London in lockdown

Tracking the impact of coronavirus on the capital's economy

Amy Norman
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SMF Social Market Foundation

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Scott's expert insights are frequently sought after in publications including the Financial Times, the Guardian, the Times and the Daily Telegraph. Scott has appeared on BBC News, Sky News, Radio 4 and a range of other broadcast media.

EXECUTIVE SUMMARY

This report, commissioned by Peabody, examines the emerging impact of the coronavirus crisis on London's economy. It explores the latest timely data on economic outcomes to produce an as up-to-date picture as possible.

The key findings of the research are that:

- **Since the economy went into lockdown in March, unemployment has increased more strongly in London than elsewhere.** Between March and June 2020, the UK-wide claimant count (the number of joblessness benefits claimants) more than doubled, rising by 107%. London saw an even stronger 146% increase in unemployment on this measure – amounting to about 272,000 individuals.
- **An analysis of unemployment trends *within* the capital highlights that areas of Outer North London – both West & North West and East & North East – have seen the biggest percentage increase (162% and 152% respectively) in joblessness claims since March.** Outer South London saw the lowest percentage increase at 129%. In terms of the *absolute number* of individuals claiming unemployment benefits in June 2020, this stood highest in inner East London, at 150,230, sharply up from 63,080 in March.
- **Between March and June, the London boroughs that faced the biggest increases in unemployment relative to their working age population were Haringey – with an absolute increase in 12,140 unemployment benefits claimants – Newham (15,625) and Brent (13,550).** In comparison, the areas least impacted were the City of London (135), Richmond upon Thames (3,390) and Kingston upon Thames (3,545).
- **Overlaying measures of social & economic deprivation over the latest unemployment data show that deprived parts of the capital are currently seeing greater increases in unemployment rates.**
- **Youth unemployment has increased more strongly in London than elsewhere.** In the capital, the claimant count increased by 162% among those aged 16-24 between March and June, compared with 116% across the UK as a whole for this age group. Among those aged 25-34 in London, the increase in unemployment was even greater at 187%. This compares with 118% across the UK as a whole.
- **While the biggest growth area for Universal Credit (UC) claims since lockdown began has been in those searching for work, the number of in-work individuals making UC claims has also increased by about 117% in London since March.** This suggests that a significant number of individuals might now be claiming benefits for reasons such as pay cuts or reduced working hours during the economic lockdown.
- **Since the start of the economic lockdown in March, job vacancies in London have collapsed by 54%** (comparing 15th March to 13th July). Notably, this is more than the 46% decline in vacancies seen elsewhere in the UK.
- **While in March, London had roughly one job vacancy per jobless benefits claimant, as of July there are about five claimants for every job vacancy.** Even if those out-of-work had the skills for the available jobs in the capital, about 80% would still remain unemployed given the lack of new jobs to move into at present, unless they managed to find work outside of London.

- **Of all the job vacancies in London listed on the jobs website Adzuna (at the time of writing– 16th July 2020), a fifth (20%) were IT-related jobs, 14% were teaching jobs and 10% were in accounting & finance. Analysis of the Labour Force Survey shows that lower income Londoners are disproportionately employed in some of the sectors most impacted by the economic lockdown.** 8% of working social housing tenants in the capital are employed in accommodation & food services, where the number of job vacancies nationwide has declined by over 90% compared with a year ago. 9% of working social housing tenants work in transport & storage, where nationwide job vacancies have declined by 75%.
- **Household incomes in the capital, including those of lower income social housing tenants, are set to fall this year.** Emerging evidence shows lower earners are more likely to have been furloughed and, as a result, to have seen a pay cut. Across the country as a whole, the Office for Budget Responsibility expects employee earnings to decline by 7.3% this year. The end of the working age benefits freeze this year provides some support to lower income households, though for many this is unlikely to offset the effects of a rapidly deteriorating labour market.

CHAPTER 1: INTRODUCTION

Coronavirus has wrought havoc on most aspects of our lives in recent months. Over 40,000 individuals have lost their lives.[1] Others have been hospitalised. Our ability to interact with friends and family has been severely curtailed during three months of lockdown.

And then there is the economic cost of the virus. The lockdown introduced by government to curb the spread of COVID-19 has had a disastrous impact on livelihoods. Hundreds of thousands of individuals have lost their job across the country[2] while close to nine million workers have been furloughed.[3] Others have taken pay cuts or had their working hours reduced. Businesses have gone under and many are struggling to survive as some forms of social distancing continue.

There is a risk of this economic downturn deepening as the year progresses, particularly as government starts to wind down some of the support it has provided to protect jobs during the lockdown. Furthermore, the coronavirus crisis could have a profound impact on our lives even once the lockdown ends; more of us might choose to shop online or work from home, for example, raising the prospect of mass redundancies in sectors such as transport and High Street retail.

With the economy in a tumultuous time in which much is changing rapidly, this report, sponsored by Peabody, aims to shed light on how coronavirus is impacting the economy - particularly in London. It examines the latest data on benefits claims, unemployment and jobs vacancies to produce an as real-time as possible picture of the changing economy during this crisis. We intend to update this analysis over the course of the coming months, as the economic situation continues to develop.

The structure of this report is as follows:

- **Chapter 2** examines the latest benefits claims data
- **Chapter 3** explores trends in job vacancies in London
- **Chapter 4** examines cost of living inflation for Londoners and social housing tenants in the capital.

CHAPTER 2: RISING UNEMPLOYMENT IN THE CAPITAL

This chapter examines the latest data on benefits claims to explore how unemployment and incomes are being affected by the coronavirus crisis. This includes an exploration of how trends in London differ from elsewhere, and an examination of how different parts of the capital are being affected by the crisis.

Unemployment rising more rapidly in London than elsewhere

The claimant count measures the number of people claiming benefits principally for the reason of being unemployed – it is thus one measure of the level of joblessness in the economy. As the Resolution Foundation has recently noted, claimant count statistics are potentially being distorted at the moment by the migration to Universal Credit, and in-work individuals being incorrectly registered as out-of-work.[4] But the claimant count remains the most timely measure of unemployment trends, and it is the only data source allowing local area analysis of joblessness – such as across local authorities in the UK. While there might be some measurement issues with the claimant count at present, we believe that it remains a useful guide of the broad trajectory of unemployment, and how different parts of the UK are faring.

