CAPITAL CITY **PARTNERSHIP**

Summary of COVID Related Publications - Issue 3, July 6th 2020

As with previous issues the summaries are presented in order of publication date with the most recent publications being looked at first.

The first publication looks at the impact on Universities and concludes that those with a high proportion of overseas students are likely to feel a negative impact. According to figures from 2018 41% of undergraduates from St Andrews are non UK, 27% of Edinburgh University Undergraduates. The others Universities in the City region are all 20% or lower.

The Economics Observatory published a paper in June that looked at the impact of COVID 19 on Modern Apprenticeships both in the short term (the number of MAs who had been furloughed) and the longer term (the viability of MA training providers).

This issue also looks at a two reports by a team from the IFS where the impact on incomes is looked at. These highlight the position pre COVID where household incomes were not growing and then overlay this what can be seen more recently as a reaction to the Pandemic.

Reports summarised here look at the economic and mental health impact of the pandemic and the measures put in place to control the outbreak. Other publications continue to look at the impact of the pandemic on sectors and provide an insight into where recovery may prove slower, due to the need to social distance. These papers are often analysed in a way in which the human impact can be better presented. For example, one of the IFS reports reflects on the impact on young people who are increasingly the demographic employed in the sectors that are most affected.

There is nothing significant that has been published in the last fortnight that provides a detailed breakdown to the local level. Therefore the reports summarised are more indicative of what is likely to be happening locally in an area with a high proportion of young people, or in area where certain businesses or sectors dominate, etc.

July 2020

Will universities need a bailout to survive the COVID-19 crisis? Institute of Fiscal Studies Briefing Note. Elaine Drayton and Ben Waltmann. 6/7/2020

https://www.ifs.org.uk/uploads/BN300-Will-universities-need-bailout-survive-COVID-19-crisis-1.pdf

This briefing note examines the impact that the pandemic is having on university funding and the resilience of university finances. The researchers estimate that long-run losses could come in anywhere between £3 billion and £19 billion, with the biggest losses from falls in international student enrolments and increases in the deficits of university-sponsored pension schemes. In addition, the sector faces lockdown-related losses of income from student accommodation and conference and catering operations, as well as financial losses on long-term investments.

In general, institutions with a large share of international students and those with substantial pension obligations will be the most affected. Whilst these tend to be higher-ranking institutions this is likely to impact, they suggest, on the least selective universities, as the higher ranked universities may move towards admitting more UK students to make up for the shortfall in their international enrolments.

In their central scenario, 13 universities UK wide, educating around 5% of students would end up with negative reserves and thus may not be viable in the long run without a government bailout or debt restructuring.

Coronavirus and the social impacts on Great Britain, Office for National Statistics, 3/7/2020

file:///C:/Users/chris.nicol.CCP/AppData/Local/Packages/Microsoft.MicrosoftEdge_8wekyb3d8bbwe/TempState/Downloads/Coronavirus%20and%20the%20social%20impacts%20on%20Great%20Britain%203%20July%202020%20(1).pdf

Using data from the Opinions and Lifestyle Study this paper looks at the impact of the pandemic on people, households and communities in Great Britain. It reflects what the situation was during the last week of June 2020. Some of the questions related to face coverings and well being and are therefore probably less relevant. Those that were most related to household finances, employment and work patterns were as follows

- Almost 8 in 10 working adults (78%) said they had either worked at home or travelled to work during the week in question.
- Nearly half of working adults (49%) said they had travelled to work at some point in the past seven days, up from 44% last week and 41% the previous week.
- Working adults continue to move away from exclusively working at home, which has dropped to 29%, from 33% last week.
- 1 in 20 adults (5%) reported that they found it difficult or very difficult to pay usual household bills prior to the coronavirus pandemic; since the pandemic, this has risen to over 1 in 10 (11%) adults.

Business Impact of COVID-19 Survey (BICS) results. Jon Gough, Office for National Statistics, 2/7/2020

https://www.ons.gov.uk/economy/economicoutputandproductivity/output/datasets/businessimpactofcovid19surveybicsresults

This is an excel workbook containing information on the responses from the voluntary fortnightly business survey, which captures businesses responses on how their turnover, workforce prices, trade and business resilience have been affected in the two-week reference period. This data relates to the period 1 June 2020 to 14 June 2020. The survey was sent to around 24,500 UK businesses, and results presented in this release are based on a limited number of responses, around 24.2% (5,927) of all businesses surveyed who responded. Each business was assigned the same weight regardless of turnover, size or industry. This is the data that often underpins sectoral analysis in other papers, some of which are summarised in this issue.

