

CAPITAL CITY PARTNERSHIP



Summary of COVID Related Publications - Issue 14, December 21st 2020

In this issue we have a number of articles highlighted that look at labour market data at a UK, Scottish and City Region level. All of these continue to show what we all recognise – a labour market where those claiming out of work benefits increased in the spring and where the high level recorded is likely to remain at least until the vaccine has become widespread and the full range of employment opportunities become available once more.

Elsewhere we highlight articles that look at spending patterns over the UK and how these have changed with spending in Scotland appearing to have experienced a bounce back over the course of the year. The outlook for earnings is discussed in a paper published today where pay freezes look likely across much of the economy as we move forward into 2021. Earnings levels and how the pandemic has caused falls on a global scale is considered in an International Labour Organisation published at the start of the month.

Some of the papers discuss recruitment and the way vacancies have picked up in certain sectors. Of interest, and maybe of concern, is the finding that individuals are not as interested as we would hope, in vacancies in the very sectors that are needed or are seen as front line in the current health crisis.

A Fraser of Allender paper looks at homeworking and how pay rates differ between those where you can work from home and those where you can't. Work based flexibility is also the focus of the 2020 Timewise report that was launched earlier in December and is considered towards the end of the report.

The Resolution Foundation Earnings Outlook, Hannah Slaughter, Resolution Foundation, 21/12/2020

<https://www.resolutionfoundation.org/app/uploads/2020/12/Q4-2020-Earnings-Outlook.pdf>

This paper begins as a review of the year, before moving to look at public sector pay and the proposed pay freeze. However, it looks from what she is saying that it isn't just the public sector that face pay constraints

- Pay in much of the private sector looks set for stagnation next year. In its recent report, the Low Pay Commission shows that there has been a significant increase in pay freezes, increasing from 5 per cent to 20 per cent between 2019 and 2020; similarly, data from Incomes Data Research suggests that pay freezes have become five times more common in 2020 compared to last year.

- In the face of higher public spending on Covid-19 support measures, the Chancellor has announced a £10 billion reduction in normal (non-Covid-19-related) public service spending next year.

In a section entitled -Lifting the Lid she looks at a few of the most interesting developments for different groups of workers and different parts of the country. She looks at one way that young people can 'ride out the storm' of an economic downturn - staying on in education. And it appears that many 18-24-year-olds are doing just that and the share of young adults in full-time education reached a record high of 35.5 per cent in September, dipping slightly in October but remaining higher than any point before the crisis.

2020 UK Labour Market Review and 2021 Outlook: Hiring Needs to Gain Momentum, Jack Kennedy, Hiring Lab, 17/12/2020

<https://www.hiringlab.org/uk/blog/2020/12/17/2020-labour-market-review-2021-outlook/>

The unemployment rate has risen from under 4% at the start of the year to 4.9%, and the labour market is in even worse condition than that number suggests. Job losses are mounting, and unemployment is set to rise over the coming months. He argues that vacancies have staged only a partial recovery, making it harder for those who have lost jobs to get back into work.

Job postings on Indeed's UK site are still running 37% below last year's trend, regaining only part of the ground from more than 60% down at their worst. Essential worker job postings are down 19% on last year's trend versus 39% overall. These are the jobs that society most needs to fill right now, but jobseeker interest does not match demand from employers. They compared average clicks per posting on essential jobs with clicks on jobs overall. Jobseeker interest in essential roles spiked in the spring lockdown, but then fell back and is now lower than before the pandemic, attracting less interest than the average job. Falling interest could in some cases be related to working conditions, including potential COVID-19 exposure. Jobseekers may feel that the low pay these positions tend to offer is not adequate compensation for the risks they entail.

The geographic impact of the pandemic on household spending, Alex Davenport, Robert Joyce, Kate Ogden, David Phillips, Imran Rasul and Tom Waters, IFS, 17/12/2020

<https://www.ifs.org.uk/publications/15229>

In this briefing note, IFS use Money dashboard to analyse the geographical patterns of changes in household spending.

