

London coronavirus economy tracker

Tracking the impact of coronavirus on the
capital's economy - February 2021

Amy Norman
Scott Corfe

SMF

Social Market
Foundation

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CONTENTS

Acknowledgements	4
About the authors	4
Executive summary	5
Chapter one - Introduction	6
Chapter two – Unemployment in the capital	7
Chapter three – Job vacancies: Out of work, now what?	10
Chapter four – Cost of living during the crisis	12
Chapter five – Wellbeing and the pandemic	14
Endnotes	17

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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.

The key findings of the research are that:

- **The latest claimant count data show unemployment declining slightly in both London and the UK as a whole.** Between December 2020 and January 2021 the claimant count fell by 0.8% in the capital, similar to the 0.7% fall seen in the rest of the UK. On this measure of unemployment, this amounts to about 4,000 fewer people out of work.
- **However, the claimant count in London remains over 300,000 higher than a year ago.** In percentage terms, the claimant count increased by 173% in London over the past year, compared with 101% in the rest of the UK.
- **The claimant count declined more rapidly in Outer London than Inner London between December and January.** With central London office workers unlikely to return in great numbers until the summer, a jobs recovery in Inner London could prove decidedly muted in the first half of 2021.
- **There are now five London boroughs where the unemployment rate, on the claimant count measure, is greater than or equal to 10%.** These boroughs are Haringey (11.1%), Newham (10.6%), Brent (10.5%), Barking & Dagenham (10.4%) and Waltham Forest (10.0%)
- **While new job openings have recovered in London since the start of the year, they remain about a quarter lower than mid-March 2020, prior to the UK first going into lockdown.** In contrast, job vacancies in the rest of the UK now stand at comparable levels to mid-March
- **While in March London had roughly one job vacancy per jobless benefits claimant – lower than the 1.7 seen in the rest of the UK – as of November we estimate that there are about 3.4 claimants for every job vacancy.** This is marginally higher than the 3.3 claimants per vacancy seen for the rest of the UK.
- **A high proportion of current job vacancies in London are in high-skill sectors such as teaching (8.1%), IT (25.7%) and accounting & finance (9.9%)** – those that have lost work in sectors such as retail and hospitality are unlikely, in general, to have the necessary skillsets and qualifications for these job roles.
- **Our analysis shows that Londoners saw a bigger decline in life satisfaction during lockdown last year, than those in the rest of the UK.** This was particularly true for lower income Londoners. Average life satisfaction for Londoners in the lowest income quartile fell by 17% between 2017/18 and May 2020. This compared with a 9% decline for those in lower income households across the UK as a whole.

CHAPTER ONE – INTRODUCTION

The rollout of Coronavirus vaccines brings with it hope that the pandemic in the UK will draw to a close, ending the catastrophic impact of the virus on lives and livelihoods.

As this series of SMF reports, sponsored by Peabody, have shown, the economic impact of the pandemic has hit London particularly hard. Unemployment has increased much more rapidly here than elsewhere, even with a staggering 700,000 London residents emigrating out of the UK during the pandemic.¹ The working from home revolution during lockdown has sapped Central London of the commuter footfall vital for so many businesses, with a collapse in tourism further compounding economic hardship in the capital.

Having said that, this report suggests that the capital's economy is showing tentative signs of improvement, according to the latest official data. Unemployment, on the claimant count measure, fell back in January. Furthermore, the number of job vacancies continued to rise, albeit remaining much lower than prior to last March's lockdown.

Whether such improvement continues remains highly uncertain. Critically, many jobs are being propped up by government support packages such as the Job Retention Scheme ("furlough scheme"). As this scheme is wound down, one concern is that furloughed employees will be made redundant. If trends such as homeworking and shopping online remain more pervasive even as the pandemic draws to a close, sectors such as retail and hospitality could see significant job shedding.

Beyond jobs, in this report we also explore the impact of the pandemic on wellbeing in London. New analysis, presented here, shows that life satisfaction has fallen more in the capital than anywhere else in England during the pandemic, with a particularly sharp fall in life satisfaction for those on lower incomes in the capital – a likely reflection of this group's exposure to unemployment, as well as cramped living spaces which have made lockdown all the more unpleasant.

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 5** presents new analysis of the impact of the coronavirus pandemic on life satisfaction

CHAPTER TWO – 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 falls back a bit but remains high

