CITY INTELLIGENCE

COVID-19 summary of external research

30 November 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 the latest macroeconomic scenarios for the UK economy. It also summarises selected papers and policy reports from the last few weeks.

2 Update on macroeconomic scenarios

Since April, GLA Economics have been analysing regularly the available literature on London and UK macroeconomic scenarios. The goal is to support the development of in-house London macroeconomic scenarios as well as inform other GLA teams about the economic outlook in the current unprecedented crisis. We have provided periodic updates on external economic scenarios and forecasts in several newsletter issues (see Research Update 3, 6 and 12). In this issue, we are summarising the updates produced by the most relevant external institutions since September.

Overall, recent economic forecasts have slightly worsened compared with the summer. The UK's real GDP is now projected to fall by roughly 10% to 11% this year and to grow by between 5% and 7% in 2021. The second wave of COVID-19 cases in the country since the end of the summer and the consequent further restrictions to control its spread are the main factors behind this correction. **The peak unemployment rate in 2021 is projected to be in the 7% to 8% range in central scenarios.** Failure to reach a trade agreement with the EU from January 2021 is a large downside risk to these projections.

The few recent external forecasts that are available for London seem to project GVA impact of a similar magnitude (if slightly smaller) to the UK GDP impact. GLA Economics is currently reassessing its macroeconomic scenarios for London (which were last released in September) so an updated version of this work will be available in December.

Summary of recent forecasts and scenarios for the UK economy

OBR – Economic and fiscal outlook (November 2020)

On 25 November, the OBR released a new update of its medium-term economic and fiscal forecasts for the UK. This release follows the publication on 14 July. The OBR analysis does not attempt to predict the UK's economic outlook in the current uncertain times but to shed some light on some of the potential economic and fiscal effects under three plausible long-term macroeconomic scenarios: a central scenario, a downside scenario, and an upside scenario.

- **UK real output in 2020 is now expected to fall by a historic 11.3% in the central scenario**, 0.9 percentage points less than the OBR´s forecast in July. This revision relies on "the recent resurgence of infections and the reimposition of further national restrictions to control its spread". **In 2021 and 2022, real GDP growth rate is now estimated at 5.5% and 6.6%, respectively,** indicating that economic recovery will also be slower than expected by the OBR in the summer. In this central scenario, restrictive public health measures need to be kept in place until next spring and vaccines are rolled out slowly, leading to a slower return to pre-virus levels of activity at the end of 2022.
- **In the upside scenario, output eventually returns to its pre-virus trajectory late next year** under the assumption that current lockdown succeeds in bringing the second wave of infections under control and the rollout of effective vaccines is rapid. **In the downside scenario, output is left permanently scarred by the pandemic** by 6.0% below pre-crisis levels at the end of the forecasting period, under the assumption of an extended lockdown and vaccines prove ineffective in keeping the virus in check. In this scenario, a third wave of infections next winter is also assumed - whose impact is roughly half that of the present wave.
- All three scenarios assume a smooth transition to a free-trade agreement with the EU in the new year. But the possible outcome of **Brexit negotiations ending up without a deal would further reduce output by 2.0% next year** and by 1.5% – on average – over the forecast horizon.
- Focusing on the labour market, the UK's **unemployment rate peaks next year to 7.5%** in the central scenario but could reach 11.0% in the downside scenario, before starting to go down. The presence of the Government's support schemes, especially the CJRS, has avoided a further increase in unemployment.
- As a result of the unprecedented economic shock and the corresponding Government response, **public sector net borrowing is expected to reach 19.0% of GDP** in the current fiscal period 2020-21 (£393.5 billion). This represents the highest level of borrowing ever recorded in the UK. Based on the recent announcements by the Chancellor, borrowing will be very high by historic standards next year as well (7.4% of GDP) before starting to gradually reduce. Those figures are for the central scenario which also sees **public sector net debt rising by £473 billion in 2020-21**, taking it above 100% of GDP for the first time since 1960-61.