- The biggest declines in spending in the spring were seen in the South of England – and the South has had the weakest recovery since, with spending in November still 7% below pre-crisis (compared with 3% across the country as a whole). Scotland and Wales, by contrast, have recovered to roughly their pre-crisis levels.
- The big declines seen for the South are driven by London. Londoners' spending fell by around 40% in April and in November was still over 10% below its pre-crisis level. This is in part due to large falls in restaurant & recreation spending by Londoners.
- Higher-paid areas and less-deprived areas have seen a larger fall in spending than others, with reduced spending in sectors most affected (such as restaurants) having the largest impacts on spending patterns of better-off individuals.
- The first lockdown had an enormous impact, with total spending falling by about a third in April. By contrast, the second English lockdown has had much more modest effects: spending rose in

England by 2% between October and November. While that was much weaker than the 10% rise seen in Scotland over the same period, it clearly suggests a much smaller effect than the first lockdown.

The impacts of the coronavirus crisis on the labour market. Analysis of quarterly Labour Force Survey data. Matthew Williams, James Cockett, Alma Boustati, De-Jon Ebanks-Silvera and Tony Wilson, Institute of Employment Studies , 12/2020

https://www.employment-studies.co.uk/system/files/resources/files/Impacts%20of%20coronavirus%20crisis%20on%20labour%20market_0.pdf

Using the Labour Force Survey data covering the period from July to September 2020 this paper found that;

- 5.2 million workers – one in six of the workforce – were still away from work or working fewer hours at the end of September.
- While much attention has focused on furlough, 1.6 million people were working fewer hours than normal at the end of September – this is nearly three times higher than the fall in employment so far (of 570 thousand).
- There are clear sectoral and occupational differences in work disruption and recovery – with ‘shutdown’ sectors inevitably most affected by the crisis, but skilled trades appearing to be better protected from job losses while those in the lowest skilled work have been at highest risk both of leaving work and having their jobs disrupted.
- There are clear signs that jobs are being lost in relatively lower paying work and gained in higher paying work. Employment has fallen most strongly in food services, food manufacturing, residential care and construction.
- Food-related employment explains more than half of the fall in employment, while food manufacturing explains all of the fall in manufacturing jobs. Nearly three fifths of the fall in employment can be explained by declines in the lowest skilled, elementary occupations.
- Jobs growth is being driven by service industries and in particular public services, finance and technology. Relatively more highly skilled professional jobs in business and public services have increased by a quarter of a million.
- While employment in health services has increased, employment of health professionals appears to have fallen slightly, suggesting that the increase is being driven by administrative and managerial roles, almost certainly in pandemic related jobs like NHS Test and Trace.
- While the clear shift from lower to higher skilled work could be seen in positive terms, there are some potentially worrying indications that this could widen inequalities in the labour market – with in particular ethnic minority groups more likely to lose their jobs in shrinking sectors and occupations and less likely to gain jobs in growing ones.
- The very youngest and very oldest also appear to have seen the most significant impacts from the crisis. Young people have been the most likely to leave work or to have work disrupted throughout the crisis, but at the same time those young people affected during the first lockdown were more likely than other groups to return to normal working over the summer. Meanwhile workers aged over 50 who were away from work or working reduced hours were the least likely to move back into normal working after the first lockdown ended.
- The pandemic has seen sharp rises in economic inactivity, but this disguises different trends for different groups – with a long-running increase due to long-term ill health, particularly since the crisis began amongst older people; while inactivity has fallen for those looking after their family

or home. The rise in inactivity for 'other' reasons appears to be being driven by the youngest and oldest, likely reflecting pandemic specific factors and with a majority wanting to work.

Their analysis goes further and points to four potential priorities for our labour market response in 2021.

