

COVID – 19 ECONOMIC BRIEFING No.10

Week Beginning 14/06/21



COVID-19 Economic Briefing Note – An Improving Labour Market

This is the tenth COVID-19 briefing note and it covers four broad themes.

Economic Output And Labour Market Updates: In recent weeks, there have been a series of economic data releases which give grounds for optimism.

- The UK economy grew in April 2021
- The Bank of England forecasts the strongest period of growth since the Second World War.
- Whilst unemployment grew slightly (0.1%) between February and April 2021 in Scotland, it is only 0.5% higher than pre-pandemic levels and demand for labour is rising

Underlying Labour Market Challenges: But, there is some emerging evidence that these headline figures are masking some worrying trends for young and older members of the labour market. Although, as noted, labour market shortages may present opportunities for those most impacted

Strategy Responses: the CBI and the LSE /Resolution Foundation, have published some papers on how to address the economic challenges facing us over the next decade. A summary of these are noted.

The Role Of The Foundational Economy: The LSE / Resolution Found's work highlights the importance of Place in any new strategies. This note links the role the Foundational Economy can help focus on Place by strengthening local communities. A more detailed briefing note on the Foundational Economy has also been produced by the Intelligence Hub.



The UK Economy- Economic Recovery

The Bank of England forecasts that the UK is set for the strongest economic growth since the Second World War.

Paul Dales, chief UK economist at consultancy Capital Economics, said the data supported his view that “the recovery would be fast and full” and the economy could return to its pre-Covid peak earlier than previously expected” FT 21/05/21

- **GDP:** The UK economy grew by **2.3% in April**. The economy is still 3.7% below its pre-pandemic levels.
- **Services:** Growth in the services sector was 3.4%, although it remains 4.1% below pre-pandemic levels.
- **Quick recovery:** The Bank of England **raised its estimate for UK GDP growth to 7.25% in 2021**, up from a previous forecast in February for growth of 5% in 2021.

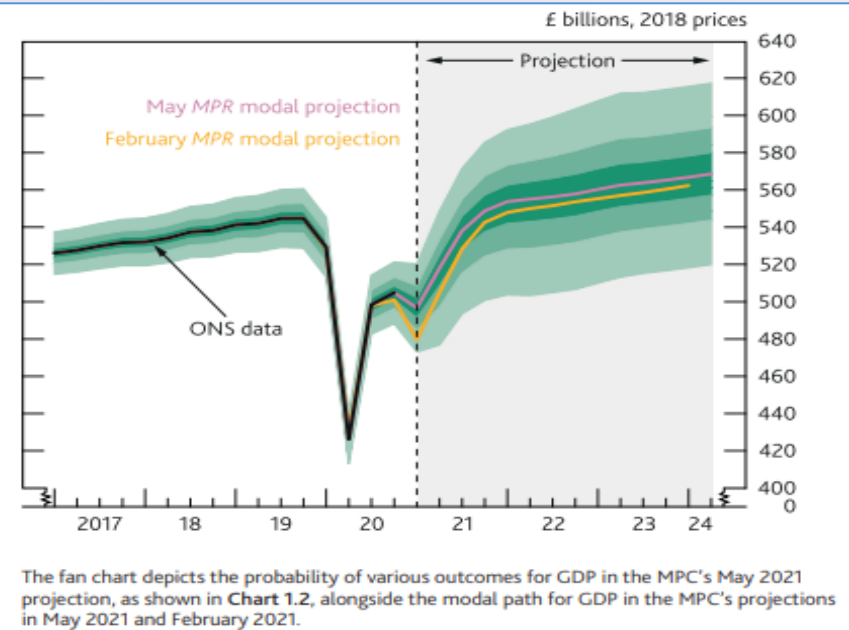


Chart 1: Comparison of February *Report* modal projection for GDP May *Report* projection, Bank of England.

