CITY INTELLIGENCE

COVID-19: Summary of external research

26 June 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 the 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 includes a summary of recent analysis on the UK spatial impact of COVID-19, plus the usual digest of research and analysis and external policy recommendations.

2. Perspectives on the UK Spatial Impact of COVID-19

This section summarises recent analysis on the UK spatial impact of COVID-19, both in terms of the spread of the virus and the longer-term economic and social crisis. This is an update to the summary presented in the 1 May edition of the newsletter.

Analysis continues to show that the crisis is likely to play out unequally across the UK, as well as within regions. **Areas have different levels of vulnerability, in terms of both health impacts and socioeconomic impacts. Therefore, the choice of which impacts to focus on in any analysis is likely to determine which areas are the hardest hit**.

The Institute for Fiscal Studies find that although populations in London are generally at lower risk of severe symptoms from COVID-19, many boroughs will face significant economic and social costs due to their reliance on the worst affected sectors and higher proportion of schoolchildren from disadvantaged families. At the same time in places such as coastal areas, as highlighted by the Resolution foundation, economic vulnerability from reliance on the worst affected sectors goes together with higher health vulnerability from an older population. Overall, the trade-offs and interrelations between health, economic and social dimensions will vary across areas, **highlighting the need for targeted local support alongside the national policy response**.

There are also **differences in how areas are taking up employment support**, which could reflect the variations in health and socio-economic vulnerability. Analysis by GLA Economics shows that London had the highest number of furloughed employments and Self-Employment Income Support Scheme (SEISS) claims across the UK up until May 31. However, London also has the lowest SEISS take-up rate amongst UK regions. Furlough rates also vary differently across the capital, with GLA Economics finding a positive relationship between areas with higher furlough rates and indicators such as claimant count shares, BAME proportions, proportions from an Indian background and barriers to education and housing.

There are also variations in how firms and individuals in different areas are making decisions: for example, Centre for Cities found that people whose jobs have been affected are twice as likely to claim unemployment benefits in Liverpool and Blackpool than in Crawley, despite having access to the same support schemes. This could indicate differences in business confidence and how quickly areas might 'bounce back' after lockdown, as well as **the need to consider how the phasing out of such schemes will affect areas differently**.

Lastly, although levels of worry are high across Britain, **there are regional differences in how lockdown has affected people**: for example, the ONS found that in Scotland and the North East, around half of people though their household finances would remain the same in the next 12 months, whereas people in London and the South East were more pessimistic, with almost half expecting them to worsen.

Institute for Fiscal Studies – The geography of the COVID-19 crisis in England (15/06/2020)

- Analyses which local authorities (LAs) in England are the most vulnerable to the crisis across three dimensions: health (share of vulnerable residents), jobs (share of workers in shut-down sectors) and families (share of children either eligible for free school meals or receiving children's social services).
- Key findings include:
  - **The highest case and death rates have been in urban areas, but the areas most vulnerable across all dimensions are spread across the country and are both urban and rural**. When looking specifically at the health and jobs dimension, coastal towns are notably vulnerable and specifically for health and family, areas in the northern spine of England are notably vulnerable. LAs that appear relatively unaffected across all dimensions are concentrated in the South East and East of England.
  - With many boroughs having relatively high shares of younger, healthier populations, **London is likely to be less vulnerable across the health dimension. However, many London boroughs will face significant economic and social costs**, as shut-down sectors such as hospitality and tourism are important employers and many schoolchildren are from disadvantaged families where home learning is more difficult.
  - **In many cases, neighbouring local authorities look set to have very different experiences.** For example, inner London boroughs have similar health risks, but vary widely in their workers' and families' vulnerability.
  - **There is no one measure of vulnerability that can measure which areas will be hardest hit**: on average areas that are more vulnerable along one dimension are relatively less vulnerable among others. The issue of interrelated vulnerabilities should remain at the forefront of policy making and should consider that the trade-off between dimensions will vary across the country.

