

London coronavirus economy tracker

Tracking the impact of coronavirus on the
capital's economy - November 2020

Amy Norman
Scott Corfe

SMF

**Social Market
Foundation**

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Scott Corfe

Scott Corfe joined the Social Market Foundation in 2017 and is our Research Director. As well as managing the SMF's research team, he authors research on a wide range of topics including consumer markets, taxation, low pay, housing and technology.

Before joining the SMF, he was Head of Macroeconomics and a Director at the economics consultancy Cebr, where he led much of the consultancy's thought leadership and public policy research.

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. This is the third in a series of reports which we intend to update over the coming months, as the economic situation continues to develop.

The key findings of the research are that:

- **The latest claimant count data show unemployment continuing to rise in London. Between August and October, the claimant count increased by 1.2% in the capital, compared with a 3.7% fall for the rest of the UK.** On this measure of unemployment, this amounts to a further 5,550 individuals out of work in the capital.
- **About 2,200 18-24 year olds in London became unemployed between September and October, on the claimant count measure** – far more than any other age group. Unemployment has started to fall back among those in older age groups, aged 30-60, after rising over the summer.
- **There are four London boroughs where the unemployment rate, on the claimant count measure, is greater than or equal to 10%.** These boroughs are Haringey (10.7%), Brent (10.3%), Barking & Dagenham (10.1%) and Newham (10.0%).
- **New analysis of the May-July and June-August 2020 Labour Force Survey, presented here, suggests ethnic minorities are disproportionately likely to be among the newly jobless in the capital.** Black Londoners account for 16% of the recently unemployed, despite accounting for 10% of the economically active population in the capital.
- **In contrast to the UK as a whole, London has also seen a large number of professionals become unemployed alongside those in “elementary occupations”.** That is to say, London's economy appears to be shedding jobs at both ends of the income distribution.
- **London's job vacancies recovery is now running substantially behind the rest of the UK. While in the rest of the UK job vacancies have increased to just 11% below March levels, they remain 44% below March levels in the capital.**
- **While in March London had roughly one job vacancy per jobless benefits claimant, as of November we estimate that there are about 4.4 claimants for every job vacancy.** This is higher than the 3.8 claimants per vacancy seen for the rest of the UK.
- **Cost of living inflation for London's social housing tenants has increased marginally from 0.4% in August to 0.5% in September.** This is in line with the inflation rate seen for the UK as whole. Inflation remains low, reflecting declining prices for a range of consumer goods in the current downturn. This includes food, clothing and energy costs.

CHAPTER 1 – INTRODUCTION

After a summer in which society seemed to be returning to normality – with the reopening of restaurants, non-essential retail and gyms among other things – the UK is back in lockdown. A second wave of Covid-19 has clearly materialised, raising the prospect of further premature deaths from this virus.

The UK economy, too, looks set to face deeply challenging times. While vaccine hopes have risen, raising the prospect of a gradual end to social distancing over the course of 2021, for some businesses a disastrous winter is likely to lead to company failure and the loss of jobs.

London – the focus of this report – has fared much worse than the UK as a whole. Unemployment is growing more rapidly in the capital than elsewhere, while the collapse in job vacancies has been far more pronounced.

With the pandemic driving a shift to homeworking and reduced commuting into city centres such as in London, many are starting to question the extent to which we might be entering a new normal in which city centres – once the engine of economic growth – become a drag on the economy. If homeworking becomes persistent, declining commuter footfall could lead to a permanent loss of jobs in sectors such as retail and hospitality, where businesses often depend on such commuters for custom.

This series of reports, sponsored by Peabody, aims to shed new light on how London's economy is faring during the pandemic. It is particularly concerned with how these economic developments are impacting Londoners on lower incomes.

In this edition of the report, we provide updated insights into the age distribution of the newly unemployed in London, and the extent to which younger workers in the capital are bearing the brunt of the economic crisis. We also undertake new analysis of the Labour Force Survey to explore the previous occupations of the newly unemployed – where were they working before? What does this tell us about the industries most affected by the pandemic?

The structure of this report is as follows:

- **Chapter 2** examines the latest unemployment 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.

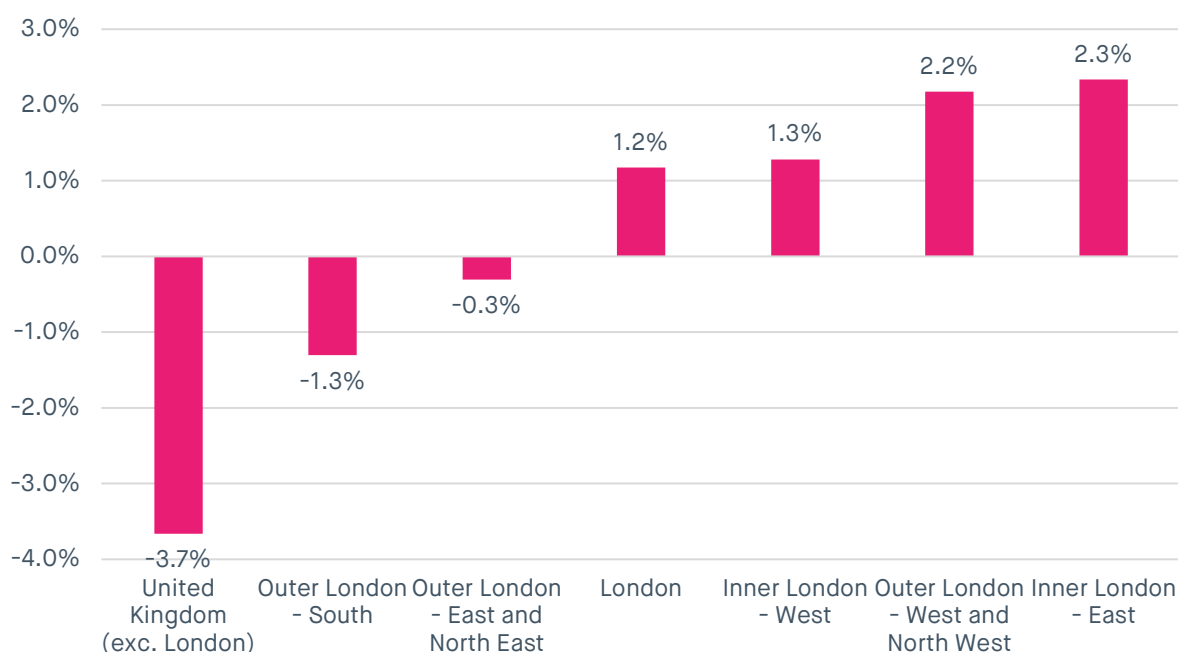
Unemployment growing more rapidly in London than elsewhere

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,¹ claimant count statistics are potentially being distorted at the moment by the migration to Universal Credit. But the claimant count remains the timeliest 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.

