

# COVID-19 summary of external research

June 2021

**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 issue of the City Intelligence Unit summary of external research on COVID-19 focuses on the following:

- Economic impacts and macroeconomic scenarios
- Impacts on the labour market, business and government finances
- Disproportionate impacts on rough sleepers, food insecurity, women and living standards
- Life after COVID focussing on London's transport system, the switch to remote working, and the link between improved wellbeing and volunteering
- Recovery strategies and policy responses

## 2 Summary of external research

### **Economic impacts and macroeconomic scenarios**

With the economic shocks of both the pandemic and Brexit feeding through the economy, research has been ongoing looking at the early evidence of their impacts. One such piece of analysis was recently published by the LSE's [Centre for Economic Performance](#). It used CBI data to look at recent trends in a range of firms' activities. It found that "there was a substantial improvement in the volume of business activity in April 2021 relative to the previous three months", but that "real wage growth has fallen during the pandemic". Some 24% of exporting firms reported that Brexit had caused their exports to the EU to fall while 33% of importing firms reported a fall in imports from the EU, with smaller firms being more heavily affected. Some 61% of firms, including those in the services sector, reported experiencing at least one Brexit-related issue. The most prevalent issues relate to the border (with 37% of firms reporting delays and 36% reporting additional customs and administration costs) with a third of firms also reporting that Brexit has affected their costs or prices.

Looking at the future performance of the economy the OECD has [published its latest Economic Outlook](#) forecast. In this it expects a significant global economic recovery, but a lot of headwinds exist including the fact that not enough vaccines are reaching emerging and low-income economies, which is exposing them to a fundamental threat given their limited policy capacity to support activity. This creates a risk for the global economy in relation to new infection surges and increases the risk of vaccine-resistant variants developing.

The OECD also highlights the risk of higher inflation due to rising commodity prices. In relation to the UK the OECD expects strong GDP growth in the short term (7.2% in 2021 and 5.5% in 2022), with GDP returning to pre-pandemic levels next year. However it notes that “increased border costs following the exit from the EU Single Market will continue to weigh on foreign trade”.

The National Institute for Economic and Social Research (NIESR) published its latest [UK Economic Outlook](#) in May. The central forecast for 2021 has been revised up to 5.7% from 3.4% in February. (The latest GLA [London's Economic Outlook](#) in May forecasts growth for London of 5.4% this year, 6.9% in 2022, and 3.1% in 2023.) The third national lockdown has seen the adaptation of much of the economy to pandemic conditions, and a smaller than expected fall in first quarter GDP, which provides a strong basis for the rest of the year. Thanks to the extension of furlough and other support measures to the autumn, unemployment is forecast to peak at 6.5% in the final quarter of this year. Wage growth seems robust, and, as a result, disposable incomes which fell by 0.6% in 2020 in real terms, are forecast to rise by 3.1% this year and by 2.7% in 2022.

### Impacts on the labour market, business and government finances

The Resolution Foundation (RF) published its recent [Low Pay Britain report](#) looking at the impact of the COVID-19 crisis on **low paid workers**. The report highlights that the run up to the pandemic was a positive one for low paid workers, with a fast-rising minimum wage boosting the pay of low earners (at least on an hourly basis). But while the furlough scheme has prevented wholesale job losses, low paid workers have also borne the brunt of the COVID-19 crisis so far, reflecting the fact that lower paying sectors have been subject to the greatest restrictions on activity during the past year. Looking ahead, in a context of rising unemployment, the RF also points out risks of worsening job quality for low paid workers.

Recent analysis by [Timewise](#) looks at the impact of COVID-19 on **part time employees**, highlighting that the furlough scheme has not hugely benefitted part time workers with such workers at greater risk of losing their job compared to full time workers. For example, evidence shows that half of the part-time workforce who were working normally at the beginning of 2020, were either working reduced hours, or temporarily away from work, by the first lockdown period (April-June 2020), compared to only a third of full-time workers.

