



COVID
RECOVERY
COMMISSION

PAPER TWO

Building Back Together

A new partnership for the
recovery

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About the COVID Recovery Commission and this report

The COVID Recovery Commission was formed in July 2020. The independent Commission brings together some of the UK's most prominent cross-sector business figures and entrepreneurs, alongside the UK's policy experts and those with political expertise. The Commission was created with the ambition to examine the impact of the COVID crisis on the 'levelling-up' agenda, and to subsequently produce bold and innovative policy solutions to help reform the UK's post-COVID economy. This report is the second paper which the Commission has released.

Following the success of the COVID Recovery Commission's first report, 'Levelling up Communities' in late 2020, the Commission's second paper focuses on how business and government can work together to increase productivity, innovation and business investment, with the aim of delivering the kind of jobs and opportunities that will boost earnings, financial security and wellbeing.

This report is the predecessor to the Commission's final paper which is due for publication in the coming months. The final report will detail policy recommendations across a range of areas, aimed at ensuring that the post COVID-19 recovery creates a stronger, fairer and more resilient economy, thereby boosting people's life chances and supporting a reduction in inequality right across the UK.





Executive Summary

The Covid Recovery Commission's first paper highlighted significant and long-running inequalities in the UK. These have meant that, as the economy has grown, some individuals, families and communities have been left behind. This situation has arisen despite efforts from past Governments of all colours to turn things around and the pandemic is making the situation worse. The report demonstrated that, across a range of indicators, the health, economic and social impacts of the pandemic are hitting hardest on those who were already struggling most.

This all means that, as we look beyond the coming months and the rollout of vaccine programmes that can achieve control of the virus, there are significant challenges to address. In particular, there is the immediate challenge of economic recovery and ensuring that this does not stretch existing inequalities even further.

But, the recovery also presents real opportunities. The Commission's main focus has been on how the recovery can be used to drive forward the Government's levelling-up agenda, framing this in its desire to see a stronger, fairer and more resilient economy emerge from the pandemic recovery and, here, there are clear ways forward. These include setting out how Global Britain can deliver growth and prosperity across the UK, and grasping the chance for the UK to truly lead in the global race to net zero, including as part of the COP26 Summit at the end of the year.

This paper examines the role of business in embracing these opportunities and tackling the underlying challenges outlined in the first paper. It acknowledges the good work already underway, but also asks what would enable business to do more, including reflecting on the relationship between business, government and society. It argues that 'the status quo' will be insufficient in delivering the kind of transformational change needed to help communities across the country.

The baseline of this argument is that business already plays a major role in our society, including as employers, investors, and advisers or sources of expertise. These roles are vital for delivering "business as usual", creating jobs and driving economic growth. But it is becoming more and more apparent that the role that businesses play can, and should, go well beyond executing these roles with a focus on creating value for shareholders. In particular, the recent rise of the concept of purpose-led business – precipitated by shifting public expectations – challenges this traditional assumption. Firms such as those run by our Commissioners increasingly see themselves as supporting the delivery of shared societal goals in ways that go beyond their core business activity.

In this respect, business has a significant role to play in achieving the vision of a stronger, fairer and more resilient economy post-Covid. This is clearly demonstrated in the five areas for action that the Commission has outlined as being vital for the recovery. In each of these areas, business already plays a clear role:

- **Creating the conditions for innovation and value-added growth – for example**, through the research and development spending and partnerships with universities that businesses undertake to help invent and scale technologies.
- **Investing together in the skills of the future** – for example,

through providing thousands of apprenticeships to graduates, school leavers and older workers alike, or through many business initiatives helping whole communities to transition to the skills and industries of the future.

- **Investing in and delivering world class infrastructure** – including the development by businesses of new and innovative forms of low carbon rail, or the investment of £1 billion in partnership with Government to provide high quality digital connectivity for rural communities in the UK.
- **Delivering net zero transport, households and businesses** – such as actions by many businesses to improve energy efficiency of their operations, or work underway to develop sustainable airline fuel for the future.
- **Building community and personal resilience** – for example, many employers invest in preventative health measures for their staff, and help to provide core community infrastructure at times of crisis through their factories, shops, offices and petrol stations.

These are strong foundations on which to build, but the Commission recognises that businesses can and should do more.

However, to maximise the impact that business makes, other things will need to change. In this respect, across each of the roles of employer, investor and adviser, and through the lens of each of the areas for action that have been identified, this report identifies a clear theme: **for business to do more to drive the delivery of shared societal goals, it needs to be supported with the right policy environment and there needs to be stronger cooperation, collaboration and coordination of strategy and delivery between business and Government.**

Delivering on this will require the overall working relationship between Government, business and society to be updated

for the 21st century to emphasise co-creation and co-delivery of solutions. This may sound like a small thing, but the potential benefits are significant. One clear example has been the development of a vaccine by Oxford University and AstraZeneca; showing what can be achieved through collaboration under the right circumstances.

We use this report to evidence the need to ensure that this collaboration runs through our five key policy areas and to provide clear examples where this could reap benefits: for example, real progress in skills development if the UK and home nations Governments together with business are able to solve many of the widely discussed problems with the apprenticeship levy, leading to large employers being prepared to provide more apprenticeships and training opportunities through the levy over time; or, joint development of an urgently-needed strategy that leads to effective support for the labour force through the low carbon transition.

In each of these areas, and others, there are real opportunities for the Government and business to work together to achieve shared societal goals. If this approach were to be taken forward across all five policy areas, we believe it could underpin a recovery from Covid that ensures the economy is stronger, fairer and more resilient than what came before.



