CITY INTELLIGENCE

COVID-19: Summary of external research

29 September 2020

This newsletter series presents a digest of external research that the Greater London Authority is making available for the benefit of external stakeholders in tackling the COVID-19 crisis. These summaries have been prepared under challenging circumstances and to short timescales. They are not intended to be comprehensive and exhaustive and they do not represent the full body of evidence on which Mayoral Policies are or will be based.

1 Introduction

This is the latest edition in a series of briefings highlighting key statistics and external research and recommendations relevant to the GLA's response to the COVID-19 pandemic. Each briefing will offer short summaries and a deep-dive into a number of topics. This issue looks at domestic violence during the COVID pandemic. It also summarises selected papers and policy reports from the last few weeks.

2 The Impact of COVID-19 on Domestic Abuse

This preliminary deep-dive explores the impact that COVID-19 has had on Domestic Abuse; considering data trends, caveats and limitations to the available data, the over-representation of some victim groups, and potential explanations as to why the changes in Domestic Abuse have been observed.

2.1 Working Definition

This deep-dive utilises the cross-governmental definition of Domestic Abuse, namely that [Domestic Abuse is] "any incident or pattern of incidents of controlling, coercive or threatening behaviour, violence or abuse between those aged 16 or over who are or have been intimate partners or family members, regardless of their gender or sexuality" (https://www.cps.org.uk, n.d).

2.2 Issues with measuring the volume of Domestic Abuse incidents

The prevalence of Domestic Abuse is extremely difficult to quantify for an array of different reasons; even under normal pre-COVID-19 conditions. One of the main obstructions, centres around the level of unreported police incidents. For a myriad of different reasons, Domestic Abuse is one of the crime types least likely to be reported to the police; often referred to as a "hidden crime" (ONS, 2019). The Women's Aid Annual Survey (2017) found that approximately three-quarters of the women using community-based services had not reported the Domestic Abuse to the police. Although, the reporting behaviour of Domestic Abuse victims differs between individuals and across time; reasons for not reporting to the police include economic dependence on the perpetrator, normalisation of the abuse and feeling that it is safer to stay, not wanting to destabilise an already volatile situation, and mistrust of the police.

This means that the police data needs to be considered alongside alternative sources of Domestic Abuse data such as victimisation surveys, support services data, and helpline demand data. The triangulation of these data sources is useful at providing insight when conducting strategic trend analysis but is less suited to looking at short-term reactive patterns. This is based primarily on the supply of data not being regular or timely enough, sporadic ad-hoc trend commentary, and selective reporting. Other issues are derived from the fact that the data sets are not mutually exclusive; there is an unknown level of duplication within the sources, whereby the same incident is contained within more than one of the data sets.

Other complications arise from the fact that single-source increases in police recorded Domestic Abuse are rarely seen as a reflection of actual increases in volume. Increases are usually interpreted as just reducing the level of unreported offending, as a result of instilling greater confidence and trust in the police through community engagement work. As well as from the fact that the working definition refers to "any incident or pattern of incidents". This means that some Domestic Abuse reports may refer to an isolated incident whereas others may refer to an array of incidents; which when coupled with an unknown level of repeat victimisation and reoffending rates, can cause interpretive issues.

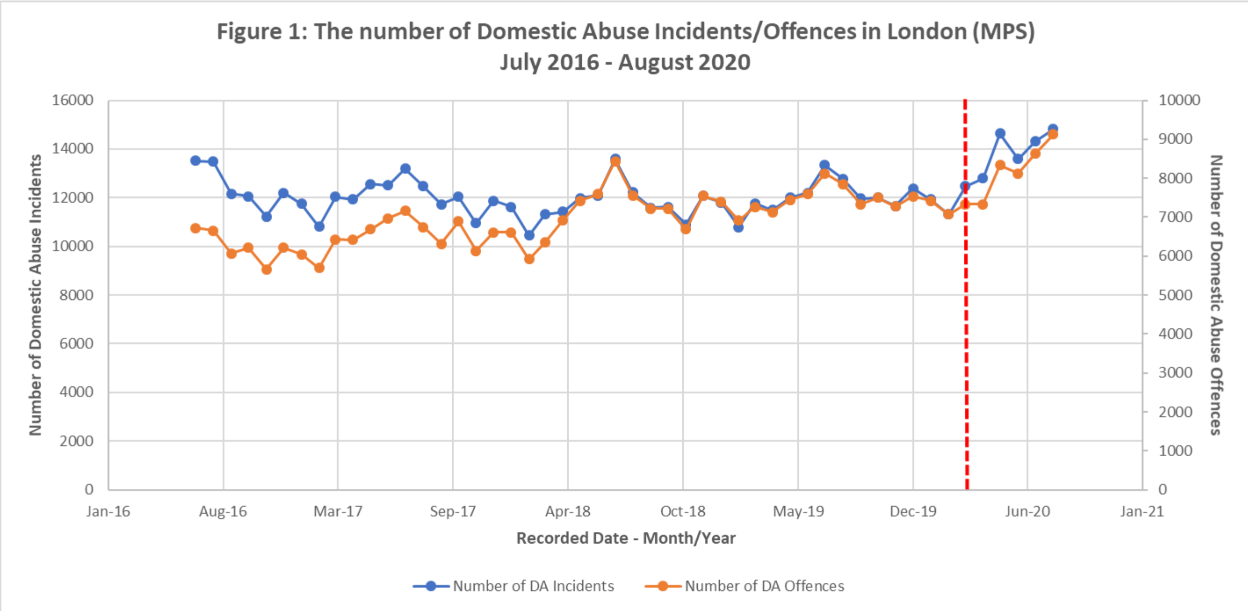
2.3 Trends in Domestic Abuse

Globally, many countries have reported increases in Domestic Abuse during the pandemic and governmental restrictions on free movement, including France (indicated a 30% increase in DA reports), and Brazil (estimated that DA reports increased by 40-50%). Within the United Kingdom, many geographical localities represent disparity between the trends found in the Domestic Abuse police data and the other sources of Domestic Abuse data.