The Scottish Economy- Optimistic Economic Outlook

Scotland's GDP fell 2.1% in the first quarter of 2020 during lockdown. However, on a monthly basis output returned to growth in February and strengthened into March.

- **GDP:** Scottish GDP fell 2.1% over Q1 2021. The fall was expected given the restrictions that were in place, however it is notably less than forecasts had expected.
- **Sectors:** Growth was broad based in March across the services (1.6%), production (3.0%) and construction (5.7%) sectors.
- **Scope for optimism:** Business and consumer surveys have signalled further strengthening of activity for April and May, supported by higher proportions of businesses trading.

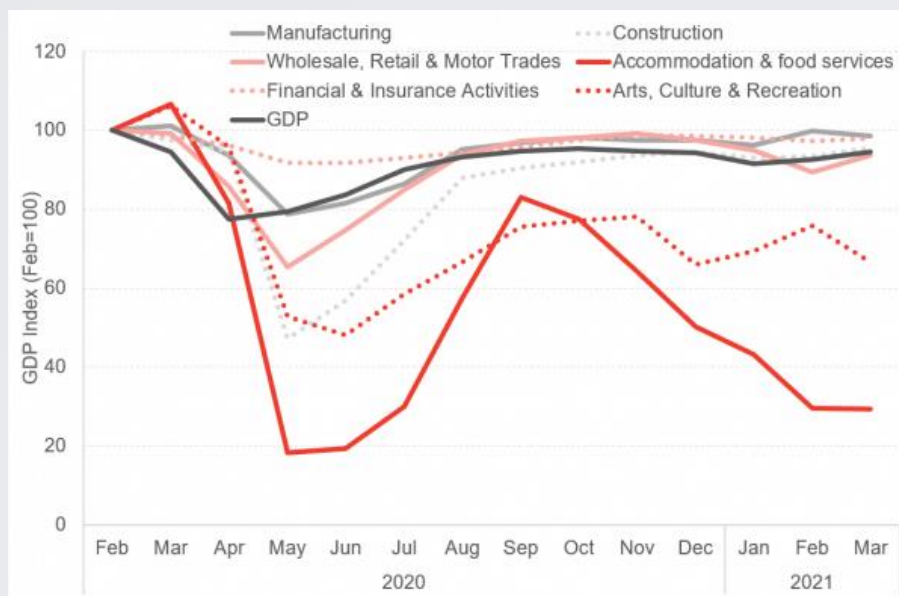


Chart 2: Scottish Monthly GDP by sector, Scottish Government (via Fraser of Allander)

Glasgow City Region – An Increase in Productivity

The ONS released their estimates of Gross Value Added (GVA) covering the year 2019. The latest figures estimate that the GCR economy grew the largest amongst UK's Core City Regions.*

- **City Region Comparison:** The 4.2% increase in GVA in GCR was the largest % increase recorded amongst the UK Core City Regions, and a larger % increase than that of the Edinburgh & South East Scotland City Region (+3.4%). GCR had the third highest growth between 2016-19.
- **National Comparison:** GCR's 4.2% increase was also greater than the national increases estimated for Scotland (+3.5%) and the UK (+3.5%).

Core City Region	2018	2019	1 Year % Change	3 Year % Change	5 Year % Change	10 Year % Change
Glasgow City Region	45,436	47,324	4.2%	11.9%	15.9%	31.4%
West of England	30,730	31,958	4.0%	10.3%	18.6%	42.3%
Liverpool City Region	32,424	33,599	3.6%	7.5%	14.0%	23.1%
Greater Manchester	72,400	74,971	3.6%	15.1%	24.3%	41.6%
Sheffield City Region	26,833	27,781	3.5%	8.8%	15.3%	31.7%
West Yorkshire	56,002	57,910	3.4%	12.7%	20.8%	34.5%
Edinburgh and South East Scotland City Region	41,032	42,412	3.4%	11.7%	22.5%	39.8%
North of Tyne	18,561	19,145	3.1%	8.1%	17.7%	31.9%
Cardiff Capital Region	33,353	34,073	2.2%	9.8%	17.6%	37.1%
West Midlands	68,922	70,328	2.0%	8.9%	20.7%	44.1%