Introduction

Our first paper set out some of the major social, financial, and health challenges faced by many communities across the UK, and how these had been deepened by the Covid-19 crisis.¹

The first step to addressing these challenges would be to ensure that the Government's levelling-up agenda focussed on struggling communities in all parts of the UK, and that policy responses addressed a wide range of issues, not just the need to invest in infrastructure, with a number of key next steps identified around improving health and education outcomes.

Following this paper, we have worked with our Commissioners, as well as our advisory group and policy panel, to further scope out our overall objectives and framework for action, in advance of our final report. This framework is set out below:

In each of these five policy areas identified, a comprehensive strategy will be needed. Policy makers and politicians at all levels of Government will need to work together with businesses and broader society if these strategies are to be delivered successfully. To support this, the Commission's final report will set out a series of recommendations that it believes should play a key part of these broader strategies.

Covid Recovery Commission: Organising framework

We want to achieve...	A stronger, fairer and more resilient economy		
Achieving this will require delivering...	Globally competitive industries	Net Zero	Purpose-led business
Which will mean Government, business and communities working together across five key policy areas...	Creating the conditions for innovation and value-added growth		
	Investing together in the skills of the future		
	Investing in and delivering world class infrastructure		
	Delivering net zero transport, households and businesses		
	Building community and personal resilience		

In framing this, it is clear that the pandemic has been an extremely challenging time for firms, and has severely affected the ability of many sectors to be able to do business. This in turn has led to job losses - as per our previous report, particularly affecting those parts of the country already hit hardest by joblessness² - as well as collapsing business investment.³ Data collected by the British Chambers of Commerce suggests that over a third of firms reported decreased investment in plant, machinery and equipment in Q4 2020.⁴

As the economy starts to rebound over the coming months, business will be critical in delivering the Covid recovery and addressing broader macro challenges, playing three crucial roles:

- **Employer** - as well as their key role in providing the vast majority of paid work in the UK, private sector companies play an important role in the training and upskilling of their staff, as well as supporting their health and wellbeing.

- **Investor** - making the investments needed to build up the country's productivity and economic output, such as key research and development needed to drive the innovations which will create the wealth of the future.

- **Adviser** - by providing crucial insights from their experience operating in all sectors and corners of the UK, to feed into key policy decisions which drive wider action.

We feel that a business community that is able to actively engage in these areas is not a nice to have – it is a fundamental prerequisite to addressing a series of macro challenges such as skills and work, infrastructure, health and wellbeing and climate change. This report explores the important role that UK companies already play in tackling many of these issues, and how with a strengthened business environment they could do even more.





Purpose-led business

Businesses are vital stakeholders in any modern society, being major economic actors through their roles as providers of goods and services, as well as providing the vast majority of employment. But it is becoming more and more apparent that the role that businesses play can, and should, go well beyond executing these roles with a narrow focus on creating value for shareholders.

In particular, the recent rise of the concept of purpose-led business – precipitated by shifting public expectations – challenges this traditional assumption. Firms such as those run by our Commissioners increasingly see themselves as standing for more than their core business activity, and want to demonstrate a wider purpose around improving society.

The Commission takes the view that maximising the impact of purpose-led businesses is a core element of delivering a stronger, fairer and more resilient economy. When viewed like this, we can see that individual businesses can achieve much by acting alone. However, delivering on the scale of their ambitions can only be achieved by working hand in hand with other stakeholders. This can include cooperation with other businesses, civil society and also government. Of course, there are good examples of how business and government have previously worked together to deliver joint objectives which we set out in this paper, but the scale and nature of the challenges society faces requires a reset of this relationship so that the potential of business can be fully unleashed.

Before assessing what needs to change, it is important to understand some of the ways in which business already affects positive change, with the businesses represented within the Commission all pointing to clear examples of this. For the purposes of this report, we have categorised the positive roles of business into those of an employer, investor, and adviser.

Employer

In the UK, private sector companies have consistently employed around 80% of total employees.⁵ Providing jobs and incomes for tens of millions of people and their families is of vital importance in and of itself, and is particularly important as we rebuild from a pandemic that has caused significant job losses in communities across the UK. The role of small business in particular will be crucial - 61% of UK employees work for SMEs, a figure that has been steadily growing since 2010.⁶

The role of an employer is crucial for many other reasons beyond the provision of jobs. One obvious example is in developing skills. As we consider the recovery from the pandemic, tackling the UK's skills shortages should be front and centre of improving the UK's poor productivity performance, improving living standards across the country and ensuring that our resilience to future economic changes is improved. However, doing so is a significant challenge:

- According to the Department of Education, 22% of employment vacancies in 2017 were related to skills shortages.⁷
- The OECD found that two out of every five employees in the UK are performing a job for which they are not properly qualified. This is the fifth worst score among the thirty countries assessed.⁸
- By 2030, around five million UK workers are likely to be acutely under skilled in basic digital skills, with up to two thirds facing some level of under-skilling in this area. Furthermore, 2.1 million workers are likely to be acutely under-skilled in at least one core management skill, and 1.5 million workers are likely to be acutely under-skilled in at least one STEM workplace skill.⁹

Whilst turning this around presents a real challenge, employers will continue to play a major role in any successful strategy, through funding specific training and supporting staff while they learn, as well as providing training services to other firms. As we will go onto describe, employers also need to provide the necessary intelligence to inform public policy decisions around education and training provision – and this is a specific area we would like to see built on in the recovery from the pandemic.

The case studies below highlight some of the activities of Commissioner's organisations seeking to improve outcomes for the communities in which they operate, and broader society as a whole, through supporting improved skills development.

Case study: Shell: upskilling from oil to AI

Digitalisation is transforming the energy industry and within Shell, the pace of digital change is picking up at an almost exponential rate.