It indicates that in the week of survey 41% of businesses in Arts and Entertainment were still trading compared to 58.6% who had temporarily closed. At the other extreme 95.3% of businesses in the Human Health and Social Work Sector were still trading compared to just 4.1% that had temporarily closed.

There is a table that looks at the proportion of a sector that has applied for one of the three government financial support packages. From this it is clear that accommodation and food services have a high level of reliance on the schemes - only 1.8% of respondents from this sector said they hadn't applied for any of the schemes.

How has coronavirus affected pubs, cafes and restaurants? Jesse Matheson, Monica Costa Dias and Gianni De Fraja. Economics Observatory 3/7/2020

https://www.coronavirusandtheeconomy.com/question/how-has-coronavirus-affected-pubs-cafes-and-restaurants

Provides a more in depth look at one of the sectors that have been badly affected by the lock down. They start by highlighting the importance of the sector indicating that prior to lockdown, the average UK household spent £27.40 per week, 5% of total expenditure, on food and drink away from home. Pubs, cafes and restaurants directly employ 4% of the UK workforce and also employ a disproportionate number of workers with low qualifications who may have limited other job opportunities.

They report that as of the end of May, 65.3% of accommodation and food businesses had temporally ceased trading, an improvement from the high of 81.2% in April. Of these businesses, 16.2% report having less than one month in cash reserves, compared with 7.1% for all UK industries.

The Covid-19 crisis creates two sources of risk for these businesses. First, pubs, cafes and restaurants are social places by design; the negative impact of social distancing on these businesses will be greater than in many industries. Second, the crisis is having a large impact on jobs and incomes across the UK. When people experience a reduction in their income, eating and drinking out are one of the things on which they typically cut back.

COVID-19 and the career prospects of young people. Monica Costa Dias, Robert Joyce and Agnes Norris Keiller. Institute of Fiscal Studies. 3/7/2020

https://www.ifs.org.uk/uploads/BN299-COVID-19-and-the-career-prospects-of-young-people-1.pdf

This briefing note shows that the economic repercussions of the pandemic threaten to severely disrupt the career progression of young workers.

Over the last decade, young people starting out in the labour market have increasingly been working in occupations that are relatively low-paid. For example, people born in the 1980s are more likely than those born in the 1970s to start their careers in low-paying occupations such as customer service assistants and nursery workers, and less likely to start in mid-paying occupations such as jobs in metal manufacturing and secretarial work. Many of these low-paying occupations are in sectors hardest hit by the COVID-19 crisis: for example, hospitality and non-food retail.

In 2007 around 19% of all people aged between 22 and 25 working in their first full-time job after leaving education were employed in sectors that were essentially shut down during lockdown, while by 2019 this had increased to 22%. By contrast, the share of all employees working in shut-down sectors had fallen slightly from 17% in 2007 to 16% in 2019. The growing importance of those 'lockdown sectors' as employers of workers at the start of their careers is primarily due to an expansion of the accommodation and food industry. The share of workers starting their careers in this sector increased by about 50%, from 6% to 9%, between 2007 and 2019.

As other sources of wage growth have dried up, young workers have become increasingly reliant on moving into higher-paying occupations as a source of early-career wage growth. The COVID-19 pandemic has severely dented the career prospects of young people and threatens to have a prolonged negative economic impact on them as a result. Sharp contractions in shut-down sectors will make it harder for young people to take their first step onto the career ladder, while reduced job opportunities will make it harder for them to move into higher-paying occupations.

Latest data on the Scottish economy, Fraser of Allander Institute, 1/7/2020
https://fraserofallander.org/covid/latest-data-on-the-scottish-economy/?utm_source=Fraser+Blog+and+subs+list&utm_campaign=46ebabdb59-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-46ebabdb59-86525662

FAI indicate that overall they have yet to see change in most business indicators and although consumer interest appears to be improving, the labour market and household finances remain precarious.

Analysing Google search data for products and services in Scotland they conclude that consumer interest appears to be improving, with google searches for cars and high street retail picking back-up. Searches for hotels and theatres are well below their level last year, but have also shown signs of improvement.

In one of the charts they look at the mobility of people in Scotland and the UK in week commencing 17th June. This indicates that far fewer people are travelling to places of work and for retail compared to before Covid-19, which isn't surprising. Similarly, mobility is reduced in Scotland compared to the UK average which, they say, is likely to be due to the slower speed of lockdown restrictions being eased.