The latest claimant count data show unemployment continuing to rise in London. Between August and October, the claimant count increased by 1.2% in the capital, compared with a 3.7% fall for the rest of the UK. On this measure of unemployment, this amounts to a further 5,550 individuals out of work in the capital.

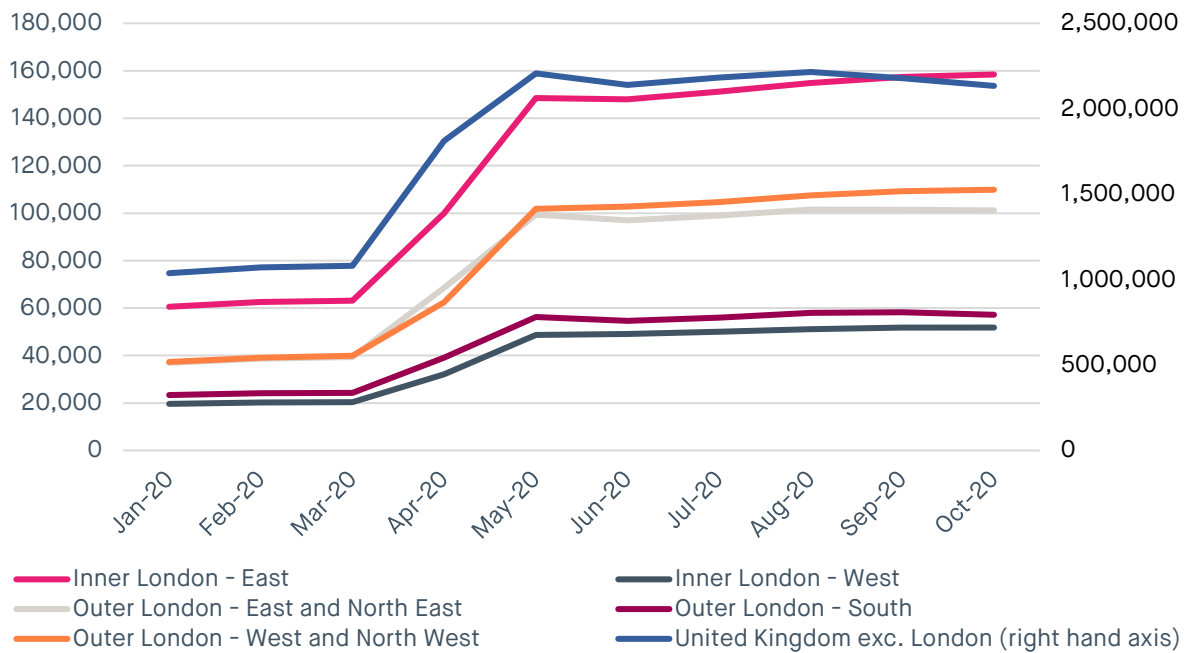
Among regions of London, unemployment increased in Inner London and Outer West & North West London. The claimant count fell in Outer East & North East London, and Outer South London – albeit at a slower rate than the rest of the UK.

Figure 1: % change in claimant count measure of unemployment, between August and October 2020



Source: ONS, SMF analysis

Figure 2: Absolute claimant count in London & UK, 2020

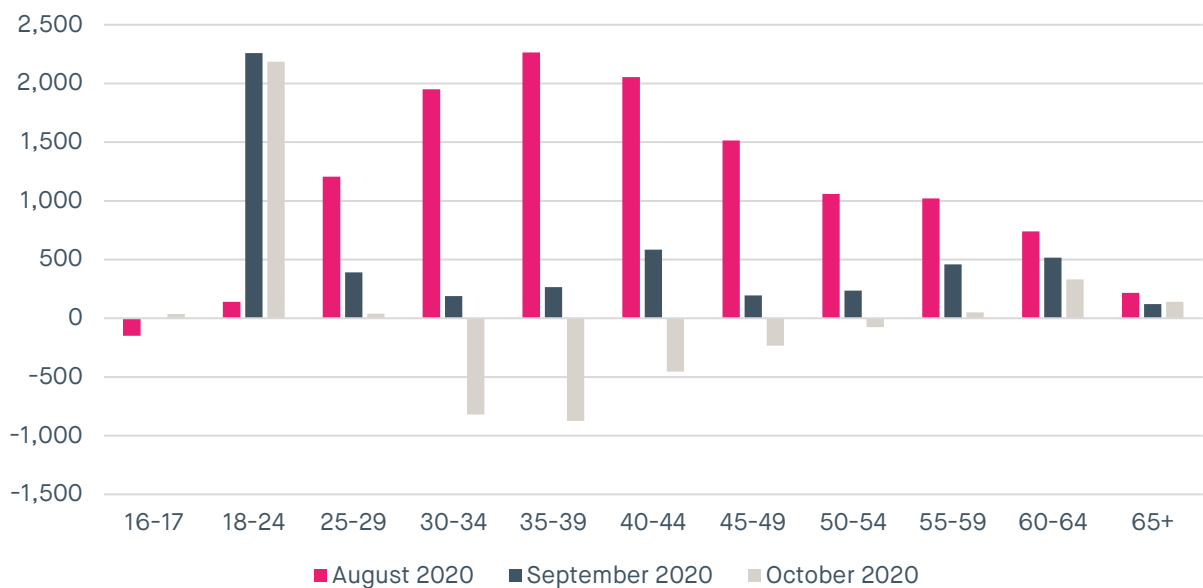


Source: ONS, SMF analysis

Age distribution of the newly unemployed

About 2,200 18-24 year olds in London became unemployed between September and October, on the claimant count measure – far more than any other age group. As the chart below shows, unemployment has started to fall back among those in older age groups, aged 30-60, after rising over the summer.