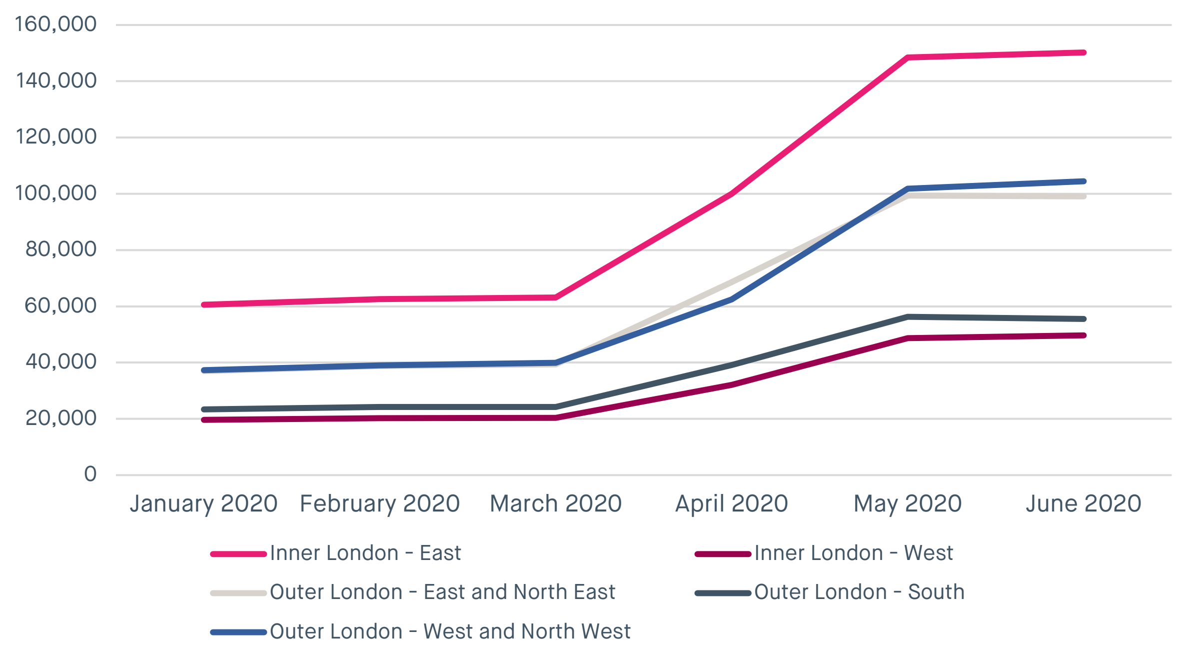
ONS data show that between March and June 2020, the UK-wide claimant count more than doubled, rising by 107%. London saw an even stronger 146% increase in unemployment – amounting to about 272,000 individuals.

An analysis of unemployment trends *within* the capital highlights that areas of Outer North London – both West & North West and East & North East – have seen the biggest percentage increase (162% and 152% respectively) in joblessness claims since March. Outer South London saw the lowest percentage increase at 129%. In terms of the absolute number of individuals claiming unemployment benefits in June 2020, this stood highest in Inner East London, at 150,230, sharply up from 63,080 in March.

Figure 1: Claimant count measure of unemployment, % change between March 2020 and June 2020

Source: ONS, SMF analysis

Figure 2: Trends in the claimant count within London



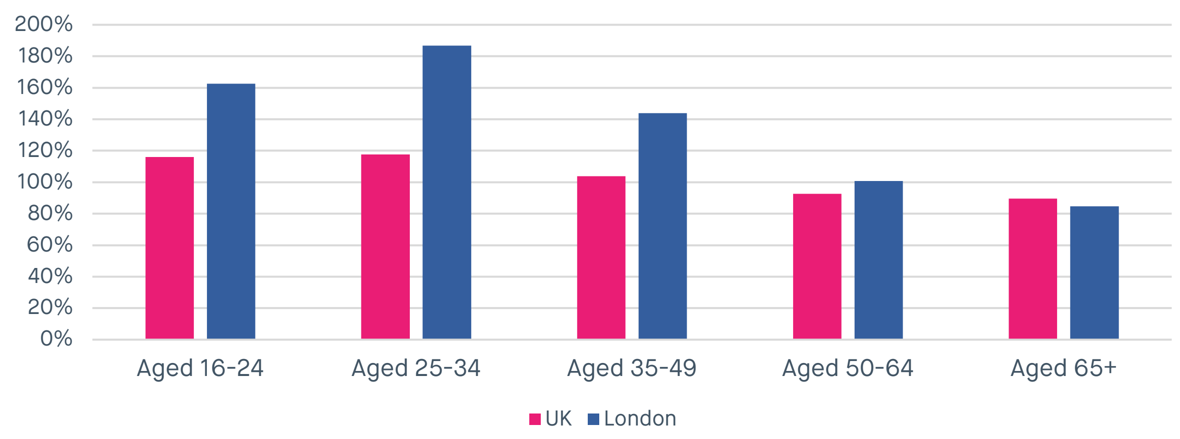
Source: ONS, SMF analysis

Youth unemployment rising more strongly in London than elsewhere

The claimant count data show that London's stronger increase in unemployment, compared with the rest of the country, is particularly true with respect to unemployment among younger people.

