



CAPITAL CITY PARTNERSHIP

Summary of COVID Related Publications - Issue 7, August 31st 2020

This issue includes articles that look at a wide range of topics that directly or indirectly impact on the labour market of the city region and the type of services that may be necessary to support people to access opportunities.

Articles that look at confidence- both consumer and business confidence- are discussed. These tend to suggest that the UK is in a better position than it was in March and April but that confidence remains weak, and there is significant uncertainty over what will happen between now and Christmas as government support schemes wind down. One article from KPMG suggests that a high proportion of staff in the financial sector are considering career changes. Other articles provide an insight into the type of jobs that are currently being advertised for, possibly reflecting labour market demand.

Uncertainty in the labour market is the subject of research on the 'gig' economy and also some work that has looked at temporary contracts. Whilst it is often said that this flexibility is a benefit to the employees, others argue that uncertainty and temporary nature of these jobs can create problems particularly during recessions. Articles by Scarfe, the Joseph Rowntree Foundation and the Recruitment and Employment Confederation examine these issues.

Given the current discussion around cities bereft of people as staff work from home and the impact on the jobs that exist because of office workers, the discussion from the Fergusson around the Post Covid City is timely.

Population estimates and forecasts are now available so that we can look at a ward level, for example, and estimate the number of 15-25 year olds who currently live there as well as how that will change over the next 10 years. This is crucial data for service delivery for everything from playgroups to day centres.

Over recent weeks the hospitality sector has been the one that continues to show little change in terms of pick up. A podcast from FAI looks at this and focuses on one part of the sector that has seen a significant improvement in the last couple of months- holiday lets in rural locations. This suggests that there are likely to be subsectors of hospitality that are better able to ride out the current economic storm.

August 2020

Coronavirus (COVID-19) roundup: Economy, business and jobs, Office for National Statistics, 27/8/2020

<https://www.ons.gov.uk/peoplepopulationandcommunity/healthandsocialcare/conditionsanddiseases/articles/coronaviruscovid19roundupeconomybusinessandjobs/2020-07-02>

Provides a useful summary of the most recent data published by ONS. This gives information on the following;

- Results from Wave 11 of the Business Impact of Coronavirus Survey (BICS) for the period 27th July- 9th August. Of responding businesses, 93% said they had been trading for more than the last two weeks; this is up from 90% in the previous wave. A further 2% had started trading again within the last two weeks after a pause in trading.
- Looking at the volume of retail sales they report that it is now 3.0% higher than before the coronavirus pandemic, having increased by 3.6% on a monthly basis in July 2020. While total sales (particularly for food and non-store retailing) have now recovered, the pandemic has changed the shape of the retail industry, with clothing sales still 25.7% lower than they were in February 2020.
- Report on the biggest fall in quarterly gross domestic product (GDP) on record at 20.4% in Quarter 2 (Apr to June) 2020.
- Labour productivity for Quarter 2 2020, as measured by output per hour, fell by 2.5% when compared with the previous quarter – the largest fall since estimates began. The fall in output per worker was steeper at 19.9% compared with the previous quarter because of the impact of the furlough scheme that retains employees as workers even though they work zero hours.
- Provisional estimates indicate the impact of the pandemic on public sector finances. The £150.5 billion borrowed in April to July 2020 was almost three times the amount borrowed in the whole of the latest full financial year (April 2019 to March 2020).

As with previous versions of this summary there is the ability to click directly from the publication into the figures that make up the tables or charts.

COVID-19 prompts half of UK Financial Services workers to consider career change, KPMG, 27/8/2020

<https://home.kpmg/uk/en/home/media/press-releases/2020/08/covid-19-prompts-half-of-uk-financial-services-workers-to-consider-career-change.html>

Research conducted between July 1st and July 30th 2020, by Savanta. In this they surveyed 1,510 members of the UK workforce, including 632 employees working within financial services. They found that 44% of Financial Service workers surveyed are considering a career change in light of pandemic and 13% won't return to the sector, blaming long hours and commutes. If this is reflected for those working in Finance in Edinburgh it could indicate some changes in the local labour market going forward.

