

# CAPITAL CITY PARTNERSHIP



## Summary of COVID Related Publications - Issue 13, November 30<sup>th</sup> 2020

This issue looks at articles that have discussed the Chancellors spending review both from a national (UK) and Scottish perspective. These tend to look at what this will mean for the economy and households going forward. Given that much depends on confidence and spending it would appear from what commentators are reporting that forecasts for the next year are still far from certain.

A Scottish focused Business Impact of Coronavirus survey was published on the 26<sup>th</sup> November and this indicates that whilst the number of businesses trading has increased from the previous period, the situation for particular sectors is still worrying. Also looked at in this issue are articles that present the results of retail spending, consumer confidence and a link to the latest recruitment report from Recruitment Employers Confederation.

There are two final reports looked at one that looks at spending over the course of the pandemic and the other that looks at the growth in self employed over recent years. These were produced by the Resolution Foundation and the Institute of Fiscal Studies.

Overall less material to summarise this month which may reflect that there hasn't been labour market statistics published in the last fortnight. The next issue will be delayed by a week and published on the 21<sup>st</sup> December. This is to allow the next set of claimant count information to be available.

### **Business Impact of Coronavirus Survey weighted Scotland estimates: data to wave 17, Scottish Government, 26/11/2020**

<https://www.gov.scot/publications/bics-weighted-scotland-estimates-data-to-wave-17/>

This is the fifth publication of weighted Scotland estimates using the Office for National Statistics' (ONS') Business Impact of Coronavirus (COVID-19) Survey (BICS). The estimates are for businesses with a presence in Scotland and that have 10 or more employees.

- The share of businesses 'currently trading' was estimated at 95.0% in the period 2<sup>nd</sup> November to 15<sup>th</sup> November 2020 - up from 92.7% in the previous fortnight.
- In the period 2<sup>nd</sup> November to 15<sup>th</sup> November 2020, the Accommodation & Food Services industry sector had the lowest share of businesses trading at 76.7%, up from 61.8% in the previous fortnight. This reflects changes in restrictions across Scotland, where the temporary measures (which included the closure of licensed premises, in the central belt, over the period 9 October to 2 November)<sup>2</sup> were replaced by Scotland's five-level Strategic Framework.

- The share of the workforce on furlough leave was estimated at 10.1% in the period 19<sup>th</sup> October to 15<sup>th</sup> November 2020. This rate varied by industry sector – with markedly higher rates for Accommodation & Food Services (estimated at 36.4%) and Arts, Entertainment & Recreation (estimated at 26.4%).
- In the latest period, the Accommodation & Food Services industry sector had the highest share of businesses with no or low confidence that their business would survive the next three months.

**Here today, gone tomorrow. Putting Spending Review 2020 into context, Bell, T., Cominetti, N., Handscomb, K., Leslie, J., Pacitti, C., Slaughter, H., Smith, J. and Tomlinson. D. Resolution Foundation 26/11/2020**

<https://www.resolutionfoundation.org/app/uploads/2020/11/Here-today-gone-tomorrow.pdf>

This briefing note provides an assessment of the measures announced in the November 2020 Spending Review.

- The UK economy expected to shrink by 11.3 per cent this year
- Economic ‘scarring’ leaving the economy permanently 3 per cent smaller. This will impact on wages, down by £1,200 a year per worker in 2025 compared to pre-pandemic expectations.
- As a result, household incomes, which grew by 40 per cent in the 15 years prior to 2008, are set to have only increased by a quarter of that (10 per cent) in the 15 years since.
- Borrowing this year (£394 billion) will be more than twice the peak seen during the financial crisis.
- The Chancellor set out plans to spend less when normal times return, setting out a reduction of £10 billion in planned non-coronavirus public service spending next year (rising to £13 billion in 2024-25).

**Jobs Outlook: More employers seek out support of temps as confidence levels fall in second lockdown, Recruitment and Employment Confederation, 25/11/2020**

<https://www.rec.uk.com/our-view/news/press-releases/jobsoutlook-more-employers-seek-out-support-temps-confidence-levels-fall-second-lockdown>

The REC’s report found that employers’ confidence in their ability to make hiring and investment decisions fell by five percentage points from the previous period. This left it at net: -5 for the three months to October 2020. Business confidence in the wider UK economy also fell by five points to net: -49 over the same period.

In recent months, employers’ intentions to hire permanent staff had been improving, but this fall in confidence has caused it to stall. Demand for permanent workers remained stable in both the short term and medium term, at net: +14 and net: +17 respectively. This suggests the possibility of a recovery as we leave the lockdown and vaccines are rolled out.