Figure 3: Monthly change in claimant count in London, by age group



Source: ONS, SMF analysis

Four boroughs where 10% or more are unemployed

There are four London boroughs where the unemployment rate, on the claimant count measure, is greater than or equal to 10%. These boroughs are Haringey (10.7%), Brent (10.3%), Barking & Dagenham (10.1%) and Newham (10.0%).

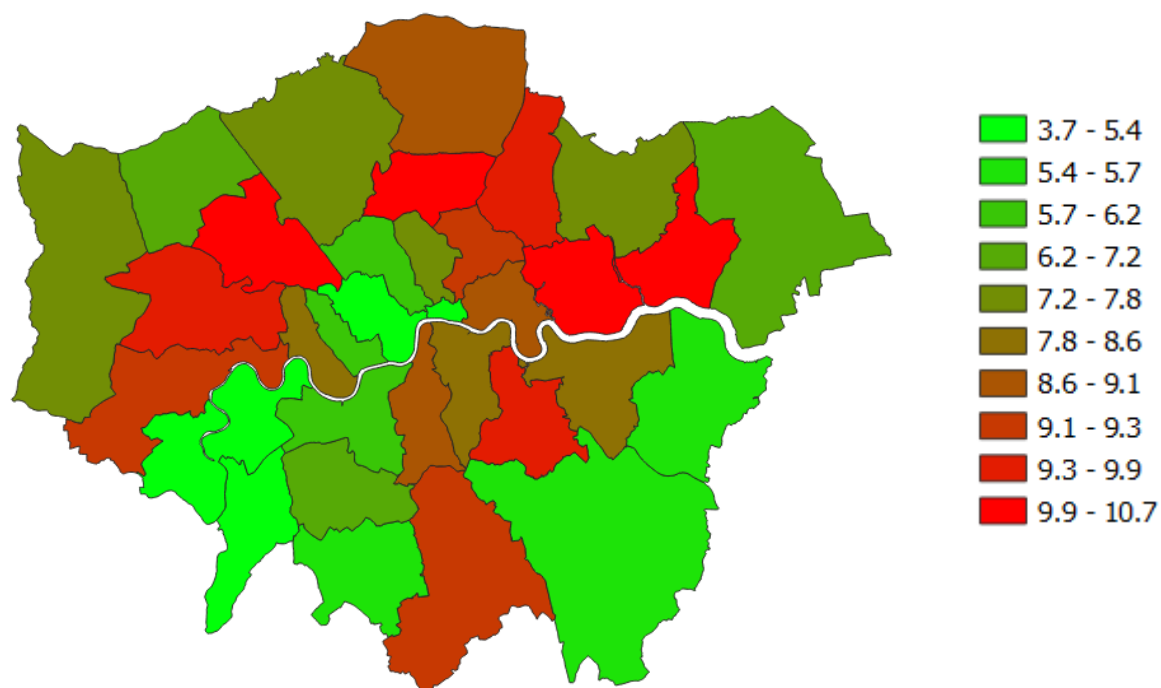
Figure 4: Claimant count, % of working age residents



Source: ONS, SMF analysis

As the map below shows, the unemployment rate is notably higher in Inner East London than Inner West London.

Figure 5: Map of claimant count, % of working age residents, October 2020



Source: ONS, SMF analysis

Where were the newly unemployed previously working?

Understanding the previous industries of employment and occupations of the newly jobless is of interest. For example, this can help ensure that retraining efforts are well-targeted to reflect the likely skillsets of the recently unemployed.