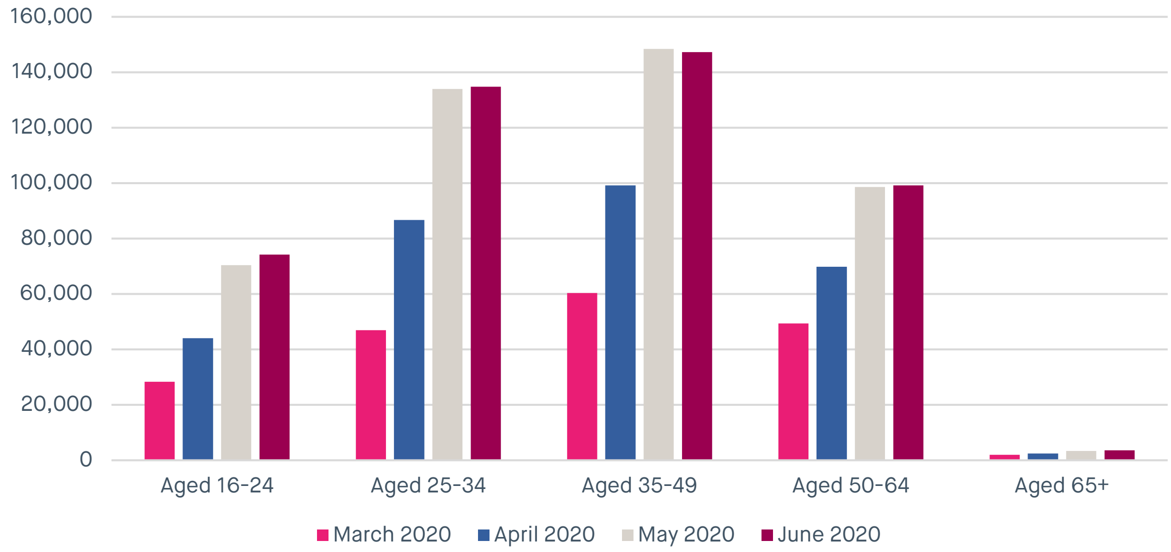
In the capital, the claimant count increased by 162% among those aged 16-24 between March and June, compared with 116% across the UK as a whole for this age group. Among those aged 25-34 in London, the increase in unemployment was even greater at 187%. This compares with 118% across the UK as a whole. In contrast, the growth in unemployment among those aged 50 and above in London was not dissimilar to the UK as a whole, as the Figure below shows.

Figure 3: Claimant count measure of unemployment, % change between March 2020 and June 2020 by age group



Source: ONS, SMF analysis

Figure 4: Absolute claimant count measure of unemployment in London, from March to June 2020 by age group



Source: ONS, SMF analysis

Analysis from the ONS found that young people (16-24 year olds) are suffering the biggest fall in hours worked, suggesting the economic crisis associated with coronavirus might be impacting youth labour market outcomes beyond higher unemployment.[5] Those holding onto work are seeing reduced working hours and in turn lower pay.

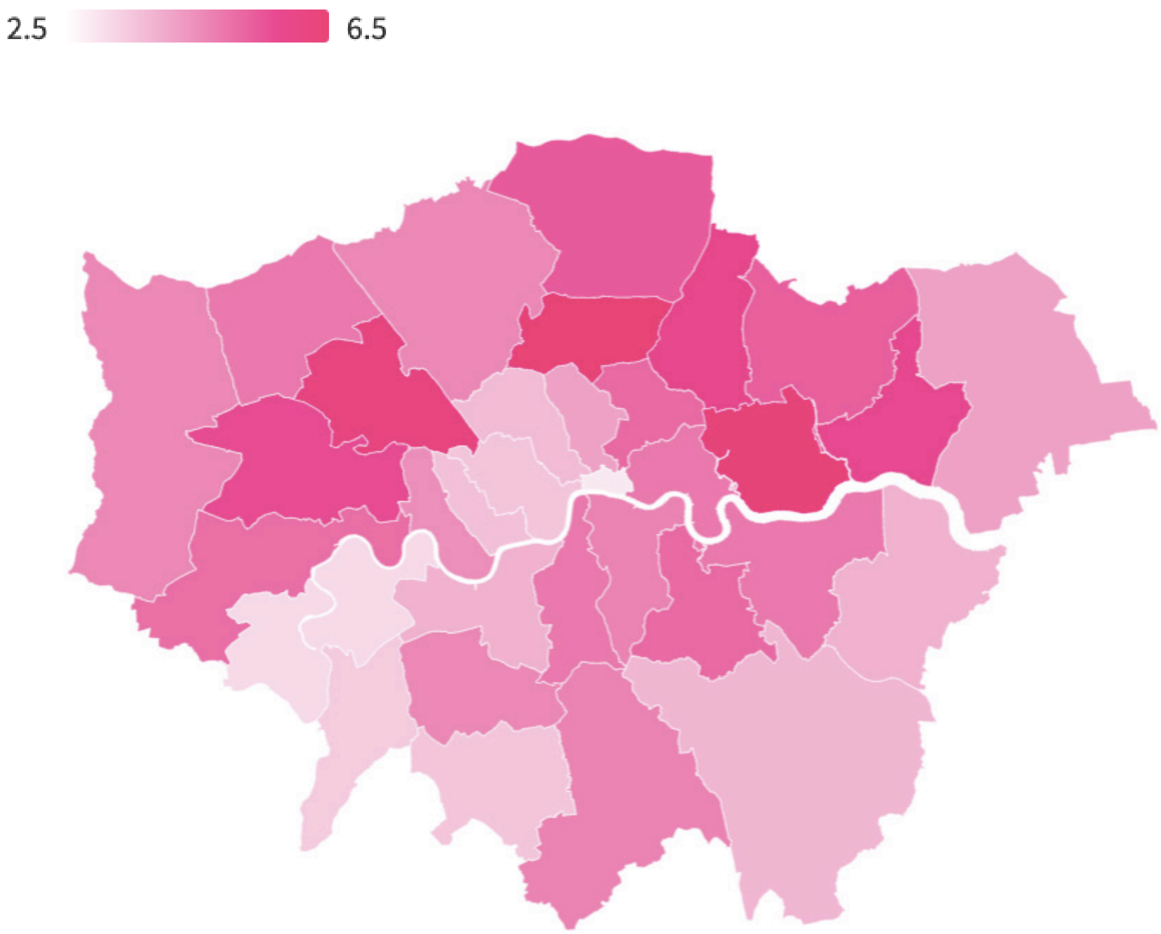
Deprived parts of London seeing more significant increases in unemployment

Within London, there are significant differences in unemployment trends since lockdown began in March.

Areas of Outer North London – both 'West & North West' and 'East & North East' – have seen the greatest increase in claimant count from March to June, as a percentage of working-age residents within each area. This suggests that residents in these areas have experienced a higher rate of job losses related to the coronavirus-crisis since March. As the map below shows, unemployment rates have generally increased more significantly in the North of the capital than in the South.