Resolution Foundation – Local differences: Responding to the local economic impact of coronavirus (14/06/2020)

- Although job losses and furloughing has been fairly evenly spread at a headline regional level, **increases in unemployment-related benefit claims have been larger in areas that started out with higher claimant rates**.
- **The sectoral impact of the crisis is mostly felt through tourism**, whereas other hard-hit sectors are largely evenly spread across the country. Tourist hotspots face the 'double whammy' of hospitality business closures and reduced demand because of travel restrictions.
- **Seaside towns are most affected by increasing claimant counts:** not only are they most exposed to job losses, but their older populations mean health effects may also be more acute.
- The size and speed of the economic hit necessitates a national and geographically spread policy responses, but **the particular challenge faced by some areas means they will require more resources, and in some cases a more targeted set of policy measures**. For example, a national back-to-work strategy will require significant local capacity.

GLA Economics – Briefing on HMRC's Official Statistics on the furlough and self-employment support schemes (12/06/2020) and Quick briefing on the correlation across London between HMRC's latest furlough estimates and other statistics (18/06/2020)

- **London had 1.07 million furloughed employments up until 31 May - the highest number amongst regions**, accounting for 12% of total UK employment furloughed. West Ham, Tottenham, East Ham, Feltham & Heston and Brent Central were the top five parliamentary constituencies across the UK – all of which are in London.
- **London's high numbers is partly a reflection of its size.** As a proportion of total employment, London makes up a smaller share of constituencies in top 5% (31%) and top 10% (19%). However, Brent Central, Ealing Southall and Feltham & Heston and still the top three across the UK.
- **Furlough rates vary differently across the capital:** for example, the local authority with the highest share (Hounslow – 32%) of workers has double that of the local authority with the lowest (Camden – 16%). There is a positive relationship between furlough rates and a number of indicators such as areas with higher claimant count shares, proportions from BAME and Indian backgrounds and barriers to education and housing. As an example, the chart below illustrates the positive relationship between BAME proportions and furlough rates.
- Take-up rates for the Self-Employment Income Support Scheme (SEISS) ranged from 78% in Sheffield South to 57% in Orkney & Shetland. London has no constituencies in either the top 5% or 10%. However, despite having the lowest take-up rate amongst regions, London had the highest number of SEISS claims.

Figure: BAME proportions (as a % 16-64 proportion of economically active adults) by local authority against furlough rates (as a % of 16-64 in employment)
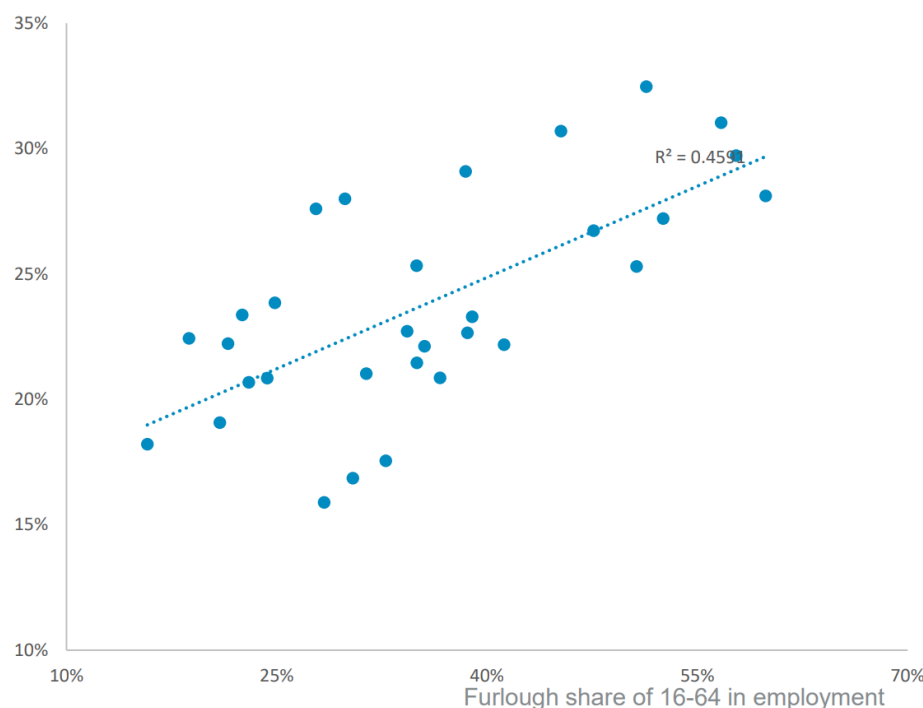
Source: HMRC CJRS Statistics, ONS APS