Mid-2019 Small Area Population Estimates, Scotland, National Records of Scotland, 27/8/2020

<https://www.nrscotland.gov.uk/files//statistics/population-estimates/sape-19/sape-19-publication.pdf>

This is simply the latest in population estimates from National Records of Scotland, and this publication looks at Data Zones (DZs), the small areas referred to in the title. This report summarises the mid-2019 Small Area Population Estimates (SAPE) for Scotland, which relate to the population as at 30 June 2019. The report is useful as the data indicates which areas have more older people (useful for delivering health services in the current pandemic) or young people (useful for targeting employability support given this age group may be unduly affected).

In one table they summarise the proportion of DZs in each LA where there has been an increase in the population over the last 10 years. In the city region this results in the following; 76% of DZs in Edinburgh have seen a population increase, 49% of those in East Lothian, 46% in Midlothian, 43% in Fife and 42% in Scottish Borders and West Lothian.

In every LA more data zones have seen the median age increase over the last 10 years than decrease. The data can be looked at in greater detail so that we can see that in Earlsferry in Fife 52% of the population are over 65 years of age. It also presents data on the percentage of the population for each LA who were living in one of the data zones ranked as the most deprived 10%. To put this in context 30% of Inverclyde's population were in this position. Whilst in the South East Scotland City Region this ranged from 7% in Fife to 1% in East Lothian.

As an aside City of Edinburgh Council, and one can assume other authorities have done the same, have also published small area population projections for the next ten years. This allows us to say that there will be a 33% increase in the number of 15-20 year olds in Portobello/Craigmillar ward by 2030.

What will be the effect of coronavirus on gig economy workers? Rachel Scarfe, Economics Observatory, 24/8/2020

<https://www.coronavirusandtheeconomy.com/question/what-will-be-effect-coronavirus-gig-economy-workers>

Gig economy workers provide a service (such as a taxi ride or a take-away delivery) on demand, through a platform or app (such as Uber or Deliveroo) that can connect workers and customers directly. Rather than earning a regular wage, they are paid for each 'gig' that they do. Covid-19 looks likely to cause even more disruption in this labour market as gig economy workers have no job security, so that when demand falls during a crisis, workers' incomes fall immediately and as self-employed workers, they often do not have benefits such as sick pay.

As it is a relatively new phenomenon, there is little research about the effects of recessions on gig economy work. However, Scarfe contends that self-employment more generally can increase following a recession - referred to as 'recession-push' self-employment, where a lack of other employment opportunities pushes people into self-employment, rather than being unemployed. The other side of the equation is that employers also switch to using more insecure forms of work, such as temporary agency work, when demand falls and uncertainty rises. One scenario is that as the economy picks up we will see more 'gig economy'/temporary/agency roles than full time permanent positions.

Post-Covid cities: how might the pandemic change urban areas? Kerry Fergusson, LGIU, 24/8/2020

<https://lgiu.org/briefing/post-covid-cities-how-might-the-pandemic-change-urban-areas/>

This paper looks at what the future may be for cities and indicates that in some cities (Edinburgh being one) 40% of jobs can be carried out remotely. Fergusson suggests that after the pandemic many city workers are likely to continue to work from home for some of the week whilst a small proportion of city dwellers may decide to move out altogether. The paper suggests that this will have economic consequences on city centre shops and hospitality businesses who rely on office workers for trade: job losses in city centre shops, restaurants and cafes are very likely.

Refers to research by Savills that suggest that in the longer term there may be a trend towards a 'hybrid' model which combines homeworking, local office hubs and a smaller head office. The pandemic could also lead to lower density offices with more circulation space and emphasis on employee wellbeing. The hotel sector is likely to continue to face lower demand in the short term, but sector experts believe the sector could return to pre-Covid performance by 2022. Hotels are dependent on business and visitor travel patterns and they conclude that destinations that are accessible by rail or road may recover sooner than those reliant on flights.

