

COVID-19 summary of external research

November 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 provides an overview of selected publications on the socio-economic impacts of COVID-19 that have been published in the last few months and that we see as particularly relevant from a London and UK perspective. Specifically, we have included:

- **Macroeconomic impacts and projections** that looked at weekly household spending and updated UK economic forecasts.
- A number of publications that looked at the UK **labour market**, including the impacts of COVID-19 on self-employment, securing a rapid recovery in terms of both jobs and financial resilience, how the pandemic has affected part-time jobs and young workers affected by the pandemic.
- **Impacts on businesses and on cities** that focussed on what has been happening to firm creation by UK region and sector and a question posed on the death of the city post-Covid.
- Several studies looking at the impacts of COVID-19 on **equalities**, including studies that looked at the learning experiences of English school children over the first 12 months of the pandemic, what pupils and schools need to recover from COVID-19, the unequal impacts of the pandemic for women and men in the labour market, the impact of the pandemic on young women on low incomes, and how the pandemic has affected the economic living standards across generations.
- Several publications looking at **learning lessons from the pandemic** including in relation to labour market and skills services, on the causal effects of remote working on collaboration, on the economics of innovation and globalised supply chains, on sustainable and inclusive economic growth, on planning and on transport decarbonisation.

2 Summary of external research

Macroeconomic impacts and projections

Weekly household spending fell by £109.10 (or 19%) on average during the first year of the pandemic (i.e. the year to March 2021) according to research by the [Office for National Statistics \(ONS\)](#). Reduced

spending on restaurants and hotels, recreation and culture and transport contributed most to the decline in overall spending for all income groups. For some, the reduction in spending may have been associated with a fall in income. Around a third of workers saw their household income fall in the year to March 2021, rising to 42% for the 20% on the lowest incomes (who were more likely to be furloughed and less likely to be able to work from home). On average, people's ability to make ends meet increased, although, for some, such as the self-employed, younger age groups (under 35) and those of black and mixed ethnicity it declined.

UK economic forecasts have also been updated with the **Office for Budget Responsibility (OBR)** publishing its latest [Economic and fiscal outlook](#). In this forecast the OBR revised up its outlook for the UK economy at present, in the near term and in the longer term. The main positive takeaways are a much stronger projected path for UK growth of 6.5% in 2021 and 6% in 2022, along with a smaller scarring effect from the pandemic (2% from a previous 3%). The **International Monetary Fund** has also updated its forecast for the UK and other economies in its latest [World Economic Outlook](#) in October. In this it slightly revised down UK growth to 6.8% this year but slightly revised up growth next year to 5.0%. This compares to projected growth in advanced economies of 5.2% in 2021 and 4.5% in 2022.

Labour market

[Nottingham University](#) looked at the **impacts of COVID-19 on self-employment**, finding that the overall number of self-employed individuals declined during the pandemic, but also that the effect varied within groups. The number of male self-employed workers decreased more significantly than female workers, which also meant the reported median number of hours worked decreased overall as men generally reported more hours than women. Minority-ethnic workers also experienced a larger rate of decline than white workers in general, though rates rebounded to nearly pre-pandemic levels in Wales and Northern Ireland, showing a large degree of variance between groups and regions.

The [Social Market Foundation](#) recently published analysis looking at **securing a rapid recovery in terms of both jobs and financial resilience**. They suggested that "to improve employment prospects and financial resilience, individuals need access to solutions that are both personalised and rapidly available". Digital solutions should be used to provide job and financial support but be blended with face-to-face and over the phone support. And "providers need to form effective referral partnerships, for example with central and local government, and businesses operating in sectors such as energy and banking".

Londoners were more likely to be furloughed, more likely to be made redundant and less likely to find a new job during the pandemic, according to new analyses by the [Institute for Fiscal Studies](#) (IFS) looking at the **impacts of the pandemic on London's labour market**. Though redundancy rates stabilised to pre-pandemic levels in the second quarter of 2021, they were particularly high during the end of 2020 as the financial burden on employers with workers on furlough increased significantly. The IFS estimated that Londoners were 15 percentage points less likely to find a new job within six months than residents in the rest of the UK during the COVID-19 pandemic. The IFS also looked at vacancies, which grew slower in London than in any other UK region, and the career prospects of people having graduated during the pandemic.