They have also used Google to report on searches under the key word redundancy, which in Scotland was 400% higher in the week to 21st June 2020 compared to the same week in 2019. Its possible that this might not reflect actual redundancy notices but it does indicate uncertainty.

They refer to a JRF study (which is looked at below) that reports that in Scotland many renters are falling behind with one or more bill repayments, an early indication of financial stress. There is a higher proportion for social renters (around 32%) than private renters (25%) and both are far higher than owner occupiers (5%).

June 2020

GDP quarterly national accounts, UK: January to March 2020, ONS, 30/6/2020.

https://www.ons.gov.uk/economy/grossdomesticproductgdp/bulletins/quarterlynationalaccounts/januarytomarch2020

The latest in a series that looks at the UK GDP by quarter. This issue reflects the very early impact of the COVID19 outbreak and the measures that were put in place to mitigate the health consequences. The statisticians introduce a note of caution as the economic statistics are more uncertain than previous quarters due to the pandemic impacting on survey responses.

UK gross domestic product (GDP) in volume terms fell by 2.2% in Quarter 1 (Jan to Mar) 2020, revised downwards by 0.2 percentage points from the first quarterly estimate; the largest fall in UK GDP since Quarter 3 (July to Sept) 1979 when it also fell by 2.2%. When compared with the same quarter a year ago, UK GDP decreased by 1.7% in Quarter 1 2020, a downward revision of 0.1 percentage points from the previous estimate. When compared to other economies who put in similar measures the size of the contraction in the UK economy in Quarter 1 was broadly in line with what might have been expected.

The services, production and construction sectors provided a negative contribution to growth in the output approach to GDP in Quarter 1 2020; with services output falling by a record 2.3% in the latest quarter. Figure 4 of the paper splits the services sector and illustrates the impact on particular areas. For example, Accommodation and Food Services fell by 10.4% and Education by 6%. As the Q1 2020 data only reflects the very early stage of the lockdown this is likely to have got worse into Q2.

In terms of production sectors such as Machinery and Equipment, Transport Equipment and Textiles/Wearing apparel had seen significant falls when Quarter 4 2019 is compared to Quarter 1 2020. Unsurprisingly Pharmaceutical and Chemical producers saw an increase.

Household consumption declined by 2.9% in Quarter 1 2020, revised downwards by 1.2 percentage points from the first quarterly estimate; this is now the largest decline in household consumption since Quarter 3 (July to Sept) 1979. For some who remain in work and are able to work from home, the enforced saving of a locked down economy has meant that the households saving ratio increased to 8.6% in Quarter 1 2020, compared with 6.6% in Quarter 4 (Oct to Dec) 2019. Overall they found that households in the UK had reduced their spending by £9.5 billion in the first quarter of 2020.

What future for apprenticeships after coronavirus? Guglielmo Ventur, Economics Observatory. 29/6/2020

https://www.coronavirusandtheeconomy.com/question/what-future-apprenticeships-after-coronavirus

A survey of firms currently employing apprentices reveals that, on average, only 40% of apprenticeships are continuing as normal with the rest facing learning disruptions or being furloughed or made redundant. Official statistics on apprenticeship interruptions are not available, which makes it impossible, at this stage, to draw a complete picture of the impact of Covid-19 on current apprenticeships.

Training providers are also under great financial strain. This raises the fear that even as the crisis subsides, there will be fewer apprenticeships on offer and fewer providers to deliver them.

While many apprenticeships can resume and be completed once economic activity recovers, in some sectors, protracted social distancing or a slower recovery put apprentices at risk of losing their jobs and becoming unemployed unless they are transferred to a new employer.

The effects of coronavirus on household finances and financial distress. Pascale Bourquin, Isaac Delestre, Robert Joyce, Imran Rasul and Tom Waters. Institute of Fiscal Studies, 29/6/2020

https://www.ifs.org.uk/uploads/BN298-FULL-The-effects-of-coronavirus-on-household-finances-and-financial-distress.pdf

In this report the researcher use real-time data on households' finances from Money Dashboard, which provides daily information on (anonymised) user finances. There are over 100,000 individuals with a registered account on this software and the IFS team looked at a sample of 5,684 individuals. The app collates data from bank accounts, detailing the credits and expenditures from all linked-in financial accounts (current, credit card and savings accounts). Access to this has allowed the researchers to examine the impacts of the crisis so far on earnings, incomes and financial distress. They complement this with household survey data to explain and verify the key trends. The key findings are well presented as bullet points and are reproduced below.