The UK is an important hub for Shell's digitalisation capability, offering a diverse talent pool, a strong talent pipeline from British universities, and London as a global AI hub. Shell's AI team are continuously monitoring trends and innovations within the technology landscape and translating these to tangible and actionable skills requirements. Providers such as Udacity are supporting our experts to deepen their knowledge to keep up with the latest technical advancements in their field.

Additionally, Shell sees huge potential in making AI accessible to employees who may not come from a traditional data science background. These 'citizen data scientists', as we call them, could be petroleum engineers or process engineers by trade. But their strengths in mathematics and science can make them great candidates for upskilling in AI and data science to help them do their jobs more effectively and broaden their talents overall.



Case study: A kickstart at Tesco

Tesco was the first major company to sign up to the Government's Kickstart scheme by providing young people aged 16-24, who are at risk of long-term unemployment, with six-month work placements to build invaluable employability skills.

900 young people were welcomed on to the programme in 2020, after Tesco worked alongside Jobcentre Plus to target opportunities in areas of higher youth unemployment.

- Tesco is self-funding the scheme and providing a 6-month experience, with a focus on training, e-learning modules, and providing the tools for further self-learning, including a tablet.
- At the end of the placements, and using key learnings from other programmes such as the Movement to Work programme, Tesco will aim to support Kickstart colleagues into accessing permanent roles wherever possible.
- The latest Tesco Kickstart report shows a 96% satisfaction rate with the programme, with a further 96% stating that they feel confident in their roles.

Case study: Babcock: helping communities transition

Engaging with and working in partnership with communities is a key aspect of Babcock's business. An example is the Cavendish Dounreay Partnership in Caithness. Through this partnership, Babcock has been supporting the Caithness community to transition to sustainable forms of employment, ensuring the area's future social and economic success as the partnership undertakes the decommissioning of the local nuclear site, Dounreay.

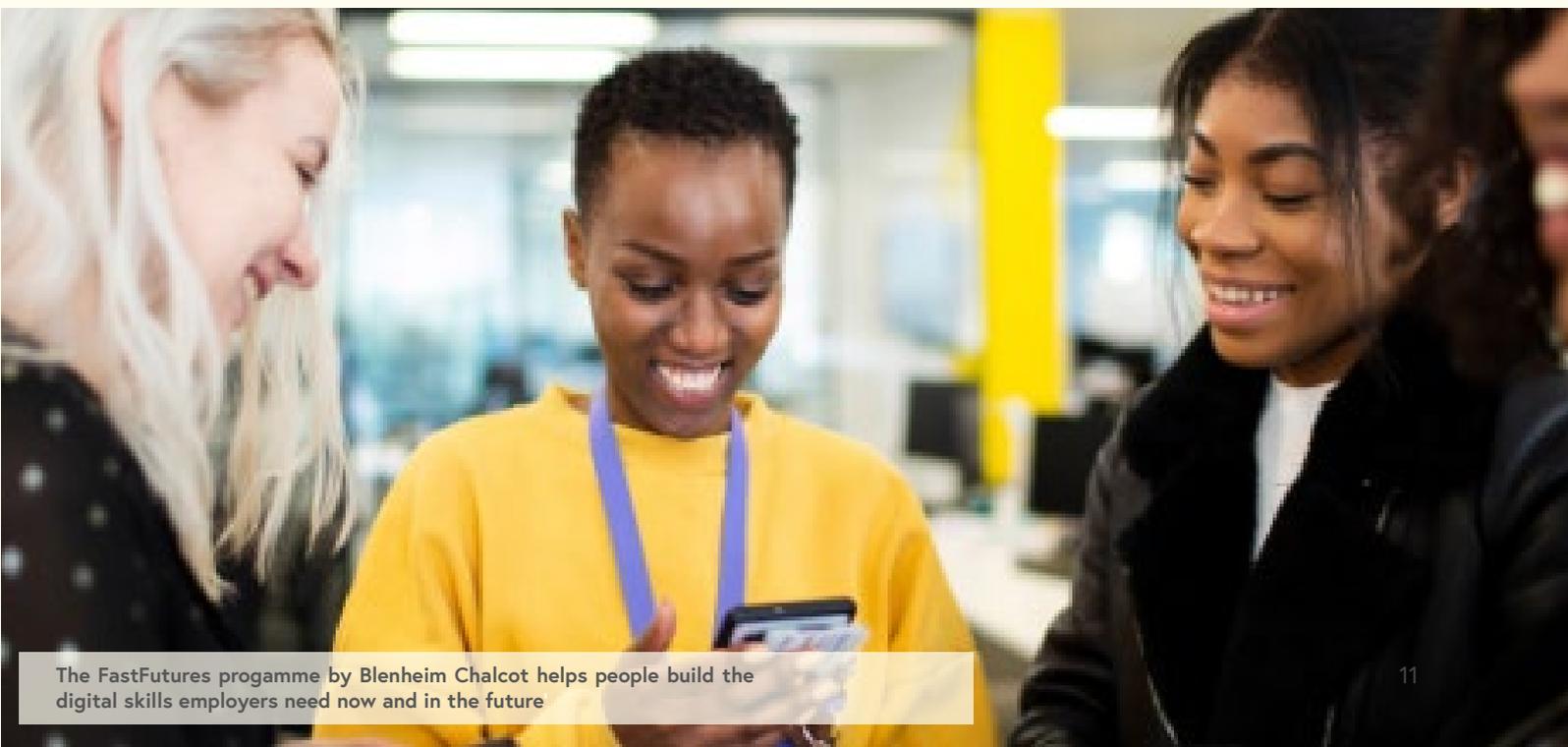
To support these aims and sustain the local economy for generations to come, Cavendish Nuclear (a wholly owned subsidiary of Babcock) has been actively engaged in a programme to sustain and create jobs for the future since 2015. A key initiative is the Wick Harbour project; Cavendish Nuclear funded the secondment of a project manager to facilitate the project's securing of the Beatrice Offshore Windfarm. The Wick Harbour Authority and the Beatrice Offshore Windfarm signed an initial 25-year contract in 2017 creating around 150 jobs and bolstering the local offshore wind energy industry.¹²