[The Economics Observatory](#) has found that **young workers** have been particularly badly affected by the pandemic, whether they were in full-time or part-time work. Though the number of part-time jobs in the UK decreased significantly across all age groups, younger workers below 24 also saw a significant decrease in full-time positions, whereas workers above 25 saw an increase since pre-pandemic times. Since younger workers are more likely to be in so-called 'elementary' occupations when working full-time, they are at a higher risk of being made redundant during downturns, while older workers are found to be in more diverse occupations and therefore less at risk.

A report from the [Institute for Employment Studies](#) also found that **work prospects for young people** in the UK are precarious, as an increasingly polarised labour market forces young workers into insecure jobs, and long-term youth unemployment has risen for the most vulnerable groups and people from ethnic minorities. London saw the highest growth in Universal Credit claims since pre-pandemic times due to high levels of employment in hard-hit sectors like arts and hospitality with many young workers. The report argues that the transition to net zero would benefit young workers by creating significant job opportunities in new sectors, including 18,000 new jobs in London, and that Government should help young people into work through support schemes.

Impacts on businesses and on cities

‘What has been happening to firm creation by UK region and sector?’ asks [the Economics Observatory](#). Over 1.4 million new businesses were registered with Companies House between March 2020 and July 2021 – 76% of these remained active at the end of July 2021. 61.3% of companies registered in March 2020 are not active in the latest register of September 2021. London has experienced twice as much firm creation post pandemic than in 2019. Overall, firm creation fell sharply in the UK at the beginning of the national lockdown but recovered strongly thereafter – most other regions have experienced 1.5 times their usual number of registrations. Sectors that cater to changing consumer demands over the pandemic or sectors that are less affected by COVID-19 supply-side restrictions have seen more registrations. This includes online retail, food and drink, sports equipment production, and pet care businesses.

[King’s College London](#) has published **‘Death of the city’ post- Covid?** The article considers the challenges now facing London and Paris and concludes that predictions of the “death of the city” due to the pandemic may be wide of the mark.

Although recovery may be slow:

- 66% of Londoners think it’s likely the city will bounce back whereas 1 in 10 think the chances are slim.
- 56% of Londoners say they are now satisfied with local services such as schools, transport and police.
- 63% of Greater Londoners say that they are now satisfied with their local area as a place to live.
- 43% of Londoners say they’ll leave the capital in the next five years, a slight increase from 37% in 2019.

Equalities

A new report from [IFS](#) examines how **learning experiences of English school children** evolved over the first 12 months of the pandemic. Drawing from surveys of parents during the two phases of school closures, it found that home learning was more successful in early 2021 than during the first wave of school closures. This was due to improvements in the quality of learning time, accessibility of active learning resources, availability of online classes and support from parents. But even when home learning was at its best, policymakers’ expectations about the amount of time that should be spent on home learning were not being met. When national school closures were lifted, learning time continued to be disrupted due to extensive self-isolation and limited resources to support home learning. Inequalities between the two rounds of school closures reduced due to poorer pupils experiencing improved access to online learning resources. Outside of the period of school closures, however, inequalities had increased due to poorer pupils spending more time in self-isolation and having reduced access to school provisions. Targeted interventions are essential to closing educational inequalities and catch-up policies need to be carefully designed to meet the scale of challenges and target pupils most in need.

The [National Foundation for Educational Research](#) have followed its [interim report](#) which outlines what pupils and schools need to recover from COVID-19 with one looking specifically at **schools in deprived**

areas. It focuses on two main areas: pupils' wellbeing and mental health; and teaching and learning, finding that pupils' mental health and wellbeing deteriorated as a result of the pandemic, affecting not only pupils already identified as vulnerable but also those with no known vulnerability or previous mental health issue. Primary pupils were noted to be experiencing specific challenges around social skills, confidence and self-esteem, with a notable increase in severe mental health issues, such as self-harm in some secondary schools. Pupils' emotional and academic readiness for transitions at all stages of school had also been affected by the pandemic. Whilst schools' curriculum and pedagogy were being adapted to help pupils' recovery, sufficient and sustained funding is still needed for recovery for schools to use flexibly, according to their needs. Specific emphasis was placed on funding to improve mental wellbeing support, pupils' academic readiness and to tackle widening educational inequality.