An [All-party parliamentary group](#) conducted an inquiry into the effects of the pandemic on **young people**, finding that young adults are the most likely to have lost their jobs, or to have seen their incomes reduced, meaning that they have struggled financially. This in turn has increased issues around mental health and may have long lasting impacts for this cohort's future prospects. The need to improve financial proficiency and for government to not only create jobs, but also improve the accessibility of employment for young adults are key findings of the report.

Looking at **older workers** instead, the Institute for Fiscal Studies published a recent report looking at [Changing patterns of work at older ages](#). The report warns that there may well be significant numbers of older jobseekers in coming months, with many people in their 50s and 60s likely to face significant challenges finding new jobs after the end of the furlough scheme. The authors also delve into various reasons why older workers are likely to face these challenges (for example long-standing health conditions) and emphasize the need for flexibility to help older workers.

There has also been some research published this month on the impacts of the pandemic on **business**. Specifically, the Federation of Small Businesses in [A Menu for Recovery](#) reports that 77% of small hospitality and tourism firms were unable to adapt their businesses at the beginning of the pandemic. A year into the pandemic, more than half (59%) of small firms in the sector reported their business premises as closed, 26% were trading in name only, and only 53% were confident their businesses would survive.

The National Audit Office in [Initial learning from the government's response to the COVID-19 pandemic](#) has estimated that the lifetime **cost of the government's response** to the pandemic would be £372bn. The most significant items are:

- Coronavirus Job Retention Scheme, £62bn
- NHS Test and Trace, £38bn
- Self-employment income support scheme, £27bn
- Support for devolved administrations, £26bn
- Bounce back loan scheme, £23bn
- Business rates measures, £21bn
- Personal protective equipment, £18bn
- Rail and bus measures, £18bn
- Business grant funding, £18bn

## Disproportionate impacts

[Homelessness and rough sleeping in the time of COVID-19](#) is a report from LSE London that looks at the costs and implications of temporary **housing**, accommodation for rough sleepers and the potential impacts of the lifting of the ban on evictions. The GLA and London boroughs between them have spent nearly £100 million in the first year of the pandemic housing and supporting homeless people in London, as the flow of people in need continued. The lifting of the ban is expected to increase demand for temporary accommodation, as moving people on has become more difficult, though the availability of court time may mean that many cases for evictions will not be completed until well into 2022.

An [Economics Observatory](#) article contrasts **food insecurity** during the pandemic in the UK and the US. In both countries, working age adults were more likely to be food insecure than older adults, but levels were three times as high in the US, compared with the UK. In the UK, families with children were more likely to be in food insecurity than those without children, whereas in the US families with children were less likely to face food insecurity than those without. In both countries, however, the biggest contrast was between White residents and those from other groups, with food insecurity rates among White groups around half the rates across BAME groups. Another contrast between the two countries is that food bank usage has continued to grow throughout the pandemic in the US, whereas in the UK food bank usage increased significantly during the first lockdown, fell sharply during the summer of 2020 and then was somewhat higher again during the second lockdown.

Evidence of the unequal social and economic burden of the pandemic on **women** is explored in a briefing from [Policy Scotland](#). Not only have the direct health consequences of COVID-19 been greater for women, but the mental health impacts have been greater too, as women are more likely to be essential workers in sectors with greater exposure, including health, care, education and retail, increasing stress and difficulty reconciling work with family life and care responsibilities. Domestic violence against women has increased, particularly during lockdowns, while women have also taken on a disproportionate share of unpaid and care and additional household duties, including home schooling. Adverse economic impacts are also likely to harm women most, both in the short term (as women have taken more of a reduction in hours worked and regained fewer lost jobs), and in the longer term (as the various reductions in roles and productivity are likely to harm future career prospects and pay). Finally, the authors note that women are grossly underrepresented in pandemic task forces and decision-making bodies, which is likely to deepen existing gender inequalities.

A study into **living standards** in the UK from the [New Economics Foundation](#) has found that due to a combination of effects in the decade before the pandemic and the reduction in income resulting from the pandemic itself, more than a third of London families will be living below a socially acceptable standard by the end of 2021. Inequalities have increased during the pandemic, with more people with income further below this living standard. Children, lone parents and renters are highlighted as some of those most likely to be in this situation.

