



CAPITAL CITY PARTNERSHIP

Summary of COVID Related Publications - Issue 6, August 14th 2020

The publications looked at for this issue focus heavily on the data published over the last week or so when we have seen the release of claimant count data, information on economic activity and the latest data on GDP. All of these make for gloomy reading but should not really come as a surprise, given what we have been seeing since the lock down measures were put in place in March.

One article is examined where Boyle wonders if the definition of recession, and when the economy is in or out of recession could prove to be a hinderance, as he suggests that different policies may be applied depending on whether or not the economy is defined as in recession or not. A JRF report is looked at, as it has tried to identify areas in Britain where the unemployment rise may hit hardest and take longer to stabilise and reverse. A report by the Institute of Employment Studies has been included as it looks at mobility and why people move and how this benefits them economically and considers the impact of COVID on mobility.

A paper from the Economics Observatory looks at mental health and how social isolation coupled with worries over the pandemic as well as the predictable stresses that develop during economic uncertainty could be having an impact on individuals. Another article looks at how libraries are emerging from the lock down and this has been included as they are often used for both job search and as a signposting route for employability services.

August 2020

Latest data on the Scottish economy Update 14th August 2020, Fraser of Allander Institute, 14/8/2020

https://fraserofallander.org/covid/latest-data-on-the-scottish-economy-update-14th-august-2020/?utm_source=rss&utm_medium=rss&utm_campaign=latest-data-on-the-scottish-economy-update-14th-august-2020&utm_source=Fraser+Blog+and+subs+list&utm_campaign=a79fb404cf-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-a79fb404cf-86525662

Latest snapshot of new data on the Scottish economy from FAI. They found that consumer interest as demonstrated in recent data exceeded last year's levels for most products and services for the first time since the start of the lockdown. Also positive was the fact that Scotland has seen a large number of businesses re-open in recent weeks and it now has the lowest share of temporarily closed businesses across the UK. On the worrying side is the fact that Scottish GDP data, which are due to be released next week, are likely to show that Scotland was in a recession during the first half of 2020- this won't be a surprise as that's what the UK data showed earlier this week. In addition, the

number of vacancies continued to decline across most sectors in July whilst wages for new positions continued to decline for the 4th consecutive month.

They have found that the large increase in people claiming universal credit appears to be translating into more families hitting the ceiling on benefit support set by UK Government (the Benefit Cap). The outlook for households facing financial difficulties due to the economic fallout from Coronavirus remains extremely challenging they conclude.

Recession and Recovery, Stephen Boyle FAI, 12/8/2020

https://fraserofallander.org/scottish-economy/recession-and-recovery/?utm_source=rss&utm_medium=rss&utm_campaign=recession-and-recovery&utm_source=Fraser+Blog+and+subs+list&utm_campaign=9e52ba9d88-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-9e52ba9d88-86525662

Looks at the GDP figures for the three months from April to June and the fact that they are showing that we are technically in recession. During that time income fell by 20.4%, following a fall of 2.2% between January and March. Goes on to give some of the headline figures-

- 9.5 million people furloughed,
- more than a million firms receiving government backed loans
- £10billion of business grants have been issued.
- Number of hours worked has fallen by 20% since the end of 2019

Looks at why having a technical definition of recession might not mean much practically as a very small growth in GDP would mean that we are out of recession and this could happen over a number of months with the economy bumping along moving up as sectors reopen, moving down as furlough support reduces. He argues that when it is accepted that the recession is over is important as it will affect priorities and resource allocation from that point on.

Has a useful paragraph towards the end of the article where Boyle looks at what is meant by 'Build Back Better' he says that clarity is beginning to emerge for example, the STUC has a concrete proposal for how to treat key workers better, NESTA has begun to draw together a number of threads of 'better' and Reform Scotland has set out how to create a Scottish sovereign wealth fund. With Scotland, hopefully, beyond the shock of the initial phase of the disease minds should turn to developing plans that include clear outcomes, delivery mechanisms and costs, which will then allow prioritisation.

How might social isolation affect people's wellbeing during the pandemic? Keila Meginnis, Barbara Petrongolo and Richard Layard, Economics Observatory, 12/8/2020

<https://www.coronavirusandtheeconomy.com/question/how-might-social-isolation-affect-peoples-wellbeing-during-pandemic>

This paper looks at the mental health impacts of isolation and reduced social interaction required to reduce the spread of the virus. In this, a paper which cites a large number of other studies, it concludes that long-term health suffers greatly during recessions and lockdown increases the potential risk of mental illness due to isolation. We know from the clients that are supported across the city region that even before the pandemic mental health was a frequently recorded barrier.