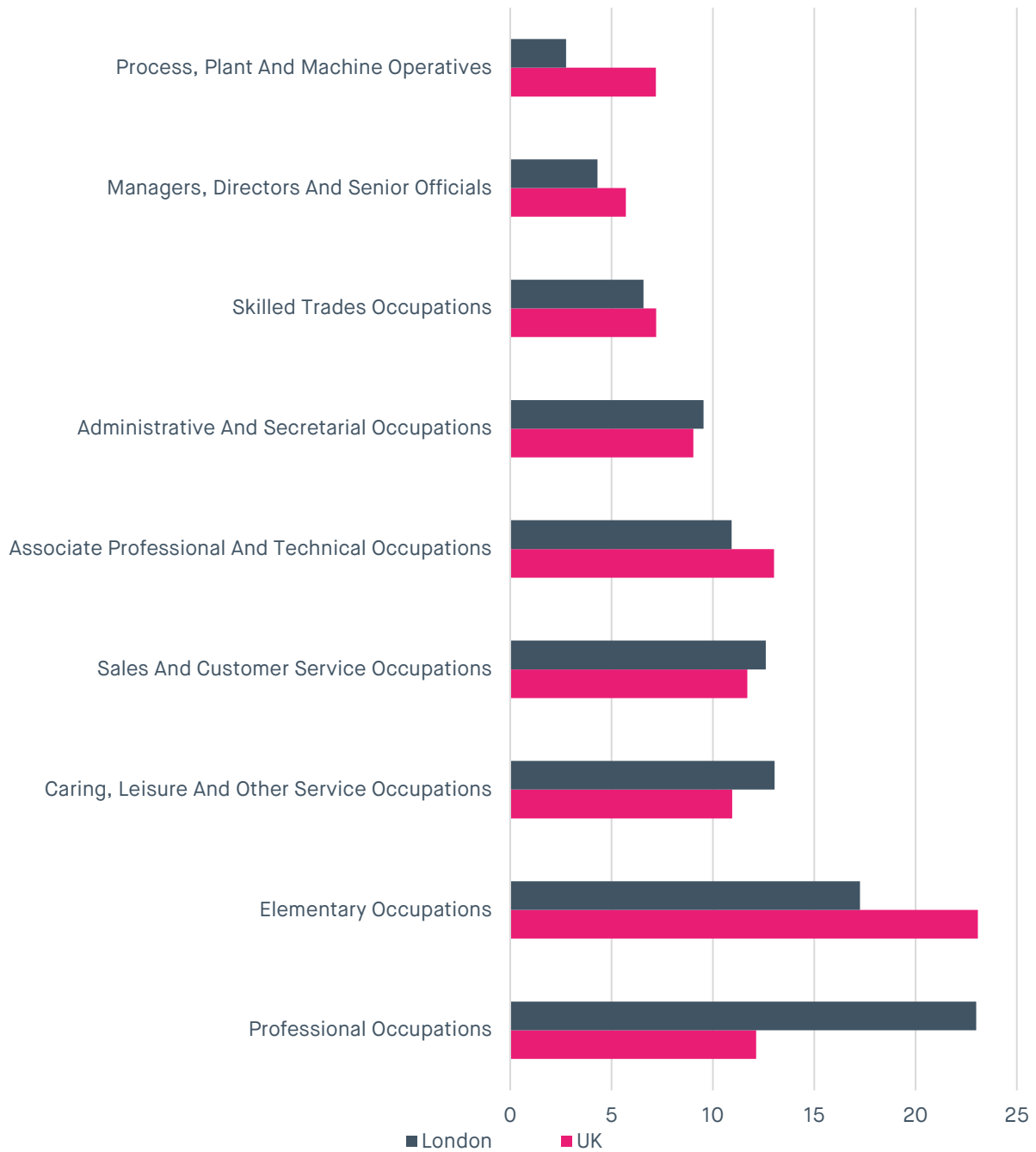
To understand this, the SMF has undertaken new analysis of the ONS Labour Force Survey, which contains questions related to both the duration of unemployment and the industry and occupation of previous unemployment.

Using the July-August 2020 survey and the May-July 2020 survey (to increase the overall sample size for our analysis), we have examined the previous employment of those that became unemployed in the three months prior to the survey – i.e. those that became unemployed since February. We performed this analysis both for London and the UK as a whole, to explore the extent to which labour market developments in the capital differ from elsewhere.

The analysis, graphed below, shows that while those in the hospitality sector and in “elementary occupations” account for a relatively high share of the newly unemployed in London, as with the UK as a whole, those previously in professional services also account

for a relatively high share of the jobless in the capital. That is to say, the capital appears to have shed a significant number of jobs at both ends of the income distribution.

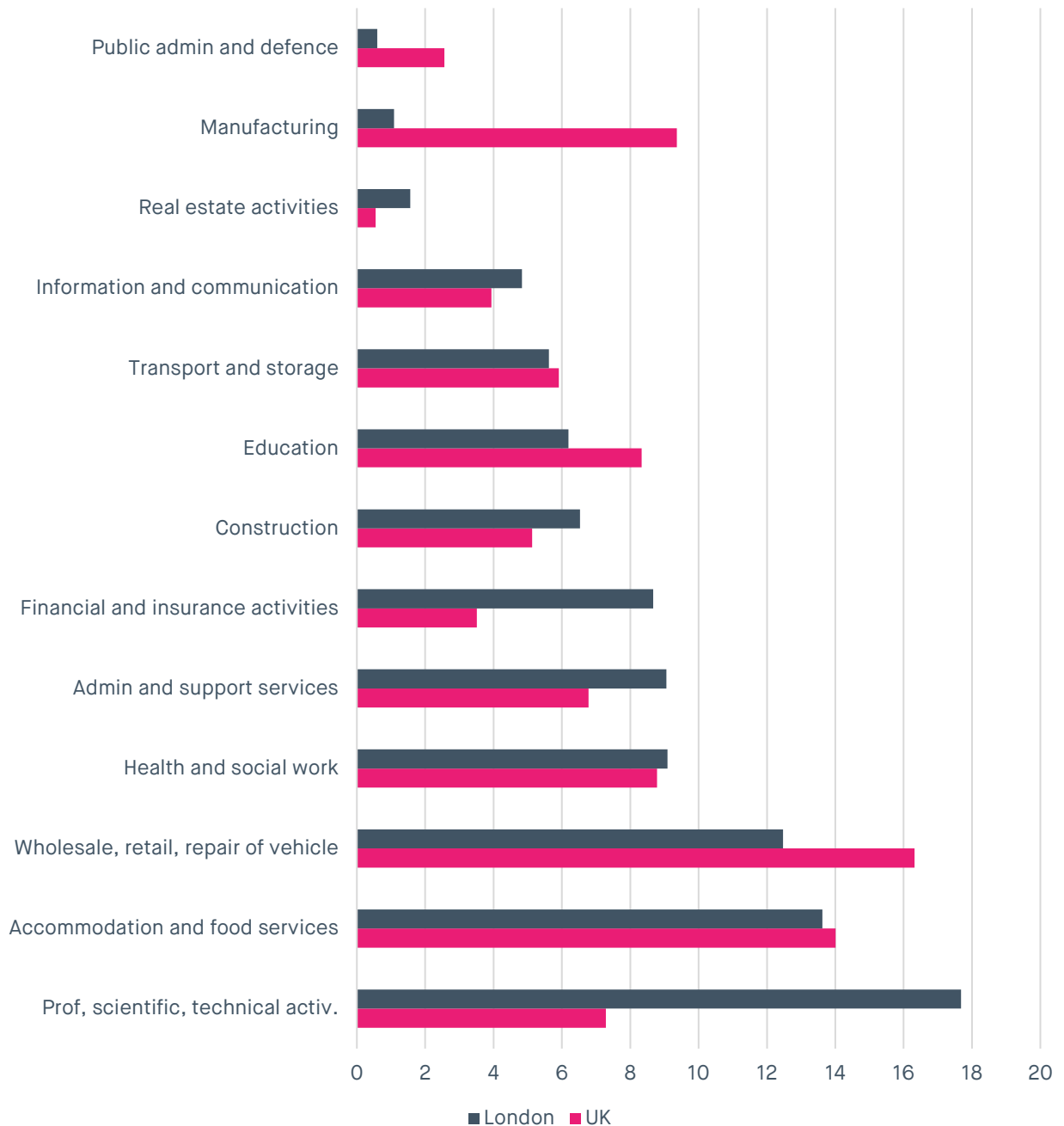
Figure 6: Previous occupation of those made unemployed in the past three months, %, Labour Force Survey May-July and June-August 2020 waves