**Spending Review 2020 and Scotland, Fraser of Allender Institute, 25/11/2020**

[https://fraserofallender.org/uk-economy/uk-budget/spending-review-2020-and-scotland/?utm\\_source=rss&utm\\_medium=rss&utm\\_campaign=spending-review-2020-and-scotland&utm\\_source=Fraser+Blog+and+subs+list&utm\\_campaign=56080e03d8-Email-Blog-RSS&utm\\_medium=email&utm\\_term=0\\_c855ea57f7-56080e03d8-86525662](https://fraserofallender.org/uk-economy/uk-budget/spending-review-2020-and-scotland/?utm_source=rss&utm_medium=rss&utm_campaign=spending-review-2020-and-scotland&utm_source=Fraser+Blog+and+subs+list&utm_campaign=56080e03d8-Email-Blog-RSS&utm_medium=email&utm_term=0_c855ea57f7-56080e03d8-86525662)

Essentially a summary of the chancellor’s spending review with some analysis of what this will mean for Scotland.

- The economy will shrink 11% this year and recover only about half that ground next year. Unemployment is forecast to reach 7.5% next year – and potentially higher under a ‘no deal’ Brexit scenario.
- The pandemic is anticipated to cause permanent damage – with the economy and earnings remaining lower even in five years’ time than was expected before the arrival of Covid.
- The deficit is anticipated to reach 19% of GDP this year (close to £400 billion), and debt as a percentage of GDP will rise throughout the period to 2024/25.

The Spending Review shows Scotland’s core resource block grant increasing by £1.3bn, to £31.7bn, in 2021/22. This implies real term increases of 3.5% per year between 19/20 and 21/22, and for the first time takes the Scottish budget above 2010/11 levels in real terms. But the block grant to fund capital spending will fall by £0.3bn in 21/22.

The Spending Review also provided further, although limited, details of the new UK Shared Prosperity Fund (UKSPF) – the UK’s replacement for EU Structural Funds. In terms of overall funding levels, the Spending Review commits to ‘ramping up’ UKSPF funding to £1.5bn in future years to match EU funding receipts. Whilst £1.5bn might match recent EU funding receipts, it ignores UK Government match funding that might have previously been provided.

**Spending Review 2020: Good marks on support to find work, more to do on raising demand, Wilson, T. Institute of Employment Studies, 25/11/2020**

[https://www.employment-studies.co.uk/news/spending-review-2020-good-marks-support-find-work-more-do-raising-demand?utm\\_source=IES+emailing+list&utm\\_campaign=e12272c3d9-EMAIL\\_CAMPAIGN\\_2019\\_05\\_10\\_10\\_39\\_COPY\\_01&utm\\_medium=email&utm\\_term=0\\_f11585705b-e12272c3d9-364968444](https://www.employment-studies.co.uk/news/spending-review-2020-good-marks-support-find-work-more-do-raising-demand?utm_source=IES+emailing+list&utm_campaign=e12272c3d9-EMAIL_CAMPAIGN_2019_05_10_10_39_COPY_01&utm_medium=email&utm_term=0_f11585705b-e12272c3d9-364968444)

Concludes that there were two big labour market priorities for the Chancellor: how to get employment growing again next year, and how to help the unemployed to fill those jobs. Wilson suggests that the Chancellor deserves good marks for the latter, but there are still big questions on whether we are doing enough on the former, with the Treasury continuing to gamble on a strong, private sector-led recovery in the new year.

Mentioned the £3 billion commitment for a new ‘Restart’ programme for the long-term unemployed. IES estimate that around 200 thousand people who started claiming benefit during the pandemic are likely to reach long-term unemployment by next summer. Restart will need to build on the evidence of what has worked well in the past and will need to work far better with local services, colleges and training providers, and the voluntary and community sector.

On the second big challenge, of boosting jobs growth next year, the Treasury is continuing to bank on a strong recovery in hiring as economic growth returns. Whilst Wilson says this isn’t entirely unreasonable, he also says it is a risky approach to take. Spare capacity in firms plus continued economic uncertainty means that the biggest risk is weak hiring – with new job starts lower over the summer than they were during the full lockdown in the spring. A slow recovery in hiring will mean continued rises in unemployment next year, and higher long-term unemployment.

### **UK Consumer Confidence down two points to -33 in November, GfK, 20/11/2020**

<https://www.gfk.com/en-gb/press/UK-Consumer-Confidence-down-two-points-in-November?hsLang=en-gb>

GfK's long-running Consumer Confidence Index decreased two points to -33 for November, with three of the five measures dropping compared to the October 23<sup>rd</sup> announcement. The other two were unchanged. There is no movement in their views on the economy, yet they suggest people are losing their nerve regarding their personal finances with scores for the last 12 months and the year to come, sharply down by seven points and five points respectively. They suggest that this will deal a blow to any future rebound, because bullish consumer spending fuels the UK economy and low confidence is the enemy of recovery.