- By May 2020, when compared with what would have been predicted just before the crisis based on trends up to that point, the number of jobs was 4% lower, median after-tax household earnings were 9% lower and median household income (including benefits) was 8% lower (equivalent to an income loss of around £160 per month). These impacts had largely been felt in April, but with few signs of recovery in May.
- The crisis has so far impacted the earnings of the poorest households the most. Households in the poorest fifth – as measured by their pre-crisis income – have been hit hardest in terms of earnings, with a fall in their median household earnings of around 15% (or around £160 per month). However, if we look at total income rather than just earnings, the poorest have not fallen further behind on average. This highlights the important role of the benefits system in containing inequality and poverty. It partly reflects the government's temporary increases in benefits – set to last until April 2021 – and partly the simple fact that the benefits system replaces a relatively large share of lost earnings for the lowest earners.
- Non-payment of household bills increased sharply after lockdown and increased further between April and May. By May, the number of households making mortgage, rental and council tax payments was, respectively, 14%, 11% and 9% below what we would have predicted based on pre-crisis trends. This represents a further deterioration since April, perhaps suggesting that some households are increasingly struggling to make ends meet as the crisis persists. Poorer households seem to be falling behind by more on council tax and utility bills. Non-payment of mortgages is spread more evenly across the income distribution.
- In some cases, these unpaid bills will be important and sensible ways of weathering the storm (for example, mortgage holidays) – but they still mean additional debt that will be carried forward. Looking at those who paid a given bill in January 2020 but did not pay that bill in May 2020, the average January bill amount was £1,660 for mortgages, £650 for rent, £170 for council tax and £139 for utilities. Increases in accumulated debts of these magnitudes are not sustainable, so this underlines the importance of a quick recovery in household incomes.

In the firing line, Mark Upton, Local Government Information Unit, 29/6/2020

https://lgiu.org/in-the-firing-line/

Looks at what the impact of the pandemic may be on young people, and although it has a bias towards the situation in England some of what Upton discusses would equally apply in Scotland. He indicates that young people are more likely to move into and out of work, are more affected by slowdowns in hiring, and face increased competition from those with more experience and job specific skills. The most affected sectors of the economy traditionally attract a large proportion of young people – in particular non-graduates and young women: non-food retail, hospitality, travel, and the arts and entertainment sectors. He mentions the UK Government's initial response to supporting economic recovery is the "decade of investment" announced on 30 June.

He goes on to argue that any response must involve stimulating the demand-side of the labour market. Cutting employer National Insurance (NI) contributions or increasing the employment allowance is an option but employers already do not pay NI for employees under-21. He goes onto consider that the Government will aim to bring unemployment down quickly, and this may lead to a 'cream and park' approach. Focusing on those 'closest' to the labour market to get young people into any job, however unsuitable, because 'work pays', while 'parking' those furthest away from the labour market. That risks entrenching existing inequalities and trapping those who appear initially lucky to get into 'any job' in low paid occupations, with lasting detrimental effects on their pay and careers.

He discusses the need to put support in place quickly, using existing delivery mechanisms notwithstanding their current weaknesses. The article looks at the fact that whilst Jobcentre Plus work coaches, the Flexible Support Fund, and the Youth Obligation programme exist, this will not cover the 40% of 18-24 year olds who do not claim benefits, or the 16-17 year-olds who do not qualify. He suggests that mandated programmes in return for benefits do not necessarily produce sustainable results as such programmes can lead to young people getting stuck in low paid and unsuitable jobs, or dropping out of the system altogether, leading to more social and economic problems down the line.

Keeping young people in education and training can be an effective way of shielding young people from the long-term damaging effects of unemployment. Upton argues that this should not just be used as a 'holding pattern', but as an opportunity to train young people in the jobs of tomorrow- but it will require additional funding for the further education sector. The evidence of what works suggest a central role for 'Career Academies' involving academic and occupational training specific to a particular business sector / profession combined with relevant and high-quality work experience.