- A far greater focus on how we support those who are likely to be most disadvantaged in the labour market and on narrowing inequalities between different groups – in particular for ethnic minority groups, disabled people, those with long term health conditions, older people and women.
- To take more account of the impacts of the crisis on those in the lowest paid, least secure and lowest skilled work, and those seeing their hours reduced. This should include introducing the previously announced Job Support Scheme, to better support those working reduced hours but not fully furloughed; and improving access to employment support for those in low paid work.
- More support to those affected by the crisis to move into sectors and occupations that are growing, with a greater focus on retraining support and a greater targeting of this on those most at risk in the crisis.
- Measures to support new hiring in the new year, as the Job Retention Scheme begins to wind down and pandemic-related public spending is scaled back. This should include measures to reduce hiring costs for employers, and potentially new hiring subsidies for taking on those who have previously been unemployed.

Homeworking – the future of work?, Fraser of Allender Institute, 17/12/2020

<https://fraserofallender.org/working-from-home-economy/>

In this briefing note, IFS use Money dashboard to analyse the geographical patterns of changes. They compare the extent of the recovery from the first national lockdown in different parts of Great Britain, as well as the effects of the second English lockdown and the numerous other localised public health restrictions we have seen. They examine the implications of these changes for geographic inequalities.

Examines a potential divide between the jobs which are more easily done at home – typically professional occupations and management roles – and those which cannot, such as cleaners, waiting staff, machine operatives and the roles of many of the key workers during the pandemic. Typically, the jobs that can be more easily done at home are also better paid and they present a chart that compares the median wages of 365 occupation groups in the UK to their scored ability to work from home. Looking within Scotland, a large amount of employment generally is in lower paid occupations that are less likely to work from home.

In addition they surveyed over 500 businesses in October to understand their views on the impact of home working. What they found interesting was that only 10% believed that it had improved productivity in their organisation. The majority also thought it had made performance management of staff more difficult and that it had a negative impact on workplace innovation and collaboration. Despite the negative views around productivity, management and innovation, more than one in four businesses says that home working has led them to permanently reduce their office footprint.

Home and away. The UK labour market in a post-Brexit world, Kathleen Henehan and Lyndsey Judge, Resolution Foundation, 16/12/2020

<https://www.resolutionfoundation.org/app/uploads/2020/12/Home-and-away.pdf>

Not particularly COVID related this paper considers a number of ways in which the labour market could be affected as the UK moves to a tighter, post-Brexit immigration regime in January 2021. Under the new rules, legal avenues for low-skilled migrant workers to enter the UK will be more restrictively drawn, with implications for firms, resident foreign-born workers and prospective migrant workers alike. They highlight;

- Migrant workers have played an important role in the UK employment story over the past two decades, accounting for 60 per cent of employment growth between 1996 and 2019 (albeit from a low base). Over this time, migrant workers from the EU and elsewhere have disproportionately filled less-attractive jobs. On average, foreign-born workers in every age group are higher-educated than their British-born counterparts, meaning large numbers are overqualified for the jobs they do.
- Even with today's slack labour market, there are sectors that look set to experience labour shortages under the post-Brexit immigration regime. Industries such as food manufacturing, which employ a larger-than-average share of EU-born workers in roles that fall outside the Government's list of eligible occupations for a skilled worker visa, and that have a higher-than-average turnover rate, are where pinch-points are most likely to occur.
- A rational response from firms in shortage sectors would be to increase pay and conditions to attract and retain staff. Progress on this front is much needed, given a strong relationship between migrant density and a poor record on labour market rights.
- So long as the UK is an economically attractive place to work relative to a home country or other potential host states, migrant labour will continue to flow. Under the new immigration regime, more workers may find themselves outside of the rules, increasing their vulnerability to labour market abuse.