Table 1: Glasgow City Region GVA

* This does not take account of COVID-19 impacts

The Scottish Economy- Labour Market

The latest Labour Force Survey was released on 15 June 2021 and covers the period February to April 2021. A summary of the headline figures for Scotland are noted below

Metric	Rate	Change
Employment Rate	74.2%	<ul style="list-style-type: none"> -0.1% since last quarter -1.2% since Dec 2019 - Feb 2020
Unemployment Rate	4.2%	<ul style="list-style-type: none"> + 0.1% since last quarter +0.5% since Dec 2019 - Feb 2020
Economic Inactivity Rate	22.6%	<ul style="list-style-type: none"> + 0.1% since last quarter +0.9% since Dec 2019 - Feb 2020
Payrolled Employees	2.4m	<ul style="list-style-type: none"> 50,000 decrease since Feb 2020 This is a 2.1% decrease (UK rate is 1.9%)
Claimant Count	6.2%	<ul style="list-style-type: none"> -3.6 since previous month

Table 2: Scottish Labour Market Update May 2021, Scottish Government



The Scottish Economy- Labour Market

The Scottish Government Labour Market update in April 2021 covered the first nine months of the pandemic (March - December 2020) and shows that young people have been hit the hardest.

Age Group	Employment Rate		Unemployment Rate		Economic Inactivity Rate	
	2020	1 Year % Point Change	2020	1 Year % Point Change	2020	1 Year % Point Change
16-24	51.9	-6.0	13.5	+5.2	40.0	+3.2
25-34	83.4	+1.7	3.2	-0.6	13.8	-1.2
35-49	82.6	-1.3	3.1	+0.5	14.8	+0.9
50-64	69.4	-1.2	2.9	+0.6	28.6	+0.7
65+	8.8	+0.1	n/a	n/a	91.1	-0.1

Table 3: Scottish Labour Market Update April 2021, Scottish Government

- **Young people:** Estimates show that COVID-19 pandemic has had a disproportionate impact on the youth labour market within Scotland. They tend to be employed in jobs within the sectors most affected by COVID-19, such as Retail and Hospitality. The estimates in the Labour Market Briefing for May 2021, suggests that the unemployment for 16-24 had fallen to 8% by March 2021 – but this is based on a small sample size so ‘should be used with caution’.
- **Uneven gender impacts:** The 16-24 female labour market was estimated to have been more adversely affected by the pandemic than the 16-24 male labour market.

COVID-19 impact on GCR's Residents: Claimant Count

The latest claimant count rate for the region was 6.8% in April 2021 (81,950 residents), a small decrease from 6.9% in the previous month.