Source: SMF analysis of Labour Force Survey

The three most common sectors of prior employment, among the recently unemployed in London, were professional services, accommodation & food services, and wholesale & retail.

Figure 7: Previous sector of those made unemployed in the past three months, %, Labour Force Survey May-July and June-August 2020 waves

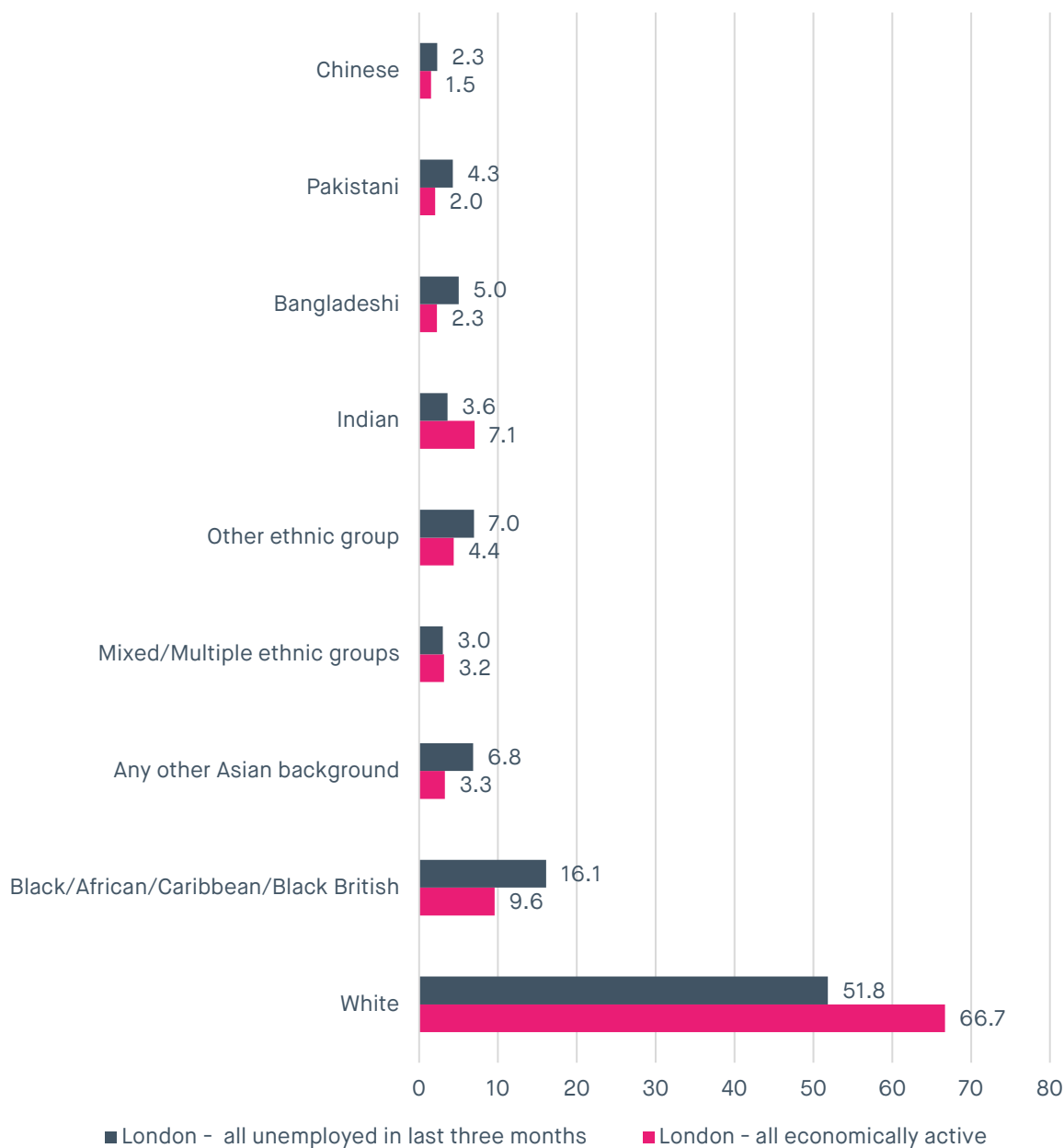


Source: SMF analysis of Labour Force Survey

The ethnic composition of the newly unemployed

We have also used the Labour Force Survey data to understand the ethnic background of the newly unemployed, something that is not possible with the claimant count data cited earlier. The analysis shows that ethnic minorities in London are disproportionately likely to have been made unemployed in recent months. Black Londoners account for 16% of the recently unemployed, despite accounting for 10% of the economically active population in the capital