## Life after COVID

[London First](#) explore the pre- and post-pandemic pressures on **London's transport system**, setting out how it can adapt to meet passenger needs as London moves towards recovery. 'Urgent steps' include securing an extension to TfL's emergency funding deal and implementing a coordinated public transport campaign to reassure and re-engage the public. 'No regrets' moves (i.e. those that should be made in the coming months) include securing a sustainable long-term funding model for TfL, experimenting with new modes and infrastructure to facilitate local journeys, and prioritising integration and passenger information systems. Several long-term challenges that demand further discussion are also laid out, including ensuring that decision-making is cohesive across city regions.

The large-scale **switch to remote working** we have experienced over the past year is widely expected to be one of the long-lasting consequences of the COVID-19 pandemic. But in a recent blog piece, Paul Swinney from the [Centre for Cities](#) argues against the likelihood of a remote revolution. For all the improvement in communication technologies, they cannot replace the benefits of face to face interactions. Workers may well therefore decide to work remotely one or two days a week, but this will not mean the end of the office and cities will continue to be a central part of economic and civic life. Predictions about the "death of distance" may therefore once again turn out to be wrong, just as they did in the late 90s after the rise of the internet.

The COVID-19 pandemic also saw many people stepping forward as volunteers, often for the first time. A discussion paper from the [Centre for Economic Performance](#) investigates the link between improved wellbeing and **volunteering**, finding that active volunteers taking part in the NHS Volunteer Responders programme report significantly higher life satisfaction, feel more socially connected and a greater sense of belonging to their local communities and that this is a causal link. It finds that the benefits of the programme were at least 140 times greater than its cost.

## Recovery strategies and policy responses

May saw the launch of the inaugural report from the [Economy 2030 Inquiry](#), a collaborative project between the Resolution Foundation and the Centre for Economic Performance at the London School of Economics, funded by the Nuffield Foundation. Coming after a long period of lacklustre productivity and pay growth and increasing inequalities, the 2020s are seen by the report's authors as the decisive decade during which the UK will need to renew its approach to achieving economic success. A number of major transformations (the COVID-19 aftermath, Brexit, the Net Zero transition, an older population and rapid technological change) will need to be managed well and those who are at risk of losing out will need to be supported through the process. The broad consensus around building a more prosperous, more equal economy and a greener and healthier society hides the significant difficulties of achieving those outcomes. It is not clear that the UK state has the capacity to respond to these challenges and one of the various issues highlighted by the report is reduced spending capacity by local authorities and a stalled devolution to city regions. An ambitious, new economic strategy is needed, as muddling through would expose the UK to the risk of prolonged decline.

[London First](#) have recently issued a report looking at what is needed for **London's successful recovery** post-COVID. Noting that a successful Global Britain needs a vibrant, growing London, they highlight that merely hoping that London will recover is not a plan. They go on to recommend the following:

- a scale campaign to bring people back to central London (approximately £170m in incremental spend over three years), with benefits which will flow beyond the capital to the rest of the nation;
- an investment in public transport that supports the return to growth (approximately £1.2 to £1.5bn in forgone savings / revenue over three years), compensating TfL for lost revenue to 2023 while keeping service levels unchanged;
- A business-led reskilling programme (approximately £10m incremental cost over three years), with a series of no-regret actions designed to support those whose jobs have been displaced by the pandemic ahead of the full picture becoming clearer.

In addition, the report's authors also advocate full devolution of London's share of a number of existing government-funded programmes, including the Adult Education Budget.

In another London-focussed report, the [Centre for London](#) has looked at how **London's town centres** can be reimaged after COVID-19 and how communities can take a more active role in the stewardship of their high street. Town centres have been impacted in significant ways by the pandemic (e.g. lockdown and retail chain closures but also an increase in the amount of time and money that people have spent locally). The report's authors put forward a series of recommendations for local authorities and central government to support high street renewal going forward so that their economic and social value can be retained. Local authorities – they argue – should create inclusive town centre strategies with community or business group. The government should support successful high street renewal by reconsidering the extension of permitted development rights, by reviewing the powers of local authorities to bring long-term vacant commercial properties back into use and by providing sufficient funding. The latter could be achieved through direct grants to councils and through a well-targeted and flexible (e.g. in terms of match-funding requirements and scope for revenue funding) Community Ownership Fund.