[Centre for Cities – Where is the Job Retention Scheme keeping jobs on life support? (11/06/2020)](#)

- **There is regional variation in the take up of the Job Retention Scheme, with workers living outside cities accounting for a larger portion of claims.** Three out of 10 workers in Crawley, Burnley and Slough have been furloughed for at least three weeks since the scheme was announced, compared to less than 20% of in university towns and cities such as Exeter, Cardiff, Oxford and Cambridge. There is also variation in the take-up of the Self-employment Income Support Scheme.
- **Firms in different parts of the country are taking different decisions, indicating differences in business confidence and how quickly an area might 'bounce back'**. For example, people whose jobs have been affected are twice as likely to claim unemployment benefits in Liverpool and Blackpool than in Crawley, rather than the support schemes.
- Differences also tell us that **how employment support schemes are phased out will have a different impact in different places** – the Government should use this data to inform the phase out of support and to lay out a recovery plan that is reflective of different area needs.

[ONS – Coronavirus and the social impacts on the countries and regions of Britain: April 2020 (26/05/2020)](#)

- Indicators from the Opinions and Lifestyle Survey to understand the impact of the pandemic across Wales, Scotland and the nine English regions, using four waves of survey results covering April 2020.
- **Levels of worry and concern are high across Britain, but there are differences in how lockdown has affected people across countries and regions**:
  - In London, three out of every five workers said that they worked from home in April 2020 because of the pandemic; this was higher than other countries and regions, with workers in the East of England and East Midlands being least likely to work from home.

- o People in Wales were most likely to have access to a private garden, while people in London had least access, but Londoners compensated by being the most likely to visit a park or public green space, with people in Wales being least likely.
- o People in London had the lowest awareness of the government's Stay at home guidelines in April; awareness was highest in the West Midlands.
- o The most neighbourly area was the South West, where 64% of people checked on their neighbours at least once in April, compared with London at 48%.
- o In Scotland and the North East, around half of people though their household finances would remain the same in the coming 12 months, whereas people in London and the South East were more pessimistic, with almost half (48%) expecting them to worsen.

3. COVID-19 external research and statistics

CMMID COVID-19 working group – Effectiveness of isolation, testing, contact tracing, and physical distancing on reducing transmission of SARS-CoV-2 in different settings: a mathematical modelling study (16 June 2020)

This study considers the **rate of transmission under different control measures across settings (household, work, school, or other),** as well as the **number of contacts that would be quarantined for a given level of cases**. Individual-level transmission across settings was simulated using a model based on data on the social contacts of 40 thousand UK participants in the BBC Pandemic study as well as estimates of onward transmission rates derived from international contact tracing studies.

- The authors estimated the reduction in transmission of the virus and the number of quarantined individuals for a range of different testing, isolation, tracing, and physical distancing scenarios.
- With limits on gatherings outside of home, school, or work - manual contact tracing of acquaintances alone could be almost as effective as detailed contact tracing.
- In a scenario with contact tracing of 1,000 new symptomatic cases per day, the authors found that under most strategies, 15,000–41,000 contacts would be newly quarantined each day.
- The work suggests that **a high proportion of cases would need to self-isolate and a high proportion of their contacts would need to be successfully traced to ensure an effective reproduction number lower than 1 in the absence of other measures**. If combined with moderate physical distancing measures, self-isolation and contact tracing would be more likely to achieve control of COVD-19 transmission.