Babcock's Dounreay site

Employers also play an important role in supporting the health and wellbeing of their staff. Many firms already make substantial efforts in this space. However, with the reported significant mental health toll of the pandemic in mind and the fact that poor mental health alone cost business £45bn a year prior to the pandemic,¹⁰ there is clearly much more to be done. The role of businesses here is so essential because employers are uniquely situated to provide many kinds of preventative support, such as through Employee Assistance Plans (EAPs). Furthermore, 'good work' which is rewarding, provides security and treats employees with care and respect is also a vital contributor to health and wellbeing.

We know that higher standards will continue to be expected of business in terms of providing good quality jobs - which we know are conducive to better health and productivity

outcomes. These will need to encompass steps to address the escalating mental health challenges. In our final report we will set out in greater detail potential policy steps in this area We will set out in greater detail how this can be achieved in our final report – but it is first essential to recognise that any solutions have to work for businesses of different sizes. Many Commissioners are active in this space - and bigger businesses have a role to cooperate with other firms, as well as with government, to help address capacity challenges that can arise in driving higher standards for workers across the whole economy.





Case study: British Land – Supporting people into employment

Bright Lights, British Land's skills and employment programme, helps people of all ages and abilities discover their potential and grow, through pre-employment training, work placements, graduate schemes, internships, apprenticeships, and job fairs. This enables customers, suppliers and local communities to secure the skills they need to thrive in the future.

- Recruitment: Over 4,000 people supported into jobs through our recruitment partnerships at Fort Kinnaird and Broadgate over six years.
- Starting Out: Over 320 local people have progressed into employment through British Land's Starting Out pre-employment courses since 2016.
- Graduate opportunities: Over 50 talented individuals have progressed through the company's graduate and internship schemes since 2016.
- Work placements: Over 120 people have benefited from work experience with British Land since 2017.
- Apprentices: Nearly 700 apprentices supported by British Land and our suppliers at our places and in our local communities since 2016.

Investor

Success in delivering against each of our priority areas for action will be dependent on the investment decisions of individual firms. This investment supports R&D and innovation - both in terms of working to extend the frontier of research and knowledge, as well as supporting the commercialisation and adoption of science and technology by firms of all sizes. It also helps to ensure that people and individual businesses have the skills, capacity and tools needed to thrive and that global challenges like delivering net zero can be achieved. The table below provides concrete examples of the important role that businesses play as investors, specifically in the context of the key policy areas we have identified for the Covid recovery.

Critically, the ability of firms to invest like this and innovate to support the delivery of economic, social and

environmental goals, rests on the environment in which they operate and the relationship with government, the UK's world-leading universities and local communities. With the right collaboration, cooperation and coordination, and policy certainty, investment from UK businesses can drive a recovery from the pandemic that is stronger, fairer and more resilient. The case studies gives an indication of what is possible by providing examples of the work already being done by our firms to drive innovation and technology adoption to deliver against shared societal goals.

Our final paper will set out detailed recommendations for how the Government and business can work together to maximise the potential of this investment, for example by driving the development of thriving clusters of innovation across the country. The case studies below set out where the Commissioners have made or are facilitating investments which help deliver against the framework we've identified.

Table: Policy areas and business investment

Key policy area	The importance of business investment
<p>Creating the conditions for innovation and value-added growth</p>	<p>Business makes up the majority of research and development spending in the UK, as with most advanced economies. Businesses in the UK invested £20.3 billion in R&D in 2018.¹³ Many have highlighted that the ability of firms to innovate and scale new technology to create 'value added' growth is central to improving a nation's wealth.¹⁴</p>
<p>Investing together in the skills of the future</p>	<p>In turn, growing our value-added sectors is key in creating demand for highly skilled jobs, which has been highlighted by many as being an essential component in addressing the UK's skills problems and providing good jobs. Analysis by WPI in 2019 found that the innovation based industries highlighted in the UK industrial strategy could create 56,000 additional jobs by 2025.¹⁵</p>
<p>Investing in and delivering world class infrastructure</p>	<p>Private companies will – in various guises - be essential in funding and delivering the necessary projects to turn around the UK's poor infrastructure performance.¹⁶ This is the case for traditional transport infrastructure such as roads and rail, and particularly for the digital and data infrastructure needed for a society and economy of the 21st century. Of the £600bn of infrastructure projects identified over a 10 year period in the national infrastructure pipeline in 2018, around half is expected to be funded by private finance.¹⁷</p>
<p>Delivering net zero transport, households and businesses</p>	<p>According to the Climate Change Committee, levels of innovation in green technology have the potential to significantly improve our ability to address several of the 'wicked problems' around decarbonisation – such as heating and buildings.¹⁸ The investment decisions of firms such as those on the Commission will be a vital component of delivering such innovation, and this impact will be maximised where they can work effectively in partnership with Government.</p>
<p>Building community and personal resilience</p>	<p>Private sector companies have massive physical footprints in communities up and down the UK, and provide many of the essential services we rely on such as shops and petrol stations. Furthermore, some data indicates that around 70% of FTSE companies have some kind employer sponsored volunteering programme for their employees. Sustaining and building on businesses investment in this social infrastructure will be vital to support communities across the country after the pandemic.¹⁹</p>



Case study: Flying green: how Heathrow is helping develop sustainable fuel

Sustainable aviation fuel, made using biomass or recycled carbon, is a vital element for an imminent response to the challenge of decarbonisation. Such fuels are already in production (some certified for use in aviation as early as 2009) with the industry growing in recent years;²⁰ Heathrow, as a member of Sustainable Aviation, is at the forefront of this sector's growth.