Between March and June, the London boroughs that faced the biggest increases in unemployment relative to their working age population were Haringey – with an absolute increase in 12,140 unemployment benefits claimants – Newham (15,625) and Brent (13,550). In comparison, the areas least impacted were the City of London (135), Richmond upon Thames (3,390) and Kingston upon Thames (3,545).

Figure 5: Percentage point change in claimant count as a proportion of residents aged 16-64, March to June 2020



Source: ONS, SMF analysis

Note: for an interactive version of this map, click here

Overlaying measures of social & economic deprivation over the latest unemployment data show that deprived parts of the capital are currently seeing greater increases in unemployment rates. Table 1 below compares the proportionate change in unemployment claims across areas of London from March to June with the local authority's deprivation ranking. The relative colour scale indicates areas ordered red to green as highest to lowest in increase in claimant count and most deprived to least deprived.

Table 1: Claimant count increase from March to June 2020 and indices of deprivation, by London borough

	Claimant Count as a proportion of residents aged 16-64 (2020)		Indices of Deprivation (2019)
Local Authority District name	**Caseload increase**	**Percentage point increase in claimant count**	**IMD - Rank of average score**
Haringey	12,140	6.4	49
Newham	15,625	6.3	43
Brent	13,550	6.1	79
Waltham Forest	10,755	5.7	82
Barking and Dagenham	7,590	5.6	21
Ealing	12,320	5.5	105
Enfield	11,025	5.2	74
Redbridge	10,070	5.1	173
Lewisham	10,525	4.9	63
Hackney	9,905	4.9	22
Hounslow	8,465	4.8	122
Greenwich	8,815	4.6	88
Lambeth	11,090	4.6	81
Harrow	7,385	4.6	207
Tower Hamlets	10,885	4.6	50
Croydon	10,990	4.4	108
Southwark	10,175	4.4	72
Hillingdon	8,390	4.3	159
Barnet	11,050	4.3	190
Merton	5,850	4.3	213
Hammersmith and Fulham	5,570	4.2	112
Havering	6,020	3.8	180
Islington	6,800	3.8	53
Bexley	5,415	3.5	187
Wandsworth	8,330	3.5	183
Bromley	6,935	3.4	223
Camden	6,135	3.3	138
Kensington and Chelsea	3,440	3.2	121
Sutton	4,010	3.1	226
Westminster	5,675	3.1	137
Kingston upon Thames	3,545	3	273
Richmond upon Thames	3,390	2.7	295
City of London	135	2.4	212

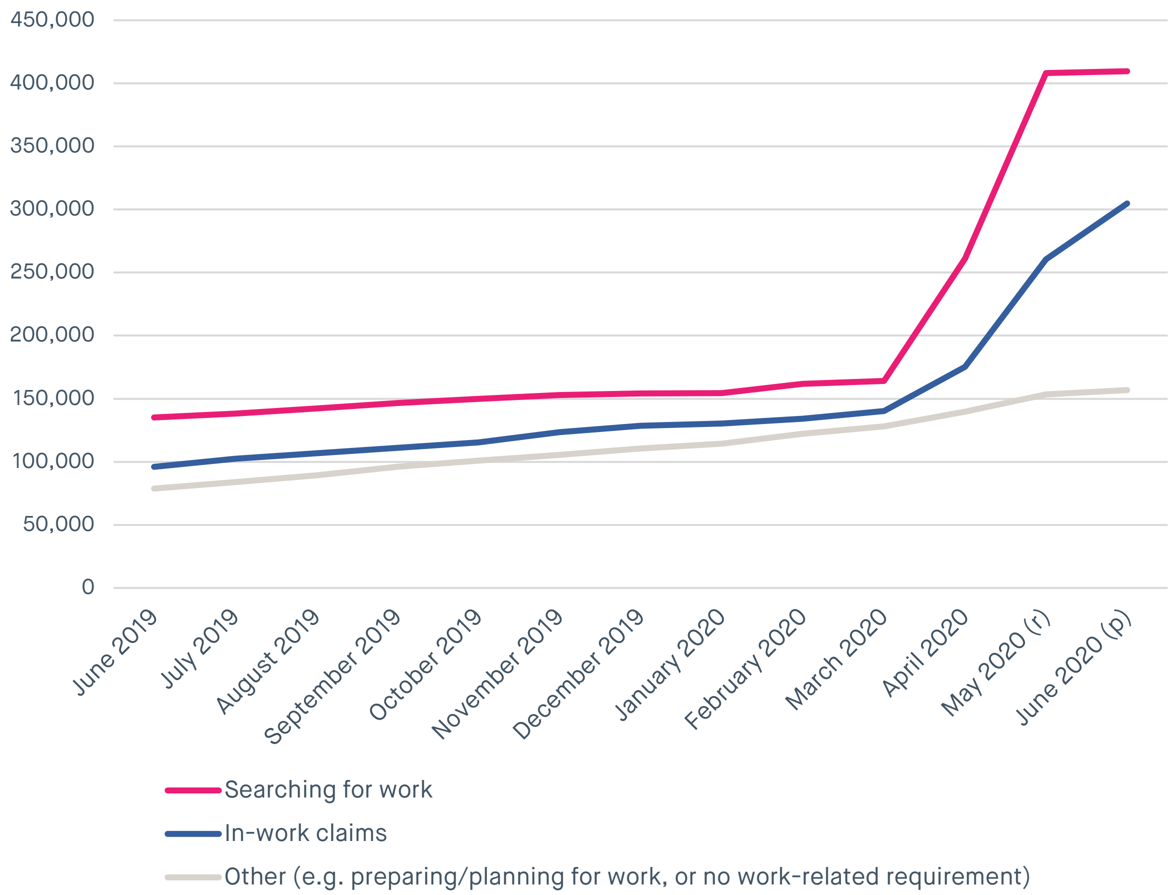
Source: ONS, SMF analysis

Universal Credit claims rising for other reasons – such as falling income

Universal Credit combines six different means tested benefits: Income Support; Income-based Jobseeker's Allowance; Income-related Employment and Support Allowance; Housing Benefit; Child Tax Credit and Working Tax Credit. As such, UC data can tell us more about how the coronavirus crisis is impacting households finances.