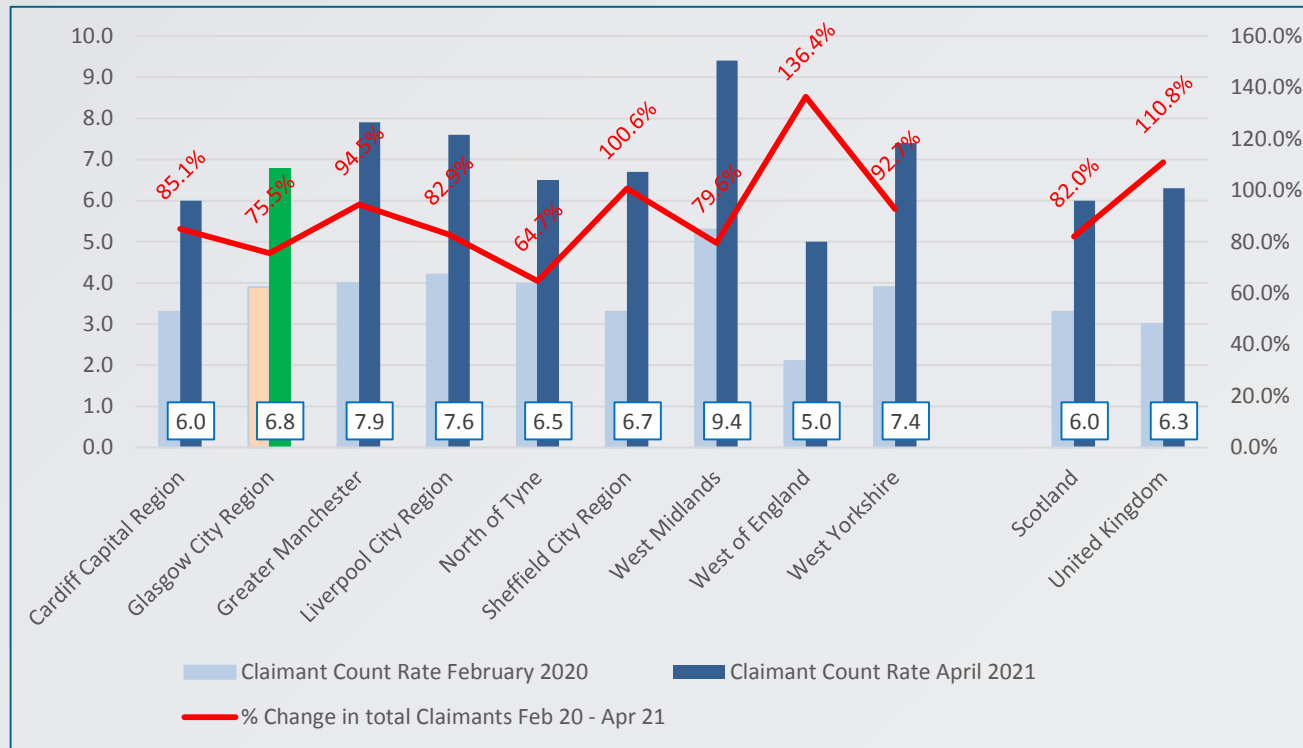


Chart 3: Claimant Count, April 2021, NOMIS

Labour Market- Young People & Mental Health

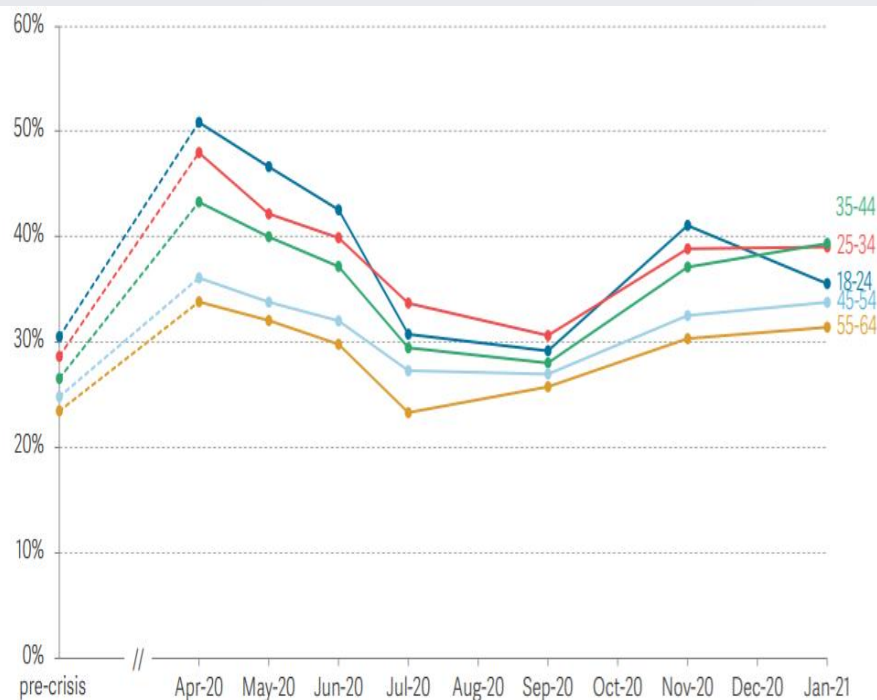
Research from the Resolution Foundation finds that the disproportionately negative impact that COVID-19 had on young people's labour market outcomes is associated with rising mental health problems.

