and drink manufacturing but also the requirement for clear policy direction.

It also suggests more work will be needed to ensure stakeholders have a shared vision around the future use of biomass. An alignment of objectives on how to utilise limited sources such as food waste biomass, will be key to ensuring optimal green growth and deployment across the supply chain.

In 2007, the FDF launched its Five-fold Environmental Ambition which committed to make a significant contribution to improving the environment by targeting specific areas. The FDF and its member companies have led the way in reducing their environmental footprint, reducing CO2 emissions by 53% in manufacturing operations, compared to the 1990 baseline. We are revising this document and plan to relaunch later in the year setting out specific actions that our members will take to further reduce waste and decarbonise.

11. To what extent might future ways of doing business change? And might this be a catalyst for a more considered view of how our economy interacts with wellbeing and tackles inequalities?

The food and drink industry will become increasingly automated with use of robotics and AI driving productivity. This will likely accelerate as the transition period ends and the new immigration system comes in to force. Our members are expecting a smaller pool of seasonal workers and are looking to change their operations to deal with this.

Many office-based staff within food and drink manufacturing companies are working from home with no detrimental impact to productivity. In future, many more staff may be home-based. Whilst the reduction in commuting will be welcome, there may need to be a focus in tackling employee well-being issues relating to working from home such as isolation or depression.

12. What lessons were learned from the 2008 economic downturn that could be applied now? How resilient is the labour market since 2008 downturn? What type of interventions are needed to prevent increasing unemployment rates?

⁴ <https://www.fdf.org.uk/publicgeneral/fdf-slr-report-decarbonising-heat-to-net-zero.pdf>

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13. How can fair work policies be promoted and protected whilst promoting recovery to the economic crisis?

We refer to our answer to question 4.

14. Does the crisis provide an opportunity to change relationships between employers and workers? What type of changes could be beneficial? What steps could be taken to promote these changes?

The crisis has demonstrated the gulf between good and bad employer practices. FDF members reported even stronger employer/employee relationships now purely down to recognition and respect on how both sides reacted and individually supported the business however best they could.

Perhaps an official means of collating and disseminating companywide feedback on a business to help open up areas that both sides can work to improve. The Investors in People (IiP) framework focuses on employee engagement and provides an unbiased interpretation of the results after conducting a spread of departmental meetings via independent IiP person. This is driven mostly by good employers keen to understand how to make improvements within a business. This practice could be encouraged / endorsed by the Committee.

15. What action is needed to ensure that Scotland has the digital infrastructure and skills to support economic recovery?

Accelerated rollout of affordable fibre broadband for everyone, including rural areas, with appropriate bandwidth to enable several users at one time.

Access to training on how to use digital technology effectively and efficiently for businesses and individuals and access to digital professionals for business and individuals who have queries, there is a need for impartial advice and help - perhaps delivered via the enterprise networks.