Edinburgh and South East Regional Claimant Count. July 2020 Update, Capital City Partnership, 12/8/2020

<https://www.joinedorforjobs.org/uploads/store/mediaupload/206/file/7%20Edinburgh%20and%20South%20East%20Scotland%20Regional%20Claimant%20Count%20July%202020.pdf>

This is the latest in the monthly claimant count analysis for the 6 authorities that make up the City Region. It is based on data published on NOMIS and the DWPs StatXplore websites and reflects the number of claimants of out of work benefits – the claimant count data. Its useful as it drills down to ward level and presents what is happening in the different authorities in terms of age and gender.

It indicates that the Edinburgh Claimant Count is up from 17,850 in June to 18,515 in July 2020, to put this into context in July 2019 it was 6,270. Across the City Region there were 51,920 claimants in July.

Public libraries and leisure services: survival and mapping out their role in recovery, Chris Hayes, LGiU, 12/8/2020

<https://lgiu.org/briefing/public-libraries-and-leisure-services-survival-and-mapping-out-their-role-in-recovery/>

At first glance this paper may not appear to be particularly relevant for employability, but libraries often provide support for job search through access to computers or newspapers. Libraries have been used by service providers as both venues for training and group work whilst library staff can provide a signposting role to be specialist support. As such the reopening of libraries is worth looking at.

This briefing provides a snapshot of the current position, looks at how public library and leisure services have adapted to Covid-19, and the strategic issues and challenges ahead. It appears that whilst libraries are starting to provide a lending service again, they have also been extending their on-line and digital resources. Libraries Connected have identified five priority areas where libraries can play a central role and these link into employability and supporting upskilling.

- Economic recovery with help and training for job seekers and entrepreneurs
- Education support for children and SEND students who struggled to learn at home
- Isolation mitigation for vulnerable groups and to help people to reconnect locally
- Digital inclusion for residents who lack IT skills or have no access to the Internet
- Cultural partnership to help local artists and arts organisations to continue their work

Despite the recognition that Libraries play a role in all these areas, the current reopening tends to focus on lending material rather than venue/IT use.

BRC–KPMG retail sales monitor July 2020, 11/8/2020

<https://home.kpmg/uk/en/home/media/press-releases/2020/08/brc-kpmg-retail-sales-monitor-july-2020.html>

The latest version of a series and this one is covering the four weeks 5 July - 1 August. They conclude that the release of pent up demand continued in July, with total retail sales growing at 3.2% compared to the same month in 2019. Fortunes were heavily polarised though, and fashion sales continued to suffer despite the summer weather. While social distancing restrictions have eased shoppers are still focussed on life at home for the most part as a result online sales continue to

remain prominent – accounting for over 40 per cent of sales – while food and home focussed categories like furniture, homewares and kitchen accessories remained among the strongest performers. They suggest that September will be the real test for retailers this quarter. This is traditionally a month of high volumes driven by the return to school after the holiday season. That said, with the furlough scheme unwinding and wider economic uncertainty set for the autumn, consumer anxiety will likely rise along with it. This will place more scrutiny on disposable income and make life even tougher for retailers.

Labour market overview, UK: August 2020, ONS, 11/8/2020

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/latest#main-points>

Latest in a regular series that provides estimates of employment, unemployment, economic inactivity and other employment-related statistics for the UK. This issue looks at the data released on Tuesday 11th August. The majority of data in this bulletin come from surveys of households and businesses. Key points are;

- the number of employees in the UK on payrolls is down around 730,000 compared with March 2020.
- Survey data show employment is weakening, and unemployment is largely unchanged because of increases in economic inactivity, with people out of work but not currently looking for work.
- A large number of people are estimated to be temporarily away from work, including furloughed workers; approximately 7.5 million in June 2020 with over 3 million of these being away for three months or more.
- New analysis shows that the youngest workers, oldest workers and those in manual or elementary occupations were those most likely to be temporarily away from paid work during the coronavirus (COVID-19) pandemic.
- Vacancies are showing increases in the latest period, driven by the smaller businesses, some of which are reporting taking on additional staff to meet COVID-19 guidelines.
- The Claimant Count reached 2.7 million in July 2020, an increase of 116.8% since March 2020.
- Pay fell for all measures in the three months to June 2020. However, for the sectors of wholesaling, retailing, hotels and restaurants and construction where the highest percentage of employees returned to work from furlough, there is a slight improvement in pay growth for June 2020.

