

Covid-19: a look back at the impact on businesses



Two years have passed since the emergence of the Covid-19 pandemic in the UK. In early 2020, most of us could not have imagined what lay ahead.

In the face of incredibly difficult times, the country pulled together, the NHS re-confirmed their enormous value to us, and the power of protection came to the fore. For those who had it in place, or not, it made such a difference – for opposing reasons. Now, perhaps more than ever, society can appreciate that the unexpected could happen at any time.



2019 to 2022: Between then and now

On New Year's Eve, 2019, Chinese authorities alerted the World Health Organisation of pneumonia cases in Wuhan City with unknown causes. What began as a mystery disease would be later named COVID-19.

It was March 16, 2020, when Boris Johnson advised everyone in the UK against "non-essential" travel and contact with others. Widespread working from home was introduced, where possible, and a couple of days later pubs, gyms and cinemas closed. By March 26, the first of the UK's lockdowns was in force.

During the two years that followed, a total of three national lockdowns took place, and multiple strains of the virus appeared.

Vaccines successfully slowed the waves, with **11 billion doses of the Covid-19 vaccination delivered worldwide**, and **64% of the world's population having received at least one dose^[1]**. **Moving from a genomic sequence to the authorisation of a vaccine in just 326 days** broke all previous records ^[2].

In many ways, it's a hopeful time with restrictions lifted across the UK.

However, new people are still getting infected daily with COVID-19, and multiple repercussions of the pandemic are being felt, from financial through to wellbeing and business.



Considering the **impacts** on economy and business



A Whitehall report states that the coronavirus pandemic has prompted the **deepest recession in the UK for 300 years**^[3]. This was triggered when an initial wave of Covid-19 and late entry into a tight lockdown caused a sudden stop in activity across the country ^[4].

As a result, the UK government, like many across the world, put in place several policies to keep the economy afloat during the lockdown restrictions and significant declines in activity. The impact upon public finances is substantial.

By February 2021, **unemployment had risen to 5% for the first time since 2016** ^[5]. **Women in the workplace were particularly affected by the pandemic, with job losses at 1.8 times more than men** ^[6].

Today, **inflation has grown to the highest rate since 1992** as an upshot of Covid-19. With war in Ukraine fuelling a sharp rise in global energy prices, the Bank of England expects **inflation could reach 8% this spring, and peak close to 10% this year**. Interruption to global supply chains, shortages of workers and materials, and an explosion in demand after lockdown have led to the cost of living climbing across the world. In the UK, trade disruption has been added to by Brexit ^[7].

A report published by Simply Business UK in June 2021, states that, "**Small business owners estimate that coronavirus, and the various resulting lockdowns and restrictions, will cost them almost double what they predicted a year ago.**" **In total at the time – an estimated £126.6 billion. This is a huge blow to the economy when UK SMEs account for 99% of all businesses, 33% of employment and 21% of turnover** ^[8].

Our State of the Nation (SotN) report found that businesses are now running high levels of debt, particularly following the government's Bounce Back Loan and Corporate Business Interruption Loan schemes. **1 in 4 business who have corporate debt used Covid-19 finance**. Of those schemes, furlough and the Bounce Back Loan were the most commonly used with **average Covid-19 related borrowing standing at £122,000**. It doesn't take much of a leap to imagine the impact on wellbeing of those involved ^[9].

Effects upon mental health

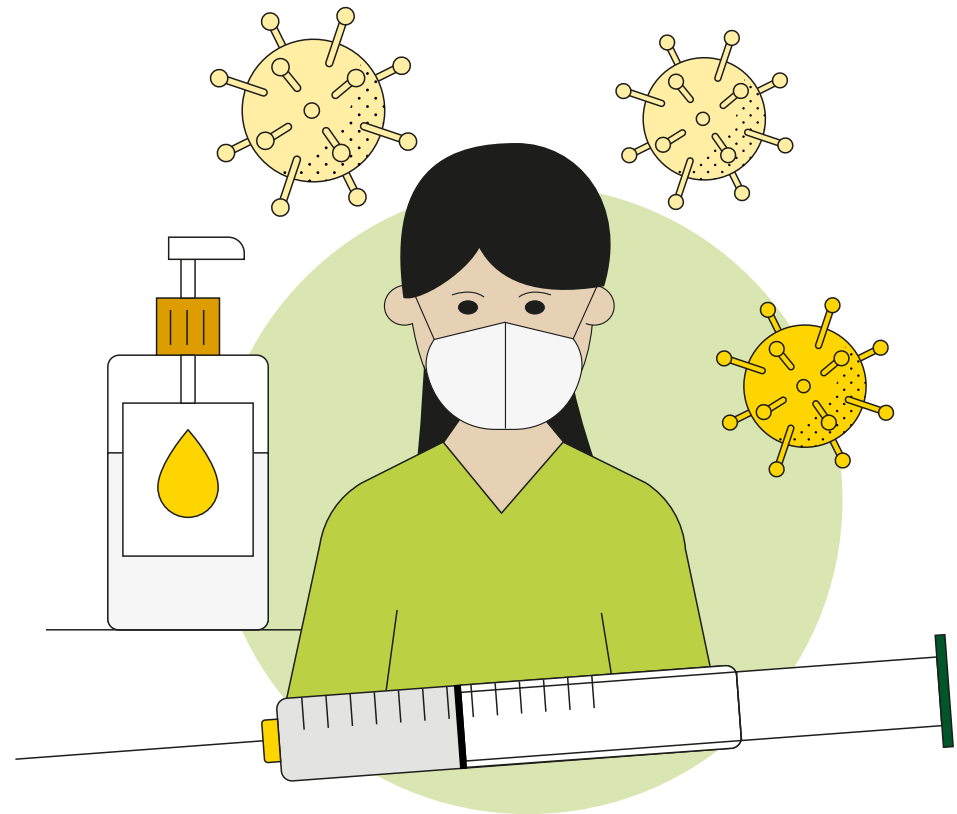
When Smallbusiness.co.uk investigated wellbeing during the pandemic they found a concerning **71% of entrepreneurs had experienced workplace stress** in the past 12 months, but **only 25% had sought professional help** in that period ^[10].