Pre-pandemic period

- **Insecure Work:** One in four young people were in insecure types of work.
- **Mental Health Impacts:** Unemployment and insecure types of work are high risk factors for mental health problems.

During the crisis

- **Labour Market Crisis:** Young people were much more likely to have lost their job, been furloughed or lost pay.
- **Rising mental health problems:** In the first few months of the crisis, 51% of 18-24-year-olds experienced mental health problems, up from 30% pre-crisis.



NOTES: Respondents are classified as having a 'Common mental disorder' if they have a GHQ-12 score of three or more.

SOURCE: RF analysis of ISE, Understanding Society.

Chart 4: Proportion of working-age adults with a common mental disorder, by age UK, 2018-2019 and April 2020-January 2021, Resolution Foundation

Labour Market – COVID-19 impact on older workers

Research from the Resolution Foundation (RF) shows that older workers have been as negatively affected as young workers. Employment sector is the main driver of the negative impact.

A survey commissioned by the RF in January 2021 found evidence of a U-shape across the age distribution*.

- **Large negative impact:** The chart shows that older workers (50-65) have been as severely affected as the young and more than middle-career workers.
- **Negative impact drivers:** those working in the hardest-hit sectors and had insecure contract type experience the largest negative impact.
- **Return to the labour market:** The speed with which they return to work is lower than younger workers and they tend to see a fall in earnings.