Notably, while the biggest growth area for UC claims since lockdown began has been in those searching for work, the number of in-work individuals making UC claims has also increased by about 117% in London since March. This suggests that a significant number of individuals might now be claiming benefits for reasons such as pay cuts or reduced working hours during the economic lockdown.

Figure 6: Universal Credit claims in London, by conditionality regime



Source: DWP, SMF analysis

Figure 7: Universal Credit claims, percentage change between March and June 2020, by conditionality regime

Source: DWP, SMF analysis

Note: Data for Universal Credit is only available for Great Britain.

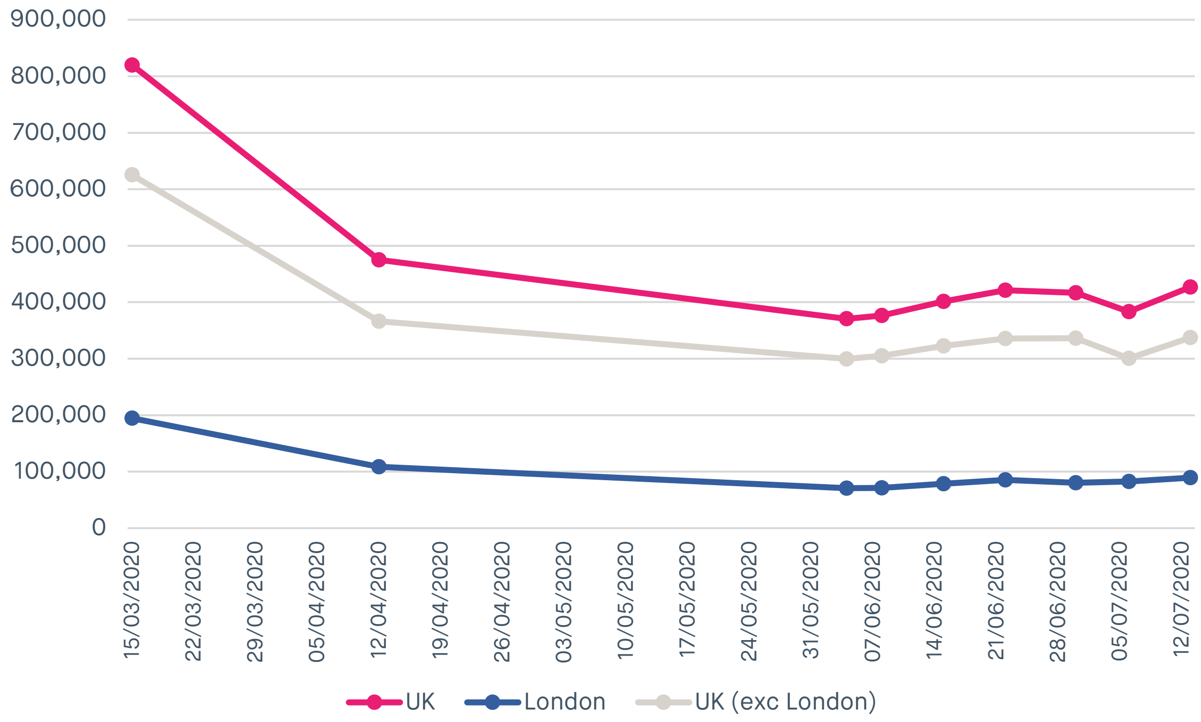
CHAPTER 3: JOB VACANCIES. OUT OF WORK, NOW WHAT?

The previous chapter showed a significant increase in jobless claims in the latest benefits statistics – across the country as a whole and within London. This chapter explores the ease with which the newly jobless are likely to be able to find work. It draws on data captured from online jobs websites, to track how the number of job vacancies is changing over time. It also explores the industries and occupations in which new jobs are becoming available.

Since the start of the economic lockdown in March, job vacancies in London have collapsed by 54% (comparing 15th March to 13th July). Notably, this is more than the 46% decline in vacancies seen elsewhere in the UK – as Figure 9 below shows.

While some of the latest data from June and July show job vacancy numbers starting to tick up in the capital and elsewhere, the pace of recovery in job vacancies is very limited, as illustrated in Figure 8. Even with lockdown restrictions being lifted in June and July, with the opening of non-essential retail stores for example, the number of job vacancies remains greatly suppressed.

Figure 8: Job vacancy numbers



Source: Adzuna, SMF analysis

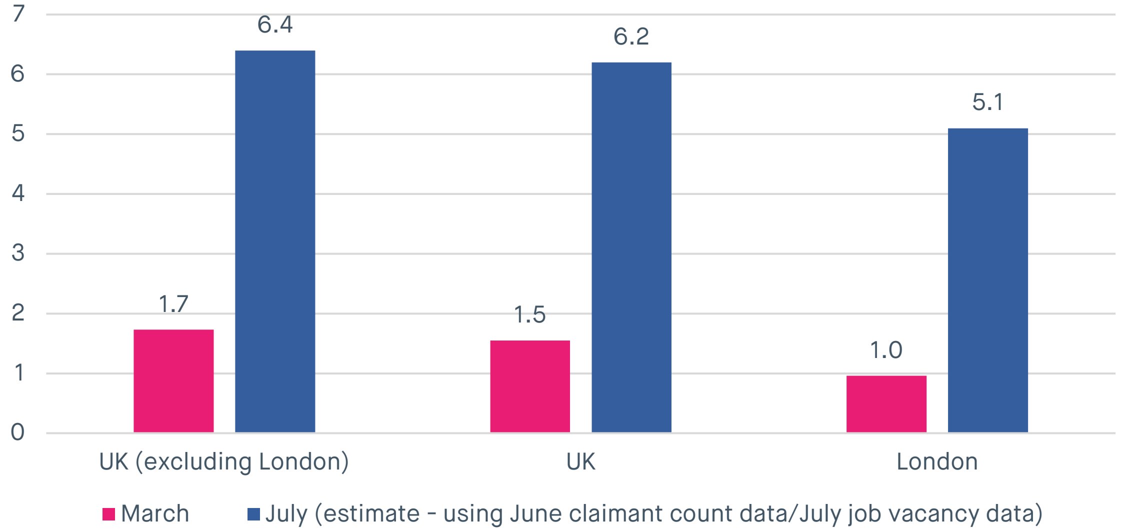
Figure 9: % change in job vacancies, 15th March 2020 – 13th July 2020

Source: Adzuna, SMF analysis

While in March the capital had roughly one job vacancy per jobless benefits claimant, as of July there are close to five claimants for every job vacancy. Even if those out-of-work had the skills for the available jobs in London, about 80% would still remain unemployed given the lack of new jobs to move into at present, unless they managed to find work outside of London.