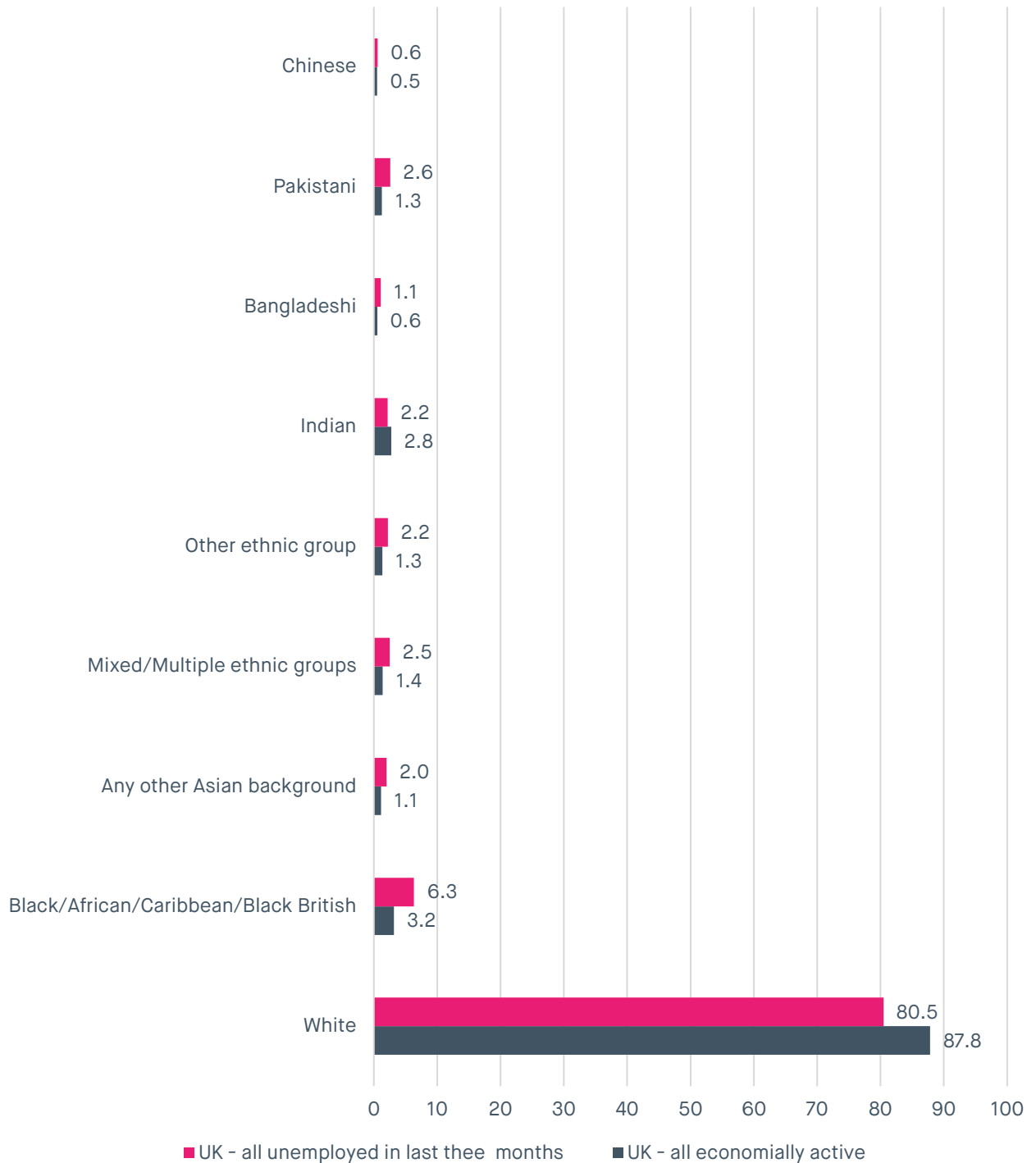
Figure 8: Ethnic background of Londoners, % – all economically active (i.e. working or looking for work), and among those made unemployed in past three months. Findings from May-July and June-August 2020 Labour Force Surveys



Source: SMF analysis of Labour Force Survey

Analysis for the whole of the UK, graphed below, shows that ethnic minorities are also disproportionately likely to have been made unemployed across the country as a whole.

Figure 9: Ethnic background of those in the UK, % – all economically active (i.e. working or looking for work), and among those made unemployed in past three months. Findings from May-July and June-August 2020 Labour Force Surveys

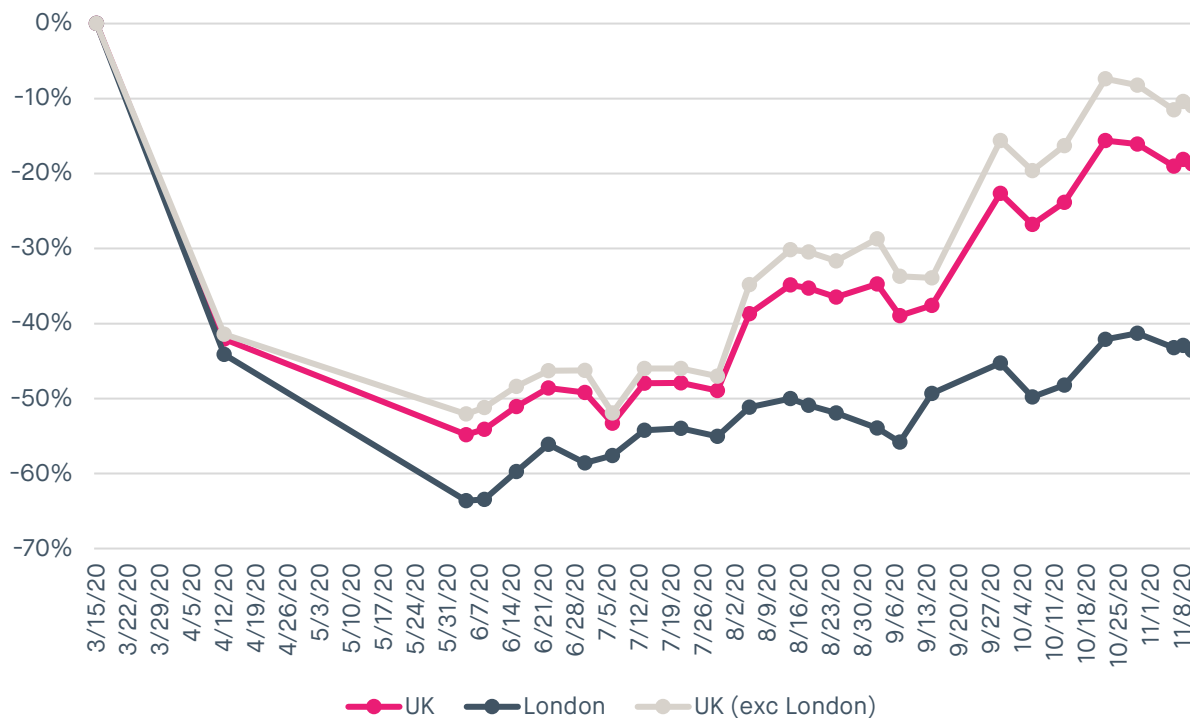


Source: SMF analysis of Labour Force Survey

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

Alongside rising unemployment in London, job vacancies remain far below levels seen prior to the pandemic. While the rest of the country has seen a significant recovery in job vacancy numbers in recent months, with vacancies just 11% below levels seen in mid-March, they remain 44% below March levels in London.