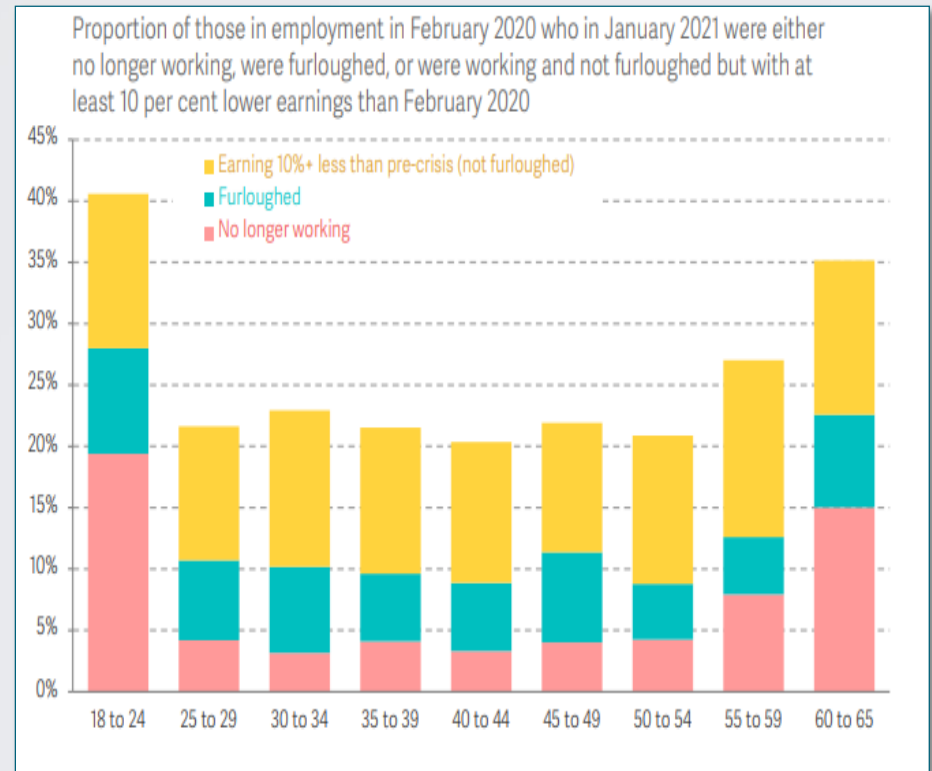


Chart 5: Impact on Older Workers, Resolution Foundation

*with a sample of 6,389 adults aged 18 to 65

The UK Labour Market – Labour Demand

Hiring has accelerated in the run-up to reopening economy, which may present opportunities for those who most impacted

- **Uneven jobs recovery:** the reopening of hospitality has created a hiring frenzy, but there is still a shortages of training places for graduates.
- **Labour Shortages:** There are some signs of labour shortages in the UK labour market as a result of a fall of overseas workers during the pandemic.
- **People Still Left Behind:** “The grand reopening in May has led to a grand hiring surge as people return to work . . . But while this hiring surge is welcome, it is far from complete,” said Nye Cominetti, economist at the Resolution Foundation.

% change in number of UK job adverts since February 2020

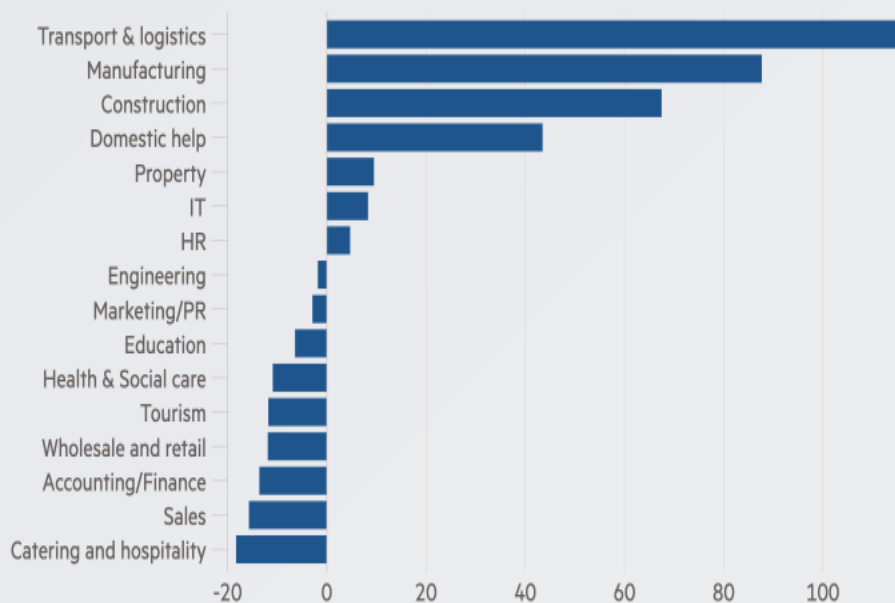


Chart 6: Growth in UK job adverts across sectors, ONS.