As with previous versions of this report ONS continue to provide some very useful charts which are underpinned by the data used to create them. This allows for useful deeper examination of the data if required. That said the data does tend to be UK wide which limits its usefulness for the city region. The bulletin concludes with a good economic commentary, which has been used to generate articles for news outlets such as the BBC.

A review of today's labour market data, Fraser of Allander Institute, 11/8/2020

https://fraserofallander.org/scottish-economy/a-review-of-todays-labour-market-data/?utm_source=rss&utm_medium=rss&utm_campaign=a-review-of-todays-labour-market-data&utm_source=Fraser+Blog+and+subs+list&utm_campaign=45e869d202-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-45e869d202-86525662

FAI provide their usual summary and comment on the labour market data released on the 11th August. They reflect on the fact that employment in the UK dropped by the largest amount in a decade, 220,000, in the three months to the end of June. In Scotland employment dropped by 15,000, with the employment rate dipping -0.4% points in the three months to June 2020, and now sits at 74.3%. Scottish unemployment rose by 11,000 to a rate of 4.5%, up +0.4%-points on three months ago.

From the UK aggregate data, they suggest that the labour market is being reshaped and the emerging signs of the looming unemployment crisis are beginning to come true. They found that employment among those over 65 decreased at a record quarterly rate, after growing rapidly since the global financial crisis and the number of people in self-employment has fallen at a record quarterly rate. The data indicates a rise in zero-hour contracts, with the number of people with a zero hour contract in the UK exceeding 1 million for the first time. Using ONS data on the claimant count they highlight that 222,000 people in Scotland were claiming unemployment-related benefit support at the end of July 2020 - more than double the number in this position at this time last year.

Targeted action for parts of Britain at risk of surging unemployment, Dave Innes, Rebecca McDonald and Sam Bennett, JRF, 7/8/2020

<https://www.jrf.org.uk/blog/targeted-action-parts-britain-risk-surging-unemployment>

This new research identifies the parts of Britain which will find it hardest to recover from the economic impact of the lockdown and calls on the Government to help these localities in a targeted way, that will make the economic recovery in these places easier in the future.

The Office for Budget Responsibility predict that by the end of this year 12%, nearly one in eight, of the workforce will be unemployed and whilst nowhere in the country has been spared the economic effects from this crisis some parts of the country are being much harder hit than others. They look at areas where tourism is crucial to the economy or areas with high preponderance of low wage jobs often in food and hospitality. They indicate that people on low wages and insecure contracts are more likely to lose their jobs in recessions, whatever sector they work in. This leads to more job losses in weaker economies where low wages and insecure work are more prevalent.

Moving forward people losing their jobs face very different chances of finding a new one depending on how many vacancies are available locally. Local recoveries depend partly on people spending money locally. In the last few months we have seen richer households build up savings as they involuntarily cut back on spending; whereas low-income households have been more likely to turn to borrowing from friends and families, or debt, to cover the costs of essentials. There is talk that 'pent up demand' could support local recoveries in parts of the country, but this is unlikely in weaker economies.

Understanding which places could be most affected and take longest to recover from COVID-19 involves answering two important questions:

1. Where is unemployment likely to peak highest?
2. For people losing their jobs, how many opportunities will be available locally?

Using data from the Office for Budget Responsibility and the DWP claimant count coupled with real-time information on the jobs currently being created using online vacancy data from the job search engine Adzuna, the authors make an estimate of the impact of this recession on different localities ranking places based on their combined score.

Unfortunately, this publication only gives details at a Local Authority level and only publish the details on the 20 LAs that will be the hardest hit. A map of the UK is reproduced banding LAs into one of 5 groups. None of the LAs in the City Region feature in the 75 LAs that they believe will be hardest hit, Fife features in the second cohort 76-150 worst affected, East Lothian, West Lothian and Scottish Borders feature in the third cohort – 151-225 worst hit whilst Edinburgh and Midlothian feature in the 4th cohort the 226-300 worst affected.

Latest data on the Scottish economy, Fraser of Allander Institute, 7/8/2020

https://fraserofallander.org/covid/latest-data-on-the-scottish-economy-update-7th-august-2020/?utm_source=rss&utm_medium=rss&utm_campaign=latest-data-on-the-scottish-economy-update-7th-august-2020&utm_source=Fraser+Blog+and+subs+list&utm_campaign=30dc0fb57a-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-30dc0fb57a-86525662

Latest in the FAI updates indicates optimism returning for some sectors, with consumer online interest beginning to return to pre-Covid levels in some areas. However, uncertainty is still there with the example of the impact of a localised lockdown in Aberdeen creating uncertainty, particularly in the hospitality sector as pubs, restaurants, etc. Also report that for households, high uncertainty persists and whilst there have been slight improvements in vacancies in Scotland the threat of high unemployment remains as we move closer to October and the end of the UK Government furlough and self-employment schemes.