Figure 10: Job vacancy numbers, % difference compared with 15th March 2020



Source: Adzuna, SMF analysis

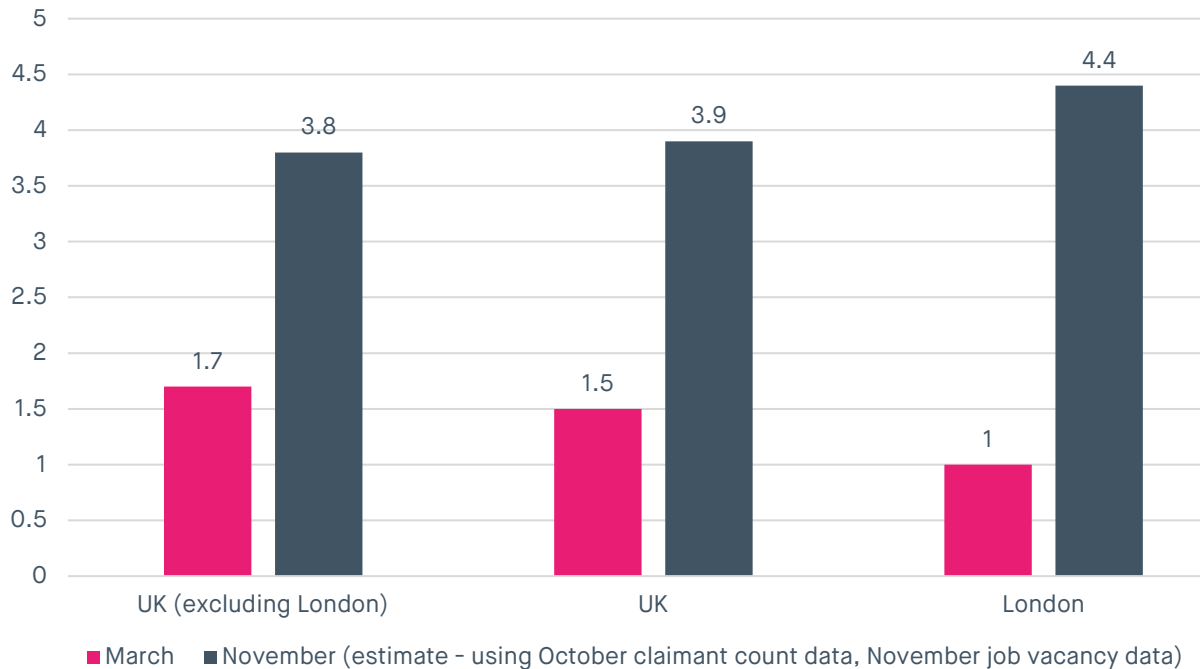
Figure 11: % change in job vacancies, 15th March 2020 – 8th November 2020



Source: Adzuna, SMF analysis

While in March London had roughly one job vacancy per jobless benefits claimant, as of November we estimate that there are about 4.4 claimants for every job vacancy. This is higher than the 3.8 claimants per vacancy seen for the rest of the UK.

Figure 12: Number claiming out-of-work benefits per job vacancy, March 2020 versus November 2020



Source: Adzuna, SMF analysis

CHAPTER 4 – COST OF LIVING DURING THE CRISIS

Finally, this chapter presents the findings of analysis of 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 and rental data from the Greater London Authority.