With the UK's **furlough scheme** now expected to be phased out by the end of September, an article for the [Economic Observatory](#) considers the likely implications for workers still on furlough. The authors note that the eventual withdrawal of the furlough scheme makes sense but also draw attention to the potential challenges faced by workers who don't have jobs to return to. For this group, entitlement to support from Universal Credit (UC) is likely to be less generous than the support they received from the furlough scheme and will vary a lot depending on household circumstances. Young people who claim UC may be entitled to employment support through the 'Kickstart' and 'Restart' schemes. But while these kinds of schemes have worked reasonably well in the past, it remains to be seen whether that carries over to the current situation – when larger sectoral shifts are likely to be required. Certain industries are also likely to have jobs that are viable in the long term but not in the short term (e.g. airlines) but the government has so far been unwilling to introduce industry-specific furlough support schemes.

Another [Economic Observatory](#) article considers the role of **retraining schemes** for getting people back to work. The authors note that there are relatively few studies that provide convincing evidence on the returns to adult education. But international evidence suggests that support for retraining can pay off. And this may be particularly likely if employers are involved and if training focuses on relevant skills – for example a focus on 'soft skills' can be especially relevant for people in lower-skilled occupations. The authors argue there is a strong rationale for government intervention in adult retraining – partly because individuals with low incomes struggle to fund training themselves and because employers also lack incentives to train staff in easily transferable skills. While the measures outlined in the 'Skills for Jobs White Paper' will help some

adults to retrain, there are likely to be gaps in the support available, including for individuals who already have level 3 qualifications.

The Federation of Small Businesses (FSB) has been looking at how **small hospitality and tourism businesses** can recover from the pandemic in a [recently published report](#). It notes that the sector, as well as being a significant employer, is crucial for “the future success of the UK Government’s levelling up goal [which] will hinge on their ability to reach the 5.9 million small businesses and sole traders, many of which are found in the hospitality and tourism industry”. They provide a number of recommendations such as “the UK Government should develop a hospitality and tourism sector strategy, overseen by the Minister with responsibility for hospitality”. They further recommend a number of regulatory reforms such as retaining deregulation measures around things such as takeaway food. They also recommend the Government should “introduce a ventilation grant scheme to assist small businesses in making their premises COVID-secure for the long term”. Some of the other recommendations include that the Government should “create Hospitality Enterprise Zones in England”, as well as cutting duty on beer, cider and wines.

**London’s pubs** are certainly a section of London’s hospitality industry that has struggled to adapt to changing guidance, particularly those venues in the city centre which predominantly serve alcohol or don’t have outdoor space. A report from [Centre for London](#) looks at what under-threat pubs need to survive the pandemic and beyond, finding that community ownership can help. However, London and national government need to do more to help community groups to purchase pubs. The report concludes that for national government, ‘community right to bid’ should be converted to a ‘community right to buy’ and full planning permission should be made a requirement. It is suggested that London government should play a matchmaking role, helping connect community groups who want to take ownership of pubs with potential tenants who could run it, and the requirement of more in-depth assessments of a pub’s potential viability before permitting a change of use or demolition should be explored.

Earlier this month, HM Treasury announced a further £1.4bn in **catch-up funding for schools**, adding up to a total of £3.1bn to help pupils in England make up for lost school time. There was wide criticism that the sum should have been substantially larger, with the Education Recovery Commissioner recommending £15bn to make up for lost learning in the pandemic. In a recent blog, [IFS](#) explains the Treasury’s decision through the economic concept of ‘time inconsistency’: even though a large on-off investment might be in everyone’s best interests, the Treasury is reluctant to agree as there is a risk that it won’t be a one-off, but a permanent increase in spending. This could be symptomatic of a broader problem, in that the UK’s budgeting framework doesn’t deal well with dynamic effects of spending and benefits that accrue far in the future.