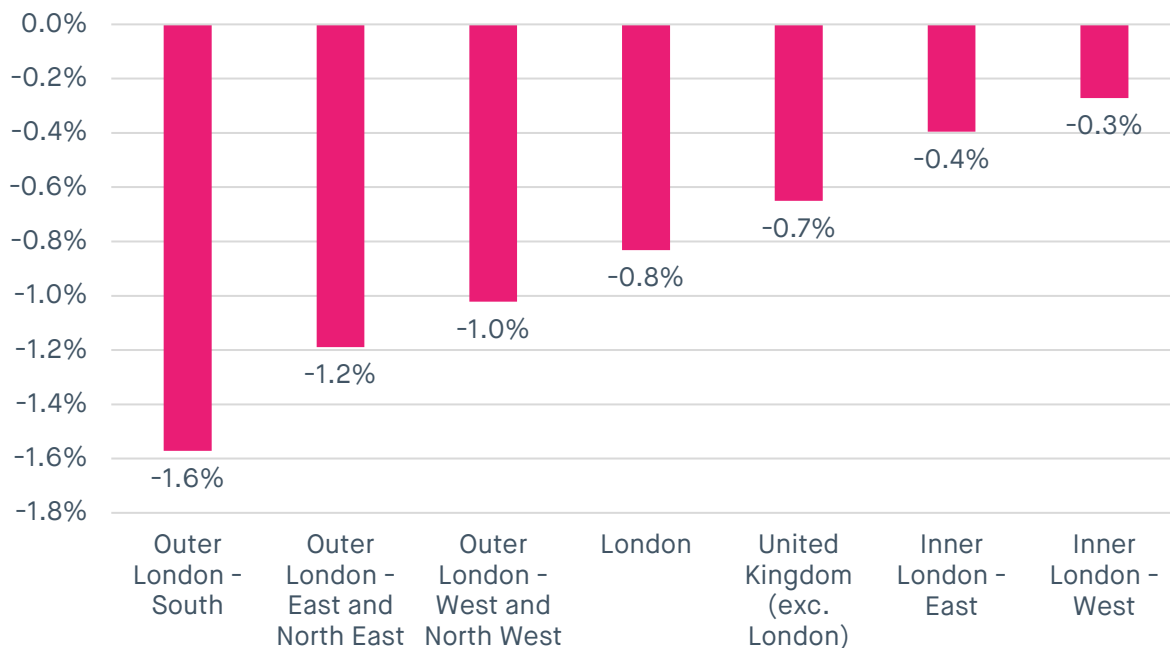
The claimant count measures the number of people claiming benefits principally for the reason of being unemployed – it is thus one measure of the level of joblessness in the economy. As the Resolution Foundation has recently noted², claimant count statistics are potentially being distorted at the moment 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 declining slightly in both London and the UK as a whole. Between December 2020 and January 2021 the claimant count fell by 0.8% in the capital, similar to the 0.7% fall seen in the rest of the UK. On this measure of unemployment, this amounts to about 4,000 fewer people out of work. However, the claimant count in London remains over 300,000 higher than a year ago. In percentage terms, the claimant count increased by 173% in London over the past year, compared with 101% in the rest of the UK.

The decline in unemployment in the latest claimant count data offers some hope that joblessness will fall back further as lockdown and social distancing measures ease. However, there is still huge uncertainty over the extent to which furloughed workers will be made redundant as government support is wound back.

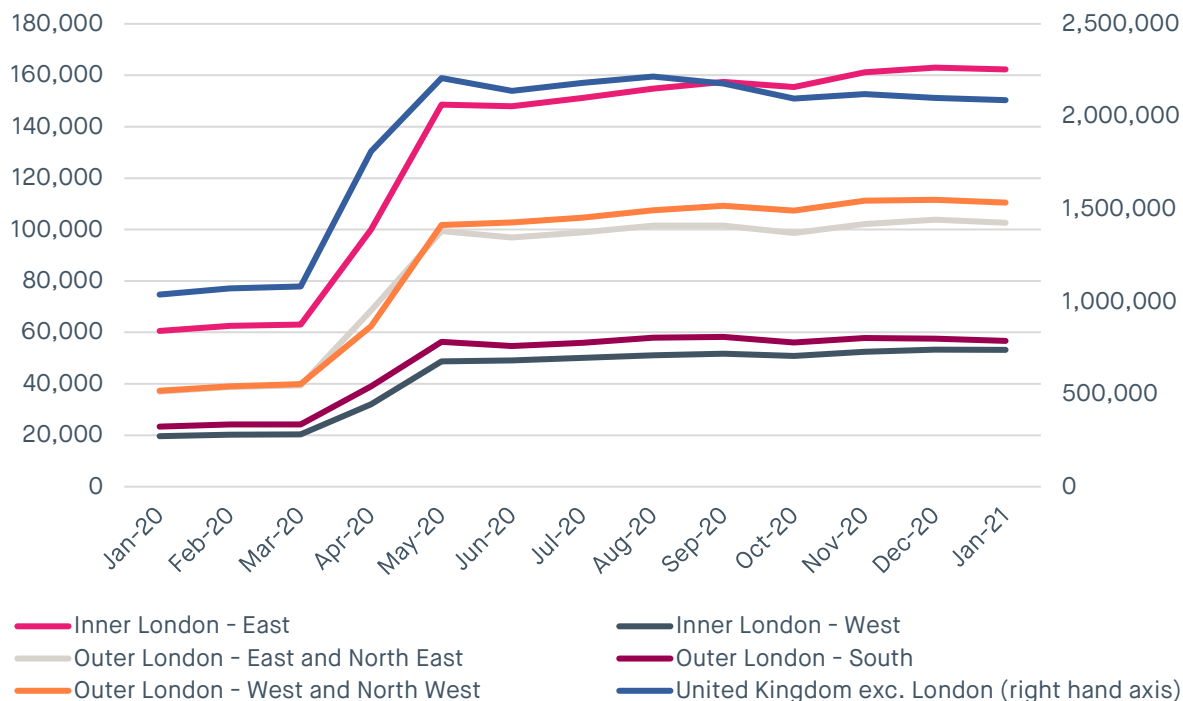
Furthermore, we note variations in the decline in unemployment in the capital, with joblessness declining more rapidly in Outer London than Inner London between December and January. With Central London office workers unlikely to return in great numbers until the summer, a jobs recovery in Inner London could prove decidedly muted in the first half of 2021.