The discussion then moves to look at the 15-minute city – a concept where amenities are decentralised to neighbourhoods, the impact on public transport and how cities may become greener as a result of the pandemic, policy changes and city dwellers preferences.

Covid-19 and the hospitality sector, Fraser of Allander Institute, Podcast 21/8/2020

https://fraserofallanderpodcast.simplecast.com/episodes/covid-19-and-the-hospitality-sector-2jjkvay9?utm_source=Fraser%20Blog%20and%20subs%20list&utm_campaign=8954a13905-PODCAST_EMAIL_CAMPAIGN&utm_medium=email&utm_term=0_c855ea57f7-8954a13905-86525662

A podcast discussion between FAI and Rebecca Moore, from TravelNest, a software platform for holiday lets, and Gordon Murray, owner of Craigmaddie Muir Farm and user of TravelNest, to discuss the impact of Covid-19 on the hospitality sector.

Mentioned that the experience has been in phases. Initially saw the whole sector shut down and bookings cancelled across the board. When the sector reopened in June/July the number of bookings doubled compared to anything that they had seen in the past. Think this could be the need for breaks from people who have been housebound coupled by the fact that consumers are wanting something that is COVID safe - which has increased the amount of cleaning required and the effort in the changeover days. In 2019 Vacation rental share was around 15% globally, surveys during lock down show that 66% said they would rather stay in a vacation rental rather than a hotel. Also, a bias towards staying local and looking for rural properties all this has meant that the experience of the holiday rental owners has been generally positive, although they weren't able to access many of the Government support packages.

As they have picked up again, they have tried to recruit additional staff to help with the demand for holiday lets. One example they gave was TravelNest recruited for 6 admin/clerical positions. These were temporary three- month contracts and in previous years they would have had maybe 10

applications for this type of job. They had 177 applications submitted within 24 hours some of which were from people who were overqualified.

IHS Markit / CIPS Flash UK Composite PMI, 21/8/2020

<https://www.markiteconomics.com/Public/Home/PressRelease/cb9e40f687064dd2b0cbc9324d5dd4ae>

Looks at the results of a survey of around 650 manufacturers and 650 service providers. This has been carried out by IHS Markit previously and has been referred to in earlier versions of this report. The headline seasonally adjusted IHS Markit / CIPS Flash UK Composite Output Index registered 60.3 in August, up from 57.0 in July and signalling the fastest rate of business activity expansion since October 2013. Manufacturing production (index at 61.6) increased at a slightly quicker pace than service sector activity (60.1) during the latest survey period. Higher levels of private sector output were overwhelmingly attributed to the reopening of the UK economy after the lockdown period in the second quarter of the year and a subsequent increase in both consumer and business spending.

They found that concerns about the speed and duration of the recovery resulted in sustained job cuts across the private sector during August. Lower payroll numbers were primarily attributed to redundancy programmes in response to depleted volumes of work and the need to reduce overheads before the government's job retention scheme winds down. A sustained decline in backlogs of work across the private sector economy also suggested that incoming new orders fell short of business capacity.

Survey respondents noted that higher fuel bills and rising costs for imported items had pushed up operating expenses, which was only partially offset by higher average prices charged. August data pointed to a setback for business expectations across the private sector economy. The index measuring growth projections for the next 12 months dipped for the first time since March, with some survey respondents citing concerns that the recovery will be slower than first expected.

UK Consumer Confidence, GFK, 21/8/2020

<https://www.gfk.com/en-gb/press/UK-Consumer-Confidence-holds-at-minus-27-in-August?hsLang=en-gb>

GfK have published a consumer confidence index since 1974 on behalf of the EU. The survey carried out between 1st August and 13th August 2020, indicates that the situation hasn't changed since the July survey was carried out and remains at -27, for comparison it was -7 in February. It is based on questions that ask the respondents about their personal financial situation over both the last 12 months and the next 12 months as well as questions focusing on the general economy. Whilst the individual respondents to the survey seemed to be more positive about their position than had been the case earlier in the year, their view on the general economic position remains negative. Their commentator found that employment is now the big issue because the pandemic has ended years of job security and this is impacting on the Major Purchase Index which remains in negative territory.

