Have We Truly Supported Our Businesses During the Pandemic?

The COVID-19 pandemic has shed light on a number of injustices in every walk of life. One imbalance that has gained press attention in recent months is the plight of small firms and businesses. The pandemic has most severely affected businesses in service-based sector activities such as hospitality and retail, seen in the recent flood of announcements of administration by many notable high street names; Debenhams and Arcadia, to name just a few. But this does not consider the impact of restrictive measures on our everyday life for local businesses that do not get much attention, such as hairdressers and takeaways, which hold very little market power and thus often find themselves the victims of price wars and a loss of custom. Firms with very little market power are most susceptible to collapse, not only because of a lack of capital to stay afloat - because they also lack the ability to innovate to encourage customers to stay. Larger firms, typically those with significant market power (such as ASDA or Tesco in the retail industry) will have access to significant economies of scale that allow them to cut prices and diversify their product ranges that attract customs, in a time when people are facing such drastic changes to their everyday life.

Smaller and more local firms simply do not have the capital, market power, or contacts to compete which often sees them losing their way of life. One important consideration is the injustice that this creates. A larger firm that faces administration will often be broken down and sold by administrators that will generate some revenue to pay any existing debts. Meanwhile, many job losses can often be filled in other areas, as retail workers have numerous transferable skills that can be applied to a number of different sectors. With smaller off-licenses for example, this is not the case. The owners will often live nearby and will have invested a significant amount of capital to ensure the success of this business. This could mean that loans related to the company are secured against assets such as family homes and vehicles that are essential to the well-being of the owners and their families. Therefore, when a smaller local firm collapses, it's not just jobs that are lost. In too many cases it can be people's entire way of life.

Estimates by the accountancy firm PwC suggest that at least a net of 6000 stores have closed since the pandemic began in March. Whilst this will, of course, include a number of large chains of stores, the vast bulk of this number is likely to be smaller businesses that do not have the security of a chain to ensure their survival. Whilst the government has acted in unprecedented ways to offer support in the pandemic, such as through temporary business rate freezes and access to temporary government-backed loans to aid cash-flow problems, no additional measures have been put in place to address bankruptcy and administration.

So have we really got this right during what has been the greatest challenge to our way of life since WWII?
The figures would seem to indicate otherwise. Of course, here is the objection that it is inevitable that some firms will collapse due to inefficiency, in the same manner as they would have before COVID. But the key difference is the post-closure support, not the absolute fact of closure. Failure in business should not automatically deliver a debilitating sentence for people's well-being in normal times and nor should it in exceptional ones here. Time will only tell whether anything can be done to avoid further closures. But what is clear is that we can still do more to help those who have already felt the worst of what COVID has to bring.

Dan Marks - December 20, 2020