Two reports from the Women's Budget Group among others have highlighted the **unequal impacts of different aspects of the pandemic for women and men in the labour market**. One explores [precarious work](#), finding that the risk of different types of insecure work – part time jobs, temporary fixed term, casual work or zero hours contracts – has increased for all groups of workers and particularly for women, ethnic minorities, and people employed in lower-level occupations. The report underlines the importance of considering intersections of gender, ethnicity and class to understand the complicated story around precarious work during the pandemic.

The second report investigates the impact of the pandemic on [young women on low incomes](#). Furloughed young women on low incomes were less likely to have had their income topped up by their employer, than their male counterparts or those from high income households. Young women on lower incomes were more likely to say that their financial situation had become worse, and their mental health had become worse. They were as likely as young men on low incomes to be worried about losing their job, but less likely to buy a house in the following 12 months than other groups.

In its third intergenerational audit, the [Resolution Foundation](#) analyses how the second year of the pandemic has affected the **economic living standards across generations** in Britain. While the health impacts have clearly been felt strongest in the older generations, the younger adults initially faced the greatest employment shocks. Income and labour market differences by age have reduced as the economy has re-opened, but the wealth gaps have risen. The youngest workers are quickly returning to employment, though the older workers are less likely to find suitable work at their previous level. There is much uncertainty around the data available on housing and the generational shifts while it also remains unclear how falling rents and house prices in some parts of London will impact different generations. Mixed fortunes in respect to income are also apparent, but again existing inequalities have widened as well as generational differences, with decreases nationally in the number of younger UC claimants as the economy revives but increasing numbers of older workers claiming UC, while those receiving State Pension are seeing a much larger uplift than other benefit recipients.

Learning lessons from the pandemic

A recent [Local Government Association report](#) reviews **learning from local economic development, employment and skills services during the pandemic**. The research is informed by interviews with 12 councils and one combined authority between January and March 2021 (including Hounslow and Waltham Forest). The findings underline the importance of bringing together employment and skills services to support recovery. They also explore opportunities for innovation in local service delivery, including new ways of working through digital platforms and remote working. Looking ahead, there are also issues and questions facing employment and skills services, such as how to support entry and progression to 'Good Work'.

Microsoft has analysed a rich dataset of the internal communications and work of 61,000 of its US employees in the six months before and during the start of the COVID-19 pandemic to identify **causal effects of remote working on collaboration and communication**. The results, published in [Nature](#), showed that firm-wide remote working had negative effects. The topology and strength of networks within organisations have been shown to be particularly important for information workers. COVID-19 provided a natural experiment that allowed the researchers to compare changes in company networks pre- and post-Covid for individuals that, pre-Covid worked from home and those that worked in the office. The key results showed that collaboration networks became more siloed and static with fewer bridges between disparate parts of the company, while communication became less synchronous (face-to-face, live video, phone calls) and more asynchronous (email, instant messages). These effects might make it harder for employees to acquire and share new information.

An [Economics Observatory](#) article draws lessons from the huge and successful scientific effort to develop COVID-19 vaccines for the **economics of innovation**. Neither the scale of the R&D response or its success were expected by scientific observers or innovation economists. Previous economics research suggested that R&D investment would be difficult to scale up due to scarcity of ideas and expertise, as well as diminishing returns to ideas, such that simply running ever-more vaccine trials would not increase the probability of finding success. But with 1,500 COVID-19 trials taking place in 2020, successful vaccines were developed and approved by the end of the year instead of the usual four-year or longer timeframe. Economists typically find that R&D investment responds to the market size of the opportunity but in a less-than-proportional way. COVID-19 generated a much bigger response than usual reflecting the role of public research institutions and of early-stage incentives by governments (e.g., the Operation Warp Speed in the US). Lessons learned include the possibilities to generate very fast-paced innovation to tackle other challenges, such as climate change, given the right early-stage incentives and/or non-monetary incentives along with help from public institutions.