2.3.1 Emergency Services Reports:

The police record both Domestic Abuse Incidents and Domestic Abuse Offences; the former being incidents that are reported to the police that are Domestic in nature, but which after initial investigation, the police have insufficient evidence to support a notifiable crime having been committed These Incidents are therefore often less serious in nature than those that are converted to Offences; and can include verbal disagreements between aggrieved parties for instance. As per Figure 1, the level of Domestic Abuse incidents and Domestic Abuse Offences have both increased sharply since the implementation of the COVID-19 measures, although no additional factors have been controlled for. During the period March-August 2020, there was a 12% increase in Domestic Abuse incidents (up to 82,640 offences), and an 8% increase in Domestic Abuse Offences (up to 48,880 offences), compared to the same six-months a year ago. For both datasets the individual months with the highest percentage increase from the year before were May and August, with August falling outside of the more restrictive lockdown period (MOPAC, 2020).

For the Domestic Abuse incidents, the monthly increases were apparent almost instantly, whereas for the Domestic Abuse Offences, the monthly increases were not overly significant until May. The inference being that household tensions are likely to exhibit initially as lower-level incidents like arguments, before these tensions build into something potentially more abusive across time. Looking at the relative share of the combined Domestic Incidents and Offences total accounted for by actual Offences, during the period March through to August 2020, there is no hugely noticeable divergence from the calculated proportions across the last couple of years, with Offences accounting for between 36% and 38% of the combined Domestic Abuse total (MOPAC, 2020).



Dispatch data for the London Ambulance Service (LAS) was de-duplicated to show the number of unique incidents that they attended which involved an Assault victim. This categorisation is based on data derived from information supplied to the call handler during the initial emergency call (SafeStats, 2020).

During the first two months of the pandemic/lockdown period (March/April 2020), the total number of unique Assault incident dispatches dropped significantly; with March and April representing almost 50% less than the level shown during the same two months in 2019. May and June also have highly significant reductions, but the differentials between the two comparison years have reduced over time (reductions of 34% and 23% respectively) (SafeStats, 2020).

Female assault victims aged 16 years and over accounted for a fifth of the total incident Assault dispatches during the lockdown period, except for in April 2020, where this percentage share elevated to almost a quarter of the total (24%). The individual March-June 2020 monthly patterns for the incident dispatches that relate to male and female victims of assault aged 16 years and over, both follow the overall pattern of the full Assault category as stipulated above; showing significant reductions through March and April before an incremental increase across May and June (SafeStats, 2020).

2.3.2 Support Agency Data Examples:

2.3.2.1. National Domestic Abuse Helpline – more than 40,000 calls and contacts were made during the first three months of lockdown; with calls and contacts in June 2020 nearly 80% higher than usual (Kelly & Graham, 2020).

2.3.2.2. Men's Advice Line – received 13,812 calls and emails between April-July 2020, an increase of 60% from the same period in 2019 ("Male domestic abuse victims 'sleeping in cars and tents'", 2020).

2.3.2.3. The Respect Phoneline – aimed at supporting perpetrators of Domestic Abuse to change their behaviour, this service recorded a 27% increase in calls and a 125% increase in website visits during the week of 30th March 2020; compared to the week before (Jamie Grierson, 2020).

2.3.2.4. Google Trends – research shows that there was a highly significant 35-40% increase in Domestic Abuse-related search terms compared to pre-lockdown averages (Anderberg, Rainer & Siuda, 2020); and despite the searches gradually reducing through May and June, the statistics remained significantly higher than pre-lockdown levels.

2.4 Potential reasons for Observed Changes in Domestic Abuse Data

2.4.1 Reduced Reporting Opportunities

Decreases in Domestic Abuse calls to police and other support agencies are unlikely to be indicative of a decline in actual incidents. Reporting Domestic Violence is already difficult in normal circumstances, but this difficulty has been exacerbated by the pandemic and associated control measures. During lockdown many support services have relied upon technology to continue to offer and deliver their services. This means that those with no, limited, or non-autonomous access to technology are disadvantaged in trying to access resources, support services and reporting mechanisms. Lockdown measures may reduce opportunities to report the incident and/or reach out for help, as the perpetrator is likely to remain with the victim after the event (Sharma & Borah, 2020). Campbell, Hicks, Thompson and Wiehe (2017) found that 78% of Domestic Abuse calls to police were by the victim, usually once the perpetrator had left the scene. A recent study by Ivandic and Kirchmaier (2020) found that domestic abuse calls to the police have increased by 11.4% on average compared with the same weeks in 2019; with this increase derived almost exclusively from third party calls due to reasons such as an increased awareness of domestic noise from neighbours (at home when usually at work), and increased public awareness of Domestic Abuse during lockdown. Conversely, for the main period of lockdown, the weekly number of reports received directly from victims were below the totals recorded during the same weeks in 2019. Coupled with police crime trends, research findings like this have led to concerns by some police forces that victims are "suffering in silence" ("Coronavirus: 'Domestic abuse pandemic likely due to shutdown'", 2020). This may be particularly true for male victims, where research suggests that the issue of under-reporting is even more pronounced among male victims of Domestic Abuse than among female victims (Rees, 2019).

2.4.2 Changes in Abuse Typology

The pandemic and accompanying measures have had an impact on some of the dynamics and specifics of the Domestic Abuse incidents. For instance, there is evidence to suggest that during the pandemic and lockdown, Domestic Abuse cases are escalating more quickly to become complex and serious, with higher levels of physical violence and coercive control being exerted of victims (The Home Affairs Committee, 2020). This severity increase is complemented by both, the finding that during the first month of lockdown, Domestic Abuse homicides occurred at a high rate than during a "normal" average week prior to lockdown (Home Affairs Committee, 2020), and that for 67% of Domestic Abuse survivors, their abuse had become worse during lockdown (Women's Aid, 2020). There also appears to be a difference in the level of Domestic Abuse committed by partners and ex-partners. Ivandic and Kirchmaier (2020) found that during lockdown, Domestic Abuse crimes committed by ex-partners fell by 9.4%, while abuse by current partners and family members increased by 8.5% and 16.4% respectively. There is some recent overseas research to suggest that the increase in Domestic Abuse calls during the pandemic/lockdown is being driven by households with no prior history of Domestic Abuse (Leslie & Wilson, 2020). Lastly, a recent study has shown that the pre-COVID weekend-weekday differential of Domestic Abuse was much less pronounced during lockdown (Anderberg, Rainer & Siuda, 2020).