IFS - The financial risk and resilience of English local authorities in the coronavirus crisis (22/05/2020)

Report from the IFS setting out the risks facing local authorities as a result of coronavirus.
- On the demand side, risks depend on the varied demographic and economic situation of local areas, which affect the demand for local services. LAs with higher levels of deprivation may be more at risk from the impact of coronavirus in this respect.
- On the supply side, local authorities vary in their reliance on different sources of funding, some of which are more vulnerable to coronavirus-related risks. In addition to Council tax and retained business rates, other sources of revenue likely to have reduced include parking fees and penalties, planning fees and culture and trade waste charges.

Focussing on their results for London:

- **Revenue risks:** London boroughs are, on average, at less risk from falls in council tax revenue than shires and unitary authorities but are at more at risk from falls in sales, fees and charges than other types of authorities. They are also less reliant on retained business rates than shire districts and metropolitan districts.
- **Reserves:** London boroughs have financial reserves totalling, on average, 41 per cent of their revenue expenditure. This is more than other types of local authorities other than shire districts, whose reserves average 110 per cent of their revenue expenditure.
- **Demand risks:** London faces some unique risks, having a higher proportion of households at risk of homelessness and relatively more overcrowded households.

[Josh De Lyon and Swati Dhingra, Covid-19 and Brexit: Contrasting sectoral impacts on the UK (19 June 2020)](#)

In this column for VOX (the CEPR Policy Portal) the authors (LSE researchers) highlight that **the sectors that have been most negatively affected by Covid-19 (at least initially) are generally different to the sectors that are likely to be most affected by Brexit**.

Specifically the authors show that there is a negative (if any) correlation between changes in business volumes in April 2020 and the ongoing and expected impacts of Brexit as captured by:
- Exposure to the sharp depreciation in the value of the pound on the night of the EU referendum in June 2016.
- Exposure to Brexit uncertainty in the period following the referendum, as measured by business responses to the Decision Maker Panel conducted by the Bank of England.
- Modelled long-term impact of the expected trade relationship between the UK and EU after Brexit.

While Covid has hit hard domestic, labour intensive services such as recreation, hotels and restaurants, these are less likely to be directly affected by Brexit policy. By contrast most manufacturing and transport sectors were less negatively affected by Covid, but are expected to be hit harder by Brexit.

[ISER (Essex University) – Did the UK policy response to Covid-19 protect household incomes? (18 June 2020)](#)

This paper simulates the current UK income distribution to understand the impact that policies such as the Coronavirus Job Retention Scheme (JRS), the Self-employment Income Support Scheme (SEISS) and other changes to benefits including Universal Credit, have had on household incomes. The paper findings are as follows:

- **Labour market and earnings impact**: total employee and self-employed earnings are simulated to have fallen by around £11bn in total, primarily from reduced earnings rather than job losses (as people are furloughed).
- **Fiscal impact**: the combined cost of JRS and SEISS payments, increased benefit payments and reduced income tax and national insurance is simulated to be £14.9bn per month.
- **Distributional impact**: Across the income distribution, all groups will lose out, on average, with losses proportionally larger in the middle and top of the distribution than at the bottom. Losses in earned income are skewed towards high-income families, reflecting the way that earners are distributed across the household income distribution: there are substantially more no-earner and fewer two-earner households at the bottom than in the middle or top of the distribution.
- The simulation finds that **income poverty is likely to increase**. Across the UK, the study simulates that the poverty rate will increase from 17.4 to 19.8 per cent (using a fixed relative poverty line).

- The study also finds that, following the introduction of policies to cushion household incomes from the impact of coronavirus, **the 2020 UK safety net system provides a similar level of income protection to the 2011 system**, although the 2020 measures are expected to be only temporary.