Living standards, poverty and inequality in the UK: 2020 Pascale Bourquin, Robert Joyce and Agnes Norris Keiller Institute for Fiscal Studies 25/6/2020

This JRF funded research is based on the situation before the pandemic. It relies on two surveys. Firstly, the Family Resources Survey (FRS), a survey of around 20,000 households a year, which contains detailed information on different sources of household incomes. Secondly they draw on data from Understanding Society: the UK Household Longitudinal Study (UKHLS) to get a better understanding on what was happening to poverty amongst groups who are likely to be particularly vulnerable to the COVID-19 pandemic in terms of potential employment losses or reductions in earnings.

They conclude that COVID-19 hit at a time when income growth had disappointing for a number of years, with median (middle) household income essentially being the same in 2018−19 as it was in 2015−16. They report that we have just experienced a decade of poor improvements in living standards, with average income before housing costs having grown less than over any other 10-year period since records began in 1961. The main culprit for the latest choking-off of real income growth had been a rise in inflation from 2016. This was partly due to the depreciation of sterling following the Brexit referendum.

However, this general trend disguises differences dependent on age. The researchers report that for people aged 60 or over, median income was 12% higher in 2018−19 than before the previous recession in 2007−08, while among the rest of the population it was only 3% higher. However, in recent years, income growth had stalled for old and young alike.

Trends among low-income households had been worse still – they had experienced five years of real income stagnation between 2013−14 and 2018−19. This was entirely due to falls in income from working-age benefits and tax credits, which offset growth in employment incomes. Working-age benefits were frozen in cash terms, so the rise in inflation from 2016 reduced their value in real terms by 5%.

Overall relative poverty (using incomes measured after housing costs are deducted (AHC)) was 22% in 2018−19, and it has fluctuated little since the early 2000s. For particular groups, though, we have seen more change. Relative poverty among working-age adults without children has fallen since 2011−12, while relative child poverty has increased by 3 percentage points – the most sustained rise in relative child poverty since the early 1990s.

Workers whose livelihoods look most at risk during the COVID-19 crisis already tended to have relatively low incomes, and were relatively likely to be in poverty, prior to the onset of the crisis. Employees working in 'shutdown sectors', such as hospitality, were already almost twice as likely to be in poverty as other employees, and poverty rates were higher still for self-employed people working in these sectors. Cleaners and hairdressers stand out as groups with higher poverty rates than other workers who are unlikely to be able to work from home.

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 benefit entitlement among workless households is 10% lower in 2020−21 than it would have been without any policy changes since 2011, and among workless households with children it is 12% lower. These cuts in generosity are mainly due to the 'benefits freeze' and the introduction of universal credit; without the temporary increases, they would have been 15% and 16% respectively.

A looming crisis: the mental health impacts of Covid-19. Kerry Fergusson Local Government Information Unit, 23/6/2020

https://lgiu.org/briefing/a-looming-crisis-the-mental-health-impacts-of-covid-19/

This is accessible on a member only portal, but it is straightforward to sign up as a 'follower' if you are not directly employed by a local authority. Fergusson starts this paper by indicating that an estimated one in four people in the UK experience a mental health issue in any given year. Whilst evidence of the impact of the pandemic on mental health is limited, from previous coronavirus outbreaks it is anticipated that there will be adverse impacts such as depression, anxiety, stress, post-traumatic stress and worries about discrimination. Fergusson argues that unemployment and poverty are correlated with mental ill-health and that recessions increase incidence of mental health issues and mortality from suicide.

The paper calls for a wider response to these issues over the short to medium term and aims to help LAs to think through the mental health service demands and policies that may be best placed to tackle these. For instance, clear and trustworthy information is seen as one practical way in which anxiety can be reduced. Similarly, the availability of greenspace and parks is mentioned as one way local authorities can help reduce mental health issues.

The Economics of Parenting: Children and Inequality in a Time of Shutdown; Emma Congreve and Jonathan Norris

https://fraserofallander.org/wp-content/uploads/2020/06/The-Economics-of-Parenting-emma-and-jonathan-formatted.pdf

More of an academic paper than some of the others discussed, this report looks at how children develop a broad range of skills and how these are then used in later life. It's of interest as it discusses how school is central to a number of these and can increase in importance for children from less affluent backgrounds. Congreve and Norris understand that they are unable to fully understand how different schools have approached teaching and engaging during lockdown, yet this paper provides a good overview of how the importance of skill development in school differs depending on levels of deprivation. They conclude by saying that the issues are the same as they were before the pandemic, however one of the key enablers of positive change (the school) has been removed.

When you consider that where inequality is high there is a much greater risk from shocks, such as the pandemic, to deepen inequality in skill development through factors in the home, neighbourhoods, and schools.