2.4.3 Increased Presence of Risk Factors and Triggers

Many of the risk factors for Domestic Abuse are also outcomes associated with the pandemic and implemented measures. And, while, the presence of any risk factor or combination of risk factors are not causal and do not mean that Domestic Abuse will occur, the presence of risk factors increases the probability of the abuse occurring. The more risk factors present, the greater the likelihood of Domestic Abuse occurring unless moderated by protective factors; many of which as will be explored in the section on Support Services and Networks, have been relatively inaccessible during lockdown. Notably, risk factors potentially resulting from the pandemic/lockdown include: economic instability, poor mental health, and negative coping mechanisms. Firstly, economic instability is often an inevitable outcome of epidemics, which is highly relevant as Domestic Abuse has been found to increase during "times of economic stress" (Buller, Peterman, Ranganathan, Bleile, Hidrobo & Heise, 2019). Specifically, in relation to the current COVID-19 and Domestic Abuse situation, Sharma & Borah (2020) note that the "economic issues are causes and consequences". The pandemic and associated quarantine/lockdown measures can influence people's psychological wellbeing, impacting upon feelings of loneliness, fear, anxiety and depression, and causing a deterioration in good mental health (Pierce, Hope, Ford, Hatch, Hotopf, John, Kontopantelis, Webb & Wessely, 2020). Negative coping mechanisms include the misuse of drugs and alcohol (Gulati & Kelly, 2020), and self-harming. These types of coping mechanisms have been found to frequently co-exist and interact with other risk factors for violence, such as unemployment, increased mental and physical health conditions, and poverty.

The conditions brought on by the pandemic and the concomitant lockdown can exacerbate Domestic Abuse triggers. Factors such as spatial confinement, forced cohabitation to spouses, economic stress, increased responsibilities in relation to childcare provision, home-schooling and remote working, and changes to previously established household structures and routines can act as a catalyst for increased household tension; which can in turn impact upon Domestic Abuse levels (Fraser, 2020). There is also increasing support for the notion that lockdown conditions can result in the magnification of abusive behaviour (Williamson, Lombard & Brooks-Hay, 2020). The requirements of the lockdown and restrictions on free movement, often favour Domestic Abuse perpetrators; "tactics of control, surveillance and coercion" (Bradbury-Jones & Isham, 2020). With limited scrutiny, perpetrators can "legitimately" isolate and restrict the movements of their victims, while engaging in both victim surveillance and the regulation of their daily activities (Garcia-Moreno, Guedes & Knerr, 2012).

2.4.4 Support Services and Networks

The pandemic and the associated measures have affected both the availability of and accessibility to Support Services; confounded by the diversion and re-purposing of some public services to respond to COVID-19 (Home Affairs Committee, 2020). These Support Services include: counselling, mental health services, drug and/or alcohol services, childcare and parenting advice and support (Save the Children, 2020); most of which have had to change their operational modalities to continue to adhere to government legislation. This implementation of this emergency legislation has meant that significant reductions in the availability of refuge places has been reported; from 23rd March-31st May 2020 there was a 41% reduction in the number of refuge vacancies added to the UK-wide Routes to Support database compared to the same period in 2019.

The informal support networks usually available to help protect and support victims of Domestic Abuse also have limited availability and impact during the lockdown, with a third of the friends/family approached by a victim of Domestic Abuse unable to support them due to lockdown restrictions (Women's Aid, 2020).

There have been significant reductions in the level of A&E attendees across the hospital trusts within England during the lockdown phase, with the number of visits in June 2020 reduced by a third from the level found in June 2019. While the proportion of visits accounted for by Domestic Abuse victims is unknown, it can logically be inferred that they would account for at least some of this decrease. Reasons for this reduced attendance rate include people believing that the healthcare services are inundated with COVID-19-related activity, and having a fear of contracting the virus; while more specific reasons related to Domestic Abuse victims are the perpetrator present in the house with the victim at all times, and having caring responsibilities for children. This has led to concern amongst many medical professionals that some people who should be attending hospitals are not (Isabella Cipirska, 2020).

2.5 Conclusion

Through consideration of the readily available Domestic Abuse data sources, there is enough to suggest that Domestic Abuse has increased during the implementation of the national lockdown. The advice to "stay at home, stay safe" has had some inadvertent consequences for victims of Domestic Abuse, as it assumes that everyone has a safe home to remain within (Jackson, Bradbury-Jones, Baptiste, Gelling, Morin, Neville & Smith, 2020). Although, neither the pandemic nor lockdown have caused Domestic Abuse, it appears to have created the "perfect storm" (Women's Aid, 2020) which is likely to have a disproportionate impact on certain groups such as disabled women (Dockerty, Varney, and Jay-Webster, 2015), women of black and minority ethnicities (Banga & Roy, 2020), and women with an insecure immigration status (McIlwaine, Granada & Valenzuela-Oblitas, 2019).

Please note, a full reference list can be obtained on request.

3 COVID-19 external research

GLA Economics – Update on macroeconomic scenarios for London's economy post COVID-19 (September 2020)

In light of the current COVID-19 crisis, since April, GLA Economics have been developing three macroeconomic scenarios to predict likely outcomes of London's real output and employment in the medium-term. As can be seen in previous newsletters, the initial scenarios were updated later in June and July this year to incorporate the new available evidence. Below is a summary of the latest update of these London macroeconomic scenarios, which was conducted in early September and is based on a combination of assumptions between the OBR's reference scenario for the UK – updated in July – and the BoE's illustrative scenario for the UK - which was last updated in August.