Bank of England, Monetary Policy Report (November 2020)

On 5 November, the Bank of England (BoE) updated its analysis of potential effects of the COVID-19 outbreak on the UK economy up to year 2023. Like the previous analyses published in May and August, the latest Monetary Policy Report does not attempt to predict the UK's economic outlook in the current uncertain times but it sheds some light (and projections) on some of the potential macroeconomic effects. The key assumptions in this latest scenario are as follows:

- There are signs that UK consumer spending has softened across a range of high-frequency indicators in the last quarter of the year, while investment intentions have remained weak. For this reason, real GDP is assumed to decline in Q4 compared with Q3.
- The direct impact of COVID-19 on the UK economy dissipates gradually over the forecast period, although risks are skewed to the downside and uncertainty on the projections is unusually high.
- As uncertainty reduces over time, the economy recovers led by spending. The recovery in activity is also being supported by the current fiscal and monetary policy actions.
- However, in the near term, activity is dampened by Covid developments and temporarily lower trade as businesses adjust to new arrangements with the EU. November projections still assume there is an immediate but orderly move to a comprehensive free trade agreement with the EU on 1 January 2021.
- There is some long-lasting scarring of the economy's supply capacity as the current crisis is affecting sectors of the economy differently. Some consumer spending patterns have changed which implies changes in the pattern of production in the economy and, eventually, a potential reallocation of labour and capital between sectors.

On the basis of these assumptions:

- **The UK's real GDP is projected to drop by 11.0% in 2020 (down from a previous forecast of -9.5% in August) and then rise by 7.3% and 6.3% in 2021 and 2022, respectively.** The recovery in GDP in 2021 is accounted for mainly by household consumption. Business investment will remain weak until 2022 and net trade will not contribute at all to GDP in the medium-term.
- As a result, real GDP does not exceed its level in 2019 Q4 until 2022.
- **Employment is projected to drop less than GDP this year but recovery will be slower as well. The UK unemployment rate will reach its peak next year at 6.8% before starting to recover.**
- The medium-term outlook for productivity is mixed. While there might be some boost due to relatively low productive industries being more hit by Covid than sectors with high productivity, low investment and remote working will likely drag overall productivity down.

Regardless of these projections, the outlook for the economy remains unusually uncertain. "It depends on the evolution of the pandemic and measures taken to protect public health, as well as the nature of, and transition to, the new trading arrangements between the European Union and the United Kingdom. It also depends on the responses of households, businesses and financial markets to these developments."

IMF – World Economic Outlook: A Long and Difficult Ascent (October 2020)

- The latest World Economic Outlook by the International Monetary Fund (IMF) provides global and UK-level forecasts for a central scenario for 2020 and 2021. The report considered the risk and potential implications of a second wave of infections in Europe. It therefore assumed the possibility of renewed lockdowns for particular zones, albeit it did not foresee more stringent nationwide lockdowns of the kind that were in fact introduced in England and elsewhere.
- The following assumptions are made in this central scenario:
    - The sharp summer rebound in activity faces strong downside risks such as the second wave of COVID-19 infections, Brexit-related uncertainty, rising unemployment, and stress on corporate balance sheets.
    - Social distancing continues into 2021 but subsequently fades over time as vaccine coverage expands and therapies improve.
    - Local transmission is brought to low levels everywhere by the end of 2022.

- Economies experience scarring from the depth of the recession and the need for structural change, with persistent effects on potential output.
- The UK reaches a transitional arrangement with the EU. A failure of this agreement would result in trade barriers between them rising significantly, which would increase business costs and could disrupt long-standing cross-border production arrangements.
- The unprecedented and coordinated package of fiscal and monetary measures has supported incomes, kept unemployment down, and curbed bankruptcies so far.
- Fiscal projections are based on the UK's Budget Statement 2020 and revised estimates by the Office for Budget Responsibility in July 2020.

- These assumptions result in an estimated **-9.8% drop in the UK's real GDP in 2020 followed by a 5.9% increase in 2021** (compared to -4.4% in 2020 and 5.2% in 2021 globally).
- Two alternative global scenarios (downside and upside) were considered as well. A downside scenario could reduce 2020 growth by 0.75 percentage points, while the two scenarios produced a range of -3 to + 1 percentage points in 2021.

NIESR – Prospects for the UK Economy (November 2020)

- This paper by the National Institute of Economic and Social Research (NIESR) provides UK-level forecasts for 2021 to 2025.
- The following assumptions are made in the scenario:
  - There are no new national lockdowns on the scale of that seen in April.
  - A vaccine becomes available at some point around the middle of 2021.
- The downward revision to their forecasts partially reflects the new assumption that an EU trade agreement involves significantly less integration with the EU than current arrangements.
- This results in an estimated **-10.5% drop in GDP in 2020 followed by a +5.9% increase in 2021, with the Q4 2019 peak reached again in 2023**.
- There are also downside risks posed by the end of the Brexit transition period and the prospect of a No Deal Brexit. This is likely to broaden the shock to growth and employment in Q1 2021, weakening the UK's recovery compared with other countries and reducing long-run productivity.