As Figure 10 below shows, the number of out-of-work benefits claimants per job vacancy is lower in London than other parts of the country. Part of the reason London has seen a more significant fall in job vacancies than elsewhere might be the relative strength of the capital's economy just prior to the lockdown; compared with elsewhere the number of job vacancies was quite high relative to the number of unemployed individuals.

Figure 10: Number claiming out-of-work benefits per job vacancy, March 2020 versus July 2020



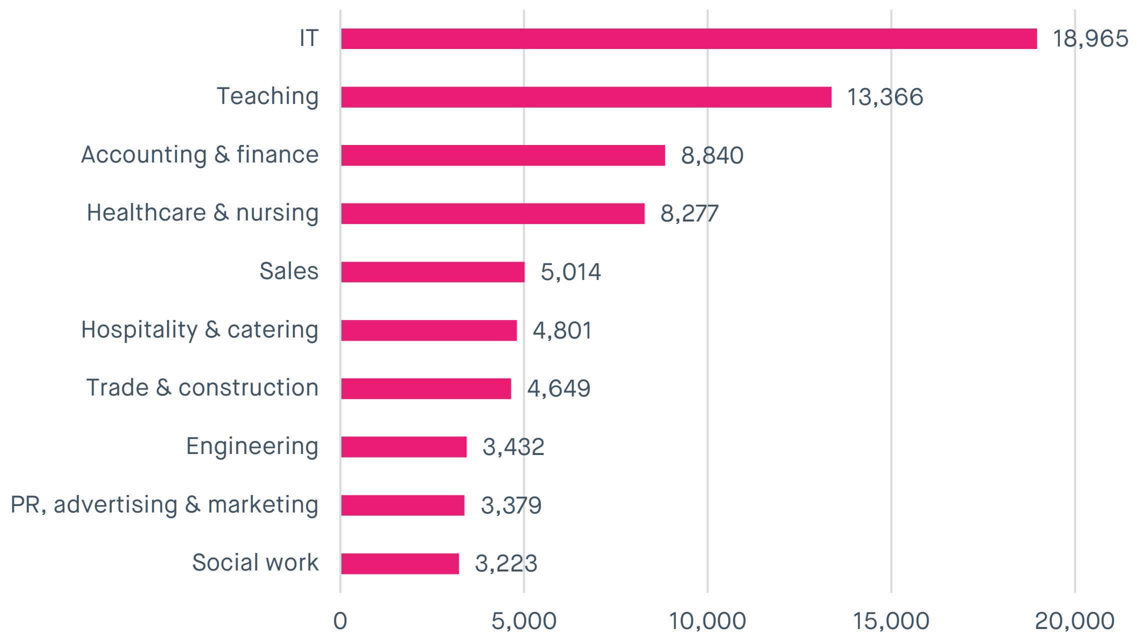
Source: Adzuna, SMF analysis

Where are the available jobs?

In addition to the number out-of-work and available job vacancies it is also important to consider the industries and occupations in which vacancies are available. If job vacancies do not align with the skills of out-of-work individuals, unemployment is set to remain higher for longer.

Unfortunately, the data suggest that there is likely to be a significant skills mismatch between where jobs are being lost in the economy and where job vacancies are available. Of all the job vacancies in London listed on the jobs website Adzuna (at the time of writing– 16th July 2020), a fifth (20%) were IT-related jobs, 14% were teaching jobs and 10% were in accounting & finance.

Figure 11: Top 10 job vacancy categories in London, as of 16th July 2020



Source: Adzuna

Analysis of the Labour Force Survey shows that lower income Londoners are disproportionately employed in some of the sectors most impacted by the economic lockdown. 8% of working social housing tenants in the capital are employed in accommodation & food services, where the number of job vacancies nationwide has declined by over 90% compared with a year ago. 9% of working social housing tenants are employed in transport & storage, where nationwide job vacancies have declined by 75%.

Having said that, a significant proportion of London social housing tenants also work in key sectors of the economy where jobs are relatively well protected. About a fifth of working tenants in the capital (18%) work in health & social work, where job vacancy numbers have declined by a relatively low 26% over the past year.

The ease with which workers in London will be able to find new work easily, in the event of job loss, depends very much on an individual's transferable skills. With a significant number of jobs likely to be lost in the retail and hospitality sectors, and many new job vacancies in areas such as IT, teaching and professional services requiring specialist skills, many of those out of work may struggle to find alternative employment over the coming months.

Table 2: Change in job vacancies compared with workforce composition, by sector

	UK job vacancies, % change compared with a year ago (three months to June 2020)	% of UK workers in industry (2019)	% of London workers in industry (2019)	% of London social housing tenant workers in industry (2019)
Human health & social work activities	-26.4%	13.50%	11.60%	18.40%
Public admin & defence	-27.0%	6.50%	5.60%	4.60%
Administrative & support service activities	-45.1%	4.70%	6.00%	7.70%
Electricity, gas, steam & air conditioning supply	-45.9%	0.60%	0.20%	0.00%
Financial & insurance activities	-47.7%	3.90%	7.20%	1.40%
Water supply, sewerage, waste & remediation activities	-48.9%	0.70%	0.40%	1.10%
Manufacturing	-54.7%	9.20%	3.10%	2.40%
Education	-60.1%	10.50%	10.20%	11.80%
Professional scientific & technical activities	-62.9%	7.70%	12.50%	5.50%
Real estate activities	-65.6%	1.20%	1.50%	1.40%
Information & communication	-70.6%	4.30%	8.00%	2.90%
Wholesale & retail trade; repair of motor vehicles and motor cycles	-70.7%	12.40%	8.90%	13.40%
Other service activities	-71.8%	2.90%	2.90%	2.70%
Construction	-73.6%	7.20%	6.60%	5.90%
Mining & quarrying	-75.0%	0.40%	0.20%	0.00%
Transport & storage	-75.4%	4.80%	4.50%	8.90%
Arts, entertainment & recreation	-89.3%	2.70%	4.00%	2.70%
Accommodation & food service activities	-91.8%	5.40%	5.60%	7.90%

Source: ONS, SMF analysis

CHAPTER 4: COST OF LIVING AND INCOMES DURNG THE CRISIS

Finally, this chapter presents the findings of analysis of household incomes and living costs in London, particularly with respect to relatively lower income residents living in social housing.