Figure 1: % change in claimant count measure of unemployment, between December 2020 and January 2021



Source: ONS, SMF analysis

Figure 2: Absolute claimant count in London & UK

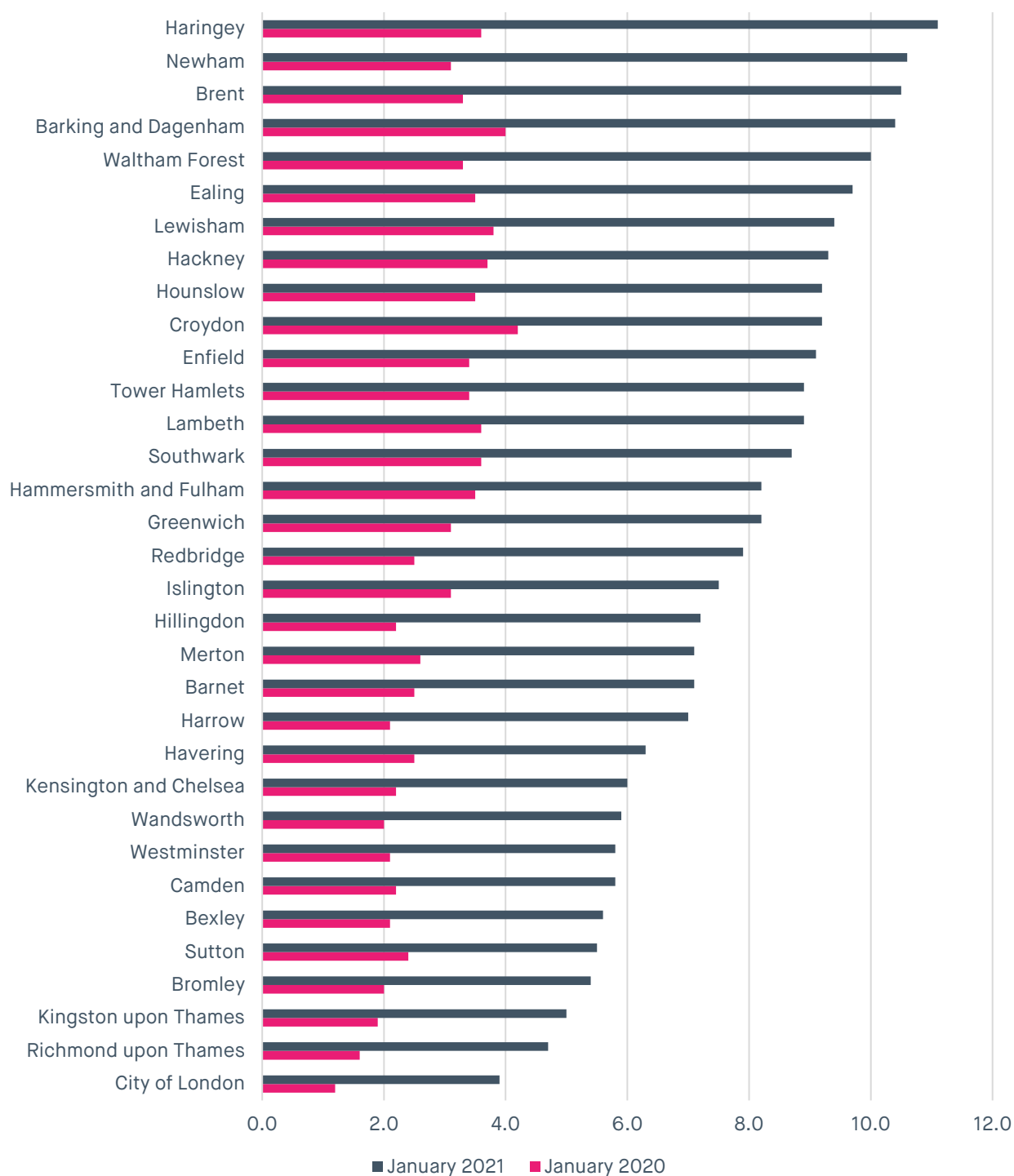


Source: ONS, SMF analysis

Five boroughs where 10% or more are unemployed

There are now five London boroughs where the unemployment rate, on the claimant count measure, is greater than or equal to 10%. These boroughs are Haringey (11.1%), Newham (10.6%), Brent (10.5%), Barking & Dagenham (10.4%) and Waltham Forest (10.0%)