Modelling commissioned by Sustainable Aviation suggests that an increase in the UK's sustainable aviation fuel production could save between 1.2 and 2.8 million tonnes of CO₂ in 2035 (compared to no sustainable aviation fuel being produced).²¹ These environmental benefits are clear, but the manufacture of such fuels also presents a range of economic benefits across the UK. The modelling indicates that 14 sustainable aviation fuel plants could add £2.7 billion Gross Value Added to the UK by 2035, building on regions' existing infrastructure and skills while creating over 5000 new jobs in sustainable aviation fuel.²² The benefits to local areas could be considerable; for example a green hydrogen cluster in Teesside could bring up to £162 million a year to the area, along with over 1000 jobs.

Case Study: Powering net zero: Hitachi and Hyperdrive collaboration

Hitachi Rail have recently signed an exclusive agreement with Hyperdrive to develop market-leading battery packs to power zero-emission trains.²³ The agreement has important implications for the country's industry and innovation, and supports both the levelling up agenda and the UK's target to reach net zero emissions by 2050.

As well as the clear environmental (and rail passenger) advantages of rail network modernisation and decarbonisation, the benefits of Hitachi Rail and Hyperdrive's agreement extend to both the local and UK economies. Through the agreement, Hitachi Rail and Hyperdrive are spearheading domestic manufacture of battery packs while boosting employment; production of up to 30,000 battery packs a year will take place in the Sunderland factory, doubling jobs at the site and establishing the North East as a centre for battery technology, innovation and further investment.²⁴

Case study: How the telecoms industry is helping connect rural communities

The Shared Rural Network (SRN) is a good example of a successful initiative that industry has stepped up and is delivering on. The SRN is a £1 billion deal between Government and the mobile operators to bring 4G coverage to 95% of the UK landmass improving coverage in rural areas with poor or patchy 4G mobile signal. The four mobile networks are investing a combined £532 million, but the scheme has been made possible because of Government backing and equal investment.





Case study: FastFutures for young people

FastFutures is a programme designed and launched by Blenheim Chalcot to increase the employability of young people from diverse backgrounds by preparing them for the digital workplace. FastFutures was built in 10 weeks last summer in response to the dire situation faced by young people, as a result of the COVID pandemic. The programme provides a unique blend of online and virtual learning across Data, Digital Marketing, Finance, and Innovation, alongside real case studies, team project work, as well as mentoring by professionals.

FastFutures has received over 11,000 applications since August. 1,000 learners graduated from the programme in December and another 1,100 started in January. Applicants are assessed for cognitive skills and behaviours, rather than background or education, in an unbiased process which has produced high levels of diversity: 47% BAME; 55% lower socio-economic background; 61% female; 10% LGBTQIA; 7% have a disability or learning difficulty.

Early outcomes from the first cohort show that 97% believe FastFutures has increased their employability, 34% are already being selected for more interviews, and 20% have found a job. It is expected that 50% of FastFutures graduates will be in work within 6 months of graduating.

FastFutures' ambition is to develop up to 10,000 young people before the end of 2021. Employers have recruited 1,000 plus mentors, proving to be a powerful employee engagement programme, and unit cost per learner has been brought down to £500, with largely digital delivery.



Case study: How Sage is helping upskill small businesses

In November 2020 Sage announced a North of Tyne's digital growth programme, to deliver a new £1.4m Covid recovery package – the Small Business Growth Programme - including:

- A commitment to long-term support targeted at micro and small businesses, and working alongside North of Tyne and its existing digital growth programme with partners such as the Digital Catapult, who are supporting businesses to improve their digital readiness and adopt technology.
- Up to five 1-hour webinars giving businesses strong financial and digital foundations to help them make their way through the effects of Covid and plan for the year ahead. The webinars will be tailored to suit those thinking of setting up a new business or are already flat out running their business. They are exclusive to North East microbusinesses with around 10 employees or less, and start from January 2021.
- Up to 10,000 extended free trials of Sage Accounting software for webinar participants, free planning templates and links to the wider Sage partner ecosystem as needed.

This announcement builds on the exciting recent commitments included in the North of Tyne's digital growth programme, which has pledged £10m to enhance the region's technology ecosystem, boost digital adoption and build data skills amongst local SMEs.²⁵





Advisor

Modern governments face an increasingly broad and complex range of policy challenges, such as addressing climate change, helping to adapt a workforce to the changing shape of the economy, and supporting an ageing population. Making sensible decisions around the design and implementation of policies to address these questions effectively requires governments to turn to a range of sources of information and expertise.

In all of the policy areas that we have highlighted as important areas for action, the business community has a potential role as an adviser, for example, due to the commercial insight and intelligence that business can offer. Furthermore, we believe that a shift towards purpose-led businesses that are embracing their role in the delivery of societal goals should also precipitate an enhanced relationship between business and government. With this clearer alignment of interests, Government can increasingly look to the businesses to provide its perspectives, expertise and strategic support to assist in the development and delivery of public policy goals.

The Commissioners and other stakeholders have cited many existing examples of where policy making has engendered a collaborative approach around a shared understanding of the problem. For example, the Shared Rural Network (Box [X]) was a good example of business and government coming together to invest together and develop a solution to a long-running problem. The Carbon Capture, Usage, and Storage (CCUS) (Box [x]) Council has also worked effectively to bring together relevant stakeholders, including business, to ensure the government's ambition for CCUS can be achieved.