This analysis is based on analysis of a wide range of datasets, including the ONS Living Costs and Food Survey, ONS Family Resources Survey, ONS labour market and inflation statistics, DWP benefits caseload statistics, and rental data from the Greater London Authority.

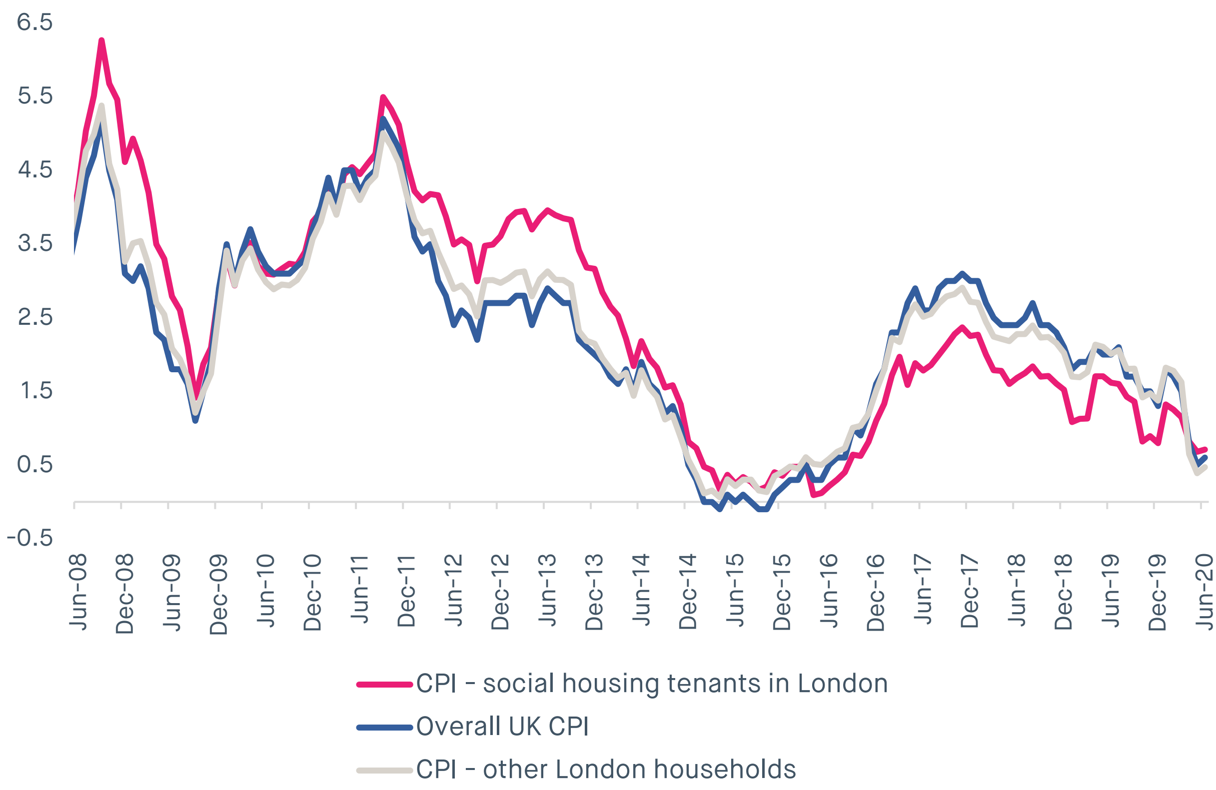
Cost of living during the crisis

Cost of living inflation has fallen across the UK as a whole since the start of 2020, as the economic crisis associated with coronavirus has curbed price growth. In addition, a fall in global oil prices has filtered through into lower transport costs. While in January, inflation on the CPI measure stood at 1.8%, in June inflation stood at 0.6%.

While we estimate that cost of living inflation for London's social housing tenants has also declined since the start of the year – falling from 1.3% to 0.7% - it now stands slightly above that seen for the UK as a whole and that seen for other households in London.

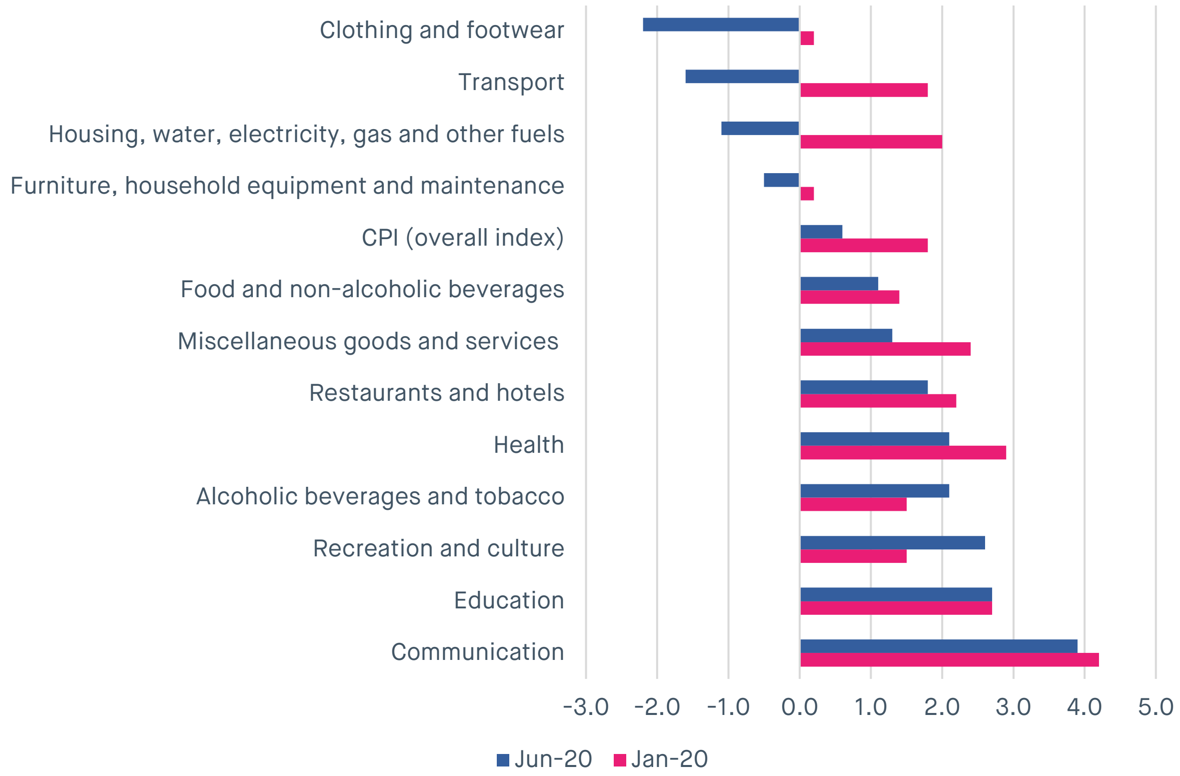
In part, this reflects social housing rents rising for the first time in several years; in the July 2015 Budget, the then-Chancellor George Osborne announced a 1% per year reduction in social housing rents for a four-year period. This period of falling rents has now come to an end.