Weekly vacancy analysis: Vacancy trends in week-ending 21 June 2020. Dafni Papoutsaki, Matthew Williams, and Tony Wilson. Institute for Employment Studies. 26/6/2020

https://www.employment-studies.co.uk/sites/default/files/resources/summarypdfs/IES%20Briefing%20-%20w.e%2026.06.2020.pdf

This report is the 11th in a series that IES have produced over the period of the pandemic. The work is funded by the Joseph Rowntree Foundation and uses vacancy data collected by Adzuna the online job search engine.

This is based on vacancies posted till week ending 21st June 2020. They found that over that week there were 112,000 new vacancies notified. This is 51 per cent lower than in the week before the crisis began and 58 per cent lower than for the equivalent week last year. However there has been a slight increase (6%) in new vacancies compared to the previous week - the third weekly increase in a row.

The report also looks at the change of vacancies by 3-digit Standard Occupational Classification between the second week of March 2020 and the third week of June 2020. They only report on occupations with at least 1,000 vacancies advertised. From this they have found that there was an 18 per cent increase in Medical Practitioner vacancies and the lowest fall in vacancies was in Health, Care, Nursing and Cleaning occupations. The highest fall was in vacancies in Business, Administration, Sales, Hospitality and Financial related occupations.

This analysis shows that the very largest falls, often of more than 80%, have been in administrative roles, hospitality but also in some professions (notably in HR jobs). So, the collapse in hiring has included 'shut down' sectors but has affected far wider parts of the economy. By contrast, vacancies have held up in some job roles related to security, cleaning and health and care.

The report provides a break down by local authority and the results for the 6 local authorities in the city region are reproduced below. From this we can see that East Lothian and Edinburgh have seen the greatest fall in vacancies since the pandemic started.

	Vacancies w/e 14/6/2020	Change since 15/3/2020	Change in the last week	Year on year change
East Lothian	314	-64.4%	-2.8%	-54.3%
Edinburgh	2,622	-61.4%	-1.4%	-66.2%
Midlothian	1,135	-52.2%	-7.3%	-59.3%
West Lothian	653	-47.1%	-5.6%	-60.1%
Scottish Borders	310	-10.4%	-2.8%	-26.4%
Fife	1,078	-26.1%	+2.3%	-41.1%

Scottish Annual Business Statistics 2018, Scottish Government, 24/6/2020

https://www.gov.scot/publications/scottish-annual-business-statistics-2018/

The data referenced in this report is all pre-Covid, so it is not particularly relevant for looking at impacts. However, it is useful for putting other reports into context. For example it highlights that in 2018 the service sector provided over half of the Gross Value Added to the Scottish Economy and the single largest contributor to this was retail. It goes further and looks at Local Authorities and we can see that in Edinburgh over 80% of the GVA is from the service sector. In the City Region East Lothian has the lowest proportion of GVA from services at under 60%. This can then be borne in mind when the impact of the pandemic on certain sectors are considered. The data is available either in a summary PDF or as an Excel workbook with all the statistics presented.

Basic Income: A policy whose time has come? A response to the pandemic. Cleo Goodman, Basic Income Conversation 24/6/2020

https://lgiu.org/briefing/basic-income-a-policy-whose-time-has-come-a-response-to-the-pandemic/

This paper refers to a Scottish Government funded Scottish basic income experiment feasibility study which was a collaborative project that looked at areas in Glasgow, Edinburgh, North Ayrshire and Fife. The final report published in June recommends a Scottish pilot, to test the impact of basic income on poverty, child poverty and unemployment, as well as health and financial wellbeing, and experience of the social security system. The pilot model recommendations are:

- A randomised controlled study, with two study areas where the whole community receives a basic income
- That the pilot should be based around 5 key principles: universal (paid to all); unconditional (no requirement to search for work); individual (not paid to households, like Universal Credit); periodic (paid at regular intervals); and made as a cash payment.

- Two levels of payment – one high based on the Minimum Income Standard and one low aligned with current benefit levels.
- For recipients of the basic income, suspension of a range of existing income-related benefits is proposed, while others – for disability, housing, childcare and limited capability for work – be retained.

Goodman says that the debate has shifted dramatically since the Covid-19 crisis began and people who had been sceptical of even experimenting with the idea have been calling for the implementation of an Emergency Basic Income in response.