Perhaps the best recent story of collaboration between government and the private sector is the development of the Oxford/Astrazeneca vaccine. This collaboration is not limited to the setting up of the specific project in response to the crisis, but the work done in previous years and decades to create the ecosystem that made the development of the vaccine possible in the UK.

However, the challenge is that this collaboration is not always present. Businesses and stakeholders interviewed on behalf of the Commission have highlighted a lack of

Case study: The CCUS - a forum for business and industry

This body reviews and advises on progress against the Government's priorities in CCUS as set out in the Clean Growth Strategy, which involves deploying CCUS in the UK at scale from the mid 2020s through to the 2030s. The three priority areas are:

- The development of sustainable business models – including removing the barriers to companies utilising the CCS infrastructure fund.
- Advising on policies and institutional arrangements that support deployment of CCUS in regional industrial clusters;
- Developing supply chains to maximise the quality and time/cost effectiveness of CCSU project delivery.

The Council is co-chaired by Government and the former chair of the Carbon Trust, but also carries industry representation from companies such as Shell, project financiers Societe Generale, and key local stakeholders in the form of the Tees Valley Local Enterprise Partnership.

consistency in how businesses are engaged and consulted on policy decisions. In part, it was acknowledged that this can be due to scepticism towards business that reflects issues of trust among the public. In this respect, this is something which business itself needs to address, and we will go on to describe ways in which it should. However, significant issues were also identified with siloed policy making, inconsistent engagement, lack of capacity and poor understanding of the business environment. The design and implementation of the apprenticeship levy has been highlighted as a key example of policy being designed without the appropriate degree of input by businesses, with bad outcomes arising as a result.

These issues are then compounded by the instability of policies and institutions, which can make meaningful long-

term collaboration between business and government difficult. This is a long running problem going back decades and pertaining to successive governments of different colours. The Institute for Government has highlighted the chopping policies, responsibilities, and institutions in areas such as industrial policy.¹¹

Overall, this means that to deliver a stronger, fairer and more resilient economy, business and Government need to work together to improve collaboration and ensure that long-term stable policy is informed by the insight and expertise and insight of business. The Commission's final report will outline steps to achieving this.

Case study: Oxford/Astrazeneca vaccine development

A critical milestone in the response to the Covid-19 pandemic – both for the UK and the rest of the world – has been the rapid development, approval and distribution of the Oxford/AstraZeneca vaccine, which has seen a collaborative effort between the triple helix of Government, academia and business to have rapid deployment underway within a year of the pandemic taking hold in the country.

The UK had strong foundations from which to launch this rapid response. A key part of the breakthrough has been the ability to capitalise on the UK's world-leading life sciences sector assets, including its excellent academic institutions. Oxford University's Jenner Institute and Oxford University Group built on previous research of pandemics, and secured AstraZeneca's capability for clinical development, manufacture and production at scale, critical in supporting the vaccine roll-out. This included agreement by AstraZeneca to provide the vaccine at zero profit during the pandemic, and in perpetuity to low income countries. The Government has supported the acceleration of development, manufacture and deployment through nearly £90 million of funding.

The life sciences sector has been in focus over a number of years with Government strategy to support investment and growth. Health Protection Research Units, tasked with researching high-priority areas in public health (including work on emerging and zoonotic infections and respiratory infections) have been funded since 2014; the Industrial Strategy in 2017 highlighted the sector's existing and future importance, drawing up a deal in consultation with industry stakeholders and committing to increased investment in research and development and greater partnership working between Government and industry. The success of the Oxford/AstraZeneca vaccine has shown the remarkable potential of such a partnership being realised.



How business can go further

The evidence in this report provides examples of existing areas of exceptional business and government collaboration. However, given the scale of the challenge, and associated opportunities, facing the country, it is incumbent on both parties to identify how we can go further.

This spirit and model of collaboration should be replicated in the economic recovery. However, this is an easier idea to express than to put into practice. It is clear that mapping out the correct framework for a partnership between government and business will be complex and involves a range of sectoral, policy and institutional questions. Our final report will set out a number of detailed steps in which policy can help to enable business and government to work together to deliver on the objectives we have set out for the recovery, underpinned by a multi-year strategy. In this preceding paper, we provide examples of the foundations on which this approach could be taken forward.

Next steps to better cooperation

As already highlighted, one of the things preventing an enhanced working relationship between government and business is the lack of trust the public has in business. The root issues surrounding this lack of trust in business are both multifaceted and complex. For example, the Edelman Trust Barometer shows that, prior to the pandemic, the UK public rated businesses as high on competence - much higher than NGOs or the Government - but viewed them as broadly unethical.²⁶

However, this is a situation that can be turned around; since the pandemic, there is some evidence of public trust in business increasing. Some have suggested this is associated with flexibility in implementing remote working, as well as the role of private companies in developing the vaccine. We

can also see from the data that there is a clear mandate from the public for CEOs to be taking a bigger role in wider social issues.²⁷

This suggests that levels of public distrust in business are not a matter of destiny, and that by visibly taking action to resolve social problems and improve people's lives, business can work to improve levels of trust. **Between now and our final report, we will consider how the Commission businesses will take additional steps to deliver on their purpose.**

Greater social action by business is good in and of itself, and this is the key driver of our Commissioners engaging in the projects identified in the previous chapter. However, as discussed, it is also an important facilitator of better collaboration between the private sector and government. In this respect, in addition to Commissioners taking their own individual steps to increasing the positive societal footprint of their own firm, we offer the following initial steps towards a Covid recovery which is constructed around a better collaboration between Business and Government:

- As a Commission, we fully recognise the painful tradeoffs that will have to take place in the coming years – such as on taxation – and that a fine balance must be struck between government finances, businesses, and households. Whatever the approach of political leaders, ensuring that any changes are developed and implemented in a way that allows business to plan and invest most effectively will be essential

to maximise jobs, growth, and innovation. In practice, as we emerge from the crisis, this will require **a clear roadmap built around a multi-year period of stability, certainty, and transparency around major areas of economic policy (for example on tax policy)**, developed in close consultation with business and society.