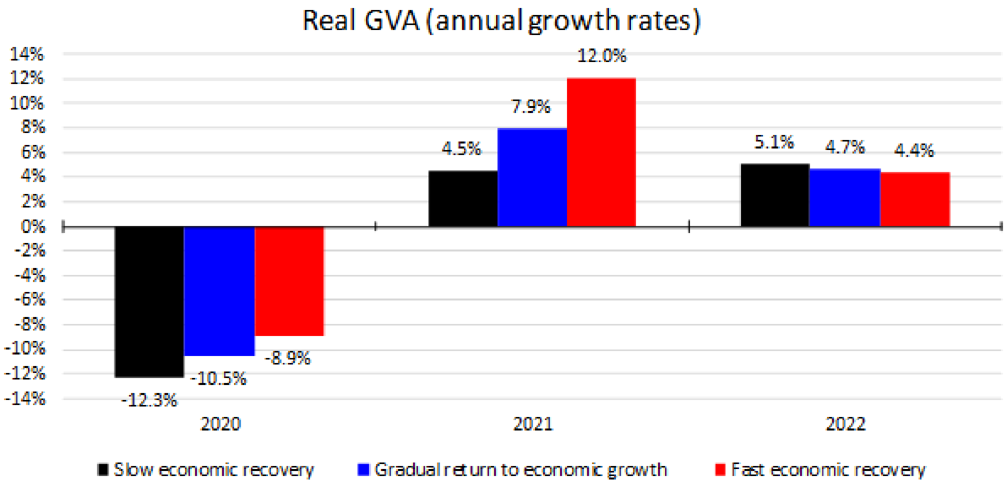
- While the depth of the recession in London in 2020 has been revised downwards compared to the London's Economic Outlook issue in June and the previous estimate in July, the pace of the output recovery is now markedly slower than initially expected.

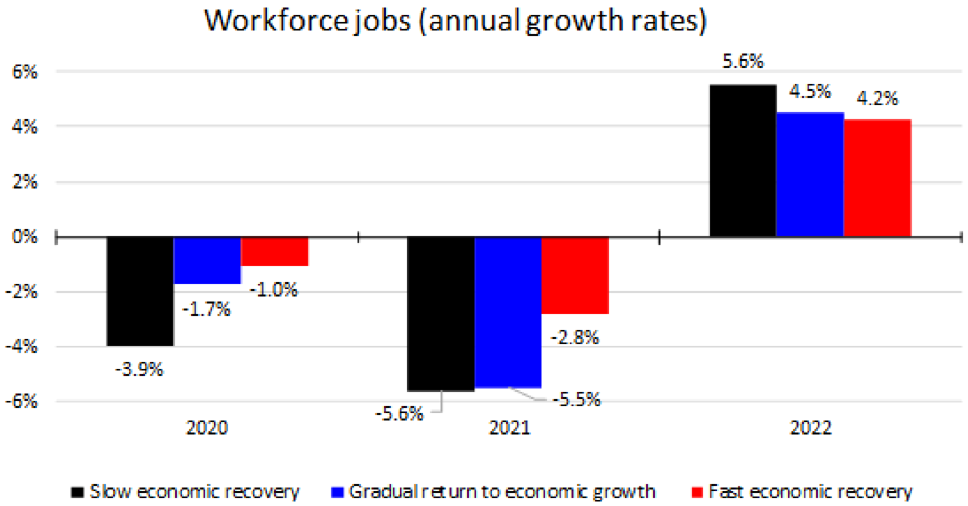
- Looking at the London labour market, GLA Economics now expects an even slower recovery. The Government's Coronavirus Job Retention Scheme will have a positive effect by retaining people in employment this year, however, net employment destruction will probably occur at the end of it and early next year.

- Overall, both output and employment in London will not return to pre-crisis levels until around three years later under our central scenario – where a gradual return to economic growth is assumed.

- In particular, under the central scenario **London's real GVA is now expected to fall by 10.5% this year, before growing by 7.9% and 4.7% in 2021 and 2022, respectively. In terms of employment (workforce jobs), this would contract by 1.7% this year and by 5.5% next year before returning to a positive rate in 2022 (4.5%).**

- There remains, however, considerable uncertainty and overall GLA Economics continue to see the risks as being on the downside within the scenarios range.





Source: GLA Economics – September 2020

[Financial Times – 'Pandemic crisis: Global economic recovery tracker' (16/09/2020)]

The FT is tracking the most relevant alternative indicators to provide an early view of changes in activity as they happen across key sectors and countries:

- Job postings data from Indeed.com suggest that **a labour market recovery has barely started**. UK vacancies seem to be growing faster than some peer countries like France or Germany but also slower than others like the US or Australia.

- Google Mobility data — which tracks footfall traffic — from retail and entertainment hubs is considered a proxy for consumer spending. It shows **that people have returned to spending venues, but with large variations between countries**. For the UK, this index remains a 19% below pre-lockdown levels while most of the European countries have recovered completely already.

- Retail footfall, which tracks the number of visits to shops, shows that **consumers have been slower to return to retail stores even as businesses have opened their doors**. In the UK, the annual percentage change in retail footfall was still close to -40% in early August.

- **The recovery in terms of people returning to cinemas was relatively slow in the UK during the summer**. However, although weak, UK figures now seem to be comparable to countries nearby.

- Tourism was one of the sectors most impacted by the strict lockdowns and travel bans in March and April (globally and especially in the UK). **As lockdowns eased and borders began to reopen globally, flight and hotel occupancy data showed international mobility slowly resuming**. However, the latest data from seetransparent.com suggests that **reservations have been negatively impacted by a resurgence of COVID-19 in many countries (including the UK)**, with people remaining cautious about their future travel plans.

- In line with most European cities, London had not recovered its pre-lockdown levels of nitrogen dioxide emissions by late August. This is associated with **very weak industrial activity** even after economies reopened.