Labour market trends: December 2020, Scottish Government, 15/12/2020

<https://www.gov.scot/binaries/content/documents/govscot/publications/statistics/2020/12/labour-market-trends-december-2020/documents/labour-market-trends-december-2020/labour-market-trends-december-2020/govscot%3Adocument/Labour%2BMarket%2BEXTERNAL%2BOUTPUT%2BKRR.pdf>

This publication is updated monthly and summarises employment, unemployment and economic inactivity sourced from the Labour Force Survey for Scotland and the UK. It starts by explaining where the data comes from

- The LFS indicated that Scotland's unemployment rate (16+) decreased over the quarter (0.6 percentage points) and increased over the year (0.6 percentage points) to 4.2 per cent. Scotland's unemployment rate was below the UK rate of 4.9 per cent.
- The proportion of people aged 16-64 in work (the employment rate) increased over the quarter (1.4 percentage points) and increased over the year (0.3 percentage points) to 74.8 per cent. Scotland's employment rate was below the UK rate of 75.2 per cent.
- The economic inactivity rate (the proportion of people aged 16 to 64 years who were not working and not seeking or available to work) decreased over the quarter (0.9 percentage

points) and decreased over the year (0.8 percentage points) to 21.8 per cent. Scotland's inactivity rate is above the UK rate of 20.8 per cent.

- Early estimates for November 2020 from HMRC Pay As You Earn Real Time Information indicate that there were 2.3 million payrolled employees in Scotland, a decrease of 3.1 per cent (74,000) compared to the same month the year before. This was higher than the UK decrease of 2.7 per cent over the same period.
- The experimental Claimant Count includes Jobseeker's Allowance Claimants and those claimants of Universal Credit who were claiming principally for the reason of being unemployed. In November 2020, there were 214,200 claimants, an increase of 2,400 (1.1 per cent) over the month and 99,500 (86.7 per cent) over the year. The claimant count unemployment rate in November 2020 was 7.6 per cent, compared with 7.4 per cent for the UK as a whole.

Fair Work in Scotland Report, Fairwork Convention

<https://www.fairworkconvention.scot/wp-content/uploads/2020/12/Fair-Work-in-Scotland-Report.pdf>

The Fair Work Convention has published its 'Fair Work in Scotland' report. It is the first report from the Fair Work Convention to analyse and consider progress against the dimensions of Fair Work. The report finds that faster progress on fair work is urgently needed if Scotland is to become a Fair Work Nation by 2025. Amongst other things, the Report found that in the 5-year period prior to the COVID-19 crisis:

- there has been no improvement in access to flexible working;
- there has been no improvement in the number of illnesses caused by work;
- the use of zero hours contracts has increased;
- effective use of skills in the workplace has decreased;
- workers' participation in workplace learning has decreased; and
- trade union membership has decreased.

More positively

- the proportion of people earning less than the real living wage has decreased;
- the overall measure of employment security has improved;
- levels of participation in involuntary non-permanent work and involuntary part-time work have improved
- the gender and ethnicity pay gaps have narrowed; and
- collective bargaining coverage has increased.

Labour market overview, UK: December 2020, ONS, 15/12/2020

<https://www.ons.gov.uk/employmentandlabourmarket/peopleinwork/employmentandemployeetypes/bulletins/uklabourmarket/december2020>

- The UK employment rate, in the three months to October 2020, was estimated at 75.2%, 0.9 percentage points lower than a year earlier and 0.5 percentage points lower than the previous quarter.
- The UK unemployment rate, in the three months to October 2020, was estimated at 4.9%, 1.2 percentage points higher than a year earlier and 0.7 percentage points higher than the previous quarter.

- Redundancies reached a record high of 370,000 in the three months to October 2020, an increase of a record 217,000 on the quarter, although the number of redundancies fell slightly in October 2020.
- Early estimates for November 2020 indicate that the number of payrolled employees fell by 2.7% compared with November 2019, which is a fall of 781,000 employees; since February 2020, 819,000 fewer people were in payrolled employment.
- The Claimant Count increased slightly in November 2020, to 2.7 million; this includes both those working with low income or hours and those who are not working.
- There were an estimated 547,000 vacancies in the UK in September to November 2020; this is 251,000 fewer than a year ago and 110,000 more than the previous quarter.
- Growth in average total pay (including bonuses) among employees for the three months August to October 2020 increased to 2.7%, and growth in regular pay (excluding bonuses) also increased to 2.8%.