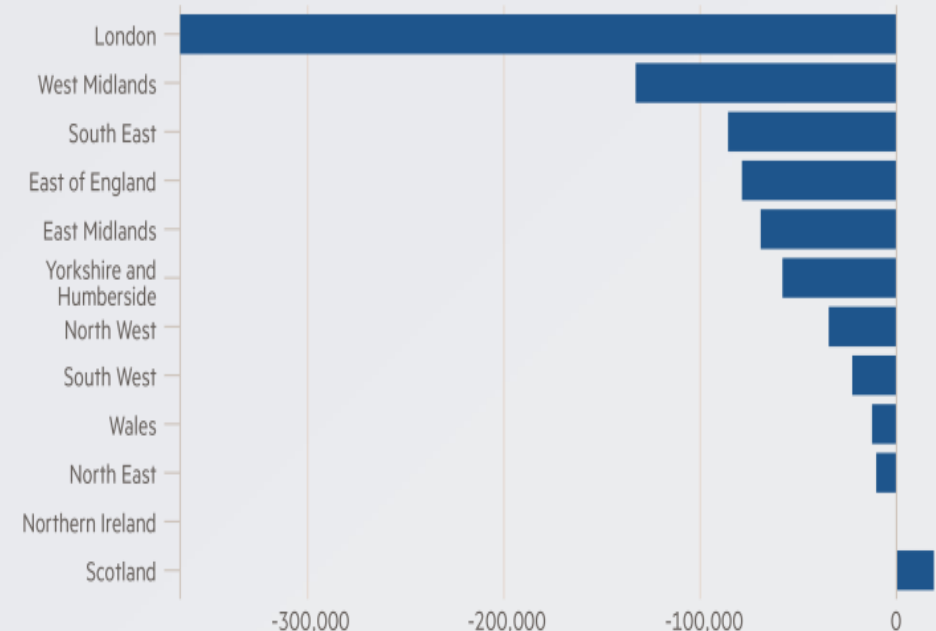
**ONS estimates do not yet take in planned changes to its methodology to reflect recent changes in international migration and to the way it conducts its surveys.*

The UK Labour Market – Risk of Labour Shortages

The UK faces labour shortages due to a sharp fall in overseas workers as a result of COVID-19 and Brexit. Business leaders warn that labour shortages pose a risk to economic recovery.

- **Immigration:** The Economics Statistics Centre of Excellence* had estimated that up to **1.3m non-UK born workers** left the UK between Q3 2019 and Q3 2020.
- **Scottish impact:** The data shows that the impacts have been greater in London, while Scottish migration estimates were more stable. Although future demands in London may impact the availability of labour in Scotland.
- **Data Uncertainty:** Accurate monitoring of population flows during the pandemic was challenging as the two main means of monitoring migration data had been disrupted.

Difference between Jul-Sep 2019 and Jul-Sep 2020



Source: King's College London
© FT

Chart 7: Change in population of foreign born UK residents, ONS

* Research hub set up by ONS

The Scottish Employer Skills Survey 2020

The Scottish Government has published the 2020 Employer Skills Survey which includes COVID-19 impacts. The Glasgow College Region* has made significant improvements in the provision and utilisation of skills.

Key Findings:

- **Skills Shortages & Skills Gaps:** In 2020, 3% of enterprises had at least a skills shortage vacancy, a significant improvement from 2017 (8%).
- **Skills Underutilisation:** In 2020, 32% of enterprises had underutilised staff**, a reduction of 6 percentage points from 2017.
- **COVID-19 Impacts:** More than half of enterprises in Glasgow College Region have increased homeworking and training in responses to COVID-19.

Indicator	2015	2017	2020
Enterprises that have at least a skills shortage vacancy (%)	7%	8%	3%
Enterprises with a skills gap (%)	11%	18%	11%
Proportion of employers with staff who are under-utilised	36%	38%	32%
Proportion of enterprises making staff redundant due to COVID-19	N/A	N/A	12%
Proportion of enterprises who have increased homeworking due to COVID-19	N/A	N/A	54%
Proportion of enterprises arranging training in response to COVID-19 in the last six months	N/A	N/A	56%

Table 4: ESS 2020 key findings, Glasgow College Region

* The Glasgow College Region consists of Glasgow City, East Dunbartonshire, East Renfrewshire

**those that have both qualifications and skills that are more advanced than required for their current job role

'Seize the moment'- CBI's New Economic Strategy

CBI has launched a new economic strategy for the UK economy. It identifies six business-led opportunities that the UK could capture by 2030.