Retail sales, Great Britain: July 2020, ONS, 21/8/2020

<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/july2020>

The latest in the ONS series of bulletins that provide statistics collected by the Agency and others. This reports that in July 2020, retail sales volumes increased by 3.6% when compared with June, and are 3.0% above pre-pandemic levels that had been recorded in February 2020.

They look at various sectors. For example they report that in July, fuel sales continued to recover from low sales levels but were still 11.7% lower than February; recent analysis shows that car road traffic in July was around 17 percentage points lower compared with the first week in February, according to data from the Department for Transport. Clothing store sales were the worst hit during the pandemic and volume sales in July remained 25.7% lower than February, even with a July 2020 monthly increase of 11.9% in this sector.

Monthly vacancy analysis: Vacancy trends to week-ending 9 August 2020, Papoutsaki D, and Wilson T, Institute of Employment Studies 19/8/2020

<https://www.employment-studies.co.uk/system/files/resources/files/IES%20Briefing%20-%20w.c%2017.08.2020%20final2.pdf>

This briefing describes changes in online vacancies over the month to 9 August. The overall level of vacancies at 9 August was 504,000 an increase of almost 40 per cent compared to last month, although vacancy levels remain nearly 400 thousand lower than at the same time last year.

Comparing vacancy data with the number of people on the claimant count there are now 6.8 claimants for every vacancy. Whilst this has fallen from a peak of 7.9 in May 2020, it remains well above its pre-crisis levels (of around 1.5 claimants per vacancy) and the pattern of areas with the highest ratios remains consistent with previous months – namely ex-industrial areas (particularly in the north of England, central belt of Scotland and Welsh valleys) coastal towns, London and areas surrounding major cities.

Jobs Outlook: Employers looking to temporary workers to help them recover from the pandemic, Recruitment and Employment Confederation, 19/8/2020

<https://www.rec.uk.com/our-view/news/press-releases/jobsoutlook-employers-looking-temporary-workers-help-them-recover-pandemic>

Employers' intentions to hire temporary agency workers have increased over the past few months, according to the REC's latest *JobsOutlook* report. In May-July, their hiring intentions for agency workers in the short term (the next three months) reached net: +6, the highest level since October-December 2019. Employers' intentions to hire permanent staff also recovered to net: +5, another sign of confidence returning. Overall, firms are slightly more likely to look to bring on temporary workers than permanent members of staff in the next three months.

When asked why temporary agency workers are important for their organisation, more employers say that agency workers are important for short-term access to key skills. The proportion highlighting this factor rose from 53% in January-March, before lockdown measures were introduced, to 67% in May-July.

Can training help workers change their stripes? Retraining and career change in the UK, Kathleen Henahan, Resolution Foundation, 18/8/2020

<https://www.resolutionfoundation.org/app/uploads/2020/08/Can-training-help-workers-change-their-stripes.pdf>

This paper starts from the premise that as the coronavirus crisis has brought significant disruption to the UK labour market, the Government will need to consider adult education and retraining policies that will help some workless adults move back into work and help other adults move to different sectors. This report assesses the UK's recent track record in both training to help recently out-of-work adults re-enter a job and training to help them change the industry that they work in.

Using figures from Understanding Society over 2012-18, it finds a strong association between training and returning to work, particularly among non-graduates. However, the association between most forms of training and changing industry (including both changing industry and receiving a pay boost) is much smaller. Here, it appears that only full-time education has a substantial relationship with the likelihood of a 25-59-year-old making a career change.

The report argues that policy makers should look to education and training as one way to tackle the high levels of unemployment that we are likely to be facing. Where the goal is to help adults change sector, policy makers face a larger challenge. In the short-to-medium term, they should consider policies that would help adults change career by adopting more sector-focused job creation initiatives that have training built into them. For instance, investing in social care and 'green jobs' like home retrofitting provides a way to boost sectoral reallocation and tackle unemployment during this crisis.