Labour Market Statistics - December 2020, Institute of Employment Studies, 15/12/2020

https://www.employment-studies.co.uk/system/files/resources/files/IES%20briefing%20-%20Labour%20Market%20Statistics%20December%202020_2.pdf

This briefing note sets out analysis of the Labour Market Statistics published on the 15th December. Looks at the UK and England mainly but the data shows that the labour market was starting to recover through September and October, and that the impacts of the second lockdown in November appear to have been fairly muted so far.

The headline story has been a further increase in redundancies, to 370 thousand between August and October, surpassing the record set last month. These rises continue to reflect the huge increase in redundancy notices over the summer, as firms restructured after the first lockdown. With redundancy notices now falling again, the headline redundancy figures will also start to fall back in the early part of next year.

On a quarterly measure – so comparing August-October with May-July – employment is down by 140 thousand and unemployment is up by 240 thousand. However underneath this, the single-month estimates of employment have been broadly unchanged for the last three months, with increases in unemployment being driven by more people who were previously ‘economic inactive’ starting to look for work as the economy showed signs of recovery

They suggest that the quarterly fall in employment continues to be driven by young people, who make up three fifths of the drop. For the most part, this has been offset by rising participation in fulltime education, but a sharp fall in the number of people working while studying. Employment also bounced back for those aged over 65 (rising by 70 thousand, or 5.5%) after very significant falls early in the crisis. However, employment for people aged 50-64 is down by the same amount.

Edinburgh and South East Regional Claimant Count November 2020 Update, Capital City Partnership, 15/12/2020

[https://www.joinedorforjobs.org/uploads/store/mediaupload/232/file/11%20Edinburgh%20and%20South%20East%20Scotland%20Regional%20Claimant%20Count%20November%202020%20\(002\).pdf](https://www.joinedorforjobs.org/uploads/store/mediaupload/232/file/11%20Edinburgh%20and%20South%20East%20Scotland%20Regional%20Claimant%20Count%20November%202020%20(002).pdf)

This is the latest in the monthly analysis of the claimant count data for the City Region. The data indicates that since February whilst the Scottish Claimant Count has Increase by 84%, the Edinburgh Claimant Count has increased by 159% and in November stood at 18,390. Overall, across the City Region the Claimant Count has doubled between February and November and now stands at 49,090 an increase of 101%.

Across the region there has been a 129% increase in the number of in-work claimants of Universal Credit and this ranges from a 215% increase in people in work claiming Universal Credit in Edinburgh to an 83% increase in East Lothian. In the City Region both the ward with the highest claimant rate and the ward with the lowest are within Fife, the highest being Buckhaven, Methil and Wemyss Villages and the lowest being St. Andrews.

BICS weighted Scotland estimates: data to wave 18, Scottish Government, 11/12/2020

<https://www.gov.scot/publications/bics-weighted-scotland-estimates-data-to-wave-18/>

This is the sixth publication of weighted Scotland estimates using the Office for National Statistics' (ONS') Business Impact of Coronavirus (COVID-19) Survey (BICS). In terms of the base of the estimates 10,688 businesses responded to the Wave 18 BICS UK-wide – 1,481 of these responding businesses had a presence in Scotland. Excluding the micro businesses (those with less than 10 employees) takes the base for the weighted Scotland estimates down to 1,381 responding businesses in Wave 18.

- The share of businesses 'currently trading' was estimated at 90.5% in the period 16 November to 29 November 2020 - down from 95.0% in the previous fortnight.
- In the period 16 November to 29 November 2020, the Accommodation & Food Services industry sector had the lowest share of businesses trading at 54.5%, down from 76.7% in the previous fortnight. This reflects changes in restrictions in some areas within Scotland.
- The share of the workforce on furlough leave was estimated at 13.0% in the period 2 November to 29 November 2020. This rate varied by industry sector – with markedly higher rates for Accommodation & Food Services (estimated at 49.0%) and Arts, Entertainment & Recreation (estimated at 40.4%).
- In the period 16 November to 29 November, 10.7% of businesses reported to be fully prepared for the end of the EU transition period, while a further 33.0% reported being somewhat prepared and 4.6% reported that they were not prepared.
- Of the businesses somewhat or not prepared for the end of the EU transition period, almost half (48.2%) were not sure what they need to do to prepare, while over a quarter (27.7%) said the Coronavirus pandemic was preventing them from preparing.