Figure 3: Claimant count, % of working age residents

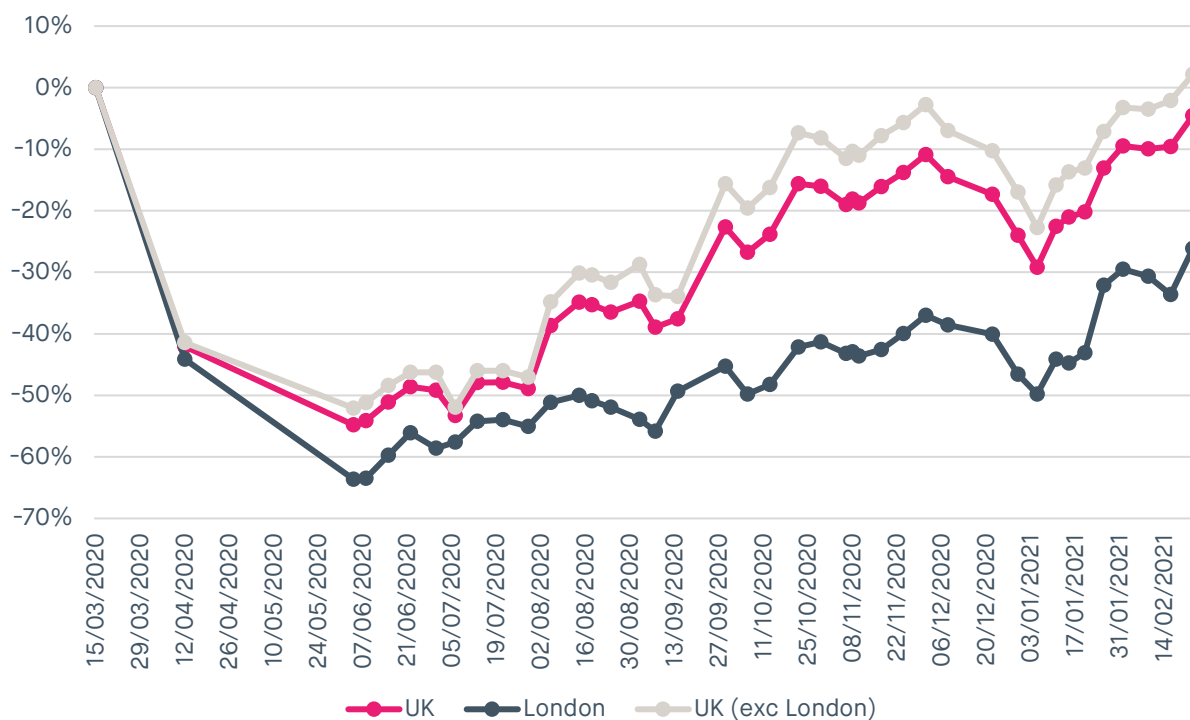


Source: ONS, SMF analysis

CHAPTER THREE – JOB VACANCIES: OUT OF WORK, NOW WHAT?

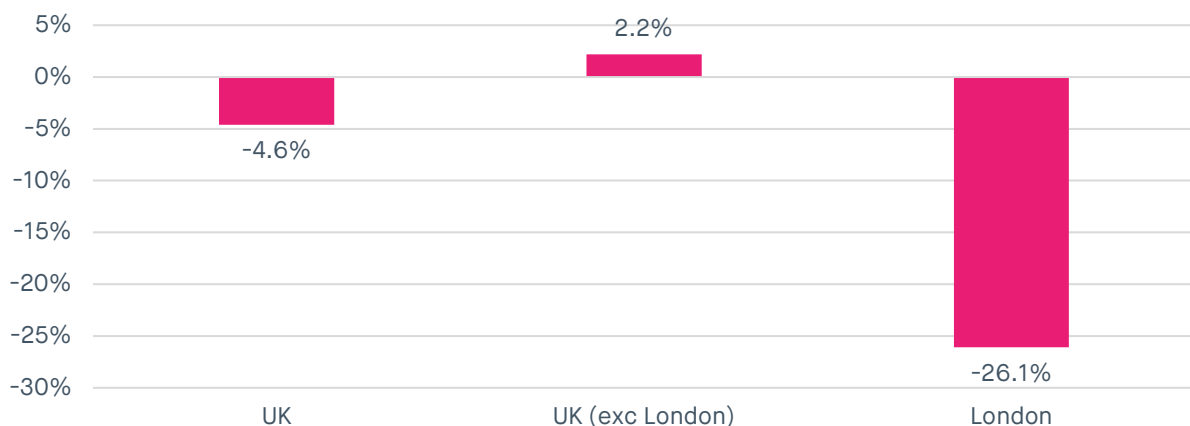
While new job openings have recovered in London since the start of the year, they remain about a quarter lower than mid-March 2020, prior to the UK first going into lockdown. In contrast, job vacancies in the rest of the UK now stand at comparable levels to mid-March, raising some hope of a decline in unemployment as the country slowly moves back towards normality.

Figure 4: Job vacancy numbers, % difference compared with 15th March 2020



Source: Adzuna, SMF analysis

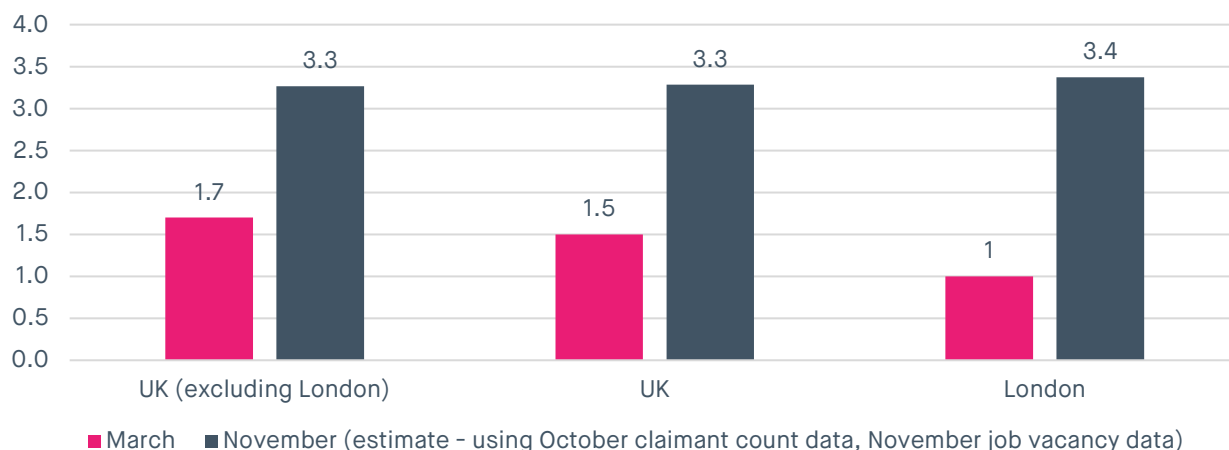
Figure 5: % change in job vacancies, 15th March 2020 – 23rd February 2021



Source: Adzuna, SMF analysis

While in March London had roughly one job vacancy per jobless benefits claimant – lower than the 1.7 seen in the rest of the UK – as of November we estimate that there are about 3.4 claimants for every job vacancy. This is marginally higher than the 3.3 claimants per vacancy seen for the rest of the UK.