Figure 12: Estimated cost of living inflation, London social housing tenants versus UK CPI, %



Source: ONS, SMF analysis

Figure 13: Annual change in consumer prices, January 2020 and June 2020



Source: ONS, SMF analysis

Where next for household incomes?

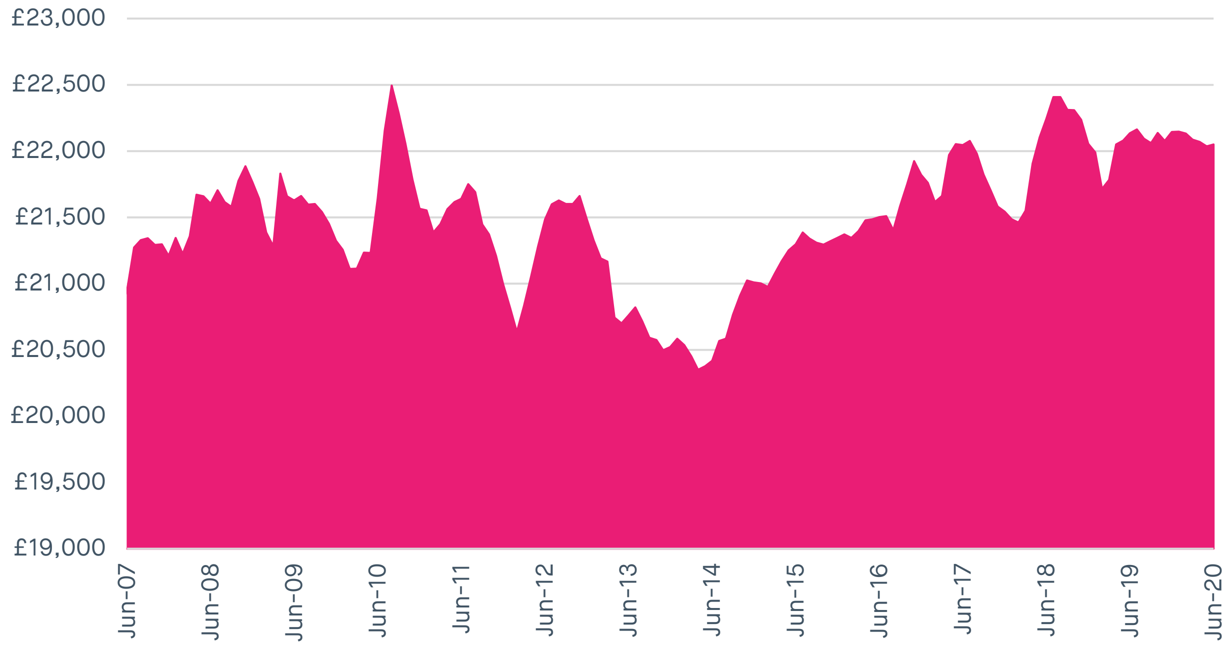
The economic outlook for the months ahead is undoubtedly challenging, with hard times on the way for many households – including those in London. Unemployment has already increased significantly, even with the UK Government supporting jobs with the Job Retention Scheme which allows businesses to reclaim costs for furloughed staff. As the Job Retention Scheme is wound down over the coming months, there is a risk of unemployment rising even further. Across the country as a whole, the Office for Budget Responsibility expects employee earnings to decline by 7.3% this year.

The emerging evidence from the current crisis suggests that lower income households are being disproportionately affected; a YouGov survey commissioned by the Resolution Foundation in May showed that 25% of employees in the lowest paid income quintile had been furloughed, compared with 6% in the highest paid quintile.[6] For most individuals, being furloughed amounts to a significant pay cut; the Resolution Foundation survey showed that most furloughed employees are receiving either 80% of their previous pay or the £2,500 cap for higher earners. That is to say, most are receiving the amount of pay which is provided through government support, with no additional pay top-up from their employers.

On the positive side, April 2020 saw the first increase in working age benefits in years, with benefits rising by 1.7%. In the 2015 Budget, a benefit freeze was introduced from April 2016 until April 2020.

Our model of social housing tenant incomes in London shows that household incomes have seen a fairly flat trend in recent months. With further job and pay cuts likely over the coming months, falling household incomes look highly likely.

Figure 14: Peabody Index - real disposable income of social housing tenants in London (June 2020 prices)



Source: ONS, SMF analysis

ENDNOTES

[1] https://www.itv.com/news/2020-06-17/uk-coronavirus-COVID-19-death-toll/

[2] https://www.bbc.co.uk/news/business-53060529

[3] https://www.bbc.co.uk/news/business-52977098

[4] https://www.resolutionfoundation.org/publications/the-truth-will-out/

[5] ONS, *Labour Market Economic Analysis Quarterly: June 2020* (2020)

[6]https://www.resolutionfoundation.org/app/uploads/2020/05/The-effect-of-the-coronavirus-crisis-on-workers.pdf