KPMG – UK Economic Outlook (November 2020)

- These forecasts for the UK include potential effects of the second national lockdown in England.
- Main assumptions for the central scenario:
  - A vaccine is approved by early January 2021 and rolled out over the following four months, with the lifting of all social distancing restrictions from late spring bringing a particular boost to consumer-facing and travel sectors.
  - Brexit deal is expected in the main scenario, but UK borders are likely to experience some frictions during at least part of next year, making the trade in goods less smooth.
  - The November lockdown in England to cause GDP to fall again in Q4.
  - The extension of the furlough scheme in November has potentially forestalled a sharp increase in unemployment in the final quarter of 2020.
  - Changes to VAT and a stronger global economic backdrop could see inflation pick up next year.
  - Interest rates not expected to rise before late 2022.
- Under these assumptions, real output in the UK will not reach pre-Covid levels before the end of 2022. **UK GDP growth this year is estimated at -11.2%, 7.2% in 2021 and 4.9% in 2022.** Recovery will be led by consumer spending and hampered by rising unemployment, subdued investment and potentially weaker pay growth.

- **The rate of unemployment is to rise only gradually while the furlough scheme is in place and reach 6% in December**. **The peak will be reached around May next year at 7.8%.**
- Consumer-facing activities and travel sectors will be the most hit industries this year. In parallel, sectors that trade heavily with the EU are likely to feel the impact of Brexit from early next year, slowing the pace of recovery. Changes on consumers' behaviour and ways of working might have additional effects.

OECD – Economic Outlook Interim Report (September 2020)

- Provide global and UK-level forecasts for a central scenario for 2020 and 2021.
- The scenario assumes sporadic local outbreaks will continue, with these being addressed by targeted local interventions rather than national lockdowns. A vaccination isn't assumed to be widely available until late 2021.
- This results in an estimated **-10.1% drop in UK GDP in 2020 followed by 7.6% increase in 2021** (compared to -4.5% in 2020 and 5.0% in 2021 globally). The level of output at the end of 2021 is projected to be approximately 5.5% below that projected at the end of 2019.
- The global outlook, including the UK, remains highly uncertain. Growth prospects depend on many factors, including the magnitude and duration of new outbreaks, the degree to which current containment measures are maintained or reinforced and feed through to confidence, the time until an effective treatment or vaccine is deployed, and the extent to which significant fiscal and monetary policy actions support demand. They consider two alternative global scenarios:
    - Upside scenario: faster progress in preventing the spread in the virus would boost the confidence of consumer and companies to spend and invest.
    - Downside scenario: stronger and more persistent effects from the virus would weigh on confidence, heighten uncertainty and tighten global financial conditions, until a vaccine becomes available in early 2022.

3 COVID-19 external research

Giannitsarou, C. & Toxvaerd, F. - The pound-of-flesh fallacy: do lockdowns simply postpone the pain of Covid-19? (03/11/2020)

This Economic Observatory briefing concludes that "there is a common belief that whatever measures are taken to reduce the spread of coronavirus, they are unlikely to reduce the ultimate death toll. But **well-designed protective policies could save many lives, as well as buying time for pharmaceutical innovations to counter Covid-19**".

Undertaking simulated modelling of the pandemic calibrated to the US population the author notes that:

- Optimal suppression has two distinct effects on the path of infection:
    - It lowers peak prevalence substantially, an effect popularly referred to as 'flattening the curve'.
    - It shifts the entire disease path into the future, thereby postponing the peak of the epidemic. This may slightly increase the peak of the second wave relative to the do-nothing scenario.
- But crucially, these two effects do not cancel each other out. The simulation shows that:
    - After six years the disease settles on an endemic steady state, whether it is suppressed or not. Under the laissez-faire strategy, a total of 9.6 million people would have died from the disease in the US.

    - Under optimal suppression, a total of 8.2 million people would have died. In other words, a correctly designed suppression policy would save 1.4 million lives in six years from the start of the epidemic.
- The paper also observes that there are potentially other reasons why it may be good policy to suppress disease spread aggressively in the early stages of the epidemic, which fall under the category of *buying time* to increase hospital capacity, develop a vaccine etc.