Sampson, T. – The UK economy: Brexit vs COVID-19 (24/08/2020)

This paper examines the economic impact of COVID-19 against the impact on the economy of Brexit. It notes that "conventional wisdom holds that the impact of COVID-19 on the UK economy dwarfs the potential consequences of Brexit". It then moves on to probe and challenge this expectation. In doing this it makes the following points:

- "It places undue weight on the dramatic, but mostly temporary, impacts of COVID-19, compared to the larger, long-term costs of Brexit. In fact, when measured in terms of their impact on the present value of UK GDP, the Brexit shock is forecast to be two to three times greater than the impact of COVID-19".

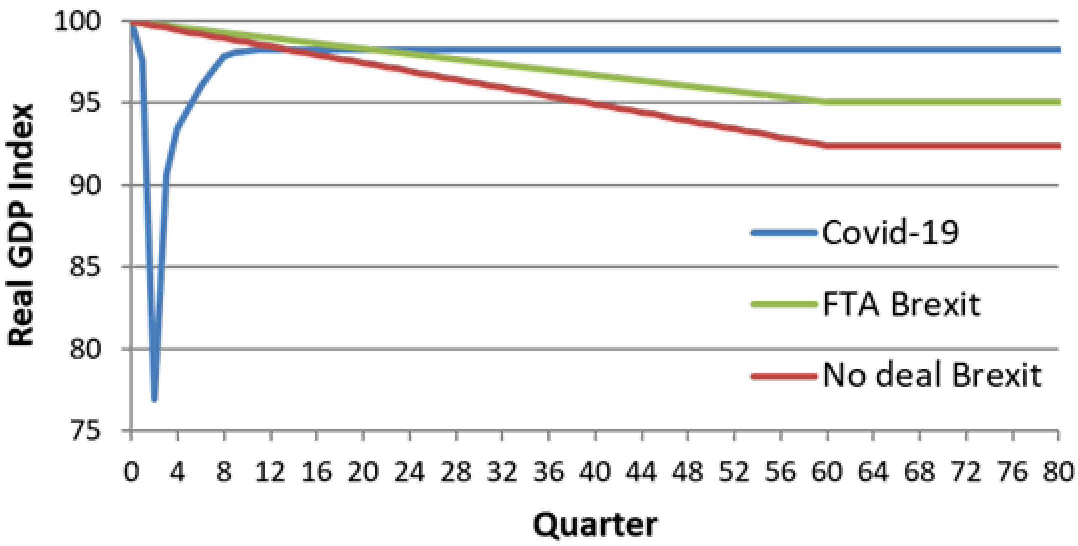
- Having fallen sharply in the first half of the year "the economy is expected to recover quickly over the next eighteen months and the pandemic is likely to have few, if any, long term effects on GDP".

- Using Bank of England real GDP projections, the author estimates a permanent loss of output compared to a no COVID-19 counterfactual of 1.7% for the UK economy.

- This compares with slower but more permanent effects of Brexit. The government's own analysis forecasts that a no deal Brexit would reduce UK GDP by 7.6% after 15 years, while a free trade agreement (FTA) with the EU would lead to a 4.9% decline (both against a no-Brexit counterfactual and not accounting for short-term disruptions).

- The author moves on to compare the trajectories of the impacts on GDP of COVID-19 and alternative Brexit scenarios. These make clear that COVID-19 leads to much bigger short-term reductions in output, but eventually Brexit leads to greater losses (see the Figure below).

- **In present value terms (and using a discount rate of 4%) COVID-19 reduces UK GDP by 2.1%. However, Brexit reduces the present value of GDP by 3.7% under an FTA scenario and 5.7% if there is no deal**.



Source: Sampson, T.

Institute for Government - The cost of COVID-19. The impact of coronavirus on the UK's public finances (September 2020)

This recent paper by the Institute for Government examines the impact of government announcements made up to 22 September 2020 (prior, therefore, to the latest Chancellor announcements on 24 September).

Increased government spending coupled with reduced tax revenue has had a "dramatic impact" on the UK's public finances in this financial year, while the long-term outlook remains very uncertain. The paper's key findings are that with reference to 2020/21 alone:

- **Public borrowing will be £317.4bn above the government's plans**.
- The majority of this (£192.3bn) is the result of specific policy decisions taken by the government, including measures to protect households and businesses.
- Through its decision to support businesses and households, the government has absorbed nearly two thirds of the COVID-19 hit to the private sector.
- Reduced economic output has also hit tax revenues and led to higher welfare spending, pushing borrowing up by a further £125bn.
- Government departments are expected to spend 19% (or £76.3bn) more than their allocated budgets this year to meet the demands of the coronavirus response, while their day to day running costs are going to be £600m more than planned.

Button, R., Rojicek, M, Waldron, M. and Walker, D. – Financing larger UK companies through COVID-19 (07/09/2020)

The authors of this article quantify the impacts of COVID-19 on cash flows of UK companies and on the aggregate amount of liquidity that the UK corporate sector as a whole might need to weather the shock.

They estimate **a cash flow deficit of £135 billion in 2020/21 for mid-size and large UK companies**, which is around three times larger than net lending to UK companies in 2019. Before accounting for fiscal policy, the deficit is around £160 billion, considerably larger than the 'normal times' deficit of around £80 billion from pre-shock data.

Supported by public policy, UK companies have already raised a large amount of external finance, providing them with liquidity to help bridge some of the disruption. **But additional liquidity will be required, and equity finance will likely be important during the recovery phase**. Assumptions used in the analysis include:

- An assumed path for aggregate turnover compared to a counterfactual without COVID-19, which is broadly consistent with the Monetary Policy Committee's (MPC) August 2020 central projection. Underlying this is an assumption that the direct effects of the pandemic on the economy fade gradually as interventions improve.

- COVID-19 having very different effects across sectors, consistent with real-time spending indicators summarised in the MPC's August 2020 report and the UK Decision Maker Panel survey. Beyond 2020 Q2, turnover in all sectors recovers gradually, but with varying speeds.

- Companies maintaining their productive capacity at pre-COVID levels. This is assumed to provide an indication of the amount of financing that could be required to mitigate scarring.