IFS – Living standards, poverty and inequality in the UK: 2020 (25 June 2020)

Annual report from the IFS looking at living standards, as measured by household income, poverty and inequality. The report covers the year 2018/19. Key findings include:

- **Living standards:** Median household income was essentially the same in 2018/19 as in 2015/16. Primarily this is as a result of higher inflation from 2016, partly driven by the depreciation of sterling following the Brexit referendum. Among low-income households, incomes were stagnant between 2013/14 and 2018/19. For this group, the main driver of this stagnation has been declining income from benefits and tax credits, which offset growth in employment income.
- **Poverty:** overall relative poverty was 22 per cent in 2018/19, and has not fluctuated a great deal since the early 2000s. However, there have been changes in composition, with the child poverty rate rising by 3 per cent since 2011/12.
- **Despite temporary increases in benefits announced in response to the pandemic, the benefits system in 2020 provides less support to out-of-work households than in 2011.** Average entitlements among workless households is 10 per cent lower. Before the recent changes in benefits average entitlements were 15 per cent lower.

Citizens Advice – 3 months of a global pandemic: What Citizens Advice data tells us about the nation's coronavirus concerns (12 June 2020)

The Citizens Advice website, which hosts a huge amount of advice content, has seen an increase in traffic during the pandemic. In the 3 months from the 11th March, the website **was viewed more than 15.8 million times, an increase of 24 per cent on the same period in 2019**. This short report highlights the issues that users were seeking advice about over the period, finding that:

- In the first month of the pandemic, the advice people sought changed rapidly, from **an early increase in pageviews relating to sick pay and cancelling package holidays**, towards new pages about specific coronavirus issues, including **being furloughed**, finance issues related to coronavirus and checking which benefits you access.
- **In the second month**, page views were more consistent, with **advice pages about furlough, self-employment, benefits and paying bills the most popular**. As the month progressed, the page on redundancy pay became more popular.
- **In the third month**, page views became more volatile. **The most notable trend was the page on redundancy pay overtaking the page on furlough to become the most-viewed** by the 4th and 5th June. Following the 5th, other pages on redundancy have also become more popular, e.g. advice relating to redundancy notice periods. Pages with smaller but growing pageviews include advice on ending tenancies and consumer issues e.g. the page 'If you want a refund because of coronavirus'.

ONS - Coronavirus and anxiety, Great Britain: 3 April to 10 May 2020

Report from the ONS looking in detail at anxiety over April/May. The analysis seeks to understand which factors affect an individual's likelihood of reporting high levels of anxiety. It finds:

- **Feeling lonely was the factors most strongly associated with reporting high anxiety.**

- While pre-covid, **those who are married or in a civil partnership** were the least likely to report anxiety, this group **have seen the biggest increase in anxiety during the pandemic,** compared to other types of relationship status. This may be because this group are much more likely to be balancing home-schooling alongside other commitments.
- **Older people** (those aged over 75) were **almost twice as likely to report high anxiety** during lockdown as people aged 16 to 24.
- Other characteristics associated with higher anxiety during the pandemic include being a woman, being disabled.
- Among those reporting high anxiety, over 1 in 5 said their work had been affected when working from home.
- There is evidence that average anxiety scores have fallen through the pandemic, although they were still higher than pre-lockdown averages at 10th May 2020.

[Women's Budget Group - Disabled women and Covid-19 - Research evidence (16 June 2020)](#)

Report presenting results from a survey of individuals, focusing on the results for disabled women. Key findings include:

- **Disabled women are more likely than non-disabled women to say they will come out of the coronavirus outbreak in more debt** (34 versus 24 per cent).
- **Disabled women**, and women in general, **reported doing more of the housework and childcare** than men.
- A third (32%) of disabled women said they were not sure where to turn to for help.
- **Disabled women appear more affected by social isolation**, with 56 per cent reporting social isolation as difficult to cope with, compared to 42 per cent of non-disabled women.
- **Over half (53 per cent) of disabled women reported high anxiety and only a quarter (25 per cent) reported high life satisfaction**. A similar proportion of non-disabled women reported high anxiety (50 per cent), but non-disabled women were more likely to report high life satisfaction (39 per cent).