- In addition to long-term certainty as set out above, delivering net zero will require closer co-creation and delivery of policy solutions, bringing in both representatives of business and civil society. Success requires a commitment beyond the political cycle as well as effective public engagement as part of the decision-making process, such as through the Climate Assembly. As one example of this, **the Government should also look to engage business in a conversation around the best way to support the labour force through the low carbon transition**, modelled on the Netherlands Climate Accord.
- As an example of where better coordination and co-creation of policy could result in better outcomes, **we believe that the Government should launch a review into improving the effectiveness of the Apprenticeship Levy**. The review should be wide ranging and take into account a number of different and potentially radical ideas for reform. It should

maintain the principle of large businesses contributing most, but allow for greater flexibility of how the £2bn a year in levy funds are invested. If this reform is successful, and we are able to re-establish the connection between the funds available for use and their effectiveness in delivering against the skills needs, **this could provide the case for greater employer investment in apprenticeships over time**.

This would allow employer spending on training to be better targeted to actual skills needs, as well as adding billions of pounds of investment in skills over the coming years, boosting productivity and living standards.

Each of these proposals and the actions within them for different stakeholders in society – including Commission businesses themselves – provide the building blocks for a society and economy that is stronger, fairer and more resilient after the pandemic. As the vaccine programme starts to bring the virus under control the Commission will build on these to set out a clear policy roadmap for delivering this vision in our final report. Furthermore, we will look to build support for these proposals from across government, business, and civil society, to ensure these proposals translate into meaningful positive change for households and communities across the country.

Case study: Government and business tackling the skills and climate crises together – Netherlands Climate Accord

The Netherlands Climate Accord has seen the creation of an interdepartmental Labour Market and Training Committee set up specifically to promote labour mobility in low-carbon restructuring. The committee comprises a wide range of stakeholders, including representatives of labour market organisations, educational institutions and public administration. It supports five sectoral working groups (for transport, agriculture and land use, the built environment, energy and manufacturing) in preparing five-year skills plans for their individual sectors and in drawing up an annual action plan.

The cross-cutting Committee's role is to ensure these sectoral plans are mutually supportive; that mega-trends such as digitalisation are considered by all sectors, and; that employment terms are fair. A similar process could be considered by the UK Government.