These estimates are highly uncertain and depend heavily on the assumptions used, especially on the assumed path for turnover, both in aggregate and across sectors. But despite this uncertainty, the aggregate cash-flow deficit estimate is likely to be an underestimate as the dataset has very low coverage of companies with less than £10m in turnover (which accounts for about 25% of the total turnover).

Looking ahead, **high and rising debt burdens could pose further challenges to corporate solvency, depending on the speed and nature of the recovery. And equity is likely to play a greater role, both as a means for some companies to repair their balance sheets and to finance entry of new companies as well as the growth of incumbents during the recovery.**

Roy, G. & McIntyre, S. - What does COVID-19 mean for tackling differences in regional productivity? (02/09/2020)

Variations in regional productivity have long been a subject of discussion, especially since the 2008/09 global financial crisis and the recent levelling up agenda, with a number of explanations being proposed for the weakness of productivity growth. In this paper the authors examine **productivity differentials in the UK's NUTS1 regions** (which have changed little over the past two decades) **and how these may evolve in the future after COVID-19.**

- The authors highlight four main drivers of regional productivity differences, i.e.:
    - Workforce attributes: skills, motivation and health of the workers that a place is able to attract or retain.

  - Capital and infrastructure: machinery, equipment and infrastructure assets in a given location.

  - Geography and local institutions: including inherent location characteristics (e.g. coastal or inland; remote or central) and local culture.

  - Sectoral specialisation: composition of the local economy.

- Looking forward they highlight a **number of factors that could drive differences in productivity across regions post-COVID**, the overall evolution of which is currently uncertain. Specifically they list:

  - **Changes in the sectoral composition of the economy**, especially whether a decline in traditional retail, hospitality and tourism (relatively low productivity sectors) will boost average productivity differently across regions.

  - **Whether there will be a "big shake-out" in the business base**, and to what extent the weakest performing businesses will stop trading as the UK government support packages are wound down, boosting average productivity.

  - **The long-term impacts of COVID-19 on the labour market**, including the extent of reallocation of labour between firms and the extent to which the support that has been put in place will protect employment and retain the relationship between workers and firms.

  - **Differences in the effectiveness of policy measures to support business and people in the devolved nations.**

  - **Implications of the pandemic and the economic response on the Government's 'levelling up' agenda**.

The Economist - The future of the office - COVID-19 has forced a radical shift in working habits (12/09/2020)

This Economist Briefing looks at the extent to which the "huge if non-randomised trial" of large scale working from home during the COVID-19 crisis may have led to permanent changes in the importance of office-based work.

A quarter of office workers in five big European countries and well over 40% in the UK remained at home full-time in August. While safety concerns and reduced capacity of offices may be part of the explanation, working from home may also now be a choice that make many workers happier.

Evidence on the productivity of homeworking from the COVID-19 crisis so far is mixed. Many people had to work while caring for children, which could have made them less productive, while others may have put more efforts during the lockdown to reduce the risk of losing their jobs. However, a number of studies published in recent years point to potential productivity benefits.

Information, coordination and investment barriers may have prevented businesses until now to make the most of the opportunities offered by new technologies. The COVID-19 crisis may then have shaken the world economy out of a "bad equilibrium" with too little home working.

The briefing acknowledges that not everything is positive about working from home (e.g. lack of social interactions and reduced flow of ideas/potential negative impacts on innovation are potential drawbacks). At the same time it highlights that there is no consensus in the literature that sharing the same office space is in itself a driver of productivity.

The briefing therefore suggests that **the future of office work may include a combination of regular home working with coming together in large numbers in central HQs for spells of "bursty" communication, where people exchange ideas rapidly for a short period of time**.

Finally, the briefing highlights the implications for digital investments by businesses (e.g. in "virtual offices" technologies) and for bargaining between companies and employees (e.g. on compensation to employees for internet connection, home heating, etc.).

Centre for Ageing Better – 'A mid-life employment crisis' (10/08/2020)

This report, written by the Centre for Ageing Better and the Learning and Work Institute draws attention to the **risk of long-term unemployment for older workers** and calls for new initiatives to support this group of people. The key findings are:

- By 2019, the increase in the number of adults aged 50+ in work accounted for three-quarters of the rise in the number of people in work across the UK since 2004. But over 50s are still less likely to be in employment than younger workers.

- The crisis risks reversing the progress made in recent years. The number of claims among those aged 50 and over doubled between June 2019 and June 2020. However, this is lower than the increase for workers in the 25-49 age group. And one in four older workers (or 2.5m workers aged 50+) have been furloughed.

- The risk facing these older workers is that when the CJRS ends, some of these jobs could be lost, and it will be harder to find new ones. The data suggests that **over 50s are more at risk of long-term unemployment**: almost one in three (29%) older workers out of work have been so for more than 12 months, compared to one in seven (13%) younger workers (18-24) and one in five (20%) of workers aged 25 to 49.

- **Over 50s are also less likely to return to work after being made redundant**: only one in three people (35%) aged 50+ returned to work after losing their job, compared to half (54%) of 35 to 49-year olds, and two out of three of 25 to 34-year-olds (63%). These long spells of unemployment for older workers can have an impact on incomes in retirement.

- One possible explanation for the higher risk of long-term unemployment for the over 50s is that employment support has not been effective for them. Work Programme data shows that one in five older workers achieved a sustained employment outcome, compared to two in five for those aged 18-24.

Based on these findings, **the report calls for more targeted employment and skills training support for older workers. The Government should also consider the impact of the crisis on pension savings for over 50s**.

A number of the report findings chime with GLA Economics findings for London, specifically:

- GLA Economics analysis shows that in the second quarter of 2020, the employment rate for 55-64 workers was 71.1 – 16.9 pp lower than the rate for the 25-34 age group (88.0%).

- GLA Economics analysis also reveals that 60% of the clinically vulnerable workers in London are aged 45 and over.

- The inactivity rate (27%) for Londoners aged 55-64 is considerably higher than for other age groups.]