Covid Economics (Etheridge, Tan and Wang) – Worker productivity during lockdown and working from home: Evidence from self-reports (15/10/2020)

This Covid Economics paper examines self-reported productivity of UK home workers during lockdown from the UK Household Longitudinal Survey (UKHLS). It finds that **on average, workers report being as productive as at the beginning of the year, before the pandemic**. **However**, **productivity varies substantially across socioeconomic groups, industries and occupations**:

- Workers in industries and occupations characterised as being suitable for home work according to objective measures report higher productivity on average.
- Workers who have increased their intensity of working from home substantially report productivity increases, while those who previously always worked from home report productivity declines.
- Notable groups suffering the worst average declines in productivity include women and those in low-paying jobs.

They also find **strong correlations between workers' mental wellbeing and productivity changes**: those who state they get much less done at home report declines in wellbeing comparable to the effect of an unemployment shock.

McMahon, M. & Coyle, D. - Why is it hard to compare the economic costs of lockdown across countries?

This paper looks at UK GDP performance during the pandemic and highlights that **different measure of GDP loss can affect international comparisons**. Specifically:

- The fall in UK GDP in Q2 2020 was (at 20.4%) the largest across major economies, almost twice as large as those suffered by Germany and the United States. However, timing of implementation of lockdown measures had a big impact on the measured quarterly fall in GDP in Q2.
- Looking at the underlying level of GDP across Q1 and Q2 (which they argue is a better measure) Spain appears to have suffered more, although the UK has still suffered a very large economic cost by international standards.
- Another measure of economic impact would be to examine GDP outcomes with expected growth prior to the pandemic. Using the IMF's pre-pandemic forecasts and seeing how GDP growth deviated from it the deviation in UK GDP from its expected path is among the largest – again, second only to Spain.

Other provisos to international comparisons include differing ways of measuring the contribution of public services to GDP in different countries and the difficulty in measuring total economic activity. Nevertheless, **the UK has suffered a very large economic cost due to COVID-19 in comparison with many other countries**. Possible explanations are:

- **Social consumption constitutes around a third of overall consumption in the UK**. Hence economic activity in the UK was perhaps particularly vulnerable to the introduction of public health restrictions compared with other advanced economies.

- **Economic activity in the UK is not weighted towards sectors that are more resilient to (or even directly benefit from) a pandemic**. This contrasts with Ireland, which initially saw overall growth in total industrial output at the outset of the pandemic because of the contribution from its large pharmaceuticals and medical equipment production sectors.
- **Countries exposure to other countries and their response to the pandemic through trade has increased exposure for the UK**, where international trade in services is an important part of the economy.
- **Countries like the UK that originally delayed introduction of restrictive measures ended up suffering higher economic costs** (as well as higher mortality rates) as more severe measures eventually had to be introduced and confidence among businesses and consumers takes longer to return.

Sparks, L. - How is coronavirus affecting the UK's retail sector? (03/11/2020)

This Economics Observatory Briefing notes that **the impact of the pandemic on Retail has been large but not uniform and may have accelerated changes already happening**. Specific findings are:

- "Food retailing saw a massive increase in demand immediately before and during lockdown, and sales rocketed in this early period. Some of this increase was a transference of sales from the closed food service and hospitality sectors, as people were working and eating mainly at home".
- This contrasts with non-food/non-essential retailing, which was essentially closed apart from online sales during the first lockdown.
- However, "even with food retailing, different locations and types of operation had different experiences. Local stores and local convenience retailers (often independents and cooperatives) did very well as travel restrictions under lockdown encouraged local dependency and a sense of community. Stores in city centres where visitors and workers were absent were much more badly affected".
- Looking forward the author thinks **the pandemic has expanded two existing trends**:
  - The **growth of internet retailing**, which was marked during the pandemic and reinforced a shift already underway.
  - The **weakening profitability of retailing from large units in city and town centres**. Visitor and commuter numbers to many cities and larger towns have fallen and out-of-town retail centres have been perceived as easier and possibly safer to access.
- The paper notes other less visible impacts including that local stores (especially in food), have maintained their pandemic gains.
- It also notes that food insecurity became a bigger problem during the pandemic and that some disadvantages may have been extended or expanded by the response to the pandemic (e.g. the elderly may have been affected through the replacement of cash by contactless card payments in many stores, while disabled groups feel that retailers and councils have not considered their needs within the new operating restrictions for shops and towns.