The Impact of Covid-19 on Scottish Small and Medium Sized Enterprises (SMEs): Prognosis and Policy Prescription, Ross Brown, Fraser of Allander Institute

https://fraserofallander.org/wp-content/uploads/2020/06/Ross-Brown-SMES-FEC-ARTICLE-formatted-1.pdf

This paper highlights the impact of the Covid-19 pandemic crisis on Scottish small and medium sized enterprises (SMEs) reflecting on past crisis episodes to help map out the nature of the likely longer-term effects of the pandemic for Scottish SMEs. Brown suggests that past research indicates that SMEs are likely to experience the greatest impact from 'shock events' such as the pandemic and the fact that the SMEs operating in Scotland account for 99.3% of all private sector firms and employ around 60% of the Scottish workforce, make this of national concern.

The paper discusses why SMEs are more likely to suffer during a 'shock event' before turning to look at differences in sectors and also geographies- according to the report more rural SMEs are likely to suffer a greater impact.

The final sections of the paper looks at what could be done to mitigate against these impacts, putting forward seven key policy recommendations:

- Coronavirus Job Retention Scheme. If the scheme ends abruptly for Scottish SMEs in October 2020 as planned, it could lead to extensive business closures thereafter. Consideration should be given to extending the scheme for SMEs in certain predominantly service-based sectors of the economy such as independent restaurants, pubs, personal service firms and tourism-related business until at least the end of the year. Being a UK wide scheme the Scottish Government would need to campaign for this step to be implemented.
- Suggest support for SMEs that have grown during the pandemic, to encourage these firms to be in a position to recruit those made redundant elsewhere. Hiring subsidies may be one way to encourage this.
- The Scottish Government should ensure different support instruments available for SMEs are accessed. This could, he suggests, be based on a marketing campaign and /or be centred on the new Scottish National Investment Bank.
- Whilst access to debt finance is one option many small business are averse to taking on more debt at a time of uncertainty. Introducing small grants for SMEs to focus on altering and innovating business practices is an option suggested.
- Facilitate online engagement between entrepreneurs and private investors creating a form of online brokerage may help alleviate the financial distancing occurring currently.
- Scottish Government uses its procurement budget and gives SMEs greater access to public sector contracts. More flexibility in the tendering process is something that should be examined.
- Better use of Real Time Data, to create a better understanding of what is a rapidly changing landscape.

No time to lose: Getting people into work quickly. June 2020

https://www.employment-studies.co.uk/system/files/resources/files/Help%20wanted%20-%20short-term%20unemployment.pdf

This paper has involved contributions from Learning and Work Institute, Institute for Employment Studies, Reform, ERSA, Impetus, Association of Colleges and the Institute of Employability Professionals. It builds on the proposals for tackling the challenge set out in Help Wanted and referred to in issue 2 of this summary. It focuses specifically on how to get those who have recently lost their job (or may soon do so) into new work as quickly as possible.

They argue that there will be a need for twice as many JC+ Work Coaches as currently available to match the increase in unemployment currently experienced and before any further wave of unemployment as the furlough scheme is withdrawn.

The paper proposes a £1 billion investment in Jobcentre Plus and skills and employment advice to provide support for everyone who needs advice to find new work. This will include unemployed and not claiming, anyone at risk of redundancy or furloughed and unsure of their future, and those that are self-employed and need advice.

They go onto say this should include a universal offer of: an initial personal session with an employment advisor, signposting to training, specialist support, and further advisor support; and access to advice and tools for job-search and careers guidance

The paper calls for Investment in re-training and improving skills to help people change careers and fill new jobs that will be created as well as encouraging people to invest in their own learning.

The Full Monty Facing up to the challenge of the coronavirus labour market crisis. June 2020. Nye Cominetti, Laura Gardiner & Hannah Slaughter. The Resolution Foundation

https://www.resolutionfoundation.org/app/uploads/2020/06/The-Full-Monty.pdf

This paper supported by the Health Foundation looks at similar issues to the research they published in May- how the country moves from lockdown into a new, reopening phase of this crisis. They argue that without further support for the hardest-hit sectors, there is a risk of significant redundancies in the summer/autumn, adding to already high unemployment.

They discuss the fact that economically this is a highly sector-specific crisis, with the impact concentrated on those sectors affected by social distancing measures, such as hospitality, non-food retail, leisure, and tourism. This has also meant that the people who work in those sectors – the low paid, and the young – have borne the brunt of the impact.