IFS - Challenges for the childcare market: implications of COVID-19 (02/09/2020)

One of the aspects of life in the UK that has been brought into sharper focus during the pandemic is the provision and role of early years childcare. **This report looks at the financial situation of the paid childcare market during the pandemic compared with before lockdown and considers the future for the sector**.

- Most childcare providers closed to all but the children of key workers and vulnerable children. Despite the various streams of financial support available, for many childcare providers, income levels were below outgoings.

- Prior to lockdown, more than a quarter of all early years childcare providers were operating at a significant deficit (with more than £5 of costs for every £4 of income), including 11% of private nurseries.

- If all fee income from parents dried up, around half of all providers and a quarter of private nurseries might have been operating at a significant deficit during lockdown.

- Even if providers retained 15% of their pre-crisis fee income, two in five of all providers and one in five private providers are still likely to have run a significant deficit.

- Across London, the overall picture of providers operating at a significant deficit in the three scenarios was similar to the national picture.

- Childminders, who are mostly self-employed, have also been badly hit by the crisis, with many childminders seeing their earnings take a hit, which could jeopardise their ability or desire to stay in the market.

- Smaller providers, those with more highly qualified staff or those from more deprived areas are no more likely to have run at a significant deficit during lockdown, while surveys of providers find that those in disadvantaged areas are more worried about their financial future.

- Take-up of funded childcare is measured in January. If take-up remains low, this could have significant future impacts in the sector.

- The extent to which government support for the sector will be needed going forward depends on how much and how quickly demand returns and how the market adjusts to changing levels of demand. Some closures or reduced provision may occur. Policymakers will need to monitor whether (and where) capacity comes back when demand starts to return.

4 COVID-19 external policy recommendations

Social Market Foundation – 'Paying for the Coronavirus' (23/07/2020)

This report, written by the SMF leading taxation policy expert Michael Johnson, calls **for new taxes to be levied on increases in the value of homes to ensure the costs of the coronavirus crisis do not fall unfairly on younger people**. The headlines of the report are:

- **Principal private residence relief should be scrapped and charge a new property capital gains tax (PCGT) set at (for example) 10% of the difference between property purchase and sale prices.** PCGT would be payable at the time of the sale of the main home, and settling an estate following the death of the last living owner. This means the tax would be levied only at the time when cash was available – unlike an annual "mansion tax".

- Given that inheritance tax (IHT) is, for most people, a proxy for some form of property tax, **the main home should, in future, be excluded from IHT liability assessment**. This would halve future IHT receipts. Unlike IHT, a PCGT would be hard to avoid (and evade).

- **In parallel, Stamp Duty Land Tax (SDLT) on the purchase of the main home should be scrapped**. This change, combined with the new PCGT, would effectively move the tax burden of buying the main home from the buyer to the seller. The higher rate of SDLT (for second homes and buy-to-let property) should be retained.

- This paper includes a conservative high-level assessment of the potential net additional revenue stream for the Treasury from this package**. Assuming the new PCGT was set at 10%, these changes would raise £421 billion over the next 25 years**, after taking into account the cost of a new incentive for first-time buyers.

- An additional £250 billion could be readily generated over the same period by replacing today's regressive regime of tax relief on pensions contributions with a flat bonus paid independent of tax-paying status.

- Furthermore, another £125 billion could be cut from Treasury expenditure by scrapping the 25% tax-free lump sum (on pension pot withdrawals). This is excessively generous given that contributions already receive tax-relief.

Mark Pennington - The response to the pandemic – 'A Hayekian view' (26/08/2020)

The author of this Institute of Economic Affairs briefing paper explicitly moves from the Hayekian view that socio-economic systems should be understood as 'complex' phenomena that cannot effectively be controlled or managed through central planning. In general, markets and other decentralised governance mechanisms that rely on competition and signalling are better placed to facilitate adaptation to complex conditions.

Pandemics such COVID-19 are complex systems that interact in often unpredictable ways with socio-economic processes. Complex features include:

- Complexities about the virus itself (e.g. uncertainty about context-specific factors that may affect infection rates, uncertainty about herd immunity, risks that attempt to suppress the virus may lead to a stronger second wave).

- Complexities about how different populations with different social attitudes and belief systems may respond to policy measures or other developments affecting the spread of the virus (e.g. people may take less precaution if they expect a vaccine to be around the corner).

- Complexities about managing the virus response with other margins relating to health or to other socio-economic objectives.

The scope for policy learning is arguably very limited. Although different countries have been experimenting with rather different strategies to control the virus (a good thing in a Hayekian perspective), what works in a country is not necessarily transferable to another country with different culture, geography, economy, etc. So **while markets may not be able to coordinate an effective pandemic response, policy-makers may also lack the knowledge to select policy interventions that can best address the health and economic dimensions of the pandemic at tolerable costs**.

The paper's overall recommendations in term of economic policy are the following:

- **The most effective and multipurpose 'insurance policy' against future societal risks is to sustain robust levels of economic growth**, which may provide a resilience against risks from multiple directions.

- **Trends toward a more interventionist role of the state in transformational economic policy (e.g. various industrial policies, green 'new deals' and targeted protectionism) should be resisted** as they lack a systemic mechanism to distinguish between good and bad decisions. They would permanently recreate the informational challenges that politicians face in choosing how to respond to the pandemic.

- Overall **while government action may be necessary in an emergency it should not continue to substitute for markets when the emergency has passed** and attempts to plan economic activity shouldn't became the norm in the post-pandemic age.

Centre for London – A recovery plan for the West End, (03/09/2020)

This Centre for London report looks at the dramatic impact of the COVID-19 pandemic on London's West End and on what policy responses could be brought to bear to ensure a quicker recovery from the pandemic.

In terms of impacts, the report highlights the evidence that points to **a deeper and more protracted impact of the pandemic on central London**. This includes evidence on differential trends in retail and food sales activities across different parts of London, the dominance of central London in terms of foreign visitor expenditure (the Cities of London and Westminster and Kensington and Chelsea account for 40% of the UK's total) and the concentration of jobs in the heavily-hit hospitality, arts and retail sectors in central London.