Institute of Fiscal Studies - Spending and saving during the COVID-19 crisis: evidence from bank account data (October 2020)

This analysis uses anonymised user data in real time to build a detailed picture of their spending patterns and financial balances from before the crisis to the end of September. The focus is the potential effect of case rates on spending.

- The recovery in consumer spending following the easing of lockdown restrictions has been very partial. Since the end of July, spending has stalled at around 90% of the level we would have expected in the absence of the pandemic.
- Local areas with low case counts have not recovered discernibly differently from those with high case counts.
- While the fall in total spending has yet to be unwound, changes in the composition of spending that we saw during lockdown have also proved persistent thus far. As an example, **spending on groceries rose during lockdown and remains higher than in 2019; the opposite is true for spending on restaurants, pubs, holidays and transport**, in which the recovery after reopening stalled at around the end of July.
- There has been a persistent shift in shopping and payment habits during the crisis, away from cash and towards online-only merchants.
- **'Forced saving'** – declines in spending on goods and services that were substantially affected or shut down by lockdown – **has been significant across the income distribution, but greater for higher-income households.** Higher income groups appear to have accumulated more savings than in previous years during the crisis. In contrast, the poorest fifth have seen an average £170 per month decline in their bank balances between March and September relative to what we would expect in normal times. This is likely to reflect both lower saving and higher debt.

Resolution Foundation - Caught in a (Covid) trap (15/11/20)

Drawing on a survey conducted in September, this report looks at how family finances – incomes, savings and spending - of working age adults have been affected by the first lockdown and into the reopening over the summer.

- While pressures on incomes eased for some following the initial lockdown, **nearly a quarter of adults reported lower income during the reopening than in February**.
- More than 80% of those with lower incomes during the reopening had already seen incomes fall during the lockdown, so reductions in living standards were persisting.
- While government actions had offered some protection from the sharpest income falls, more than 40% of adults in families making new benefit claims since February saw their incomes fall by more than a quarter.
- Despite a weak recovery in spending during reopening, **25% of adults spent less in September than in February, increasingly from necessity rather than lack of opportunity**.
- **Serious financial stress is building with more than half of families in the lowest income quintile borrowing to pay for essentials such as food and housing**.
- Nearly a third of adults with reduced income for several months said they could not afford basic items such as fresh fruit or vegetables or to turn on heating.

Turn2Us - Weathering the storm: How coronavirus is eroding financial resilience (23/11/20)

This report acknowledges the **impact of the first wave of the pandemic in the UK with certain groups seeing their income and livelihoods affected more than others, including women, single parents, younger people and people from ethnic minorities**. Many people have used up savings and had to turn to alternative means of support, including falling into debt. Looking ahead to consider financial resilience during the second wave, a survey and supplementary interviews in September found:

- More than one in five people have insufficient income to meet their out goings regularly – up 4.2 million since March.

- More than 8 million UK workers would only be able to cope financially for less than a month if they lost their main source of income.
- 34% have had to use some form of debt to get by since March with 12% missing a bill or debt repayment.
- Half of all those furloughed have fallen into debt, but financial resilience does not affect all groups equally.

The report includes recommendations to:

- Maintain the £20 per week uplift to Universal Credit
- End the five-week wait for Universal Credit
- Increase funding and guidance for Local Welfare Assistance schemes
- Increase support for children through the benefits system
- Increase support for people with disabilities and apply the £20 uplift to legacy benefits

Ben Rogers - London's existential year (02/11/2020)

In this Blog, Centre for London Director Ben Rogers reflects on the way in which **2020 has represented an end of an era for London**.

Since the late 1980s a combination of economic and institutional factors allowed London to take advantage of major shifts such as globalisation, market liberalisation, the digital revolution start a 30-years cycle of growth and increasing dominance of the national economy.

At the same time London increasingly suffered from "global city issues" such as rising house prices, worsening congestion and air pollution and entrenched inequalities. New challenges also emerged, such as the imperative of tackling climate change and the anti-London feelings that have characterised politics in recent years.