4. COVID-19 external policy recommendations

[Professor Paul Gregg (Bath) - Unemployment: The Coming Storm (17 June 2020)](#)

In this Blog piece Professor Gregg focuses on the risk of mass unemployment in the UK associated with the winding-down of the Coronavirus Job Retention Scheme (CJRS) and the incentives faced by businesses as a result. His key points and recommendations are as follows:

- As labour-intensive sectors are the most severely hit by COVID-19 and many businesses are under serious financial distress, ultimate **unemployment numbers could be much higher than the official forecasts and reach double digits**.
- **Businesses face weak incentives to make use of the part-time furlough option beyond the end of September** (given the planned hike in employer contribution to CRJS costs in October). By contrast – given little financial buffers - they face very strong incentive to return some of their workers to full hours and dismiss the rest of the staff.
- **The policy priority should be to let the labour-intensive sector able to work again as far as the science allows.**

- At the same time, **the Government should address the problem presented by the abrupt end of the CJRS** by:
  - **making the part-time option more attractive to businesses** by introducing an absolute cap on support per job irrespectively of part-time vs. full-time rather than as a proportion of salary, and by extending its duration (perhaps) until the end of December; or
  - **Introducing an employees retention bonus** whereby if all furloughed workers are still employed by the firm at the end of January then the firm receives £1200 per worker (or 3 ½ months of their part-time furlough costs). This could be reduced as the proportion retained falls to just 90% retained.

Learning and work Institute – Emergency Exit: How we get Britain Back to Work (15 June 2020)

This paper by the Learning and Work Institute sets out the labour market challenge facing the UK and offers a series of policy recommendations, primarily around employment support and skills policy, to tackle the issue. Their research finds that:
- **One in three working-age adults is already either unemployed, furloughed or receiving income support for the self-employed**
- Unemployment could rise above 10 per cent in the second half of 2020
- The labour market situation risks increasing existing inequalities between groups and areas. In particular, **young people are particular at risk** as they attempt to transition between employment and the labour market, and **areas with already higher unemployment are the most likely to be affected**.

Policy proposals in the report include:
- The report argues that cuts to employer's national insurance may only have a limited effect, as demand is more of an issue for employers. Instead, they argue that **government should focus on demand-side stimulus measures**, including time-limited hiring incentives and schemes such as car and boiler scrappage incentives, with firms obliged to work with employment services.
- The report proposes **a youth guarantee** with several features:
  - Investing in education places for school leavers, supported by a Youth Training Allowance and allowing young people to claim UC while studying up to level three.
  - A job creation grant to employers to support out of work young people into jobs.
  - Allowing the use of apprenticeship levy funds to pay up to half of the wage costs of 16-24 year-old apprentices, plus a grant for SMEs who recruit apprentices.
- Finally, the report argues that we need to **invest in employment support services** (cut back hugely during the last 10 years). To do this they propose investing £800m in redundancy, retraining and reemployment support, as well as hiring 10,000 extra Jobcentre Plus work coaches. They also propose spending £2.4bn on higher quality support for the long-term unemployed, with a backstop of a Jobs Guarantee, modelled on the Future Jobs Fund, for those who do not find and sustain employment (with an estimated cost of £1bn).

The Learning and Work Institute published an update to this report on the 26th June, with more evidence on the labour market challenge and further detail on some of their policy recommendations.

Sajid Javid MP/Centre for Policy Studies - After the Virus: A plan for restoring growth (23/06/2020)

This report by the former Chancellor of the Exchequer and the centre-right think-tank Centre for Policy Studies set out a series of recommendations to Government on how to kickstart the economy and minimise the long-term damage from the coronavirus crisis.