The short and long term economic consequences of Covid-19, Andrew Jones, Local Government Information Unit, 6/8/2020

<https://lgiu.org/briefing/the-short-and-long-term-economic-consequences-of-covid-19/>

This briefing summarises the impact on the UK economy. It states that

- UK GDP had reduced by 24.5 per cent by the end of May compared with February 2020
- Sectors showing above average decline in output between March and May are hospitality, construction, transport, wholesale and retail, and education, but all sectors contributed to the decline in GDP with the exception of public administration and defence;
- The scale of the labour market impact is masked by the furlough schemes, which mean many people consider themselves to be only temporarily detached from their current jobs.
- Lower tax receipts and higher spending lifts the deficit in 2020-21 to £322bn, or 16 per cent of GDP, an unprecedented level in peacetime.
- Higher cash borrowing and a smaller economy push public sector net debt (PSND) above 100 per cent of GDP for the first time since the early 1960s in all forecast years.

The paper has some very stark graphics which illustrates these statistics visually.

Covid-19 and charities: what lies ahead for the sector?, Kerry Fergusson, Local Government Information Unit, 5/8/2020

This briefing summarises the findings in the House of Commons Digital, Culture Media and Sport committee's report and the government's response. Whilst not all charities are experiencing the effects of Covid-19 in the same way and to the same degree, the evidence given to the committee suggested that the impact on finances and operations were widespread and more than 70 per cent of the charities surveyed by the Directory for Social Change feared they could close before the end of 2020 without financial support.

This paper looks at what has been done to try and alleviate these concerns and ensure that charities can continue to operate and deliver services.

How are businesses faring in Scotland... and what will the response be? Fraser of Allander Institute, 4/8/2020

https://fraserofallander.org/covid/how-are-businesses-faring-in-scotland-and-what-will-the-response-be/?utm_source=rss&utm_medium=rss&utm_campaign=how-are-businesses-faring-in-scotland-and-what-will-the-response-be&utm_source=Fraser+Blog+and+subs+list&utm_campaign=ee11fb5f94-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-ee11fb5f94-86525662

This paper looks at how businesses are coping in Scotland as the lockdown is eased and what this may tell us about the right policy response.

Much of this article is based on the results of the Scottish Business Monitor published in partnership with Addleshaw Goddard. In this they found that whilst businesses were more positive than last quarter about the prospects for the next 6 months, there are clear signs of ongoing strain on the business base. For example, over half of businesses told FAI that they were planning to reduce staff numbers as the Job Retention Scheme was removed. They surmise that a significant proportion of the unemployment associated with this economic crisis has simply been delayed rather than avoided.

The survey also found that the average firm expects to only operate at around 50-75% capacity over the next 6 months. In addition, they also found that almost half of businesses had undertaken additional borrowing since March.

Labour market and household finances: where are we now and what next? Podcast involving Graeme Roy, Emma Congreve and Stuart McIntyre. Fraser of Allander Institute. 7/8/2020

https://fraserofallander.org/scottish-economy/labour-market-and-household-finances-where-are-we-now-and-what-next/?utm_source=rss&utm_medium=rss&utm_campaign=labour-market-and-household-finances-where-are-we-now-and-what-next&utm_source=Fraser+Blog+and+subs+list&utm_campaign=b2424c624a-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-b2424c624a-86525662

Just over 29 minutes long, this podcast discusses the current situation then looks at what might happen when the furlough schemes start to wind down and firms look at future staffing needs. Mentioned Bank of England forecasts which suggest that unemployment might be less than the

financial crisis but more than in recent years. Suggest that London might provide a good indicator of 'bounce back' and should be looked at as a possible barometer for the wider economy.

Crunch on household incomes they suggest might really start to appear into early 2021 as firms operating under capacity aren't able offer pay or career progression. Barriers such as childcare, fears of the virus, etc, will have an impact on different people, differently.

The importance of social security is clear, and they think there should be more discussion around this as more people require support. The speed with which the interventions were rolled out show that when necessary changes can happen quickly, but they call for the policies to get ahead of the pandemic rather than just reacting. Discuss that whilst there is a focus on young people there hasn't been the same on women, families with young children, people with underlying health conditions, etc.