In January 2021, Simply Business reported that **1 in 5 small business owners felt their mental health was in a 'bad' place** ^[11]. Mental Health at Work Charity says we're facing a mental health crisis, and, "For small business owners, freelancers and the self-employed across all sectors, it's been a time of prolonged uncertainty. Uncertainty around finances, rules, and ultimately their livelihoods and futures ^[12]."

A 2021 Mintel report on Managing Stress and Wellbeing tells us that women are more likely to experience stress on the whole, with finances being a bigger stress causing factor compared with men, reflecting pay inequalities. Money also triggers stress for mothers more than fathers, with **47% of mothers of under-16s experiencing stress from money versus 35% of fathers of under-16s** ^[13].

These figures could indicate the difference in parental leave, and a lower amount of pay received during that time off. You can read more about women and finance in our article, [Striving for Financial Freedom for Women](#).

The report goes on to highlight that the Covid-19 pandemic has had a momentous and widespread impact on stress and wellbeing, with **73% of adults on the whole experiencing more stress than usual since the outbreak** ^[14]. Meanwhile, a Mind report on pandemic consequences for mental health, states that **65% of adults and more than 68% of young people with mental health problems describe their mental health as worse than before. While 26% of adults and over 18% of young people experienced mental distress for the first time during the pandemic** ^[15].





Business diversification

While the examples of negative Covid-19 effects are clear and plentiful, one positive trend has been an upsurge in start-ups in response to unemployment. It's no coincidence that **in 2020, 770,000 new UK business were created**. And **almost 80 new UK businesses were registered per hour in the first half of 2021** ^[16].

Online and mail-order retail businesses made up the majority – with 35,608 in 2020 compared to 13,615 in 2019. Online seller's marketplace Etsy mirrors this picture, with **one million more sellers than in 2019. 81% of sellers on the platform are women and 69% of those describe their Etsy shop as a business. Buying and selling of homes and buildings was the third most popular source of new businesses created; growing by 40% compared to 2019** ^[17].

This surge of new business is being celebrated by some. The CEO of Tyl – a card payment device - by NatWest said, *"With a 30% rise in business launches compared to 2019, the enterprising energy*

of new business owners deserves great credit... [18]." Christoph Rieche, iwoca CEO and co-founder, said: *"It is fantastic to see the creation of so many businesses...they are testament to the entrepreneurial spirit which characterises our vibrant economy [19]."*

The Swiss School of Business Research cites other encouraging changes, including the diversification of food outlets to delivery and takeaway options; online art and events becoming widely available; while offices got virtual and streamlined. They list six positives of the pandemic upon businesses as: digital access; opportunity to innovate; a spotlight upon the importance of training; a rise in productivity; a chance to save money; and a stronger sense of community ^[20].

Our State of the Nation research found that although **53% of businesses say Covid19 had a negative impact, they feel the financial outlook for the next 12 months is more positive** ^[21].

Looking ahead and how we can help



While we've discussed a wide range of different pandemic experiences and situations here, it's clear that one thing we all have in common is being vulnerable to impactful changes. And it's even clearer that being prepared is vitally important.

Our recent Legal & General State of the Nation report shows Covid-19 has shifted perceptions of protection among business owners. Over half of all businesses are now likely to consider protection for many different needs, including taking out cover for business loans. With the benefit of hindsight, **4 in 10 said they wished they had done more in advance of the pandemic, with most saying they wish they had more insurance.**

A Mintel report examining the impact of Covid-19 on finances, found that **40% of consumers say they have thought about their finances more since the start of the outbreak while 11% of consumers**

are thinking more about changing providers since the pandemic started, indicating low switch activity ^[22].