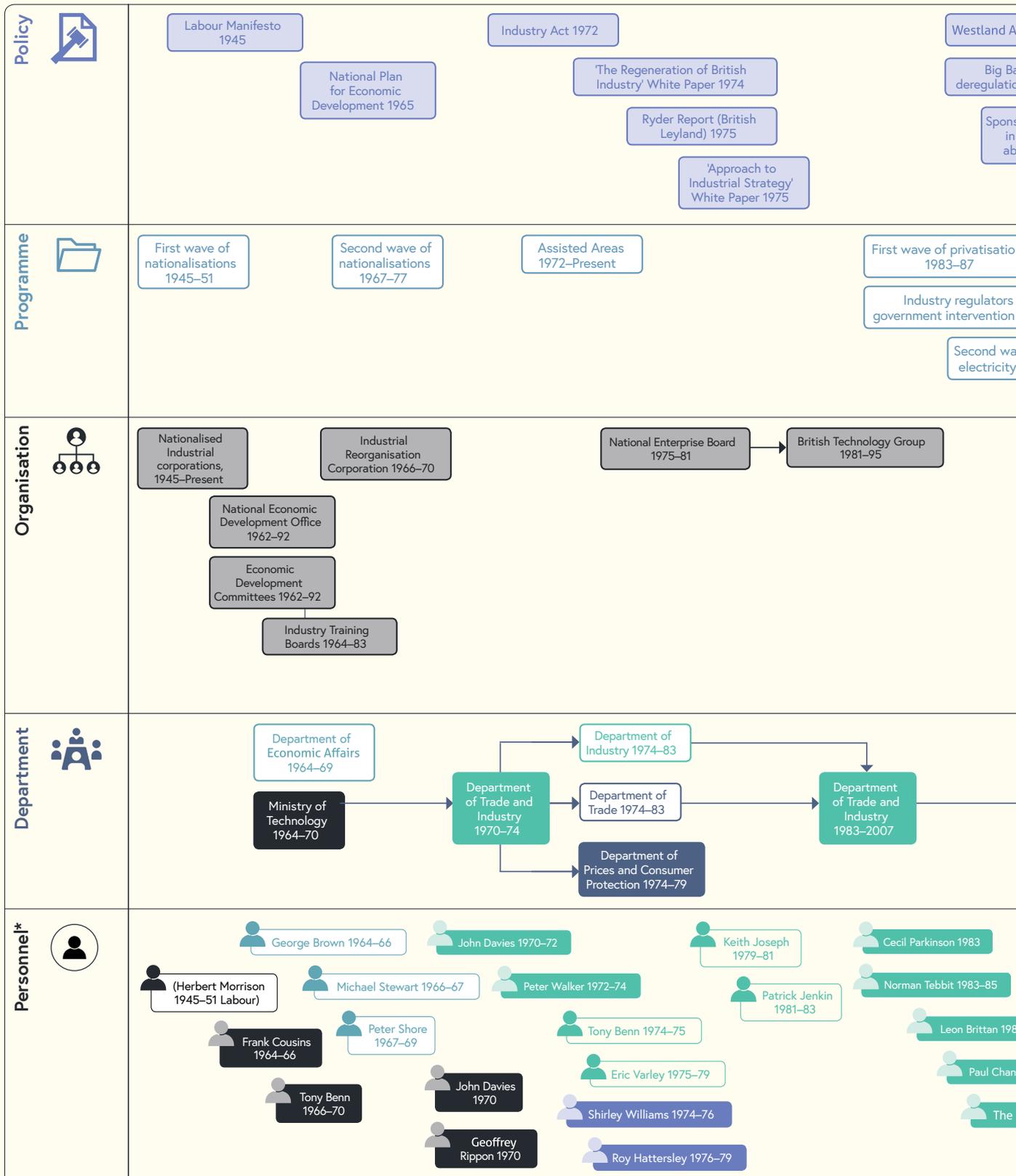


Endnotes

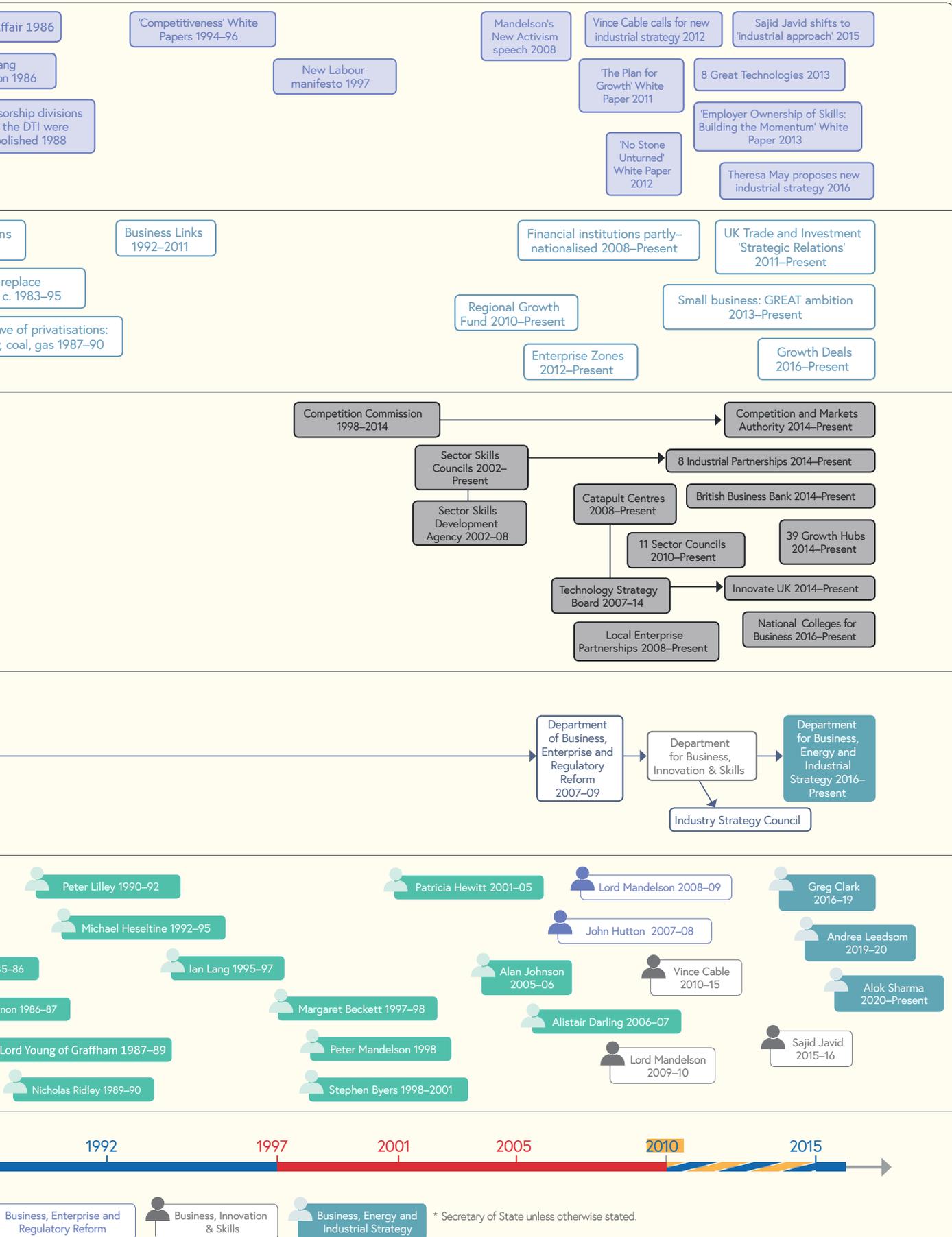
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Annex



Churn in industrial strategy: a timeline of policy, structural and personnel changes*



* Secretary of State unless otherwise stated.



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John Allan

Chair of Tesco, Barratt and Chair of Council at Imperial College London (Chair)



Manoj Badale

Co-founder and Joint Managing Partner, Blenheim Chalcot and Chairman of the British Asian Trust



Ruth Cairnie

Chair of Babcock International Group



Annette Court

Chair of Admiral Insurance Group and a NED at Sage Group



Ahmed Essam

CEO, Vodafone UK



Ian Funnell

CEO UK and Ireland, Hitachi ABB Power Grids



Chris Grigg

Senior Adviser to HMT



John Holland-Kaye

CEO, Heathrow Airport



Tom Keith-Roach

UK President, AstraZeneca



Sinead Lynch

Chair, Shell UK



Virginia Simmons

Managing Partner – United Kingdom and Ireland, McKinsey & Company