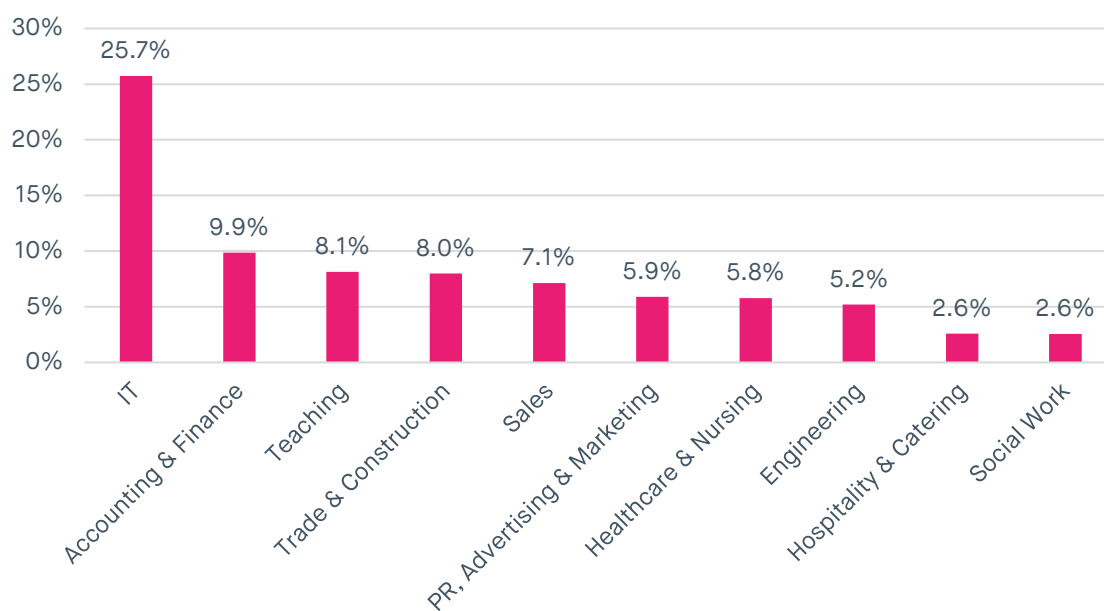
Figure 6: Number claiming out-of-work benefits per job vacancy, March 2020 versus February 2021



Source: Adzuna, SMF analysis

As well as the high number of unemployed individuals per job vacancy, another consideration is skills mismatch – the extent to which those out of work have the right skillsets for the available jobs. A high proportion of current job vacancies in London are in high-skill sectors such as teaching (8.1%), IT (25.7%) and accounting & finance (9.9%) – those that have lost work in sectors such as retail and hospitality are unlikely, in general, to have the necessary skillsets and qualifications for these job roles.

Figure 7: Top 10 sectors in London, in terms of number of job vacancies, February 2021. % of all job vacancies in the capital



Source: Adzuna, SMF analysis

CHAPTER FOUR – COST OF LIVING DURING THE CRISIS

This chapter presents the findings of analysis of living costs in London, particularly with respect to relatively lower income residents living in social housing.

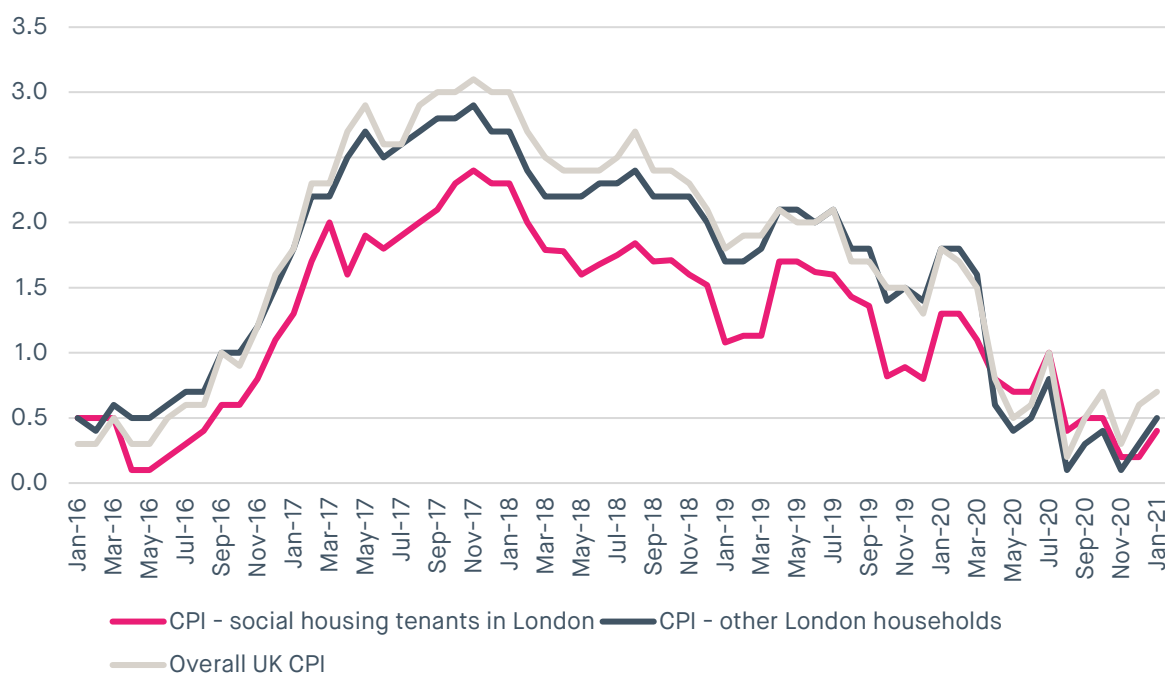
This analysis is based on analysis of a range of datasets, including the ONS Living Costs and Food Survey, ONS Family Resources Survey, ONS labour market and inflation statistics and rental data from the Greater London Authority.