House prices have soared, which is surprising during a recession. An investigation by The Guardian tells us that the **average UK house price was £275,000 in December 2021, a rise of £27,000 from a year earlier.** The government's stamp duty holiday in England and Northern Ireland, launched by Rishi Sunak in the summer of 2020 in response to concerns of a housing market crash, boosted demand. Also fuelling demand outside urban centres, were homeowners looking to move for more space during lockdown^[23].

As you can see, the research identifies lots of areas of business where clients are open to and can benefit from your advice and expertise.

Supporting you to support your clients

We're here to help. In 2020 the real time notifications on Existing Business Agent Hub **helped advisers to retain 40,643 policies and £14,821,874 in commission.** Highlighting a sharp increase, **in 2021 these real time notifications helped advisers retain 74,440 policies and £27,093,770 in commission.**

During lockdown, Legal & General Home Finance implemented a paperless drawdown process. For customers who request a drawdown, the team will email documents to them securely which can be accepted electronically.

Deploying a desktop valuation process ensured customer property valuations could still go ahead without a home visit. Our number one priority is the health and safety of clients and the valuers who visit their homes, so we've kept this process in place for vulnerable customers.

Adhering to changing government guidance, we ensured that our highly rated technical CPD-accredited workshops, webinars and educational material were available both virtually and in-person across different points in the year.

Legal & General Home Finance allowed all Optional Payment Lifetime Mortgage (OPLM) customers to miss up to three monthly interest payments, without these counting towards the six missed payments allowed in the product terms. All OPLM customers remain able to stop making monthly interest payments at any time and convert to interest roll-up.

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Wellbeing support for customers as standard



In terms of extra support that you can offer (at outset) to your clients, [Umbrella Benefits](#) was launched in early 2021 and could be especially useful during this period of pandemic recovery. It can help individuals and families to deal with the unexpected, with practical through to emotional help.

There are four benefits and services in total. Two that are optional extras – Fracture Cover and Private Diagnostics; while two come as standard - [Wellbeing Support](#) and Rehabilitation Support Service, the latter coming exclusively with Income Protection.

From day one of a client's policy, they have access to Wellbeing Support, provided by RedArc Assured Limited. They can speak directly with an experienced registered nurse with calls as long as needed, as often as needed.

Situations they can get help with range from mental health through to grief, serious illness recovery to later life planning. What's more, the service is for the policyholder, their partner and their children living at home. It could be just what they need; providing added reassurance for their future.

Red Arc have given us feedback on people they've assisted so far, and **1/3 have been for mental health support, with 64% resulting in referrals for additional counselling, in addition to the Red Arc nurse support. 18% were not for the policyholder, with 7% for the partner and 11% for children. 80% of cases were for customers aged 20 to 49.**

For further helpful wellbeing resources, here's [Mind's toolkit for small businesses and the self-employed](#); as well as their guide to [Coronavirus and wellbeing](#).

If you'd like to discuss protection in terms of SMEs and the pandemic, please reach out to your MDM or BDM.

Sources

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- [2] Covid 19: Implications for business [click here](#)
- [3] The Cost of Covid-19 [click here](#)
- [4] How has the economy fared in the two tumultuous years since covid? [click here](#)
- [5] The UK's unemployment crisis in six charts [click here](#)
- [6] Why this recession disproportionately affects women [click here](#)
- [7] How has the economy fared in the two tumultuous years since covid? [click here](#)
- [8] The Impact of Covid-19 on UK small businesses [click here](#)
- [9] Legal & General State of the Nation report [click here](#)
- [10] Small business owners reveal how they've handled mental health and Covid-19 [click here](#)
- [11] Mental health crisis looming among SME owners [click here](#)
- [12] Small businesses and the self-employed: moving out of the pandemic [click here](#)
- [13] Mintel Managing Stress and Wellbeing Market Report [click here](#)
- [14] UK Managing stress and wellbeing market report 2021 [click here](#)
- [15] Coronavirus: the consequences for mental health [click here](#)
- [16] Nearly 80 new UK businesses were registered per hour in the first half of 2021 [click here](#)
- [17] How pandemic start-ups are dominating the UK business industry [click here](#)
- [18] As above.
- [19] Nearly 80 new UK businesses were registered per hour in the first half of 2021 [click here](#)
- [20] 6 ways covid has had a positive impact upon business [click here](#)
- [21] State of the Nation report [click here](#)
- [22] UK COVID-19 and Financial Services: A Year On Market Report 2021 [click here](#)
- [23] How has the economy fared in the two tumultuous years since covid? [click here](#)
- [24] L&G mortgage club research report