This year **the pandemic has had profound effects**:

- **It has highlighted pre-existing inequalities**, especially through its differential impacts across different ethnicities and types of workers (the generally better-paid knowledge workers being able to work from home, the lower-paid workers in sectors such as hospitality losing pay and income).
- **It has upended essential parts of London's business model**, with the centre of the city, the hospitality and culture sectors and TfL finances suffering from a lack of tourists and commuters.

There are opportunities as well as challenges in these shifts (such as a move to a greener and more efficient city) but in the short-term challenges such as the rise in unemployment (which appears to have been quicker in London than elsewhere in the UK) are going to dominate. Compared to other global cities, London also faces unique challenges in relation to Brexit and an apparent stalling of devolution.

The strategic choices faced by London are explored in the London at a crossroads report – the first report from London Futures, the Centre for London's "once-in-a-generation" strategic review of the capital.

EHRC - How coronavirus has affected equality and human rights (20/10/20)

This report summarises evidence on the effects of the pandemic on different groups in society, highlighting potential long-term risks to equality and human rights covering key issues in the areas of **work, poverty, education, social care, justice and personal security**. Some groups are affected more than others in various ways, but the full cost to society won't be known for some time, so this report provides a snapshot of the emerging impacts. Impacts have been unequal, entrenching existing inequalities and widening others with:

- **The immediate labour market impact of greater underemployment rather than unemployment, contributing to a drop in living standards and rising poverty** particularly affecting those already closest to the poverty line, including young people, ethnic minorities and disabled people.
- **Disruptions to education threatening previous gains in attainment levels with differences in support for remote learning threatening to widen inequalities** for boys, Black pupils, Gypsy, Roma and Traveller pupils and those who are socio-economically disadvantaged.
- **Older people, ethnic minorities and disabled people disproportionately impacted** while an increased need for social care has threatened the financial resilience of the sector, leading to increased reliance on unpaid carers.
- A **rise in reports of domestic abuse** leading to concerns about the ability of survivors to access justice with COVID-19 control measures threatening to undermine effective participation.
- **Overall there is clear evidence of a negative change to progress on equality and human rights**, but there is insufficient evidence in some areas, such as religious disparities and LGBT experiences.

4 COVID-19 external policy recommendations

Policy Exchange – Monetary policy response to the coronavirus crisis (November 2020)

This paper focuses on how central banks have responded to the Covid crisis, the actions that they took and the limits that they confront in the current environment.

- **There has been a huge monetary response to the economic consequences of the Covid shock.** Central banks have hugely expanded their balance sheets through further Quantitative Easing (QE), cut interest rates even lower, and there are arguments about the potential case for negative nominal interest rates.
- **These measures successfully stabilised market liquidity and have been reflected in much higher financial market asset valuations** (an "equity price boom"). Bond yields and the costs of servicing public sector debt in the US, UK and other advanced economies have fallen. Credit spreads have been compressed as well.
- **Conversely, the likelihood of insolvency for private firms has increased.** The combination of very low interest rates globally and in the UK and other public sector support has increased the number of zombie businesses that would normally close but are able to struggle on, with little scope for innovation and development.
- **Yet, monetary policy was already at the limit of what it could achieve** in terms of stimulating economies in the event of a shock before the Covid crisis and its limits remain clear. In this context, the debate about raising central banks' inflation targets is another reflection of the ineffectiveness of monetary policy.
- The OECD recognises the limits of monetary policy and advocates use of fiscal policies and structural reform to improve growth. **In some economies such as the UK there is much less scope for further structural reform** given that so much has been undertaken over the last 40 years, particularly in relation to labour markets.
- **The UK should explore opportunities to lock in the present historically very low rates of interest on its public debt by extending the maturity and duration of its debt**.

- Besides, the UK should use the status and history of London as the world's first major international financial centre and the position of the UK as a world leader on financial policymaking to have some influence on prominent international stages such as the IMF, Davos and Jackson Hole.

Resolution Foundation - The Bank of England's options for supporting the economy (November 2020)

This report discusses what recent changes to how US policy makers approach setting interest rates might tell us about what additional support the Bank of England could provide in the face of a second national lockdown.