Cost of living during the crisis

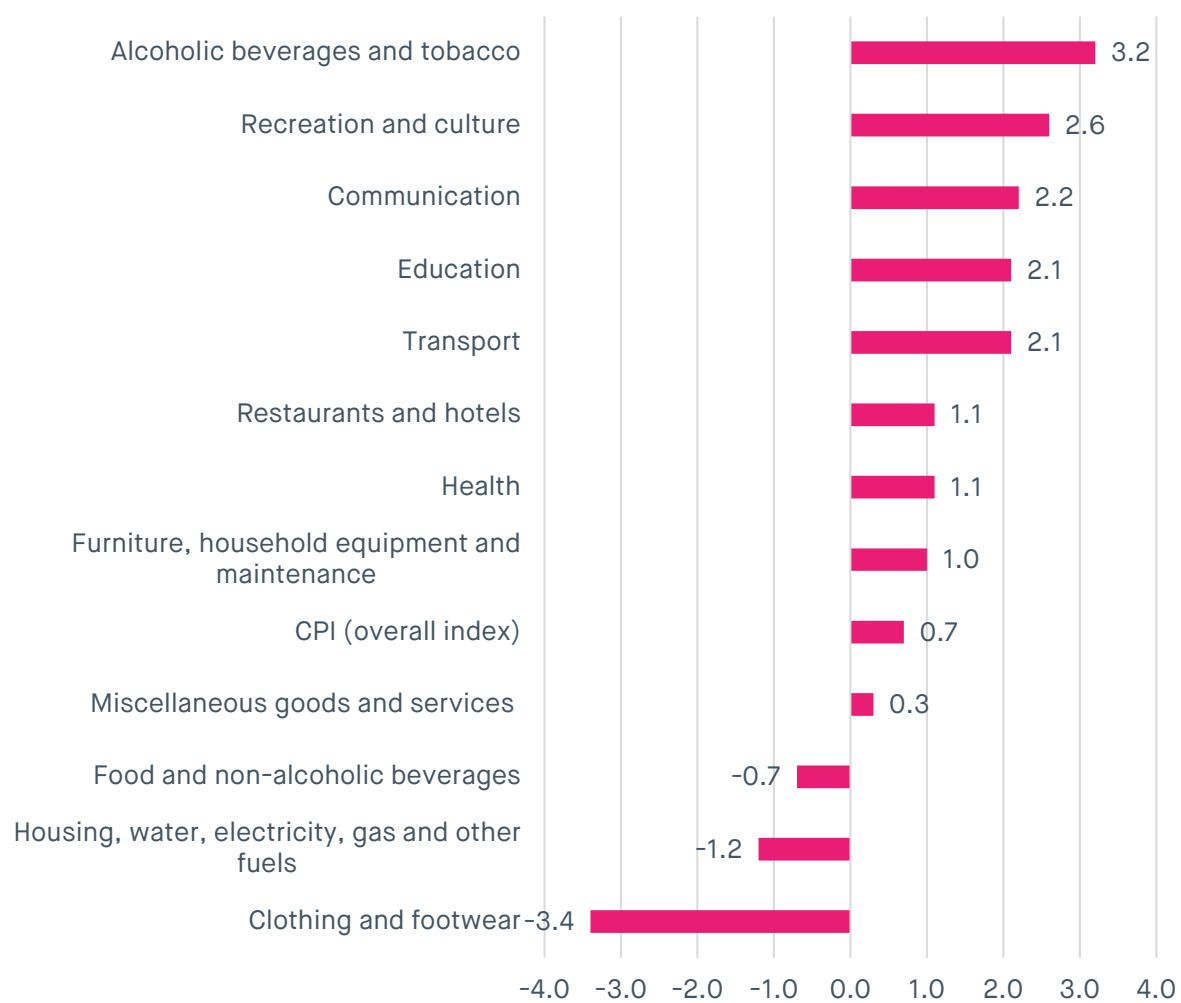
Annual cost of living inflation for social housing tenants in London remained low in January 2021, standing at 0.4%. This was lower than the 0.7% seen for all UK households.

This reflects falling prices for essential goods, which account for a greater proportion of spending among lower income households. ONS data show that in January food prices were 0.7% lower than a year ago, while housing, water and energy costs were 1.2% lower. Clothing & footwear prices were 3.4% lower.

Figure 8: Estimated cost of living inflation, London social housing tenants versus UK CPI, %



Source: ONS, SMF analysis

Figure 9: Annual change in consumer prices, January 2021, %

Source: ONS, SMF analysis

CHAPTER FIVE – WELLBEING AND THE PANDEMIC

Beyond its impact on lives and livelihoods, the Coronavirus pandemic has taken its toll on mental wellbeing. As with the labour market, new analysis in this report suggests that London has fared worse than the rest of the UK in this regard.