Timewise Flexible Jobs Index 2020, Timewise, 8/12/2020

<https://timewise.co.uk/wp-content/uploads/2020/12/Timewise-Flexible-Job-Index-2020.pdf>

This is the 6th year of the Timewise index and they found that at the start of 2020, 9 in 10 people wanted to work flexibly, and 6 in 10 UK employees were lucky enough to do so. But the Timewise Flexible Jobs Index shows that less than 2 in 10 jobs were advertised with options to work flexibly. The report clearly identifies a mismatch between this demand for flexible jobs and the options available. They argue that it's important for the jobs market to reflect workplace practices on flexibility, to ensure equality and inclusion. If they don't how can flexible workers move jobs to progress their

careers? And more importantly, if they become unemployed, how can they ever find their way back into work?

- Before the pandemic, 6 in 10 employees were working flexibly in some way
- During lockdown, the proportion of people working from home shot up from 6% to 43%, settling to 37% by June.
- 87% of employees want to work flexibly.
- Part-time is common amongst low-paid jobs but is less apparent at higher salaries.
- Home-working and generic flexible working are disproportionately offered at higher salary levels and rarely available in low-paid jobs.

This creates blocks in career progression for people who need to work flexibly. Workplace equality suffers, as women, carers, older workers and people with health concerns are disproportionately affected.

Availability of flexible jobs varies significantly by role. The pattern is similar to previous years, with medical/health well ahead of other role categories. Meanwhile male dominated roles such as construction lag well behind. But a new pattern is emerging and since the pandemic, roles that lend themselves to home-working are beginning to catch up with health services. The biggest flex winner is IT. Finance, and marketing are also gaining ground. However, it remains to be seen whether the home-working increases will become a long-term feature.

Global Wage Report 2020-21 Wages and Minimum Wages at the time of Covid 19, ILO, 2/12/2020

<https://www.employment-studies.co.uk/system/files/resources/files/ILO%20Global%20Wage%20Report%202020-21.pdf>

A very weighty 212 page report, and at first glance it may seem to be very far removed from the situation in the South East of Scotland. However, this is likely to be the context that policy makers at a UK and Scottish level will consider wage rates locally and is therefore worth reflecting on its key findings.

- In the first half of 2020, as a result of the COVID-19 crisis, a downward pressure on the level or growth rate of average wages was observed in two thirds of the countries for which recent data are available; in other countries average wages increased, largely artificially as a reflection of the substantial job losses among lower-paid workers. In Brazil, Canada, France, Italy and the United States, average wages have been rising markedly because of job losses mainly affecting those at the lower end of the wage scale. In contrast, a downward pressure on average wages has been observed in Japan, the Republic of Korea and the United Kingdom.
- The impacts of the crisis on total wages have fallen differently on men and women, the latter being disproportionately affected. Looking at a selection of European countries, the report estimates that without the payment of wage subsidies, workers would have lost 6.5 per cent of their total wage bill between the first and second quarters of 2020. For women, the total wage bill would have declined by 8.1 per cent, compared to a decline of 5.4 per cent for men. Such a discrepancy was mainly caused by reduced working hours, more than by the difference in the number of lay-offs.
- The crisis disproportionately affected lower-paid workers, thereby increasing wage inequalities. Studies have shown that in many countries, reductions in hours worked have impacted lower-skilled occupations – in particular those in elementary work – more than higher-paying managerial and professional jobs. For selected European countries, the report estimates that without wage

subsidies the lowest-paid 50 per cent of workers would have lost an estimated 17.3 per cent of their wages, which is much more than the estimated 6.5 per cent decline for all workers.

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