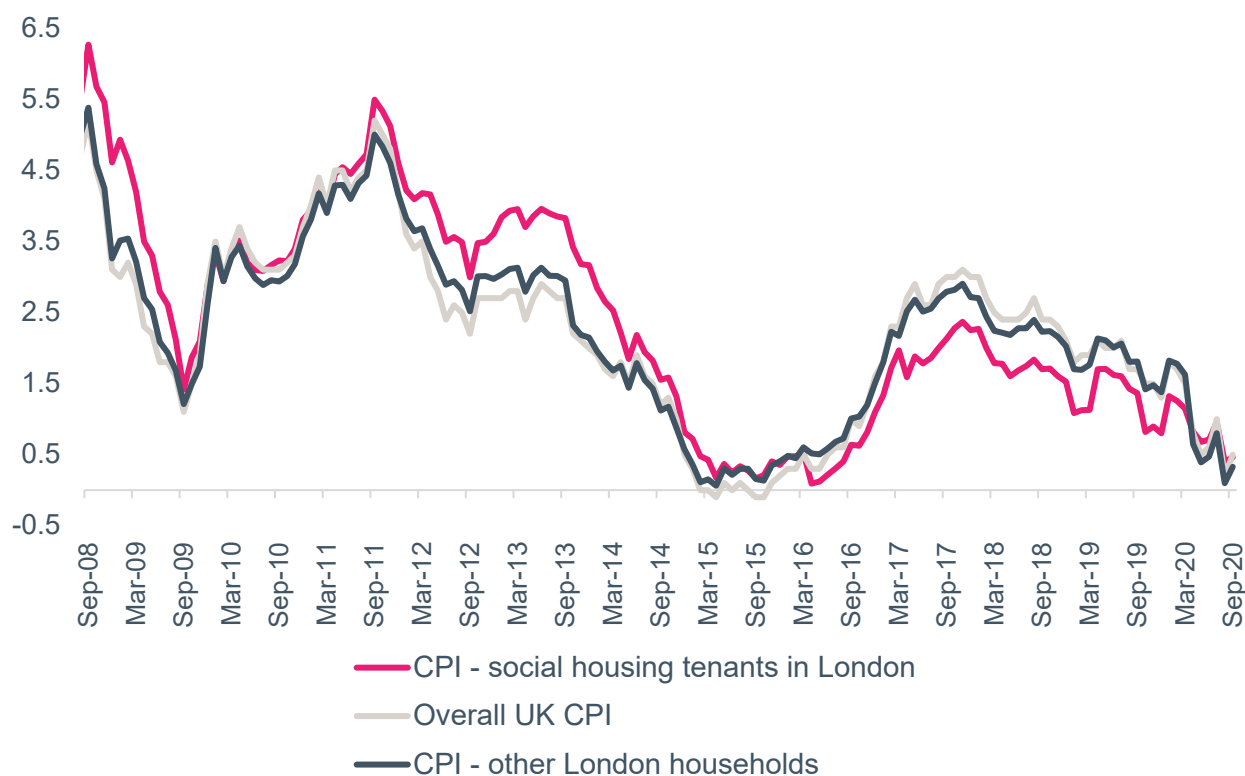
Cost of living during the crisis

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 September inflation stood at just 0.5%.

The September UK inflation rate is up from 0.2% in August, in part reflecting the end of Eat Out to Help Out, which provided discounted restaurant meals to encourage UK households to spend money in the hospitality sector. For social housing tenants in London, cost of living inflation rose from 0.4% to 0.5%, now standing in line with the UK as a whole.

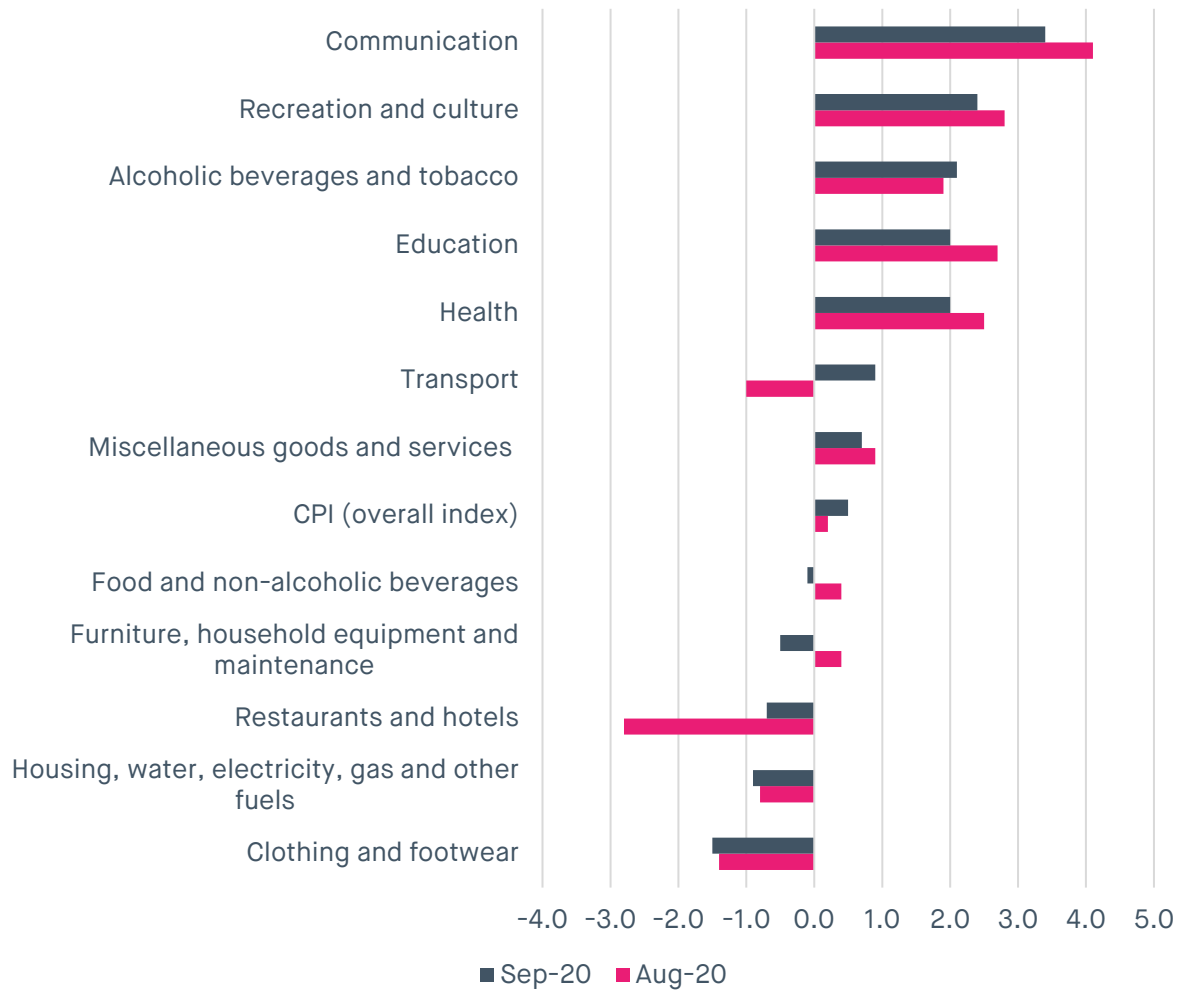
Inflation remains low, reflecting declining prices for a range of consumer goods in the current downturn. This includes food, clothing and energy costs.

Figure 13: Estimated cost of living inflation, London social housing tenants versus UK CPI, %



Source: ONS, SMF analysis

Figure 14: Annual change in consumer prices



Source: ONS, SMF analysis

ENDNOTES

¹ <https://www.resolutionfoundation.org/publications/the-truth-will-out/>