Business Opportunities

Business-led opportunities:

- 1) **A decarbonised economy**, winning the global race to net-zero
- 2) **An innovation economy**, wide adoption of breakthrough technologies
- 3) **A globalised economy**, making the UK a trading powerhouse
- 4) **A regionally thriving economy**, supporting distinctive regional strengths
- 5) **An inclusive economy**, where work enables all talent to progress
- 6) **A healthier nation**, with health the foundation of wellbeing and growth

Policy Responses

The CBI calls for:

- 1) **Regulatory reform for investment and innovation**
- 2) **Globally leading clusters**
- 3) **Making skills more demand-led and accessible**
- 4) **Unlocking finance for growth and investment**
- 5) **A long-term tax roadmap**



The Economy 2030 Inquiry

The Resolution Foundation and LSE have launched the Economy 2030 Inquiry- a report which argues that a rebuilding of UK's economy strategy is needed to avoid a decade of continued slow growth.

The [report](#) said the 2020s would define the UK for decades to come, as a result of a series of socio-economic factors including:

- 1) COVID-19
- 2) BREXIT
- 3) AUTOMATION
- 4) NET-ZERO
- 5) DEMOGRAPHIC CHANGE

Regional Economic Strategy

- These shocks will reshape the context within which a renewed economic strategy must be built.
- The Hub continue to monitor the impact of these changes on the national and GCR economies as new data from this two-year project becomes available.
- A panel of experts suggested that policy responses should focus on:
 - Investing in early years and adult education
 - Supporting economic transition in disadvantaged areas
 - Investing in local assets
 - Supporting greater diffusion of new technologies

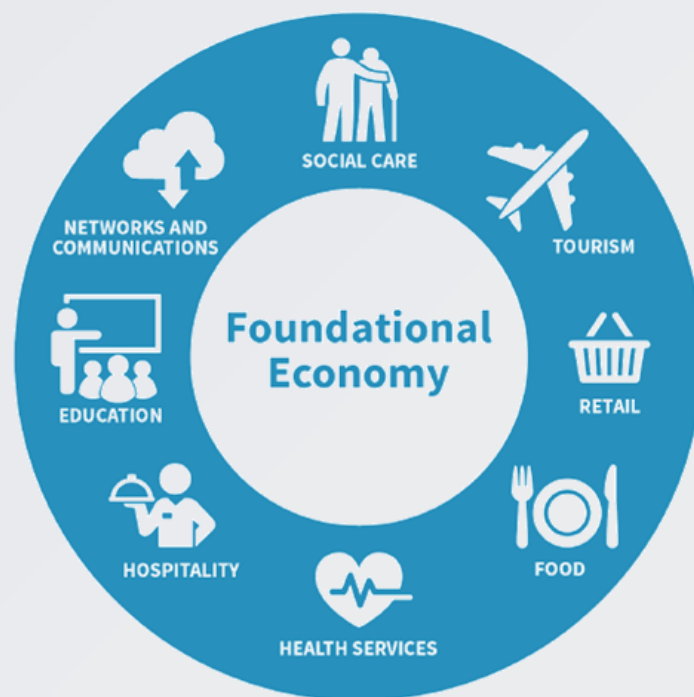


The Foundational Economy

The Economy 2030 report emphasises the importance of ‘Place’- and thus, the need to support economic opportunities in local communities. One way to achieve this is by focusing on the Foundational Economy.

The Foundational Economy consists of basic services and products that keep residents “safe, sound, and civilised”.

- **GCR: Over 60% of jobs and 40% of businesses** in Glasgow City Region are within the Foundational Economy.*
- **Pay:** It covers a significant proportion of low paid jobs.
- **Inclusive Growth Opportunities:** Improvements in the Foundational Economy have the potential to tangible benefits in communities across the Region – and possibly have greater impacts on inclusive growth aspirations than a focus on more glamorous high tech sector



Source: The Conversation

* A more in-depth review has been prepared separately and available from the Hub

Sources

GENERAL

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