As the economy reopens with the easing of social distancing measures, we should not expect a complete 'V-shaped' recovery. Activity will bounce back in the coming weeks, with furloughed workers reactivated and some unemployed finding work. But the virus will continue to hold activity below its pre-pandemic level. Firms face supply constraints, and households (especially low income households) have experienced an income shock, which, combined with high uncertainty, means demand will be slow to recover.

They argue that policy must act now to help prevent redundancies in the hard-hit sectors, to generate new jobs elsewhere in the economy and to give the unemployed people support to take up those jobs. This should involve a wage subsidy or employer National Insurance contributions cut in the hard-hit sectors, and job creation via direct public investment in social care.

Almost a third of Scots' incomes have reduced in lockdown, with half of affected renters worried about paying rent, Grace Hetherington, JRF

https://www.jrf.org.uk/press/almost-third-scots'-incomes-have-reduced-lockdown-half-affected-renters-worried-about-paying

Joseph Rowntree Foundation commissioned a poll of 2,000 Scottish households by YouGov. The link above takes you to a summary rather than a full report, which doesn't appear to be published. The survey found;

- Almost a third of households (31%) across Scotland have reported a drop in incomes since March 2020.
- Almost half of renters who have experienced a drop in income since March are worried about their ability to pay rent (47%)
- In the private rented sector 45% have seen a drop in their incomes since March 2020.
- In the social rented sector 32% have fallen behind with a payment, with tenants more likely to report falling behind with council tax and rent than other household bills.
- Households that saw a decline in income were at the same time more likely to face extra costs than those whose incomes had stayed the same or increased
- Households in the Highlands and Islands were more likely to have seen their incomes reduce as a result of the lockdown, with 44% of households affected. In the Lothians 35% of households are affected, slightly higher than the national average (31%).
- They report that 40% of families with two or more children, a group already more vulnerable to poverty, have been hit by the economic impact of lockdown, experiencing a drop in net income since March 2020.

JRF is urging both the UK and Scottish Governments to act quickly to put protections in place for private tenants to prevent arrears building up and avoid a potential spike in evictions and homelessness in the autumn.

May 2020

Securing a place for young people in the nation's economic recovery. A rapid response to COVID-19. Institute for Employment Studies, May 2020

https://www.employment-studies.co.uk/system/files/resources/files/Young%20people%20employment%20response%20paper.pdf

This paper published jointly by IES, Impetus, Prince's Trust, Youth Future Foundation and Youth Employment UK calls upon the government to consider particular priorities;

- Prioritise funding to support youth employment. Pre-lockdown, 750,000 young people were NEET in the UK and the Resolution Foundation estimates that a further 600,000 could find themselves unemployed this year,

- Effective government coordination to ensure every service is joined up and data is fed back into strategy
- Support for young people through the whole process of finding employment and developing skills. Focus on ensuring long term unemployment doesn't happen.
- Develop the opportunities to reflect what young people want and what has been shown to work.
- Use as an opportunity to develop a youth employment/support system that works better going forward.

Getting Britain working (safely) again: The next phase of the Coronavirus Job Retention Scheme, T Bell, L Gardiner & D Tomlinson, Resolution Foundation, May 2020

https://www.resolutionfoundation.org/app/uploads/2020/05/Getting-Britain-working-safely-again.pdf

This paper looks at the Coronavirus Job Retention Scheme (JRS) and the fact that the unprecedented step of paying 80 per cent of the wages for 6.3 million jobs has made it possible to ask people to stay at home to help deliver public health objectives. The focus of the discussion is to look at how JRS should evolve as restrictions on activity are eased and the economy begins to recover.

They argue that high costs or ideological opposition to the JRS are bad reasons for immediately ending it, as the risks to unemployment of policy moving too fast are particularly acute given that the traditionally labour-absorbing sectors in recoveries are the very sectors most likely to be shedding labour in this one. Instead, the motivation for JRS reform should be changes to the lockdown policy itself, which mean our economic objectives will shift too. Given that the timetable for adapting the lockdown is highly uncertain, so, necessarily, must be the timetable for any changes to the JRS.

The decisions about the JRS are much more complex than those taken upon its introduction. Policy makers should not be thinking in terms of bouncing back to an old world, but instead aiming to optimise policy for a messy interim period dominated by social distancing. The JRS must be flexible enough to varying timetables for change and very different impacts across our economy. Trade-offs between objectives will also be more acute than during the hard lockdown, with the objective of job retention rubbing up against the scarring effects that long periods out of work have on skills and pay prospects.

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