Economic outcomes for minority ethnic groups in Scotland, Fraser of Allander Institute, 17/8/2020

https://fraserofallander.org/scottish-economy/economic-outcomes-for-minority-ethnic-groups-in-scotland/?utm_source=rss&utm_medium=rss&utm_campaign=economic-outcomes-for-minority-ethnic-groups-in-scotland&utm_source=Fraser+Blog+and+subs+list&utm_campaign=ee08aecfb0-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-ee08aecfb0-86525662

This article looks firstly at the evidence on labour market outcomes for minority ethnic groups, and then explores some of the known reasons for these, on average, poorer outcomes. They also look at some of the implications of economic exclusion, including insights brought to the fore by Covid-19, and work that is going on in Scotland to try and improve outcomes.

They start by reporting that the average employment rate for minority ethnic groups is 59%. This is far lower than the rate seen in the worst performing local authorities in Scotland, places where there is a long history of structural unemployment and inactivity for example Glasgow, Inverclyde and Dundee all have employment rates above 67%.

They have found that the largest difference is not in the number of unemployed and claiming but rather in the number of economically inactive and there are a couple of charts that highlight this by ethnic group and gender which demonstrates that the highest level of economic inactivity is amongst females from a Pakistani or Bangladeshi ethnic group.

According to ONS research, the pay gap in Scotland between white employees compared to minority ethnic groups was 10.2% in 2018 and part of the reason for this pay gap is explained by sectoral splits which are looked at in a table in the report.

There are a number of reasons that help explain why there are poorer labour market outcomes some are understandable, for example white British employees are, on average, older than the minority ethnic employee average and pay tends to increase with age. However, even after controlling for a range of factors including country of birth, age, sex, qualifications, sectors, occupations and disability status, statistically significant pay gaps remained for most minority ethnic groups.

The combination of lower paid jobs on average and higher rates of economic inactivity means poverty rates are on average higher for minority ethnic groups. Living in poverty leads to a range of issues, including impacts on long term health and this can increase vulnerability to Covid 19, and as in England, there is evidence of a higher mortality rate for some ethnic groups in Scotland. The link between lower socioeconomic status and higher mortality has been made, and this is likely to be one of the factors that links being in a minority ethnic group to higher mortality as well as related factors such as prevalence in low pay sectors with more exposure to the virus.

Scotland is in recession... in other news, we've heard that water is wet... Fraser of Allander Institute, 14/8/2020

https://fraserofallander.org/scottish-economy/scotland-is-in-recession-in-other-news-weve-heard-that-water-is-wet/?utm_source=rss&utm_medium=rss&utm_campaign=scotland-is-in-recession-in-other-news-weve-heard-that-water-is-wet&utm_source=Fraser+Blog+and+subs+list&utm_campaign=01a0f87e5f-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-01a0f87e5f-86525662

Examines the monthly GDP statistics published by the Scottish Government which confirms that the economy contracted by 19.7% in Q2, following a contraction in Q1 of 2.5%. These figures are very similar to the contractions at the UK level and two quarterly contractions in a row mean a recession is confirmed.

The look at the month to month GDP data and after falls in March and April, when the restrictions were at their peak, the economy started to expand slightly in May, and slightly faster in June, as more businesses were able to operate. The Scottish economy expanded 5.7% in June as a result of easing of restrictions. They have plotted this data on a chart and conclude that any recovery from the pandemic is likely to be slow, and not very reminiscent of the "V" shape that some optimists talked about at the beginning of the pandemic. Their expectation is that this shape of recovery is likely to continue into next quarter.

They then turn the analysis to look at particular sectors and unsurprisingly Accommodation and Food Services has been the hardest hit sector, with output falling 87% between February and April 2020. All of these hard hit sectors are recovering slowly, Accommodation and Food Services and Transport and Communications in particular are going to take many months and probably years to get back to pre-crisis levels.