A [Bank of England working paper](#) suggests that while highly **globalised supply chains** have introduced sources of risk into country economies, and may help propagate shocks, using policy to reverse their advance would be costly and impractical in most cases. The paper argues that blaming supply chains for the globalised impact of shocks like the pandemic is mistaken when the shocks were themselves synchronised global events. While novel metrics of supply-chain exposure suggest that developed economy manufacturing is more foreign-dependent than first realised, they also suggest there are cost-effective ways to manage risks to strategic sectors. Stockpiling helps in vital sectors that can face unpredictable demand surges (e.g., protective equipment), while public sector underwriting of costs helps when initial supply needs to be accelerated (e.g., for vaccines). Macro policy can also help, with pandemic support for companies and individuals likely preventing even sharper dislocations of supply and demand. Finally, the authors note that automation may induce industrial reshoring by lowering relative costs of domestic production, even as digitisation may increase service sector offshoring.

The [Centre for Economic Performance](#) at the LSE has produced a short article summarising highlights from 30 years of its research into **how environmental and industrial policies can be combined to achieve strong, sustainable and inclusive economic growth**. It includes a recent paper on how to 'build back better' from COVID-19 and a review of innovation and the transition to net-zero. A core message is investment in clean innovation, and the diffusion of that innovation. Another key message is that the 'creative destruction' that results from innovation means that while some industries will create and thrive, others will be losers. Policies are needed to support people and places that suffer as a result.

In a recent [journal article](#), academics Nick Gallent (UCL) and Manuela Madeddu (Liverpool) look at the **impacts of the pandemic on London's housing market and at the planning implications of**

decentralisation trends. The pandemic appears to have shifted utility choices so that adaptability and private space have become more important relative to central locations. This in turn may result in three trends that were already apparent by early 2021: a tilt in demand towards suburban family homes and away from urban flats; decentralisation of demand to near urban locations with good connectivity to London; and changing patterns of demand distance countryside locations beyond the London green belt. These trends may exacerbate housing inequalities, and the challenge for the planning system going forward, therefore, is to ensure that new housing supply meets new lifestyle demands while also delivering affordability and expanded access to good quality housing. In this context, reregulation through permitted development that seeks only to achieve numerical supply targets creates a risk of not delivering the homes people need and accentuating existing inequalities.

A recent Parliamentary Briefing has looked at the **impacts of COVID-19 on transport and transport emissions**. The transport sector was the largest greenhouse gas (GHG) emitting sector in 2019, accounting for 27% of UK emissions. A significant reduction in emissions from the transport sector is therefore necessary for achieving the Government's net zero targets. Overall, transport emissions in 2020 fell by 20% as a result of successive lockdowns reducing levels of travel, but this was achieved as a result of large parts of the economy coming to a standstill. By contrast as restrictions were lifted travel recovered to near pre-pandemic levels, but with a shift away from public transport and towards the private car. The initial increase in active transport has also tended to fade. Overall these trends highlight the challenge of decarbonising transport through behavioural change.

In a recent [academic paper](#), the Dutch academic Diana Reckien sets out some **recommendations on how city planning can jointly address the climate crisis and the socio-economic changes introduced by COVID-19** by pursuing a more healthy, green, and sustainable urban living. Her recommendations include:

- A radical re-greening of inner cities to meet increased demand for green spaces and thus allow inner cities to remain attractive while providing a number of climate change mitigations (e.g. carbon sequestration) and adaptation benefits (e.g. tackling the urban heat island effect), as well as other co-benefits.
- Taking advantage of the reduction of demand for retail and office space in inner cities to convert commercial spaces to housing, thereby making housing more affordable and creating healthier and more liveable inner cities.
- Changing the structure of the city towards a more decentralized urban landscape made up of a multitude of nodes, with nodes being self-sufficient neighbourhoods or communities (the 15 or 20-minutes city model).
- A radical transport vision which includes slowly reducing, and finally banning the car from streets and neighbourhoods in favour of walking and cycling, with free of charge public transport providing pan-city connectivity.

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