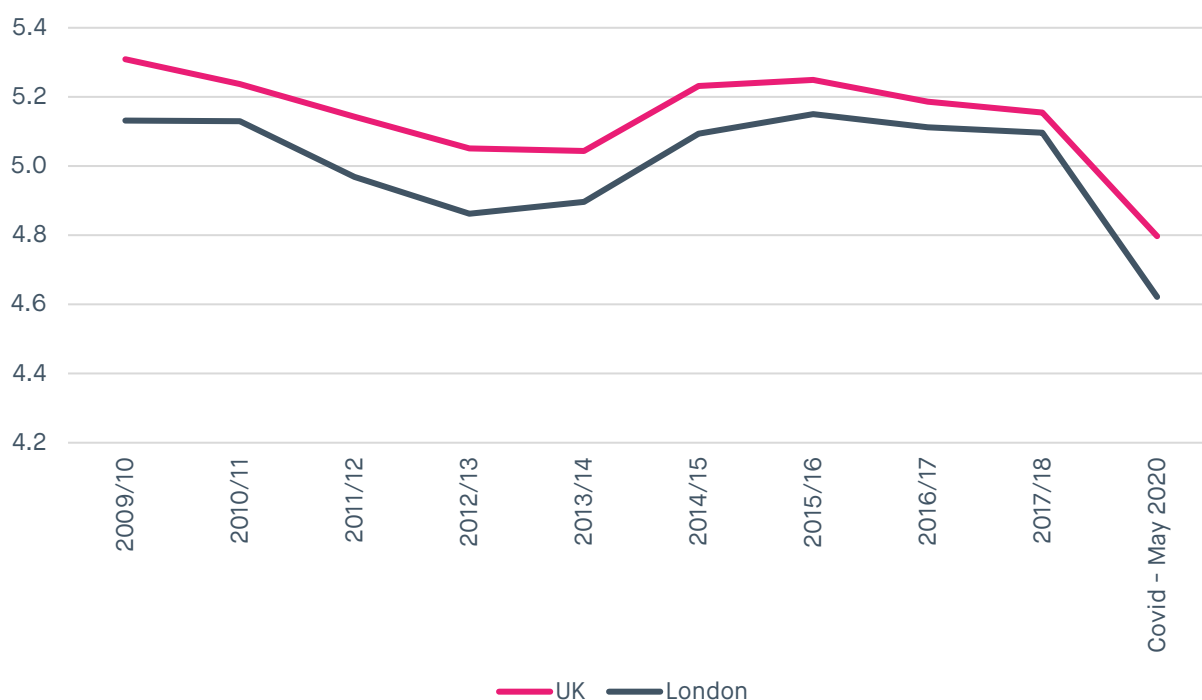
To examine the impact of the pandemic on wellbeing we have utilised data in the longitudinal “Understanding Society” (USoc) survey. Among the many questions in the survey, USoc asks individuals to rank their life satisfaction as follows:

- 1 = completely dissatisfied
- 2 = mostly dissatisfied
- 3 = somewhat dissatisfied
- 4 = neither satisfied nor dissatisfied
- 5 = somewhat satisfied
- 6 = mostly satisfied
- 7 = completely satisfied

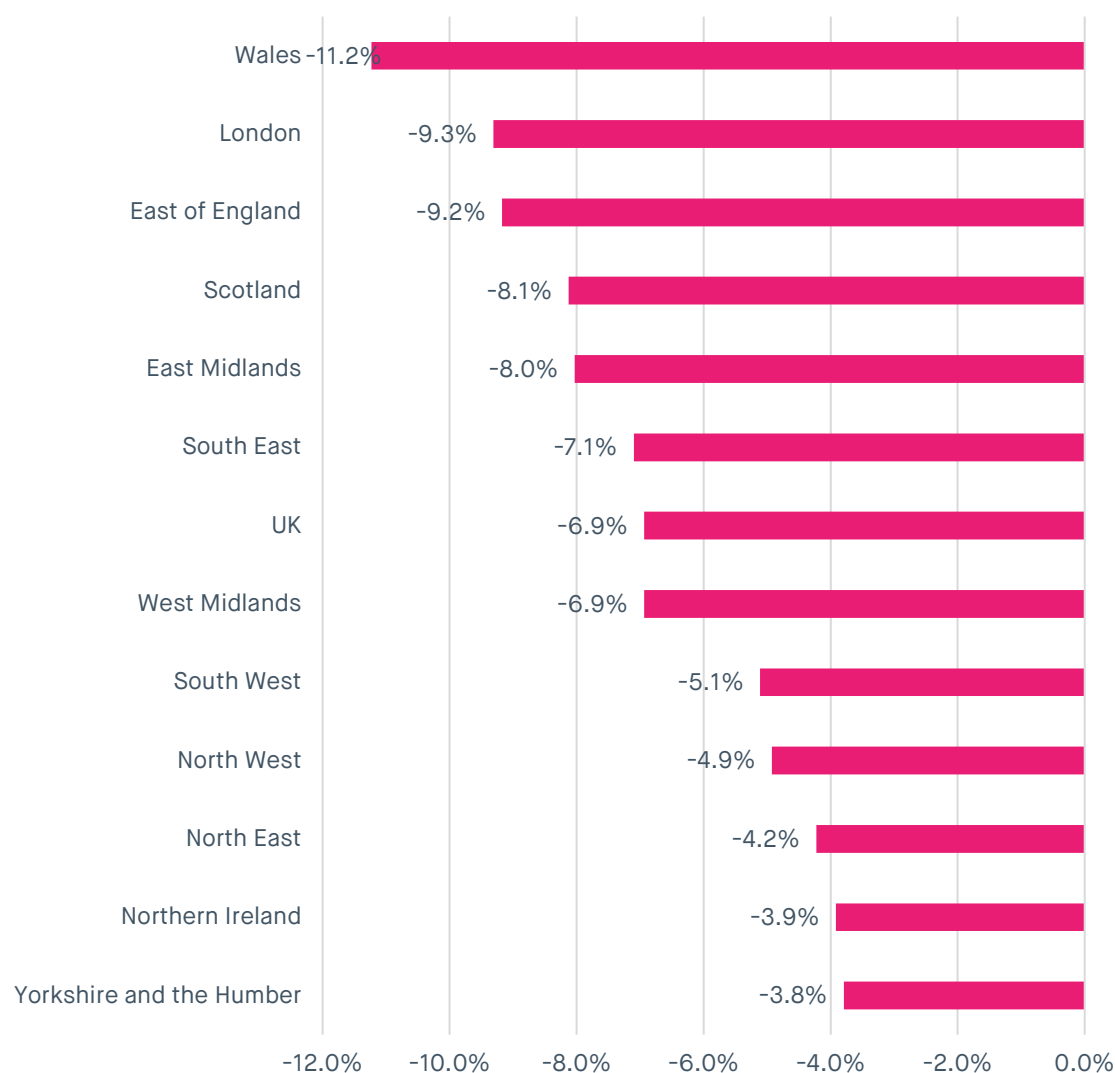
The latest available annual data for USoc covers 2017/18. However, a series of additional surveys have been undertaken during the pandemic and are now available, allowing us to gauge the impact of it on life satisfaction.