Catching up or falling behind? Geographical inequalities in the UK and how they have changed in recent years. Sarthak Agrawal and David Phillips. Institute of Fiscal Studies. 3/8/2020

<https://ifs.org.uk/uploads/Geographical-inequalities-in-the-UK-how-they-have-changed.pdf>

This paper starts by highlighting that the COVID-19 crisis has brought to the fore concerns about inequalities not only between different population groups but also between people living in different *places*. Even prior to the crisis though, there was a sense that the UK is not only a highly geographically unequal country, but also becoming *increasingly* geographically unequal. Focusing on productivity, earnings and household incomes, this report finds that:

- Geographical inequality in incomes is much lower after accounting for variation in housing costs.
- Regional inequality is not increasing for incomes, but it is for wealth, once again linking back into housing.
- Inequalities between local authorities (LAs) within regions are even larger than inequalities between regions, and this is especially true in the South of England.
- Former industrial towns in the North and Midlands and coastal towns have not been falling further behind – but are poorer

As well as looking at these longer term changes the research also examines the evolving impact of the COVID-19 crisis on geographical inequalities. They state that rural and coastal areas – often reliant on the hospitality industry for jobs – and the centres of major cities – often reliant on public transport to bring workers to jobs– look exposed to particular economic risks.

The Government is not paying nine million people's wages. Daniel Tomlinson. Resolution Foundation 1/8/2020

<https://www.resolutionfoundation.org/publications/the-government-is-not-paying-nine-million-peoples-wages/>

In this short article Tomlinson highlights that whilst the Job Retention scheme may have supported 9 million people in total, at the start of August this wasn't the case. This was important as it was at this date that employers would start to increase the contribution they would have to make and rather than this affecting the employers of 9 million people, he estimates that it was below 4.5 million. Still a considerable number but not what is often cited by politicians and the press. He arrived at this

conclusion by looking at the furlough statistics at a point in time rather than the HMRC job retention scheme take up statistics. One thing that is still apparent is how particular sectors have been affected badly by the lock down and he concludes that around 40% of all of those in hospitality and leisure are still, as at the start of August, on furlough.

This along with other articles previously looked at are useful as they highlight how easy it is for statistics to be accepted and used at face value.

July 2020

Labour market trends: July 2020, Scottish Government, 16/7/2020

<https://www.gov.scot/publications/labour-market-trends-july-2020/>

This publication is updated monthly and summarises employment, unemployment and economic inactivity sourced from the Labour Force Survey for Scotland and the UK. This issue has information up to May so is not as up to date as some of the other articles. Its primary benefit is that it provides a comprehensive picture at that time.

Moving out to move on. Understanding the link between migration, disadvantage and social mobility. Papoutsaki D, Buzzeo J, Gray H, Williams M, Cockett J, Akehurst G, Alexander K, Newton B, Pollard E Institute for Employment Studies, July 2020

<https://www.employment-studies.co.uk/resource/moving-out-move>

This report was commissioned by the Social Mobility Commission who are committed to creating a fairer Britain in which everyone, regardless of where they live, has a decent chance of a better future. This report aimed to examine the link between internal migration and social mobility by exploring who leaves deprived areas and how that varies across Great Britain; how much employment outcomes vary between those who leave and those who stay; if life improves for those who migrate; what the impact of outward migration is on those left behind; and the reasons people leave or choose to stay in deprived areas.

They found that the peak age for movers throughout the UK is the early 20s. Historically, this has reflected moves to study or find work. However, widespread disruptions caused by COVID-19 may reduce such opportunities, particularly for young people, over the next few years. Overall they found the following.

- People from more affluent backgrounds are more likely to move to study or work than those from working-class backgrounds. Nearly 60% of movers have one or both parents belonging to a higher managerial occupation, compared with 40% of stayers. Over half of movers (56%) have a degree, while less than two fifths of those staying behind do.
- Internal migration might not be equalising opportunity between deprived and affluent areas, as migration flows are higher between areas with similar levels of deprivation. An individual from a poor community is four times more likely to move to another deprived area than somewhere with better opportunities. One important cause of the differences in these migration flows is the relative housing costs between sending and receiving areas. These differences may be a barrier to moves from deprived areas to more affluent ones.

- ‘Movers’ experience better employment outcomes than stayers: Movers, including those moving from the most deprived areas, are more likely than ‘stayers’ to be employed; to be employed in a higher-level occupation; and to earn more. Although movers from all backgrounds have better employment outcomes than stayers, the chance to choose to move matters more for those from disadvantaged backgrounds.
- The qualitative research found that there were differences (some good and some bad) in the quality of life between those living in more and less deprived areas with respect to the Cost of living, Social connections, Healthcare, Education, Public transport and Social activities.

Chris Nicol,
Business Intelligence,
Capital City Partnership
chrisnicol@capitalcitypartnership.org
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