- At the end of August the US Federal Reserve introduced a 'flexible average inflation target', i.e. one that would be raised temporarily after recessions to avoid periods of low inflation from becoming entrenched in inflation expectations, which in turn could lead to prolonged periods of low growth.
- Furthermore, the Fed will respond to employment 'shortfalls' by keeping policy loose, but will not tighten policy proportionately when the employment rate is high.
- The Authors' view is that these substantive changes to the Fed's mandate are not things that the UK and the Bank of England should copy in the current crisis.
- What has hampered the Bank of England is, largely, not an inadequacy in the target but the inability to provide a significant boost to the economy due to external factors and the floor in interest rates, none of which would be changed by a flexible inflation target.
- According to the authors, **the most promising short-term reform in the UK is to change the way that monetary and fiscal tools are coordinated**. Conventional fiscal instruments need to be used more consciously in support of the macro economy. This begs the question of what the Bank of England does in the meantime.
- **One possibility is for the Bank to advise the Chancellor about the size of the fiscal stimulus while their own instruments are constrained,** leaving political decisions about its precise design, and ultimate say-so over whether it goes ahead or not, in the hands of government.

Centre for Economic Performance: Jobs for a Strong and Sustainable Recovery from Covid-19 (October 2020)

This paper draws attention to a range of low carbon investments which the UK should place at the heart of its recovery plan. The authors argue that **a portfolio of 'net-zero-aligned' investments could create jobs across the UK in the short run and boost innovation capacity in the medium-to-long run**.

- Highlighted investments include energy efficiency in buildings, natural capital projects, active travel equipment and infrastructure, renewable power generation and distribution, electric vehicle production and infrastructure, carbon capture utilisation and storage, and hydrogen production.
- In exploring the geography of net-zero-aligned investments, the authors suggest a balanced mix of job opportunities in regions across the UK. **London stands out in relation to its high rate of road casualties per cyclist, suggesting an opportunity for (further) investments in cycling infrastructure.**
- The authors draw attention to a wide range of evidence from ex-post studies of previous projects and ex-ante estimates of potential job creation. They call for policymakers to use this evidence to inform recovery strategies and to ensure robust monitoring and evaluation of future projects.
- They also argue for **net-zero-aligned investments to be accompanied by targeted re-skilling for those displaced in the current crisis as well as by ongoing technological change and zero-carbon transition**.

Royal Society of Arts: Work and automation in the time of Covid-19 (October 2020)

This paper – part of the RSA Future Work Programme – develops **a 'risk register' to explore the potential impacts of the COVID-19 pandemic and developments in automation on the UK labour market.** It draws attention to groups of workers most vulnerable to these different forces.

- The authors identify three arguments that the pandemic will accelerate the pace of technological change. These relate to public health, consumer preferences and labour costs in the pandemic.
- Based on furlough take-up rates and ONS research on automation, the authors find that many (but not all) of the industries impacted by the pandemic also have a high probability of automation.
- A segmentation analysis reveals that men, young people (under 30), the lower paid and lower educated are more likely to be found in jobs 'at risk' from both COVID-19 and automation trends (e.g. working in hospitality, sports and recreation and parts of manufacturing and construction).
- The **report calls for targeted support to protect jobs impacted by COVID-19, upskilling to futureproof workers vulnerable to automation, and transition services to redeploy the most at-risk workers**.

Learning & Work Institute - Crisis in the Capital 27/10/2020

The full report from this Learning and Work Institute survey have now been published, updating preliminary findings published in July. The findings showed that even prior to the pandemic, many Londoners were struggling to get by. The crisis has hit low paid workers in London hardest, with many seeing further reduction in their income, both through furlough and becoming unemployed, leading to increased financial pressure, need for support and concern about future job opportunities. While the Job Retention Scheme has no doubt reduced the potential impact, this report sets out recommendations for central government, the Mayor and the London Boroughs across four key areas:

- Central and local government should work together to **invest in jobs creation**, with a focus on jobs-rich and socially useful sectors, including social care, childcare, housing and green jobs. London local government should take the lead in making Kickstart a success, by driving up the number of placements, focusing on improving quality of placements, and providing support for young people who are not kept on after their placement;
- Any post-pandemic **employment support programme should be substantially devolved** to the capital, and focused not just on tackling unemployment, but supporting entry into good jobs, and supporting progression;
- Central and local government should **ramp-up retraining support** to help Londoners to upskill and re-train for the jobs that will be available with government extending the lifetime skills guarantee and improving maintenance support. The Mayor of London should ensure there is a clear offer for newly unemployed Londoners, including through new sector-based skills academies;
- Even with all these measures, unemployment in London and across the UK is likely to increase, both in the short and medium term. The Government should **extend the £20 increase to Universal Credit** to at least April 2022, in order to support the incomes of those who lose their jobs.