### **Retail sales, Great Britain: October 2020, ONS, 20/11/2020**

<https://www.ons.gov.uk/businessindustryandtrade/retailindustry/bulletins/retailsales/october2020>

- In October 2020, retail sales volumes increased by 1.2% when compared with September; the sixth consecutive month of growth.
- In October, growth in the volume of sales for non-store retailing at 6.4%, household goods stores at 3.2% and department stores at 3.1% all contributed to the overall monthly increase in retail sales.
- Clothing stores and fuel remained below their pre-lockdown level in October 2020, while non-store retailing showed a further uptake in sales
- In October, the year-on-year growth rate in the volume of retail sales saw a strong increase of 5.8%, with feedback from a range of businesses suggesting that consumers had started Christmas shopping earlier this year, further helped by early discounting from a range of stores.

### **What does the rise of self-employment tell us about the UK labour market?, Giupponi, G. and Xu, X. Institute of Fiscal Studies, 19/11/2020**

<https://ifs.org.uk/uploads/BN-What-does-the-rise-of-self-employment-tell-us-about-the-UK-labour-market-1.pdf>

This is linked to a presentation that the authors delivered and focuses on a relatively easily quantifiable form of 'alternative' working arrangement: namely, 'solo self-employment' – sole traders or company owner-managers without employees. It encompasses a variety of non-standard arrangements, such as independent contractors and 'gig-economy' workers.

- 'Solo' self-employment has risen dramatically in the UK since the 1970s. In 1975, 8% of workers were self-employed; by 2019, this had increased to more than 14%.
- The solo self-employed earn less than employees on average and the gap has widened over time. Median pre-tax earnings among the solo self-employed in 2018–19 were 30% lower than those among employees. However, the increase in solo self-employment has not been confined to low-paid jobs. Its prevalence increased among high-paid occupations such as managers and IT professionals as well as among hairdressers, cleaners and drivers.
- Relative to employees, the solo self-employed do appear to be an increasingly marginalised group: they were no more likely to have been recently unemployed or inactive than employees in 2000, but by 2019 they were 45% more likely to have been.
- The solo self-employed work fewer hours than employees and the self-employed with employees. They have had the highest level of underemployment throughout the past 20 years.
- When looking both across countries and across parts of the UK, areas that experience increases in solo self-employment tend to also experience slower growth in employee wages. This suggests that some of the solo self-employed play a similar role to the unemployed, in providing

a 'reserve army' of potential employees which reduces the bargaining power of existing employees, and hence restrains wage growth.

- Prior to the pandemic, the solo self-employed had higher levels of job satisfaction, were more likely to report being happy and to consider their lives worthwhile, and reported lower levels of anxiety than employees.

**Caught in a (Covid) trap Incomes, savings and spending through the coronavirus crisis, Handscomb, K. and Judge, L. Resolution Foundation 15/11/2020**

<https://www.resolutionfoundation.org/app/uploads/2020/11/Caught-in-a-Covid-trap.pdf>

This briefing note examines how the family finances of working-age adults have been affected since Covid-19. Drawing on data from a representative survey of 6,000-plus working-age adults fielded in mid-September, they look at how incomes, spending and saving changed during both the lockdown (April to June) and re-opening (July to September) periods.

- Pressure on incomes has eased slightly since the lockdown period (April-June). They found that in the re-opening period (July-September), 23 per cent of working-age adults reported their family income was lower than in February this year.
- Four-in-five (81 per cent) of those managing on a lower income in the re-opening period had already seen their income fall in lockdown, indicating that for many, the pandemic living standards hit is not proving short-lived.
- They found that 43 per cent of adults in families making a new claim for benefits since February have seen their incomes fall by more than one-quarter.
- While there has been a weak spending recovery since lockdown, 25 per cent of adults still reported spending less in the re-opening period than they did in February. Moreover, lower spending is increasingly born from necessity rather than lack of opportunity.
- There is evidence that serious financial stress is building among a minority as the pandemic continues to dominate lives. Half (54 per cent) of adults from families in the lowest income quintile have borrowed in recent months to cover everyday costs such as housing and food.
- Likewise, they report warning signs from those who have been managing on a reduced income for several months. Almost one-in-three (29 per cent) adults that has had a persistently low income through the pandemic say they cannot afford basic items such as fresh fruit and vegetables every day, or to turn on the heating when required.

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