They conclude that we will continue to see growth in the economy through July and August, as more businesses open-up. The impact of local lockdowns, at their current scale at least, will act as a drag on growth but is unlikely to outweigh the activity of businesses starting up again. However, coming down the track is a wave of unemployment, once the furlough scheme is removed and employers have to make tough decisions about their staffing levels in this new environment.

Jobs Recovery Tracker: Job adverts reach new post-lockdown high in first week of August, Recruitment and Employment Confederation, 13/8/2020

<https://www.rec.uk.com/our-view/news/press-releases/jobs-recovery-tracker-job-adverts-reach-new-post-lockdown-high-first-week-august>

In the first week of August, the number of job adverts in the UK rose to the highest weekly total since lockdown began. The latest analysis by the REC found that there were 1.10 million active job postings in the week starting 3 August, up from 1.04 million in the previous week. However, this remains well below the 1.35 million job postings active before lockdown in the first week of March.

The press release looks at some job types and found that there was a notable rise in job adverts for gardeners (+24.8%) and that there have also been further increases in postings for construction workers (+15.8%), painters and decorators (+14.1%), bricklayers (+13.3%) and LGV drivers (+14.0%). Demand has also increased for childminders (+12.1%) and playworkers (+16.9%). However, with many people falling on hard times because of the pandemic, there has also been a rise in adverts for debt collectors (+20.9%).

In the press release they mention that the data can reflect what is happening at Local Authority level and they comment on LAs where job postings are at a very high level (Redbridge and Waltham Forrest to the North East of London saw an increase of 23.7% in job adverts) or very low levels (North Ayrshire saw a drop of 11.5%). None of the City Region LAs feature in these groups.

Making work secure: unlocking poverty and building a stronger economy, Rebecca McDonald and Alina Sandor, JRF, 21/7/2020

<https://www.jrf.org.uk/report/making-work-secure-unlocking-poverty-and-building-stronger-economy>

COVID-19 has highlighted the insecurity pulling many low-paid workers into poverty. This briefing argues that delivering security can, and should, play a role in building a more productive economy beyond COVID-19 where work is a reliable route out of poverty.

The start by highlighting that insecurity is a defining feature of work for many in the UK and at least 7% of the workforce have elements of insecurity built into their contracts. They recognise that less secure work arrangements can play a useful role in the labour market for example they help businesses manage fluctuations in demand and provide a temporary stepping-stone for workers on their way to higher paid, more secure roles. However, there is reason to be concerned with the current scale and nature of insecurity facing workers in the UK. Firstly, the costs of insecurity are falling on those least able to bear them. The concentration of less secure forms of work in low-wage sectors, such as hospitality, means insecurity is a common experience for workers living in poverty. Secondly, having a significant number of workers in insecure roles limits the productivity of the UK economy. Employers invest less in the skills of their transient staff and the growing use of these forms of work encourages business models that depend on cheap work.

The researchers accept that some will argue that we cannot afford to consider job quality at a time of rising unemployment. However, they argue that pausing the reforms around job security is short-sighted as the economic recovery from the last UK recession was characterised by poor productivity and wage growth. They recommend that governments should look to 4 areas of reform;

- Maintain momentum on strengthening security for workers: Government should bring forward their employment bill, and also go further by giving the right to notice of work schedules, compensation for cancelled work, and an extension of sick pay to low earners.
- Set an example of best practice to influence employer behaviour: direct public sector employment and procurement should adhere to high standards of security. Job creation policies to aid economic recovery from COVID-19 must have secure employment built into their design.
- Prioritise tackling insecurity in the social care sector: as the Government considers the future of social care, it should consider the social care workforce strategy ensuring that upcoming reforms deliver the security workers deserve and quality of care people expect.
- Improve the social security system's interaction with less secure work: Universal Credit must be able to handle fluctuating earnings in a way that is both helpful and fair for claimants. Currently it is failing to do this for many people and the Government must look at ways to make this work better for the many workers and self-employed people who have irregular earnings or pay cycles.

Chris Nicol,

Business Intelligence,

Capital City Partnership

chrisnicol@capitalcitypartnership.org

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