Comparing 2017/18 with May 2020, our analysis shows that London saw a decline in mean life satisfaction of 9.3% - the second largest decline in the UK after Wales (11.2%). This has led to a widening in the life satisfaction gap between London and the UK average.

Figure 10: Mean life satisfaction score – UK vs. London



Source: SMF analysis of USoc survey

Figure 11: Change in mean life satisfaction score – May 2020 compared with 2017/18

Source: SMF analysis of USoc survey

The capital's large decline in average life satisfaction was driven significantly by lower income households. Average life satisfaction for Londoners in the lowest income quartile fell by 17% between 2017/18 and May 2020. This compared with a 9% decline for those in lower income households across the UK as a whole.

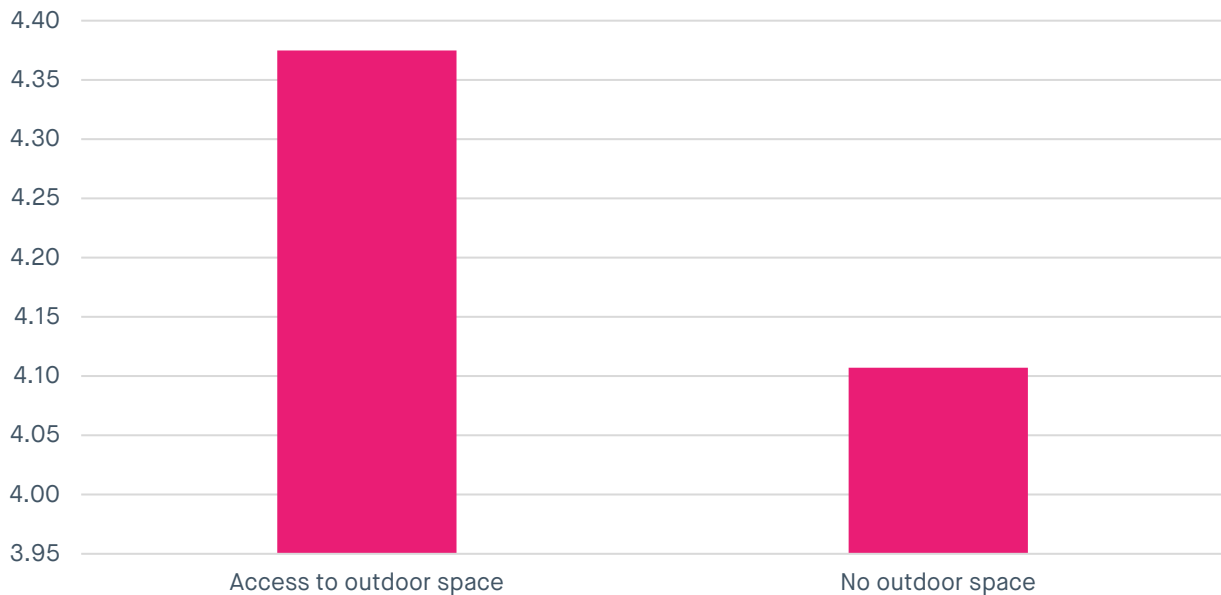
The substantial decline in wellbeing among lower income Londoners is likely to reflect a number of factors. This includes a lack of green space and cramped living conditions during lockdown, as well as a greater likelihood of becoming unemployed compared with those in other parts of the country. Our analysis of the USoc survey shows that Londoners with no outdoor space at home have 6% lower life satisfaction compared to those with outdoor spaces such as a balcony or garden.

Figure 12: Change in mean life satisfaction score – May 2020 compared with 2017/18, by income quartile for London and UK



Source: SMF analysis of USoc survey

Figure 13: Mean life satisfaction score in London, May 2020, by whether has access to (shared or private) outdoor space at home



Source: SMF analysis of USoc survey

ENDNOTES

¹ <https://www.ft.com/content/6629df23-c668-49c0-8097-7f2604ef6652>

² <https://www.resolutionfoundation.org/publications/the-truth-will-out/>