Carnegie UK Trust - Good Work for Wellbeing in the Coronavirus Economy (28/10/2020)

Working with 18 key external stakeholders across business, trade unions, third sector and labour market experts, the Carnegie UK Trust has drawn together a number of key messages and a series of more than 30 recommendations. These recommendations fall into groups:

- **Supporting jobs and incomes** with a multi year jobs plan, a strengthened labour market safety net and learning and adapting continuously.
- **A renewed focus on good work** putting good work at the heart of the recovery with an update on progress and a new agenda for Good Work, putting disadvantaged workers at the centre of a new good work plan, targeting improvements for social care workers and a new national system for measuring good work.
- **Promoting and incentivising good work** using points of leverage to support employers to deliver good work, assessing potential for conditionality within COVID-19 support packages, procuring for good work, continued employer organisation support for good work and local action.
- **Good work and economic recovery** with a revised Industrial Strategy and understanding how good work supports productivity.
- **Terms of employment** tackling one-sided flexibility and encouraging employers to offer Living Hours.
- **Pay**, delivering on the 2024 minimum wage target, protecting low paid workers' incomes now and equalities pay reporting.
- **Skills and training**, continuing to invest and innovate in supporting skills
- **Health**, with a new approach to health at work
- **Job design and work-life balance**, assessing the impact and implications of the pandemic for remote and flexible working, employer evaluations of flexible working, building good job design across the whole labour market.
- **Voice and Representation** assessing employee consultation during the pandemic, removing barriers to strengthening worker voice, improving consultation guidance, building on approaches to consultation from the pandemic, with a greater role for the Advisory, Conciliation and Arbitration body (Acas)
- **Building the movement for good work** by celebrating good practice and gaining civil society support

IPPR - A family stimulus: Supporting children, families and the economy through the pandemic (26/10/20)

As with reports from other organisations, this notes the position of families struggling to cope financially through the pandemic, while acknowledging the important contributions of the Job Retention Scheme and the Job Support Scheme, but its main contribution is making the case for a "family stimulus" to boost incomes of hard-hit families and investment in childcare.

- **Increasing the child element of Universal Credit** by £20 per child and removing the two-child limit would inject £11 billion into the economy, boosting GDP and lifting **700,000 children out of poverty**.
- **Doubling child benefit** would inject £14 billion into the economy, boosting GDP and lifting **500,000 children out of poverty**, but there may be reasons why this would be a more desirable option.
- Government should **continue to provide funding to childcare providers** at pre-pandemic levels and provide transitional funding to prevent closures and must invest in the sector to create good quality jobs and improve pay and conditions for workers.

Place Alliance - Home comfort during the COVID-19 lockdown (12/10/20)

This is a report by the Place Alliance - a movement campaigning for place quality hosted by UCL. It summarises findings of a national survey of 2,500 households (representing 7,200 people) aimed at learning lessons **for the design of homes and their immediate neighbourhoods in light of the first COVID-19 lockdown and the unprecedented stress it caused**. The key recommendations were as follows:

- **Design of dwelling**
    - All new homes and newly converted homes should have mandated access to private open space, even if just to a balcony.
    - All new and newly converted homes should be built to decent national minimum space standards (e.g. the Nationally Described Space Standards) and in a manner that prioritises good environmental conditions (access to fresh air, daylight and good noise insulation)
    - Space standards should be amended to reflect working from home needs and all new/newly converted homes should provide for comfortable home working.
    - Only build high if consistent with the other recommendations.

- **Design of neighbourhoods**
    - The higher and the density of build, the greater the need for high quality parks and green spaces and local facilities within the neighbourhood.
    - Aspiration for everyone to live within five minutes' walk of a significant green space or park, and never more than 10 minutes.
    - Aspiration for everyone to live within five minutes' walk of a basic range of local facilities and never more than 10 minutes.
    - Homes, facilities, and green spaces should be linked by connected, walkable, and green streets and by high quality walking and cycling infrastructure, wherever possible with low levels of traffic.

- **A more community-focussed city**
    - Shared public and private spaces for safe interaction and play should be built into schemes, as well as convenient access to local amenities and facilities.
    - Social housing should enjoy the same essential amenities as housing for sale or to privately rent.
    - Renters in the private rental market should be given greater security of tenure to help build a stronger sense of community and greater well-being.

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