The report (which was published before the recent re-tightening of social distancing restrictions) goes on to make the following recommendations for local and central government and for business:

- Central London boroughs should continue to **expand opportunities for businesses to operate outdoors** (e.g. through the timed closures of roads, temporary replacement of parking spaces and sympathetic attitudes towards shelter structures).

- Landowners and Business Improvement Districts should **manage deliveries** (e.g. through consolidation and time limits) **to limit disruption to businesses, visitors and residents across the West End**.

- Transport for London, in collaboration with the government and Public Health England, should **explore whether public transport could operate at a higher capacity without increasing virus transmission**.

- The Mayor and the boroughs should **develop a business case for expanding the availability of bikes, e-bikes and e-scooters for hire** in outer London and parts of inner London that are currently underserved, with the Government providing financial support.

- Landowners, with support from the Mayor and boroughs, should stage **weekly 'London fringe' events across the West End's streets**, to create new spaces for outdoor performances that respect physical distancing rules.

- The government should introduce **culture vouchers** to incentivise visits once indoor performances reopen.

- London & Partners, with support from VisitBritain, should **help London's cultural institutions reach international audiences, and prepare a campaign to showcase London's offer to international visitors**.

- Boroughs, BIDs and landowners should make **a concerted effort to make use of the West End's vacant spaces** (e.g. tracking and publicising opportunities to occupy affordable commercial space).

- The Government should offer **'enterprise-zone' style incentives to attract new business to the West End**. This could include lower business rates, and capital allowances on office refurbishments.

Cooper, B. – Cultured Communities: The crisis in local funding for arts and culture (August 2020)

The report from the Fabian society for the City of London Corporation presents new research on the cuts to local government funding of arts and culture between 2009-10 and 2018-19 and at the role of spending by Arts Council England over the same period. It also reviews the importance of arts and culture for local areas to boost recovery after COVID-19.

The report's findings point to a **situation of fragility for the arts and culture sector prior to the COVID-19 hit**.

- Councils are the largest overall funder of arts and culture in England, but between 2009/10 and 2018/19: More than £860m in real terms was cut from annual council spending in this area – a reduction of £18.66 per person. Local spending is now 38.5 per cent lower, at just under £1.4bn per year.

- Cuts were proportionately worse in the West Midlands (44.6 per cent), East of England (41.5 per cent), North East (39.6 per cent) while London had the smallest percentage cut (38.6 per cent).

- Every English region saw a cut of at least £15 per person. London's per person cut was highest, at just under £22, but spending was much higher to begin with and remains higher.

- Cuts in councils in London and in those classified as 'core city' also experienced the largest per person cut (from a higher baseline) compared to councils classified as medium towns or smaller.

- Some 41.4 per cent of the Arts Council England funding for large, established organisations was assigned to organisations based in London in 2018-2022.This is equal to £74.30 per person in the capital, compared to £19.93 in the rest of England.

The authors go on to argue that **"arts and culture must be at the heart of a post-COVID-19 recovery plan to 'build back better' and level up the country"** and recommend that:

- Central government should devolve responsibility for the final £258m worth of arts and culture grants to local government working in partnership with Arts Council England.

- Central government should provide a five-year funding settlement for local government, plus an additional £500m arts future resilience fund.

- Councils should purchase empty high street premises to place culture at their heart.

- Central government should require Arts Council England to distribute National Lottery funding on an equal basis across the country.

- Central government should reform UK City of Culture, provide additional funding and learn from London Borough of Culture.

- Councils should commit to a charter for effective local government support for arts and culture.

- Councils should reform the way they commission services, to ensure that arts and culture organisations can help them achieve better outcomes, especially in public health.

Child Poverty Action Group and The Church of England - The impact of coronavirus on low-income families and children (August 2020)

This report, looking at the **experiences of low-income families as a result of the pandemic and lockdown**, is based on a relatively small online survey of parents across England and more in-depth interviews with some parents between May and August.

- The challenges arising from coronavirus, with changes in employment, childcare, schooling and balancing work and home responsibilities have been particularly acute for low income families and lone parents expect this to be even more difficult than usual over the coming months.

- Around 8 in 10 responding families had seen a deterioration in living standards, with increased costs on essentials and some increased family size with older children returning or older relatives moving in. More than three-quarters of respondents said that the coronavirus has affected their ability to pay for food and utilities, and around half said it has affected their ability to pay for housing and child-related costs.

- Non-financial impacts were also widespread, with nearly half of parents reporting physical or mental health problems, often due to stress, loneliness and poor living conditions, while children, particularly teenagers and young adults were also affected. Parents were concerned about disruption to schoolwork and struggling with online learning due to inadequate technology.

- Access to financial support through the benefit system proved difficult for some, with the benefit cap being applied where earnings fell below the threshold and long waits for first payments, but the uplift to Universal Credit and Working Tax Credits was positive and those receiving free school meal vouchers valued them highly.

- Knowing where to find help and advice on claiming benefits and local welfare assistance were highlighted as being barriers to accessing available support.

- Financial support from friends and family had helped some families, but not all had this option.

Based on what families said about the support they would value most at this time, the report recommends:

- **Child benefit should be increased by at least £10 a week and an extra £10 a week should be added to the child element within universal credit and child tax credits.**

- **Free school meals should be extended to all families who are in receipt of universal credit or tax credits**, with a view to introducing universal FSM for all children in the longer term.

- **The benefit cap should be abolished, or at least suspended for the duration of the pandemic**.

Without a radical change in policy direction, the prospects for many families are likely to deteriorate further through the remainder of this year, as unemployment rises and the support provided by the Job Retention Scheme is phased out and replaced by a much less generous social security system for those who lose their jobs or businesses.

For more information please contact City Intelligence
Greater London Authority, City Hall, The Queen's Walk, More London, London SE1 2AA
Tel: 020 7983 4000 e-mail: intelligence@london.gov.uk