The report endorses the view that "London and the South East are disproportionately well-placed to cope with the economic impact of the pandemic" with reference to two arguments/pieces of evidence: sectoral structure of the economy and a KPMG view that the gap between London and other regions will widen this year.

(*Note: while there are some features of London's economy - such as the proportion of workers able to work from home – that are likely to have cushioned the impact of the COVID-19 crisis, the current view of GLA Economics is that it is too early to draw general conclusions about the relative severity of economic impacts across different regions. There are countervailing factors that may slow down London's recovery such as the importance of cultural industries/tourism/hospitality and ongoing constraints on the capacity of the public transport network due to social distancing. Moreover, the long-term impacts of the crisis on the attractiveness of global cities remains a topic of debate*).

The report includes 63 recommendations, with 12 key areas. Alongside recommendations that have to do with national economic policy or rebalancing initiatives towards the regions, **recommendations with a local government/local economic development flavour** include the following:

- Encouraging businesses to invest in their premises and social distancing measures by **allowing improvements to premises be disregarded for the purposes of business rates valuation**
- **A council tax revaluation, with reviews every three years**, reforming bands and rates to make them fairer.
- **Major reforms to planning rules**, including fast-tracking reclassification of Green Belt, and a new generation of development corporations.
- **A revitalised devolution agenda** to level-up the UK, with more City Deals and increasing the powers and capacity of devolved authorities to invest for growth.

Ben Afolami MP - Unlocking Britain (17/06/2020)

In a guest publication for the Social Market Foundation, Bin Afolami (Conservative MP for Hitchin and Harpenden) sets out 10 ways to **"achieve transformative growth for the British economy"**. Alongside measures to support investment in SMEs, strengthening the manufacturing base and investing in skills, **one part of the plan focuses on bringing power closer to local people**. Specific recommendations under this heading include:
- Removing one tier from local government and ranking local authorities according to key metrics, whereby if a local authority consistently fails, MHCLG may put it into special measures.
- Using a streamlined planning process for a much greater range (and size) of infrastructure.
- Introducing a "Future Town Centre" council of specialist advisers to assist any town centres in their restructuring, introducing transparency on market rents in town centres and aligning business rates to those on a yearly basis. Also introducing "street votes" on urban housing, allowing individual streets to vote to change planning controls.

In line with one of the recommendations by Sajid Javid/Centre for Policy Studies, Ben Afolami also recommends that the Bank of England should adopt a nominal GDP target.

Citizens Advice - Nowhere to turn: How immigration rules are preventing people from getting support during the coronavirus pandemic (26/06/2020)

Report from Citizens Advice on the issues facing migrants due to coronavirus, finding:

- **Citizens Advice have seen a 110 per cent increase in the number of people needing advice on issues relating to No Recourse to Public Funds** during the coronavirus pandemic.

- The ability of clients to prove **'right to reside'** and pass the **Habitual Residence Test** to be eligible for benefits, which affects EEA nationals who may be out of work due to the pandemic.
- **Not being able to meet the minimum income requirement of at least £18,600**, or the maintenance and accommodation requirement, **in order to extend leave to remain in the UK**. Worryingly, some clients are weighing up whether to continue working, even when it is not safe, because they have been refused furlough but cannot afford to see their income drop below the minimum income requirement. This affects migrants and people sponsoring their partner's visa.
- **Being moved from a 5-year to a 10-year path to settlement** due to falling below the minimum income requirement. This affects migrants security of status, delays their access to public funds and increases the number and total cost of visa applications.

The report recommends:

- **Temporarily suspending No Recourse to Public Funds, the Habitual Residence Test and the minimum income, maintenance and accommodation requirements.**
- **Not moving those on the 5-year route to settlement onto the 10-year route** because they cannot show minimum income.